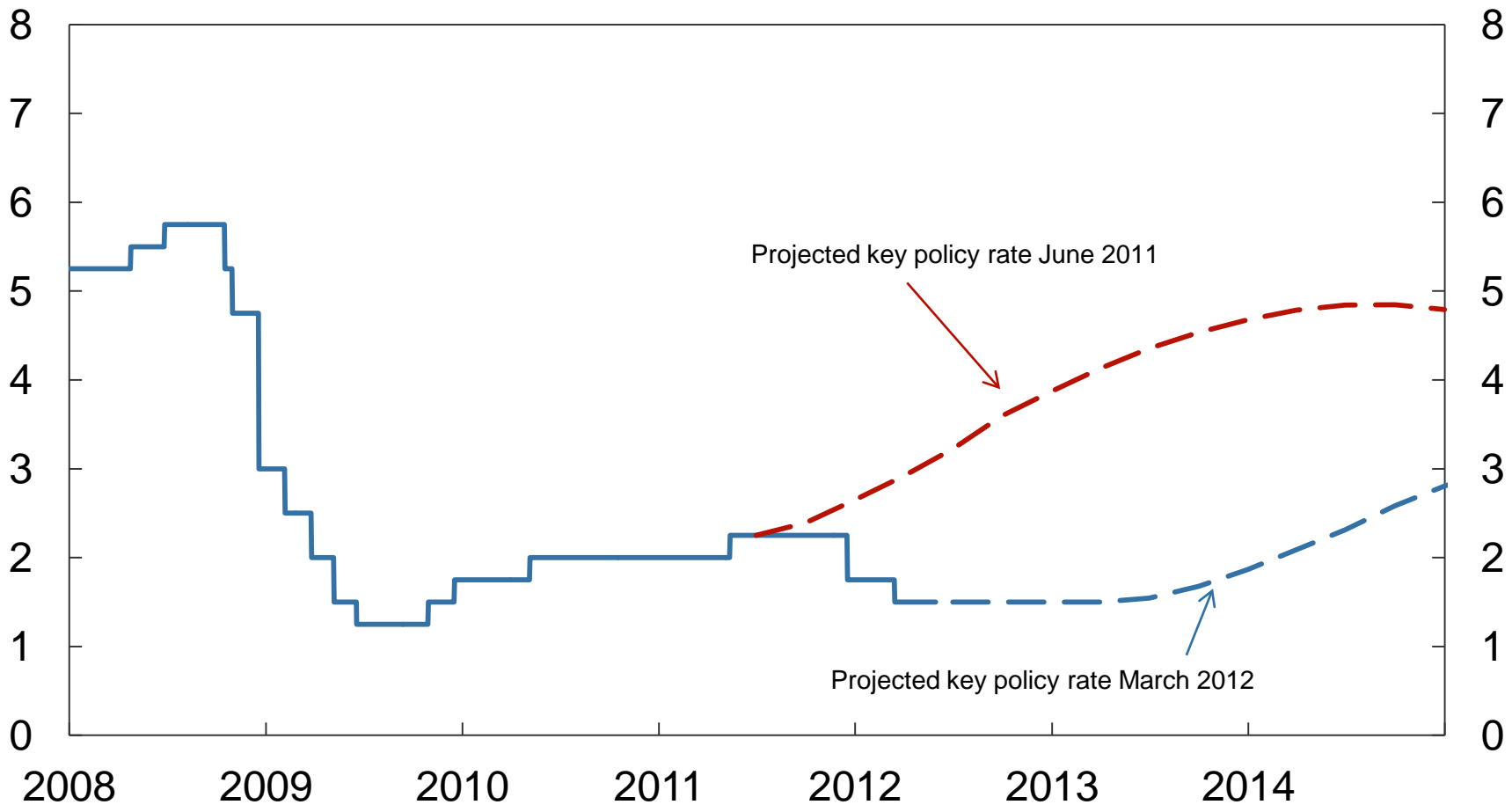


The conduct of monetary policy

*Introductory statement by Governor Øystein Olsen
at the hearing before the Standing Committee on Finance and
Economic Affairs of the Storting
Oslo, 29 May 2012*

