



ECONOMIC OUTLOOK

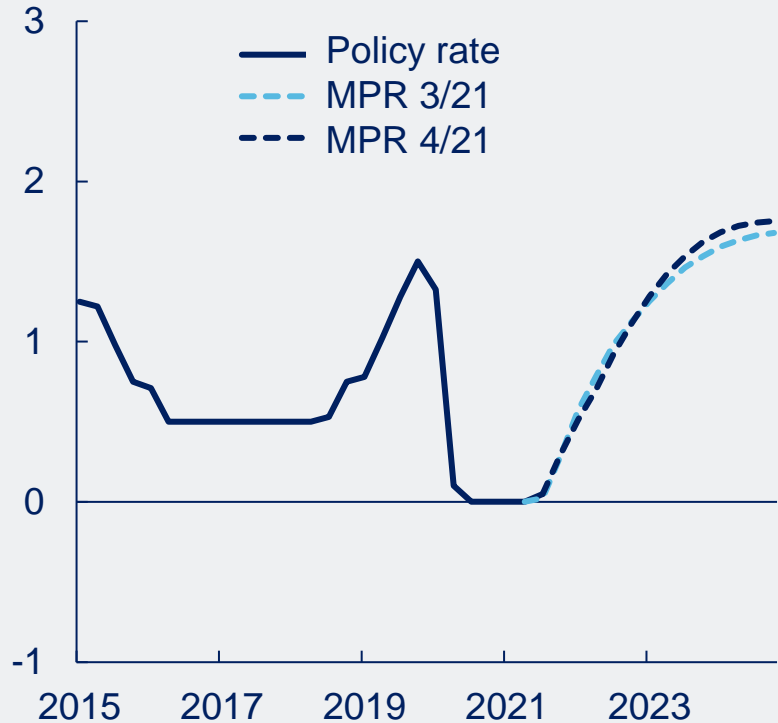
GOVERNOR ØYSTEIN OLSEN

Oslo, 20 December 2021



NORGES BANK

Policy rate raised to 0.5 percent



Norges Bank's Monetary Policy and Financial Stability Committee has unanimously decided to raise the policy rate from 0.25 percent to 0.5 percent.

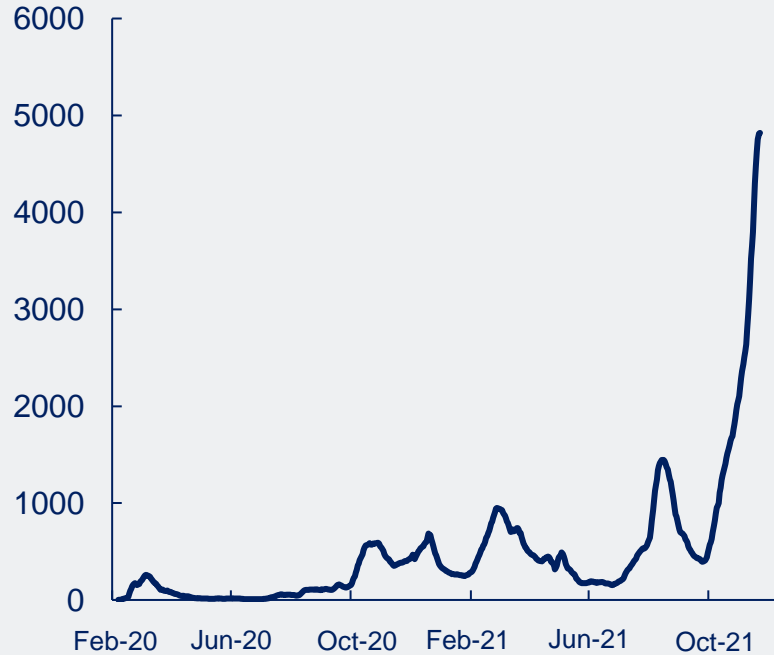
Based on the Committee's current assessment of the outlook and balance of risks, the policy rate will most likely be raised further in March.



