

# The economic outlook

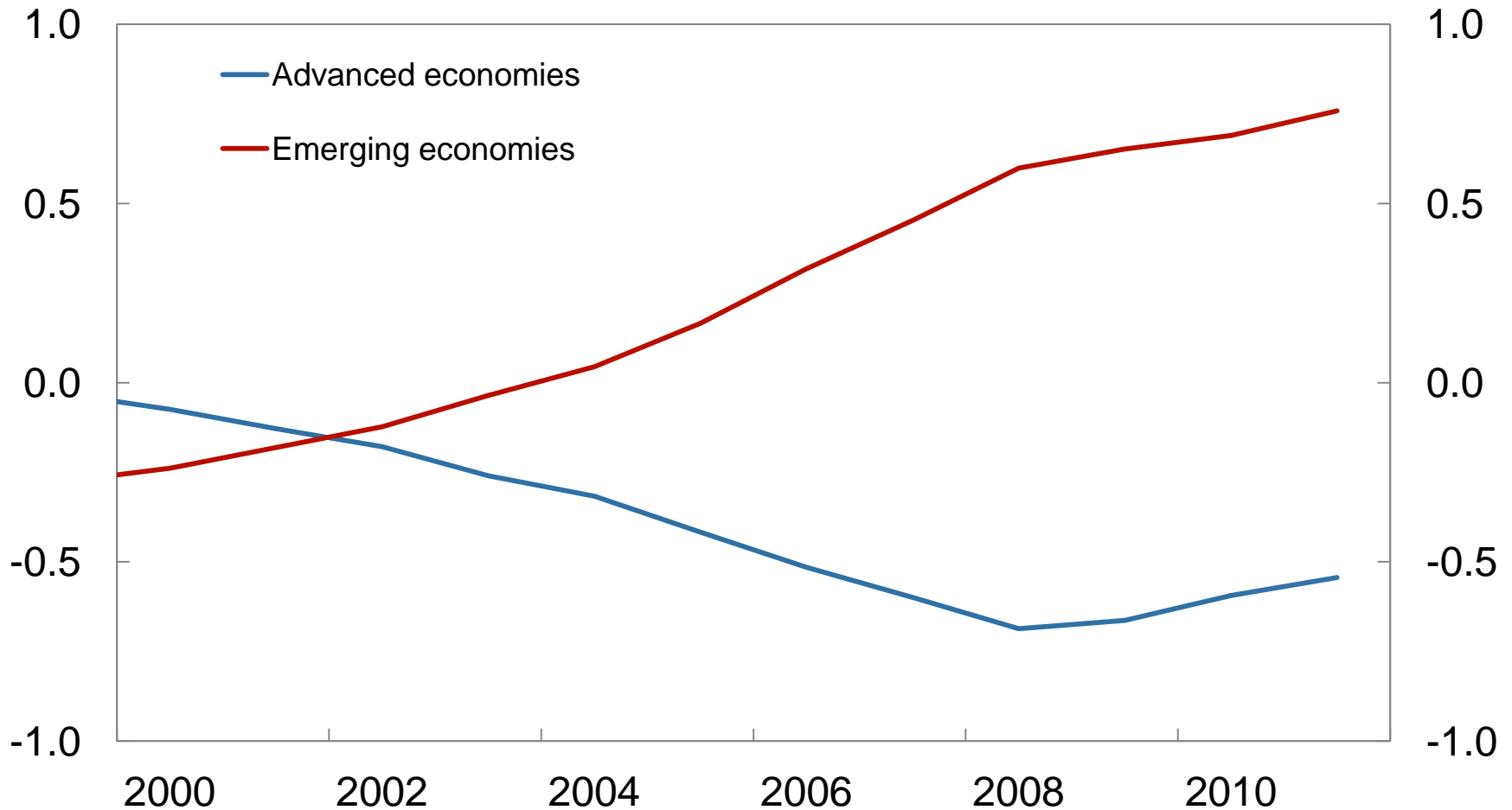
*Governor Øystein Olsen*

*Norges Bank*

*12 April 2012*

# Global trade imbalances

Current account as a percentage of world GDP<sup>1)</sup>