Key policy rate – actual and projected

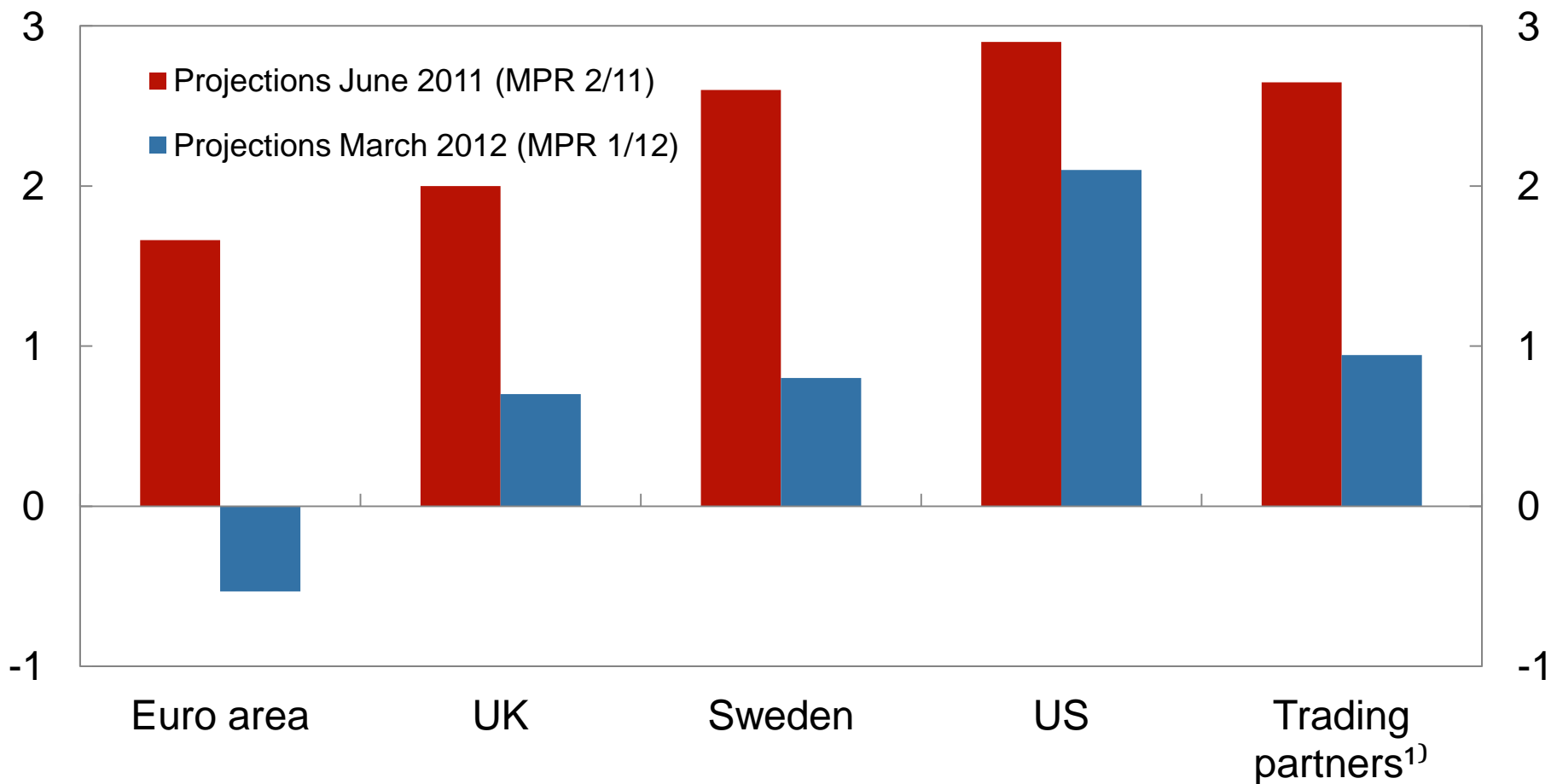
Percent



Source: Norges Bank

Growth prospects abroad deteriorated considerably

Projected GDP growth in 2012. Percent