Sharp rise in infection rates

New cases

Number. Seven-day moving average

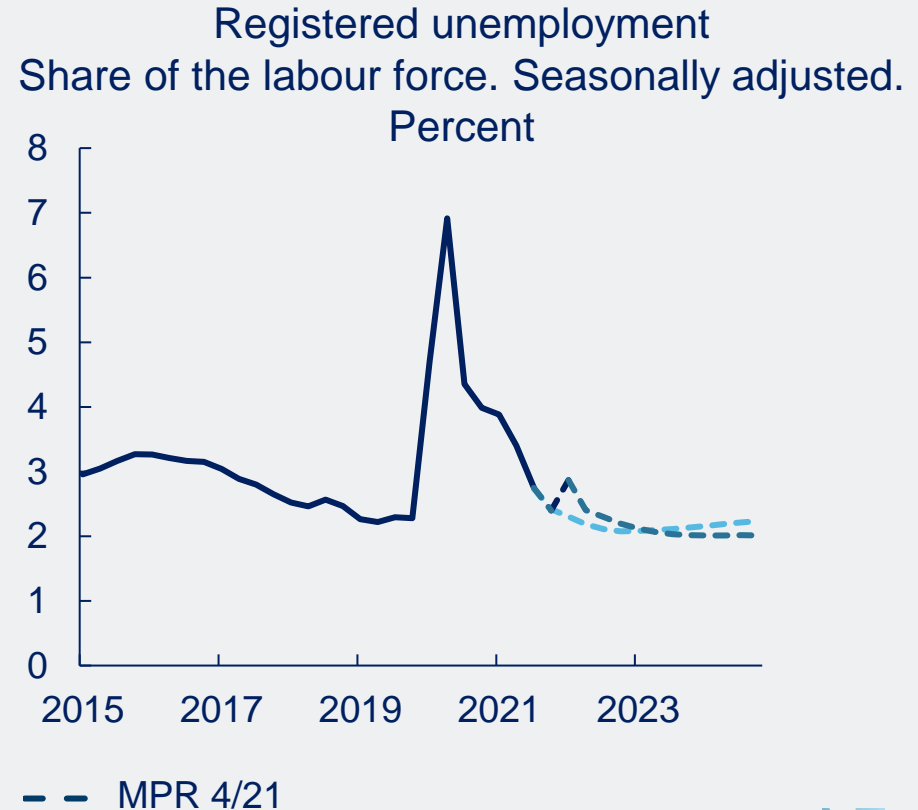
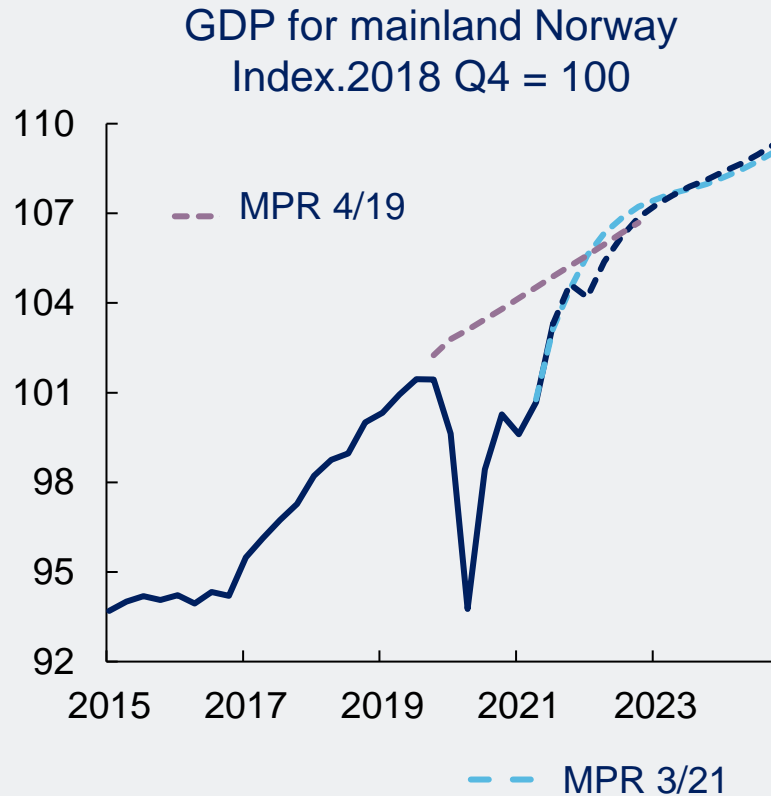