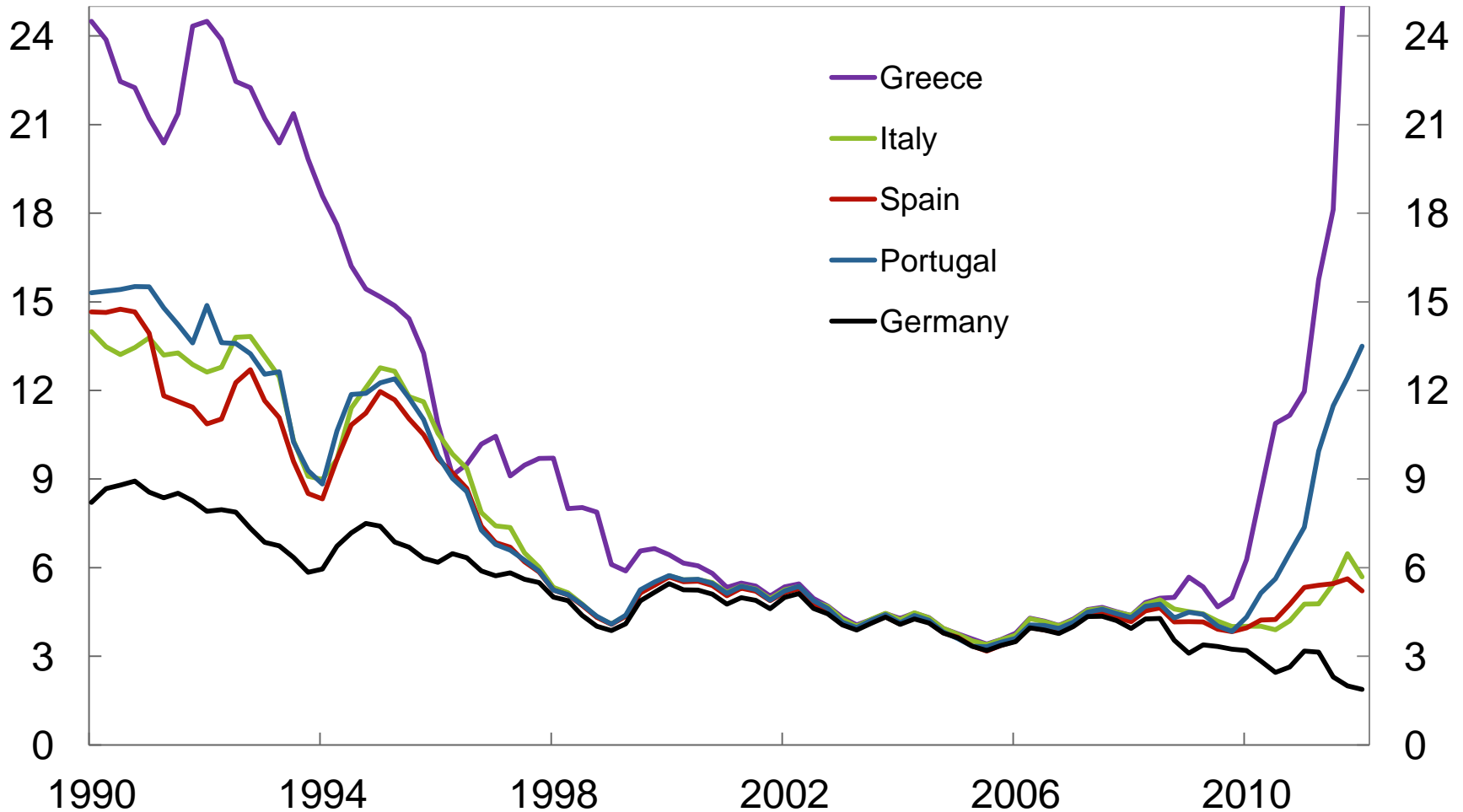


1) 10-year moving average

Sources: IMF and Norges Bank

# Capital market failure

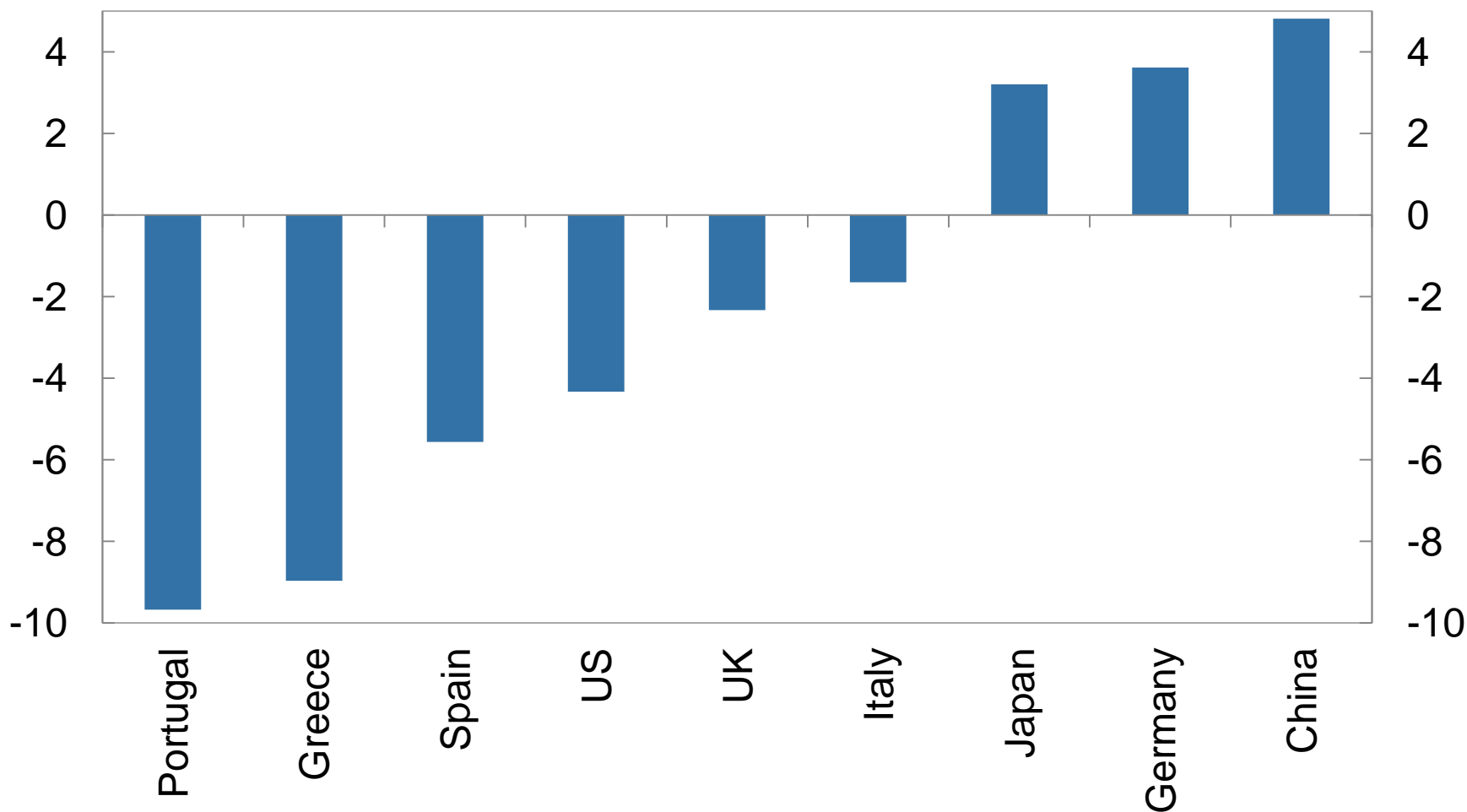
Yield on 10-year government bonds. Percent.