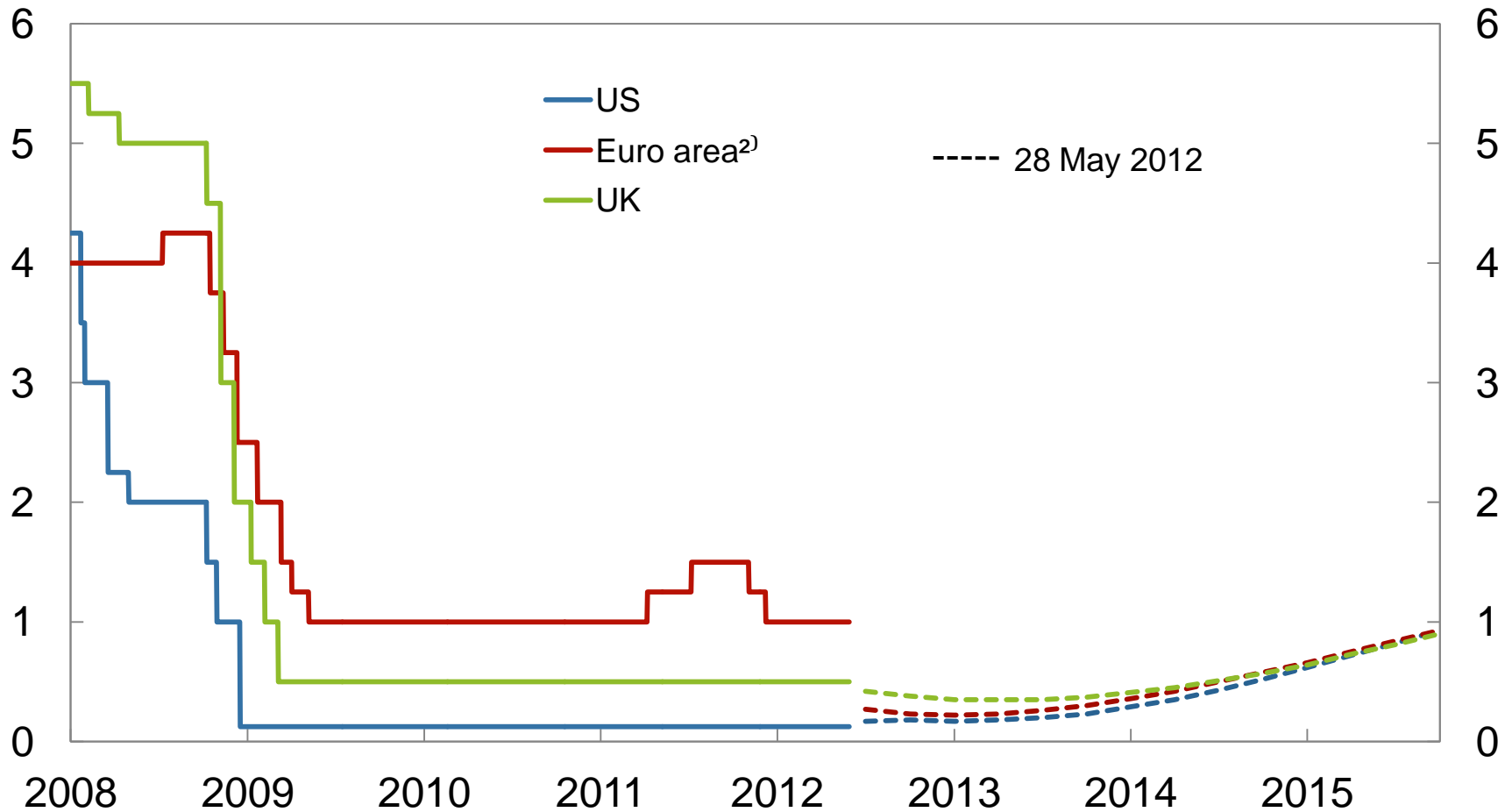


1) Export weights, 26 trading partners

Source: Norges Bank

Very low key rates abroad

Actual and expected key rates¹⁾. Percent