New hospital admissions

Number. Seven-day moving average

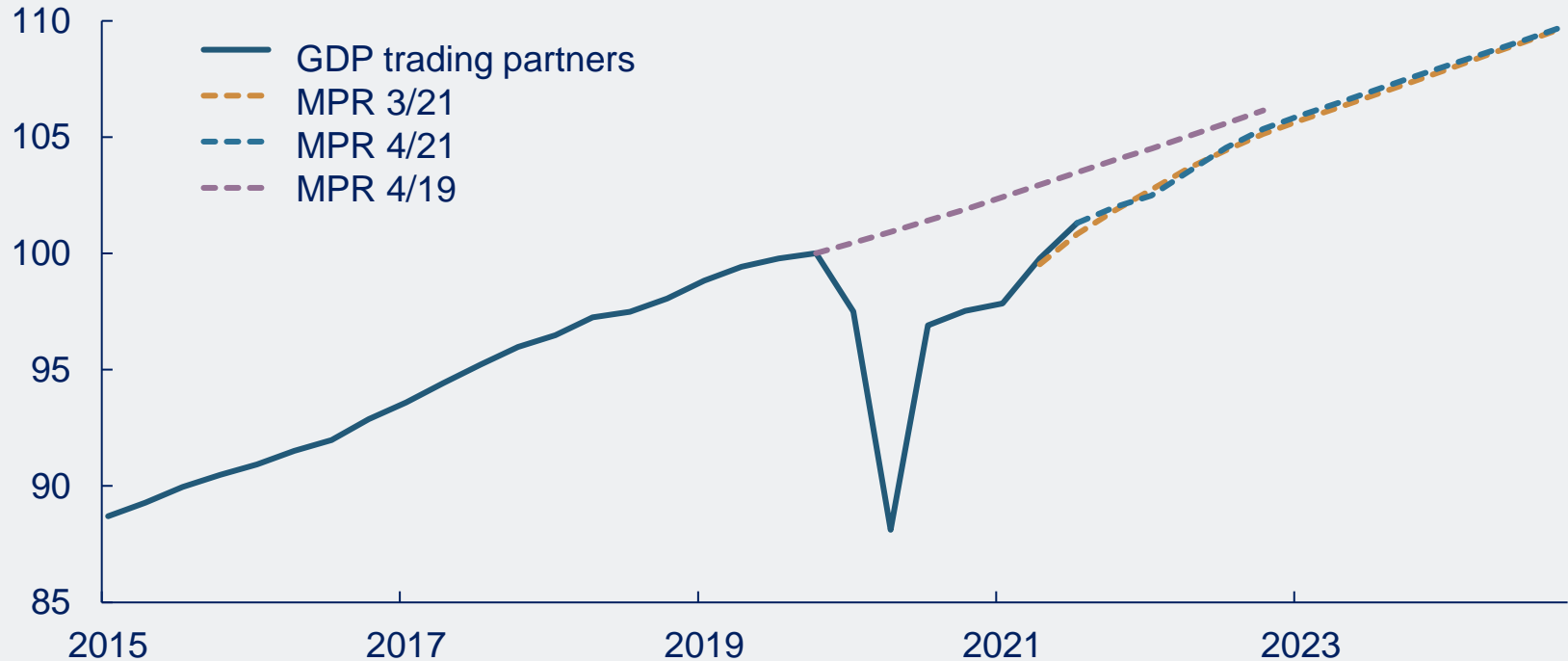


Temporary slowdown before the upswing continues



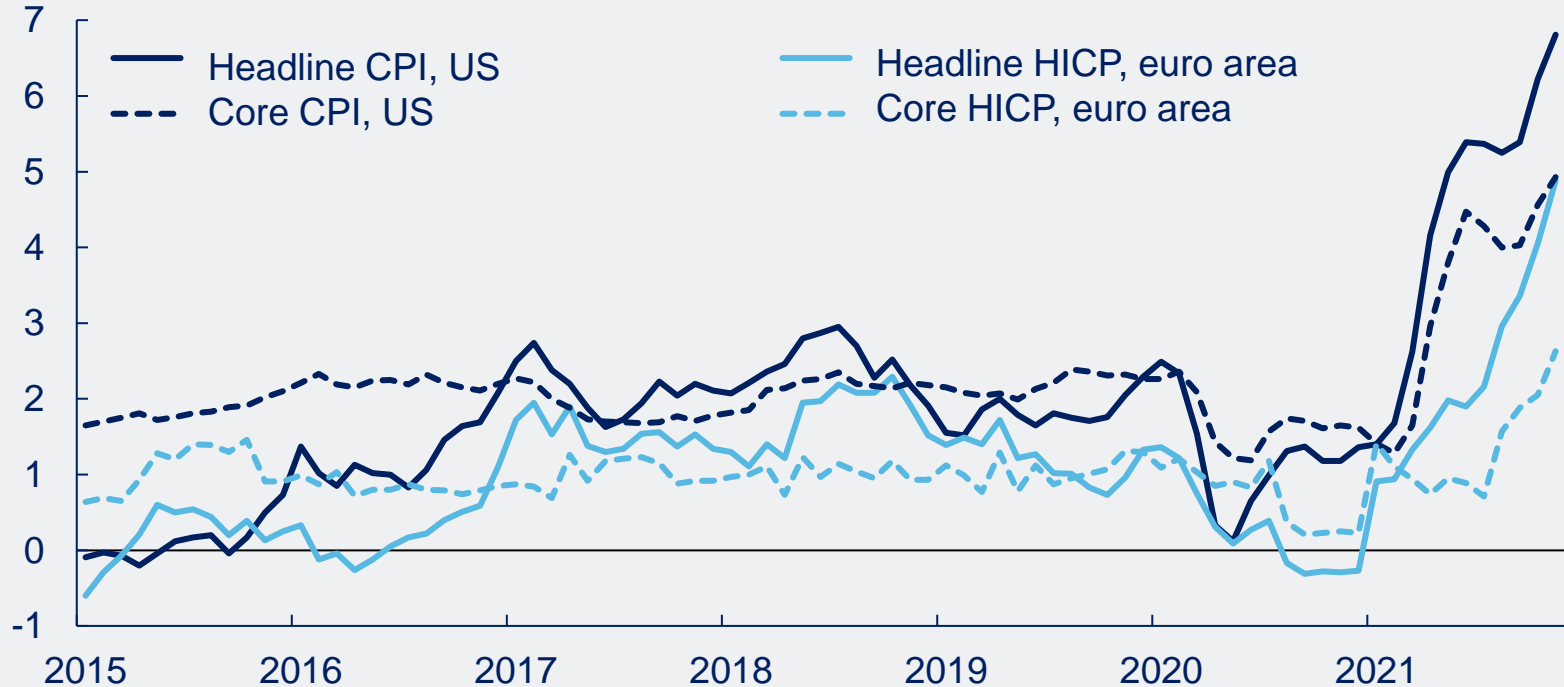
The global upturn continues

GDP trading partners. Index. Q4 2019 = 100