Sources: Eurostat, Thomson Reuters, IMF and Norges Bank

# Current account for selected countries

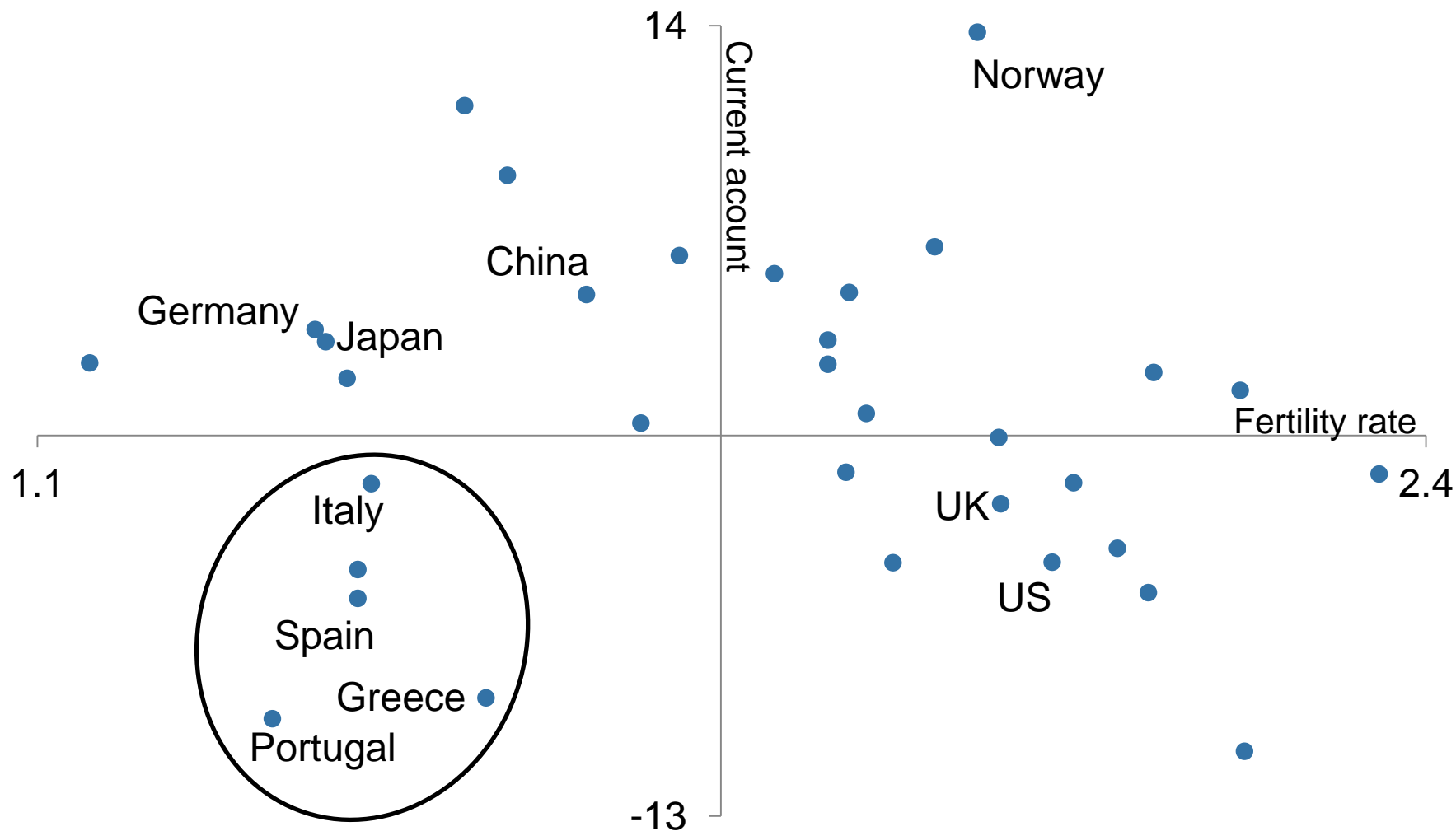
As a percentage of GDP. Average 1999 – 2011



