The economic outlook

Governor Øystein Olsen
Norges Bank
12 April 2012
Global trade imbalances
Current account as a percentage of world GDP¹)

Sources: IMF and Norges Bank

¹) 10-year moving average
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

Portugal: -10
Greece: -8
Spain: -6
US: -4
UK: -2
Italy: 0
Japan: 2
Germany: 3
China: 4

Sources: IMF and Norges Bank
Current account and fertility rate


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 GDP¹ and real return on GPFG². 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

<table>
<thead>
<tr>
<th></th>
<th>2001 40% equities</th>
<th>2001 60% bonds</th>
<th>2012 60% equities</th>
<th>2012 40% bonds</th>
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</thead>
<tbody>
<tr>
<td>Return on equities</td>
<td>7½</td>
<td></td>
<td>4½</td>
<td></td>
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<tr>
<td>Return on bonds</td>
<td>3</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Return GPFG</td>
<td>4¾</td>
<td></td>
<td>3</td>
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</tbody>
</table>
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**

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

Variation
CPI
Inflation target

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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