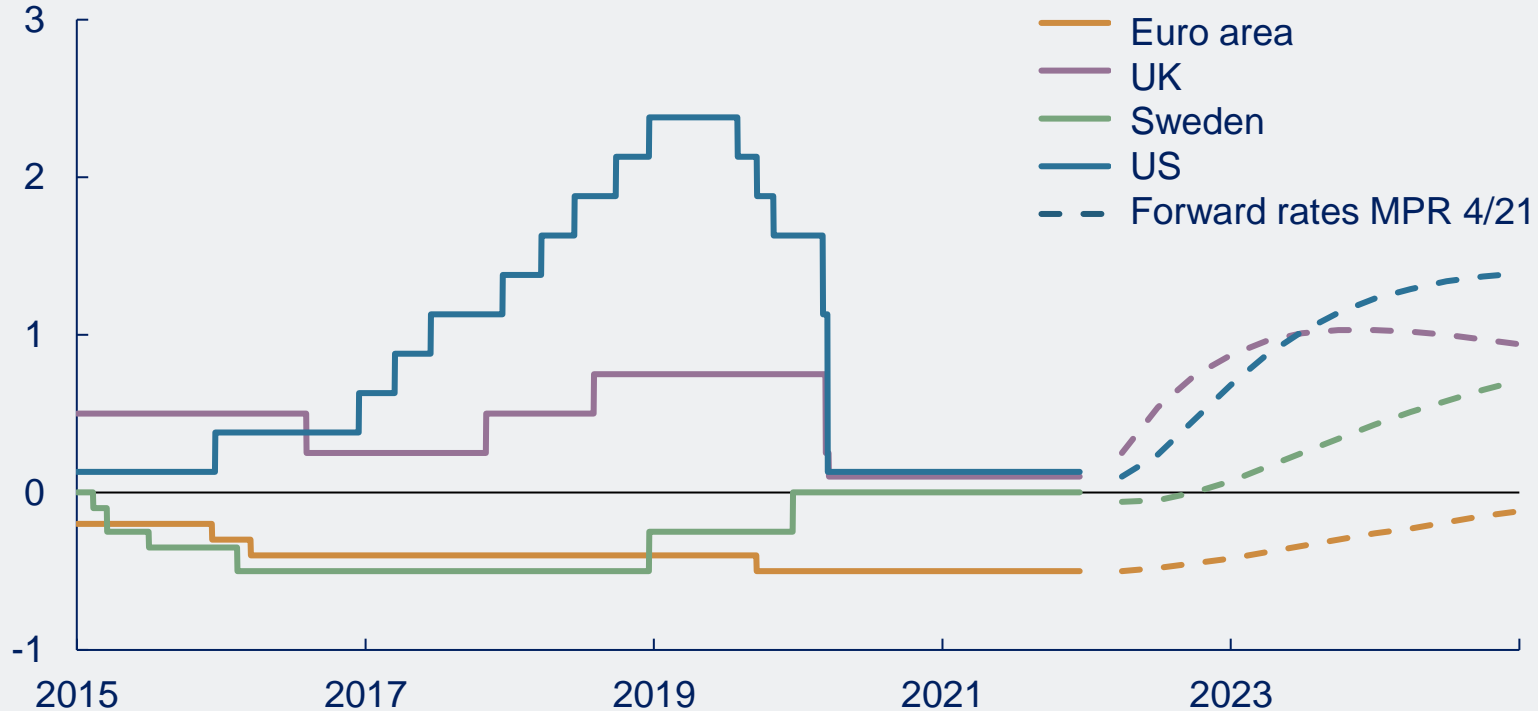
High global consumer price inflation

Consumer prices. Twelve-month change. Percent



Policy rate rises expected abroad

Policy rates and estimated forward rates. Percent

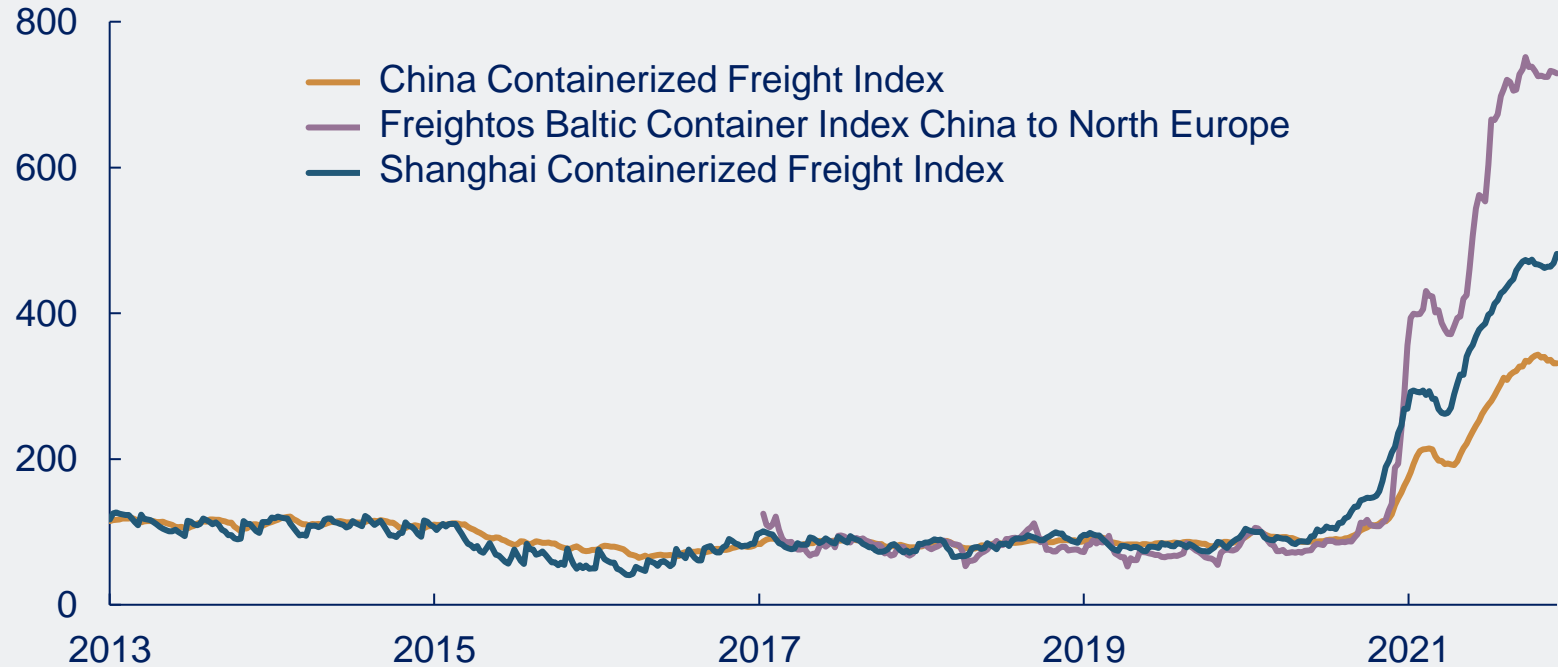


Sources: Bloomberg, Refinitiv Datastream and Norges Bank