Sources: IMF and Norges Bank

# Current account and fertility rate

Current account<sup>1)</sup> average 1999 – 2011. Fertility rates 2009

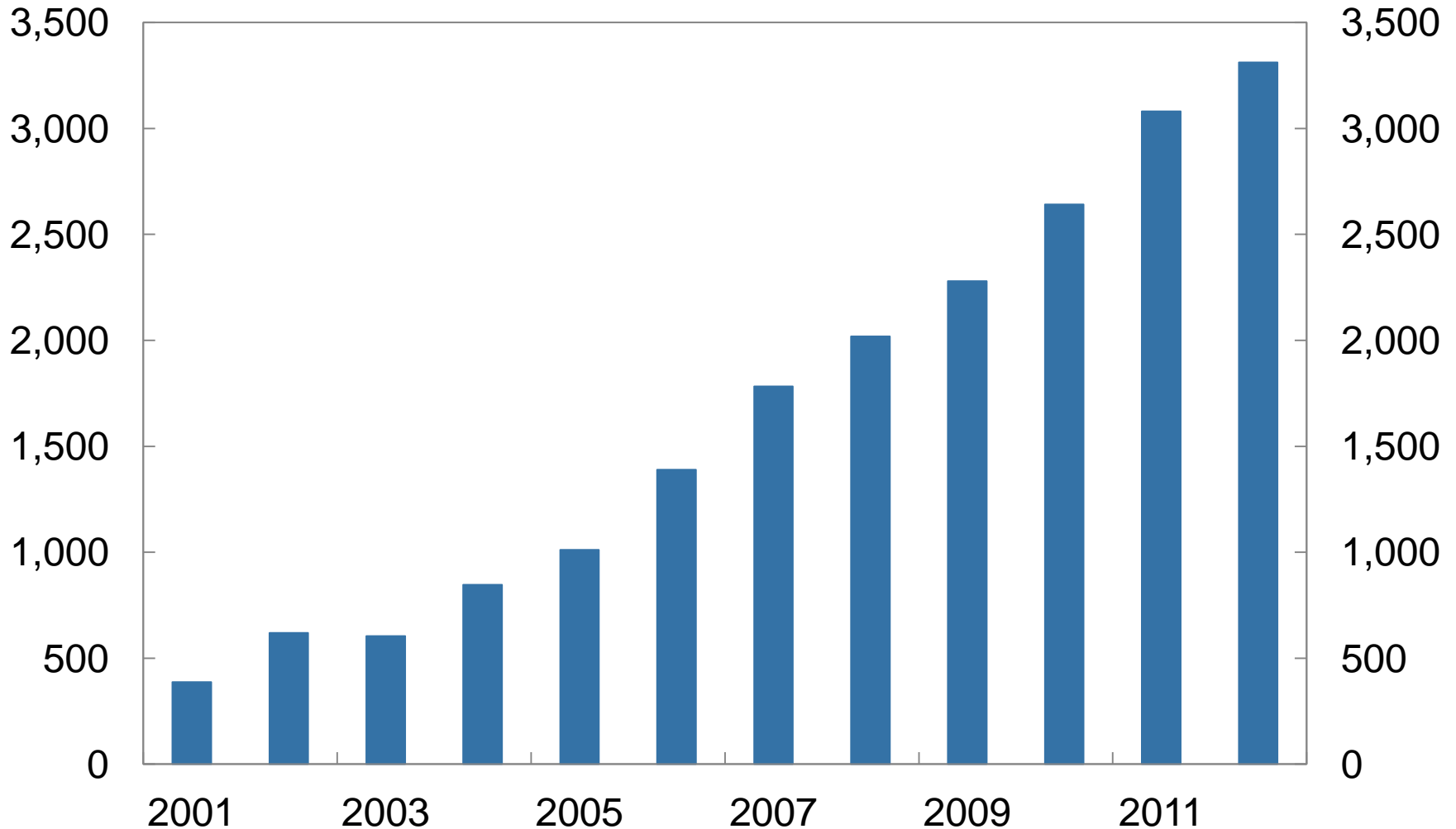


1) Current account as a percentage of GDP

Sources: IMF, OECD, World Bank and Norges Bank

# Government Pension Fund Global

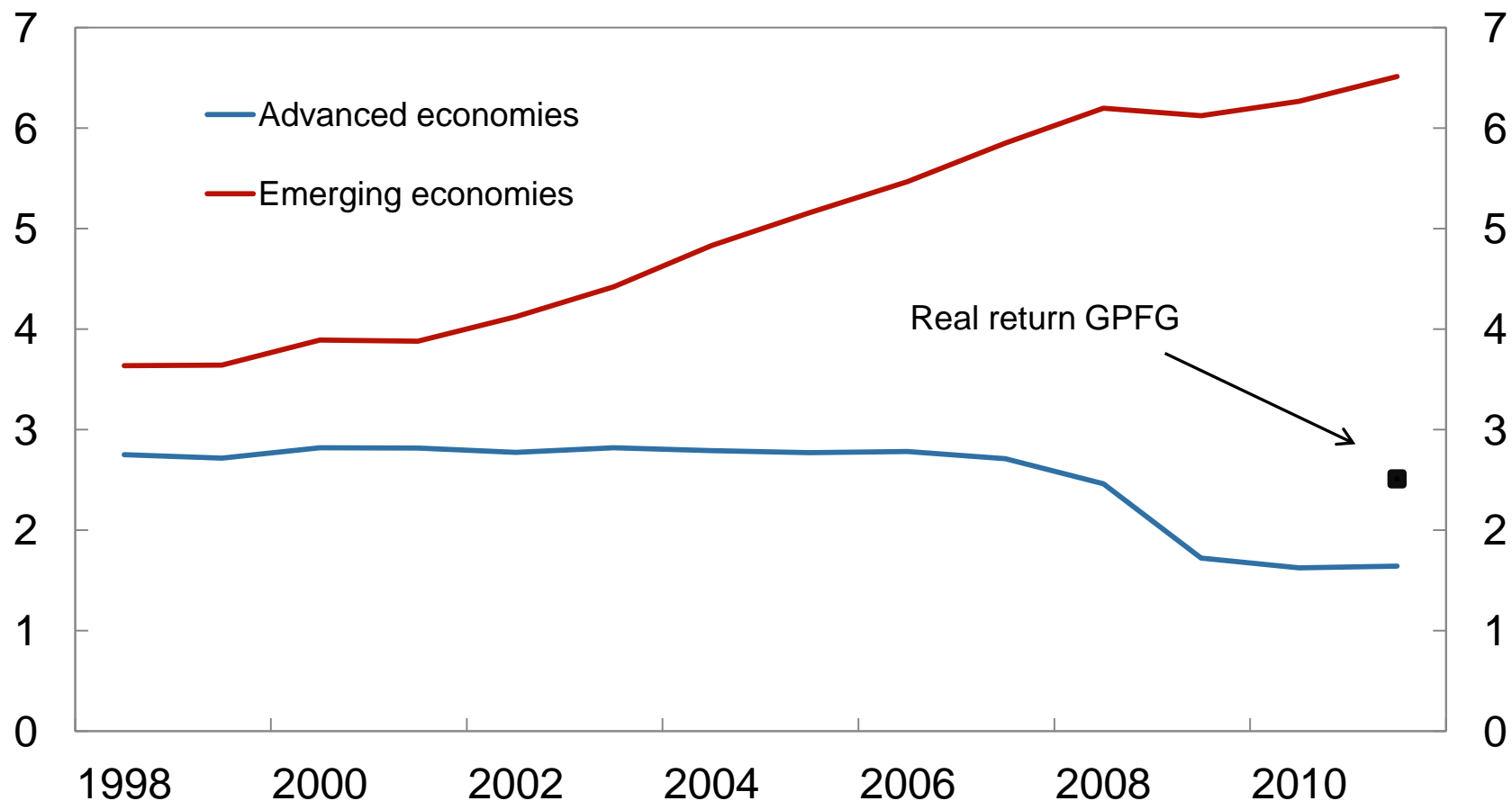
In billions of NOK. Value at the start of the year



Sources: Ministry of Finance and NBIM

# The world's economic geography is changing

Growth in GDP<sup>1)</sup> and real return on GPFG<sup>2)</sup>. Percent.