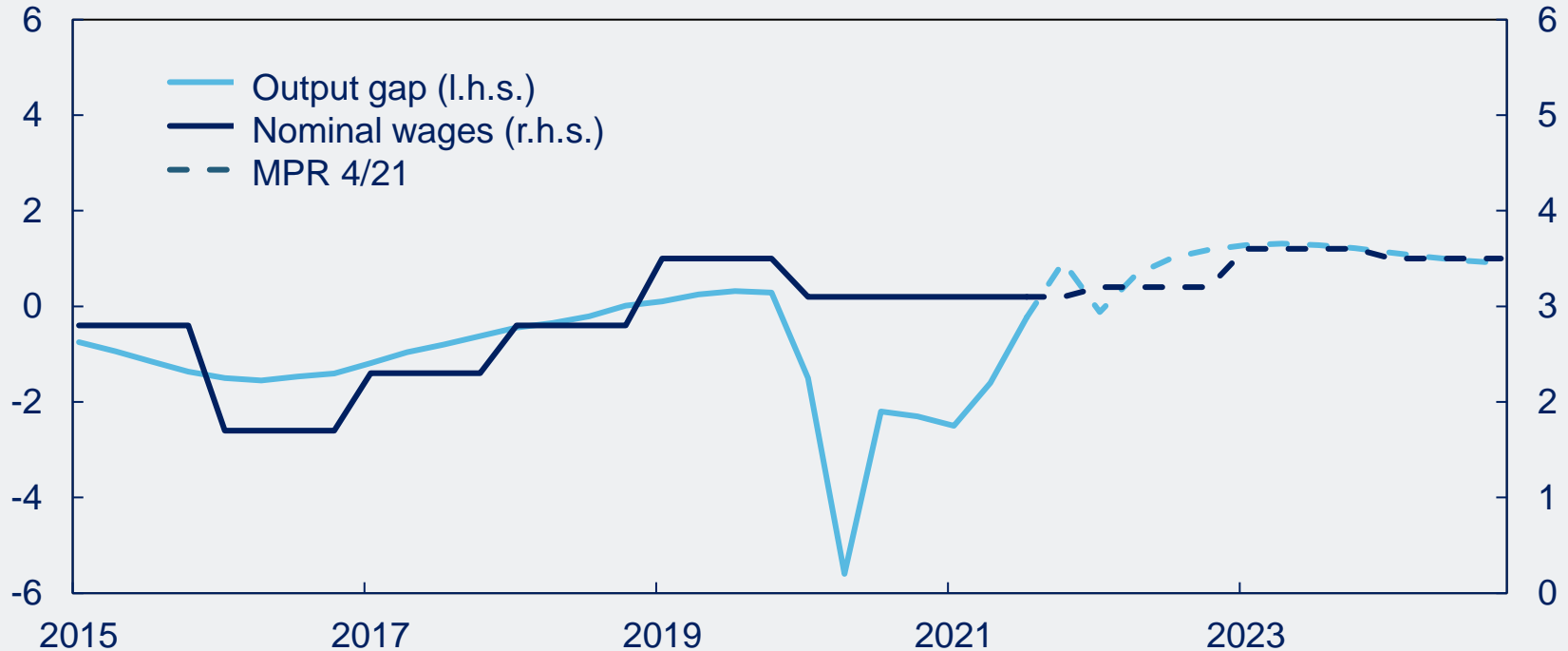
High freight rates also lift inflation in Norway

Container freight rates from China. Selected indexes. February 2020 = 100



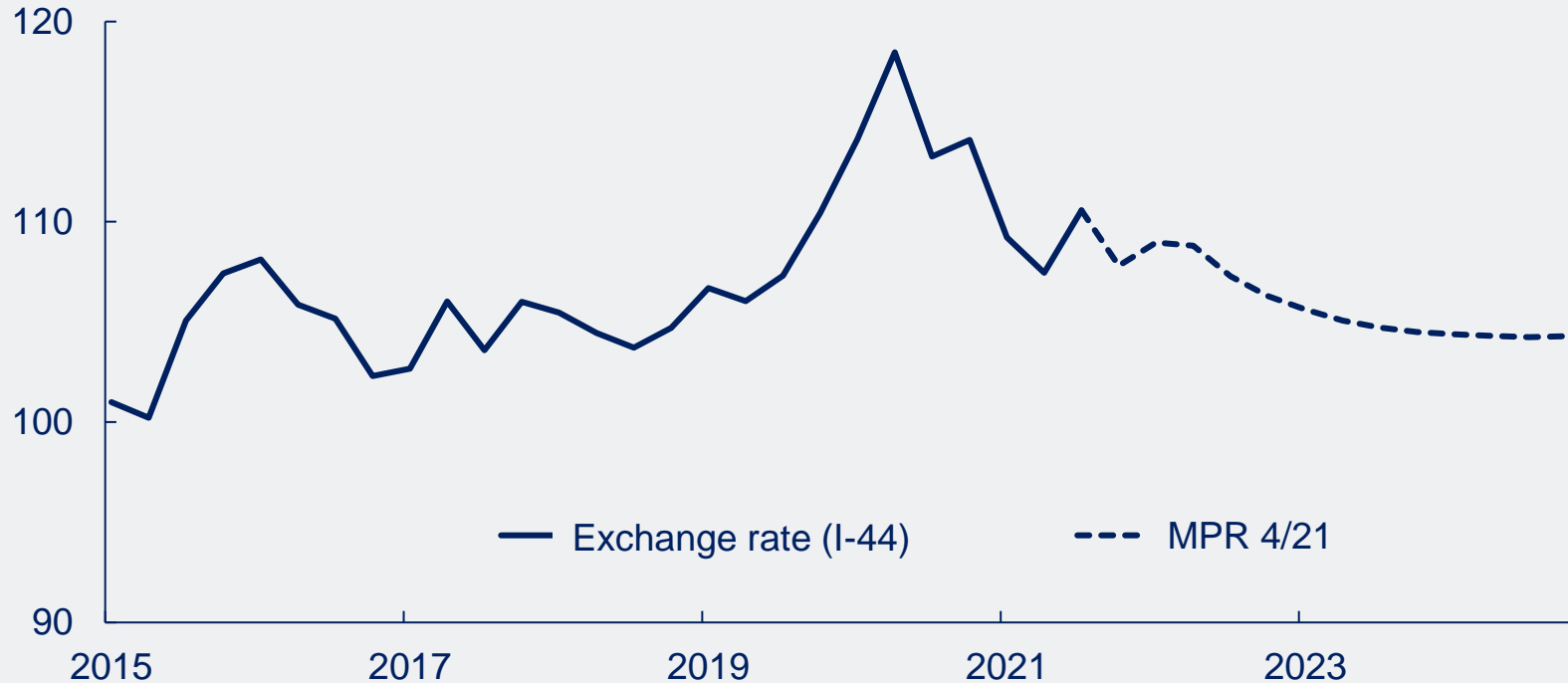
Higher capacity utilisation contributes to faster wage growth

Output gap. Percent. Nominal wages (annual growth). Percent



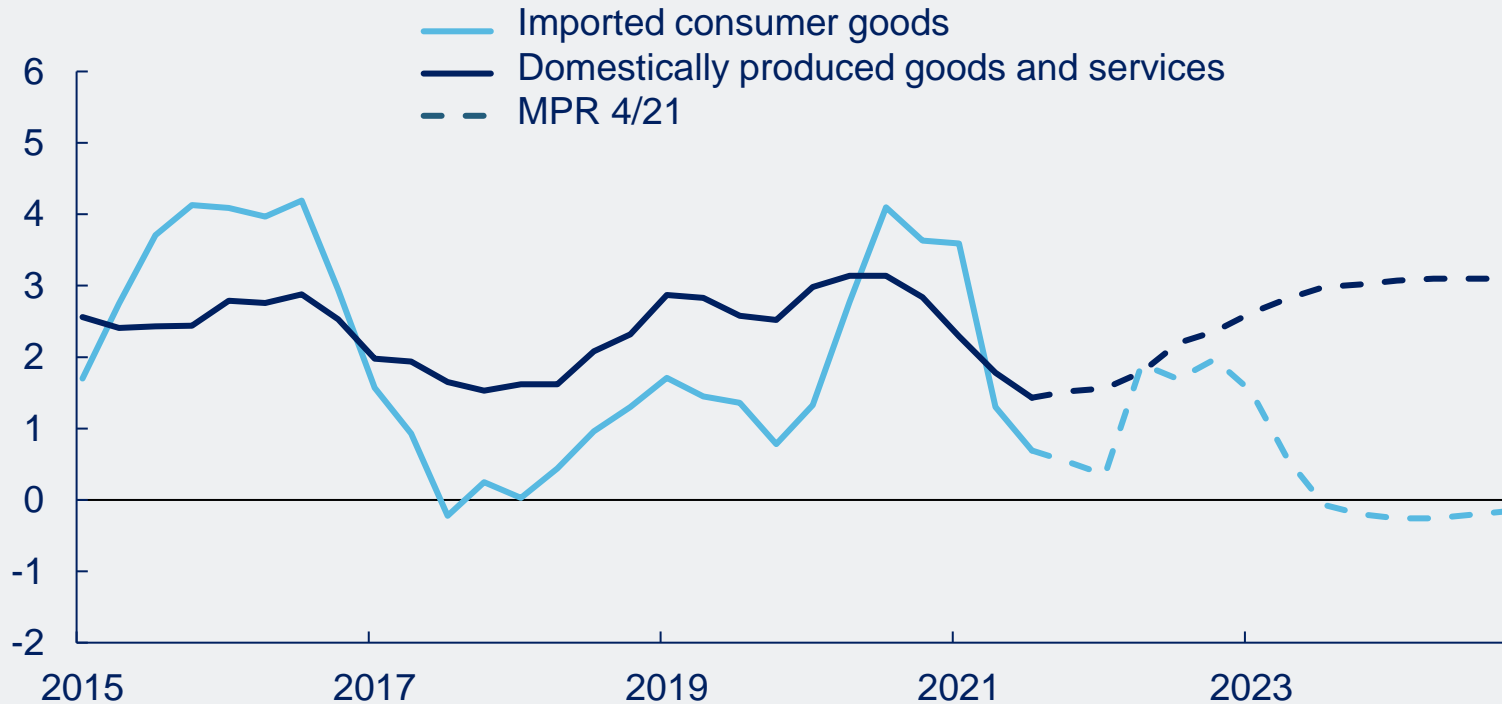
Krone projected to appreciate gradually

Import-weighted exchange rate index (I-44)



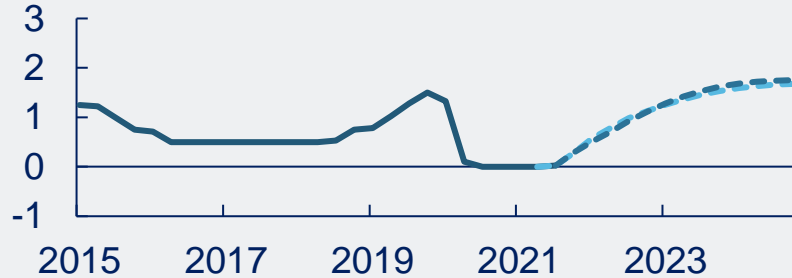
Prospects for higher underlying inflation

Domestically produced goods and services in the CPI-ATE. Four-quarter change. Percent