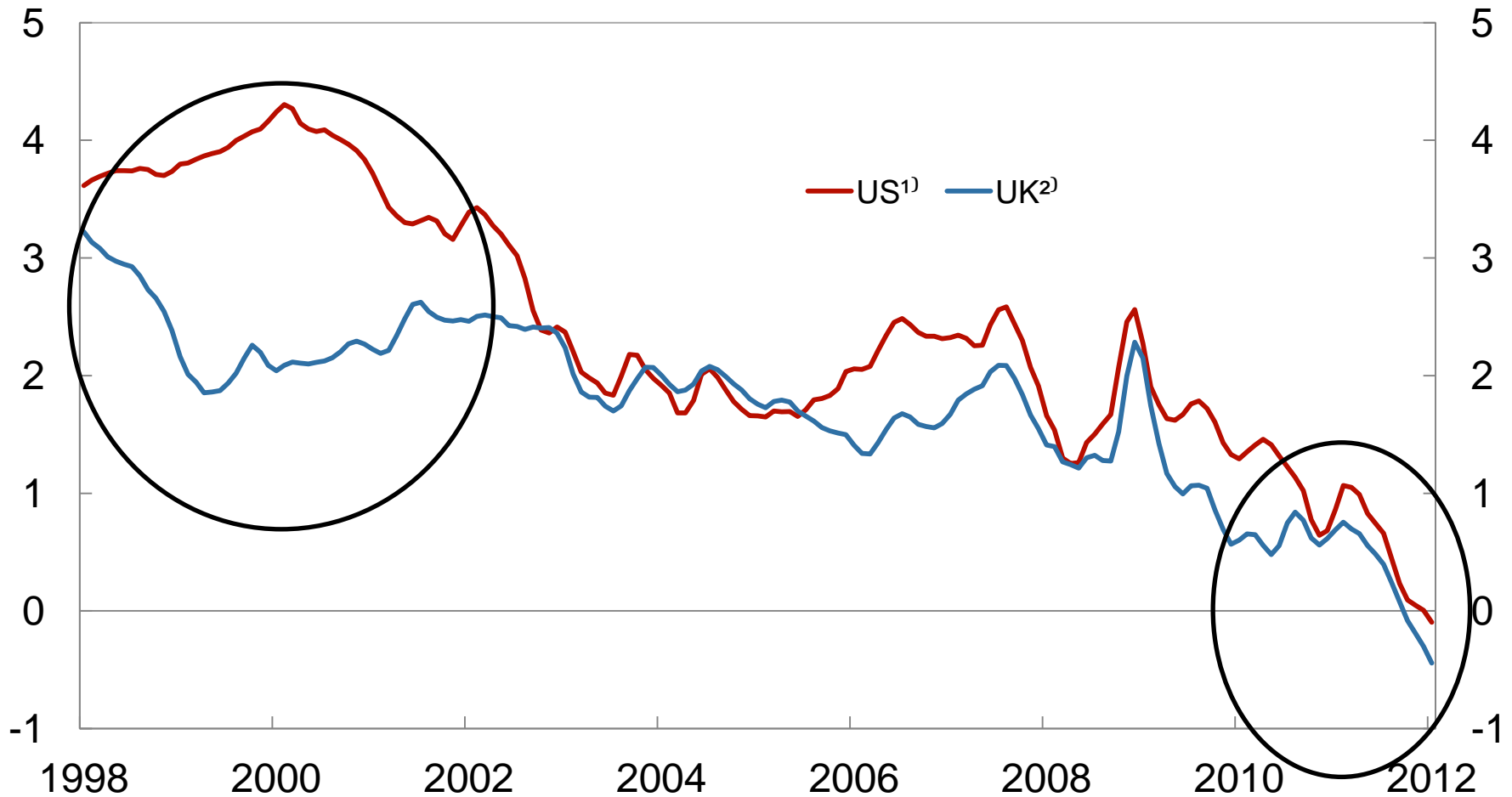
1) GDP weights. 10-year moving average. IMF estimates for 2010 and 2011

2) Government Pension Fund Global . Annualised growth (real return) since 1998

Sources: IMF and Norges Bank

# Risk-free returns have fallen

Real return on 10-year government bonds. Percent



1) Treasury Inflation Protected Securities

2) Index-linked Gilts

Sources: Bloomberg and Norges Bank



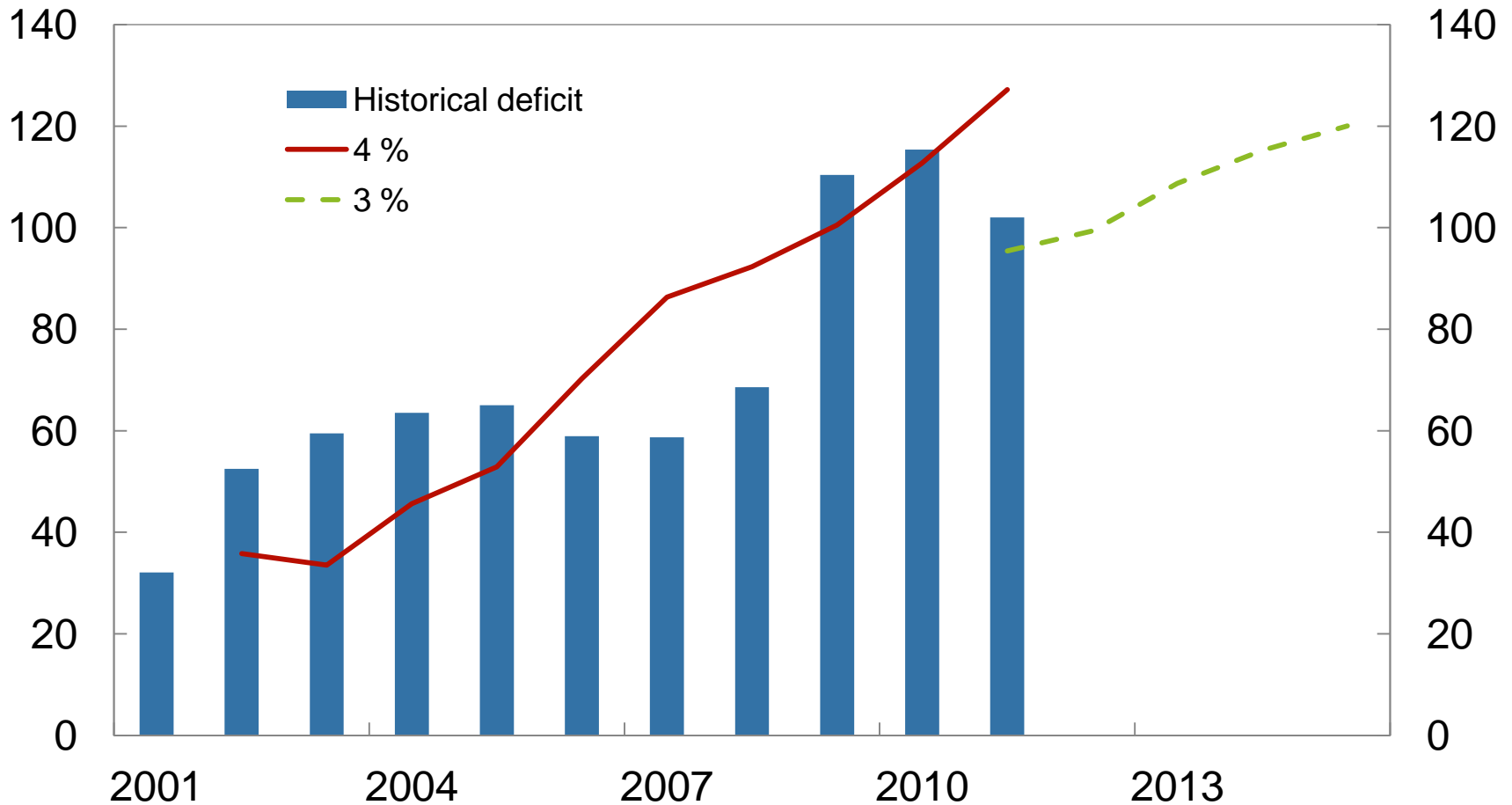
# Estimates of real return

Percent

	<b>2001</b> 40% equities 60% bonds	<b>2012</b> 60% equities 40% bonds
Return on equities	7½	4¼
Return on bonds	3	1
Return GPFG	4¾	3

# Favourable timing for transition to 3 percent

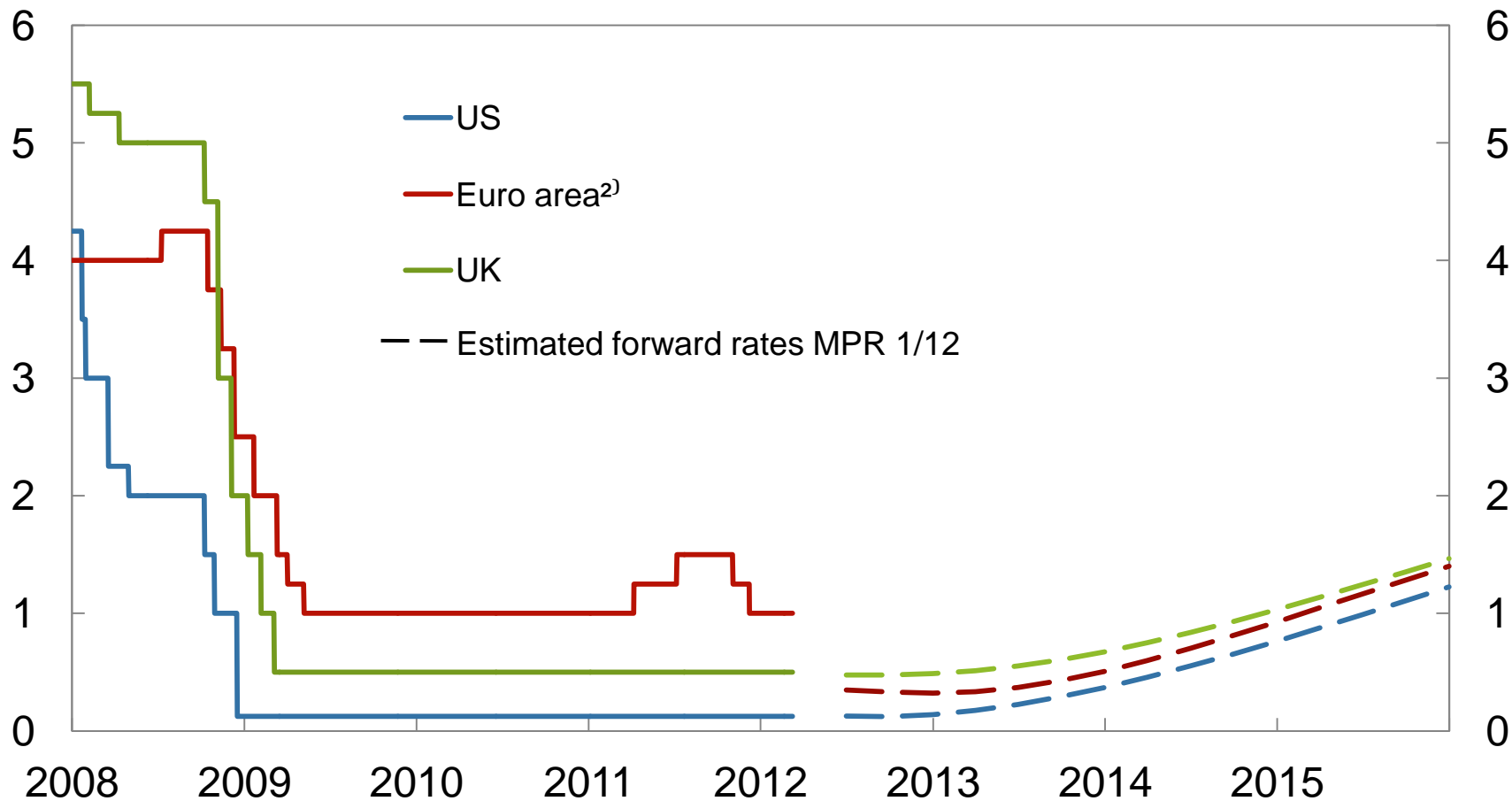
Structural non-oil deficit. Constant 2012 prices. In billions of NOK