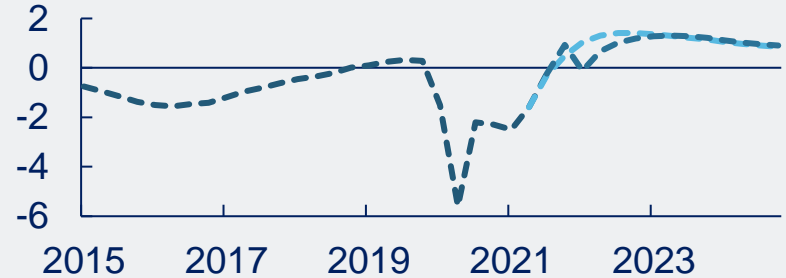


Overall picture

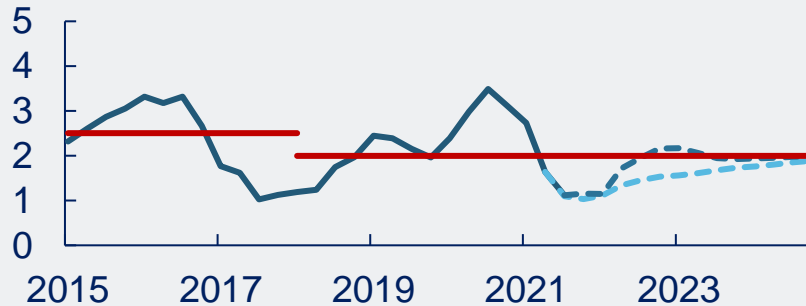
Policy rate. Percent



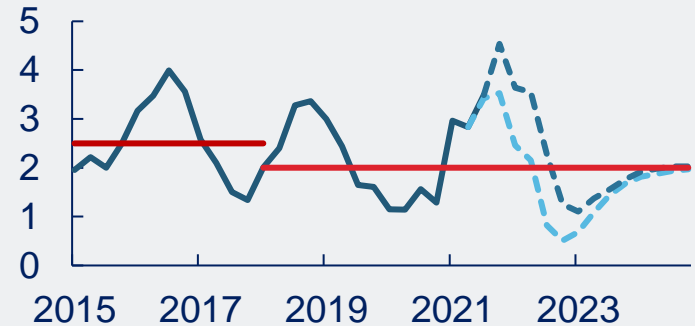
Output gap. Percent



CPI four-quarter change. Percent

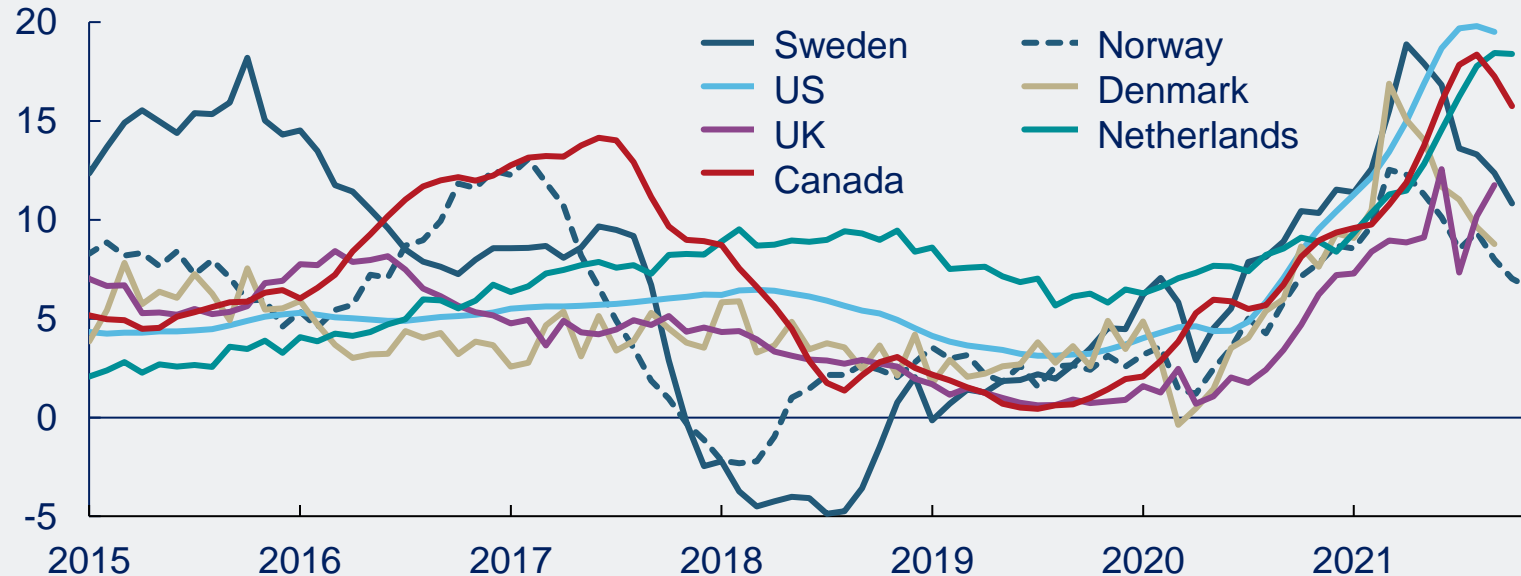


CPI-ATE four-quarter change. Percent



House prices have risen in many countries

Twelve-month change. January 2015 – November 2021

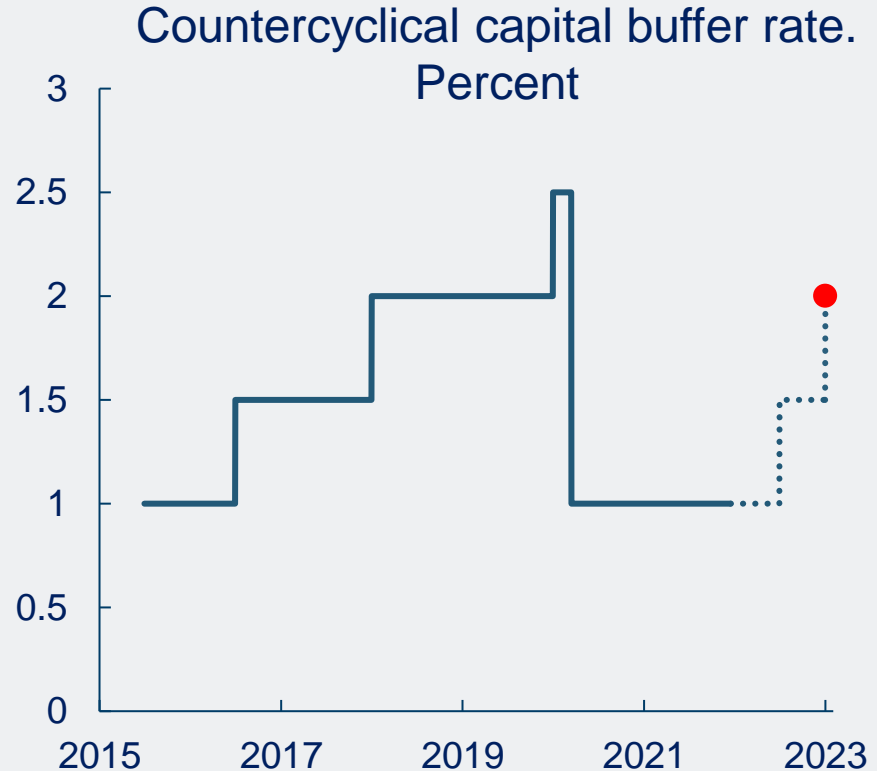


Sources: Eiendomsverdi, Finn.no, Federal Reserve Economic Data, HM Land Registry, National Bank of Canada, Real Estate Norway, Statistics Denmark, Statistics Netherlands, Teranet and Valuegard



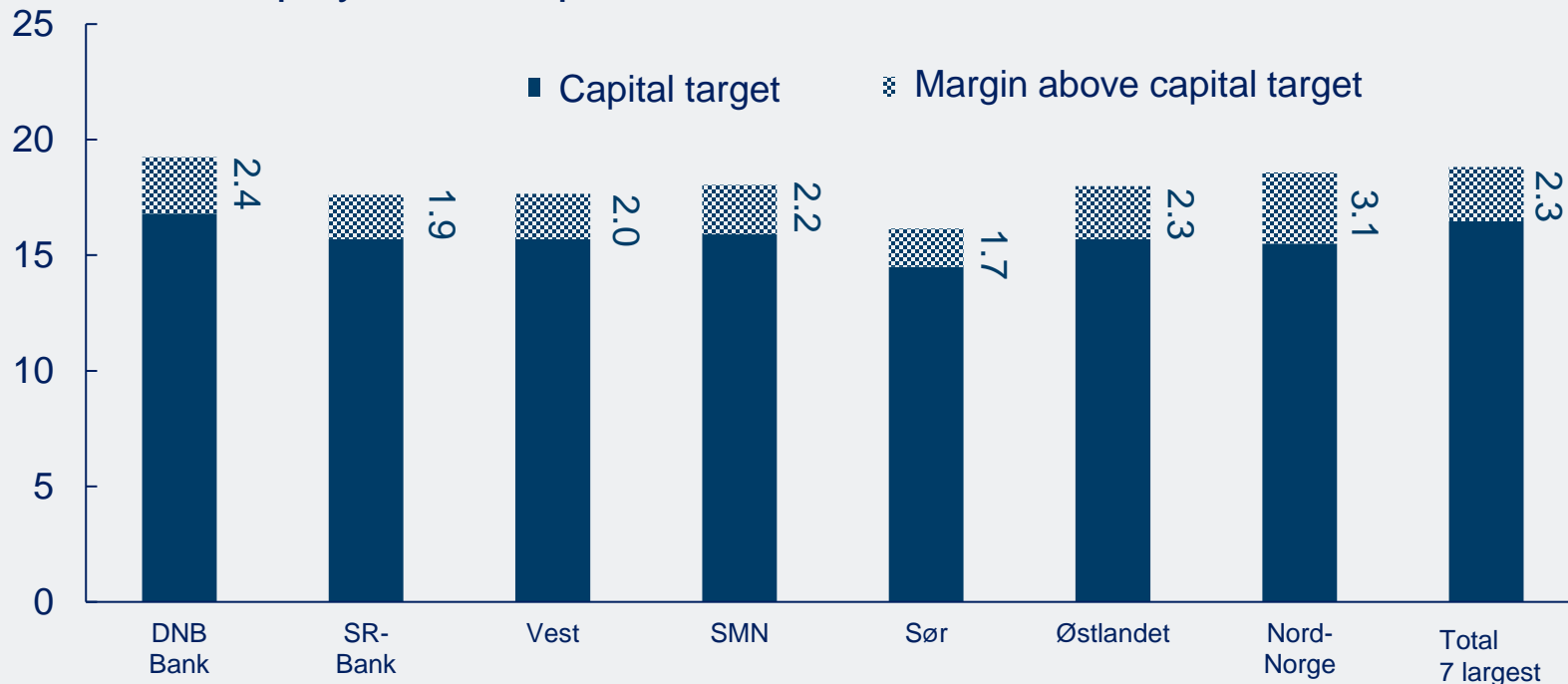
Buffer rate increased

- Norges Bank's Monetary Policy and Financial Stability Committee decided to increase the countercyclical capital buffer rate to 2.0%, effective from 31 December 2022.
- Based on the Committee's current assessment of economic developments and the prospects for bank losses and lending capacity, the buffer rate will be raised to 2.5% in the first half of 2022, taking effect one year later



Banks are well equipped to meet higher buffer requirement

Common Equity Tier 1 capital ratio. Percent. 2021 Q3



Total 7 largest is a weighted average of the seven banks shown in the chart.

1) Here, capital target refers to regulatory requirements at 30 June 2022 and Pillar 2 guidance of 1 percentage point.

Sources: Banking groups quarterly reports and Norges Bank





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