Sources: Ministry of Finance and Norges Bank

# Expected key rates<sup>1)</sup>

Percent



1) Based on Overnight Index Swap rates (OIS). Daily figures from 1 July 2008 and quarterly figures from 2012 Q1

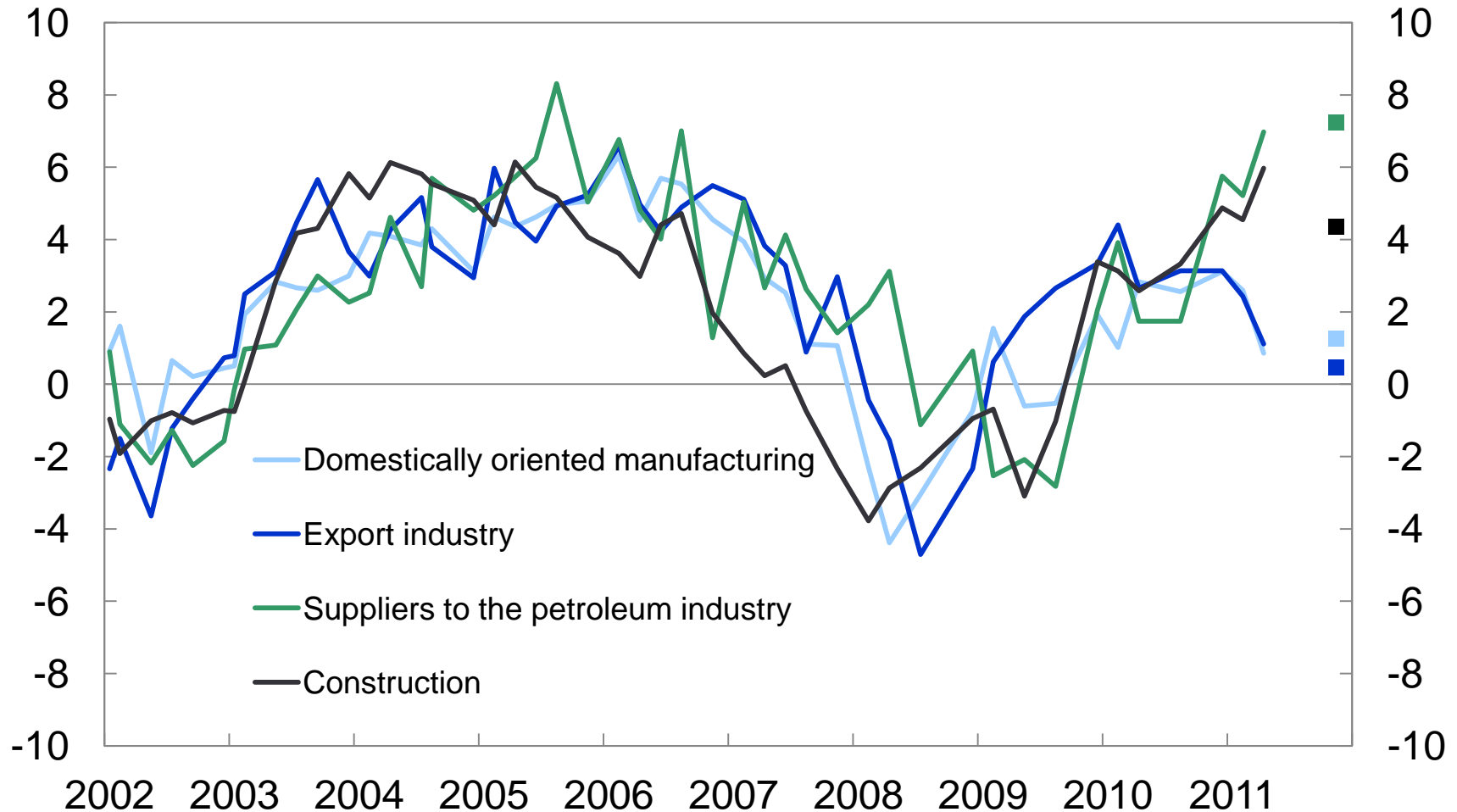
2) EONIA in euro area

Sources: Bloomberg and Norges Bank

# Two-speed development in Norway

Output growth. Manufacturing and construction

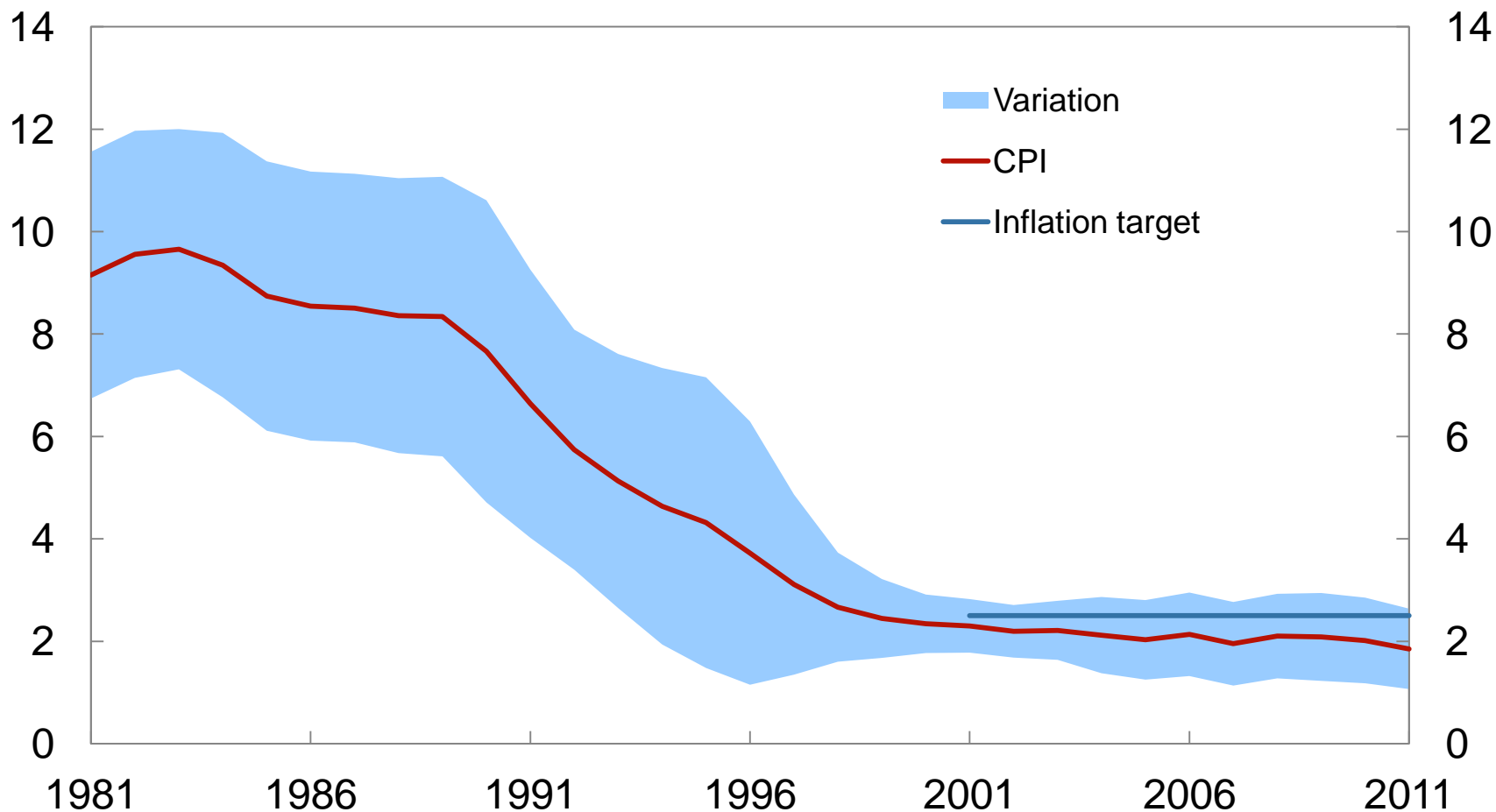
Past 3 months and 6 months ahead. Annualised. Percent



Source: Norges Bank's regional network

# Inflation

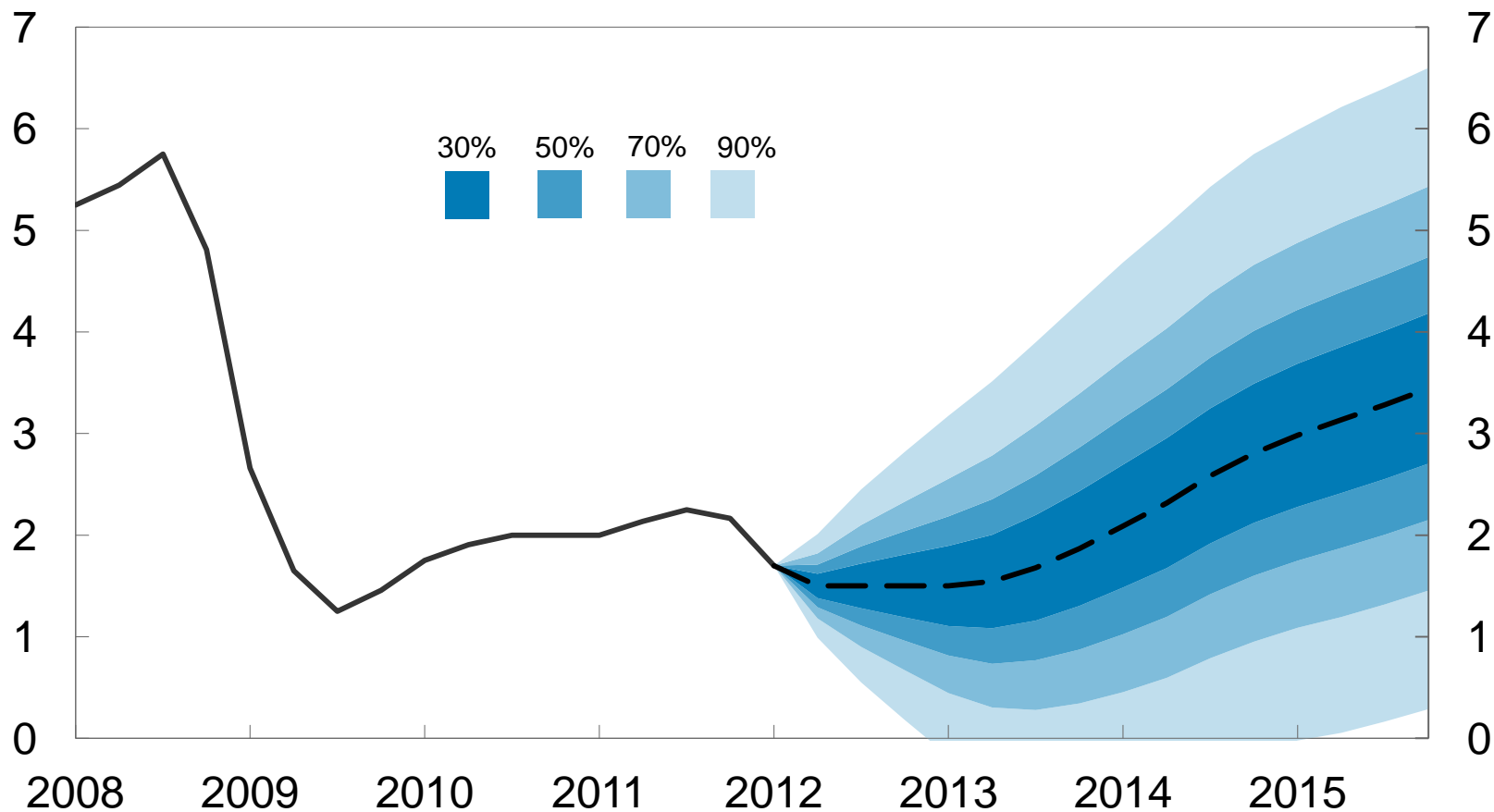
Moving 10-year average and variation in CPI



Sources: Statistics Norway and Norges Bank

# Projected key policy rate in MPR 1/12

Percent. Baseline scenario in the Monetary Policy Report, March



Source: Norges Bank

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