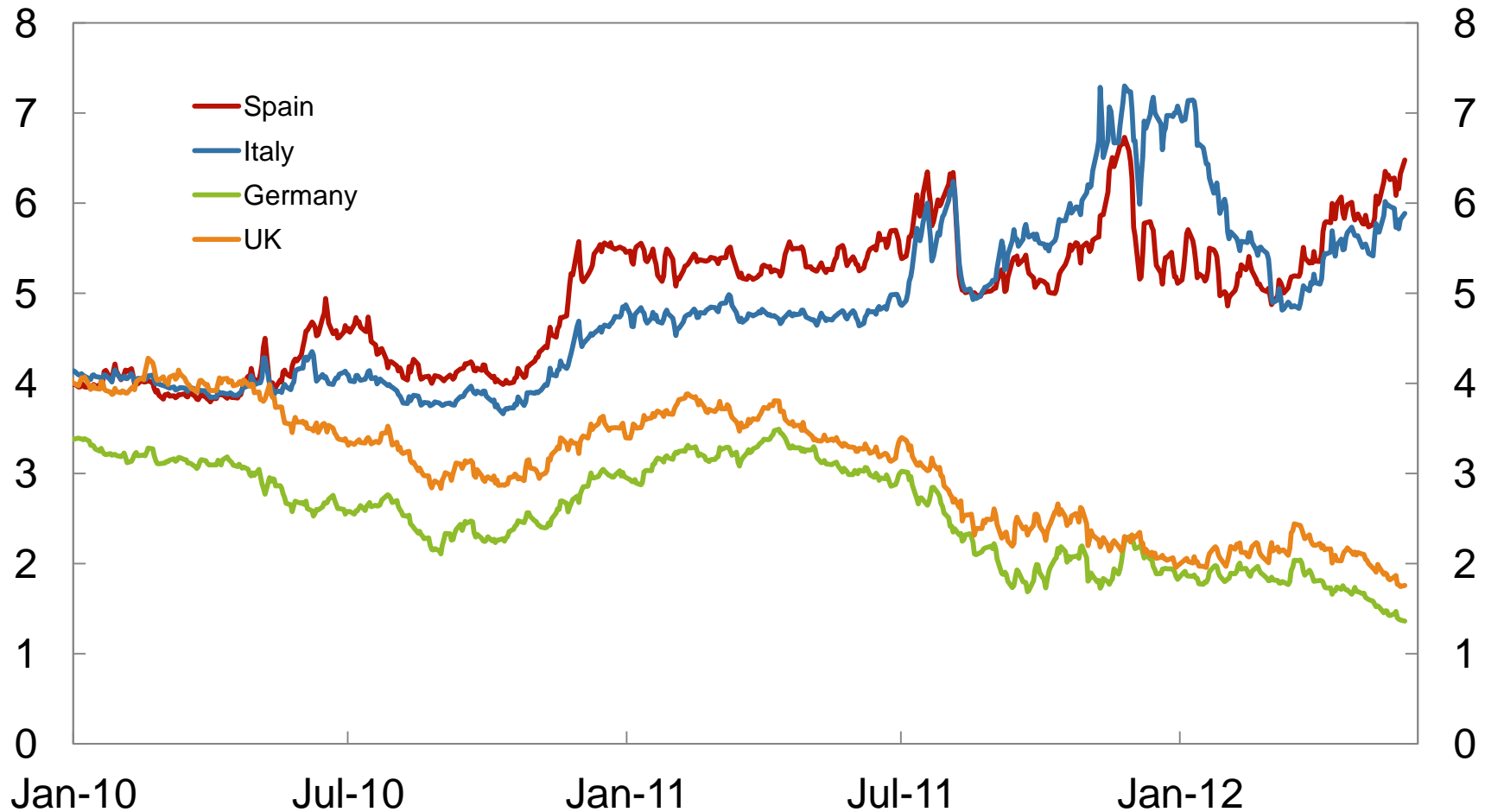
1) Based on Overnight Index Swap (OIS) rates

2) Actual rates: Main refinancing operations rate. Expected: EONIA rate

Sources: Bloomberg and Norges Bank

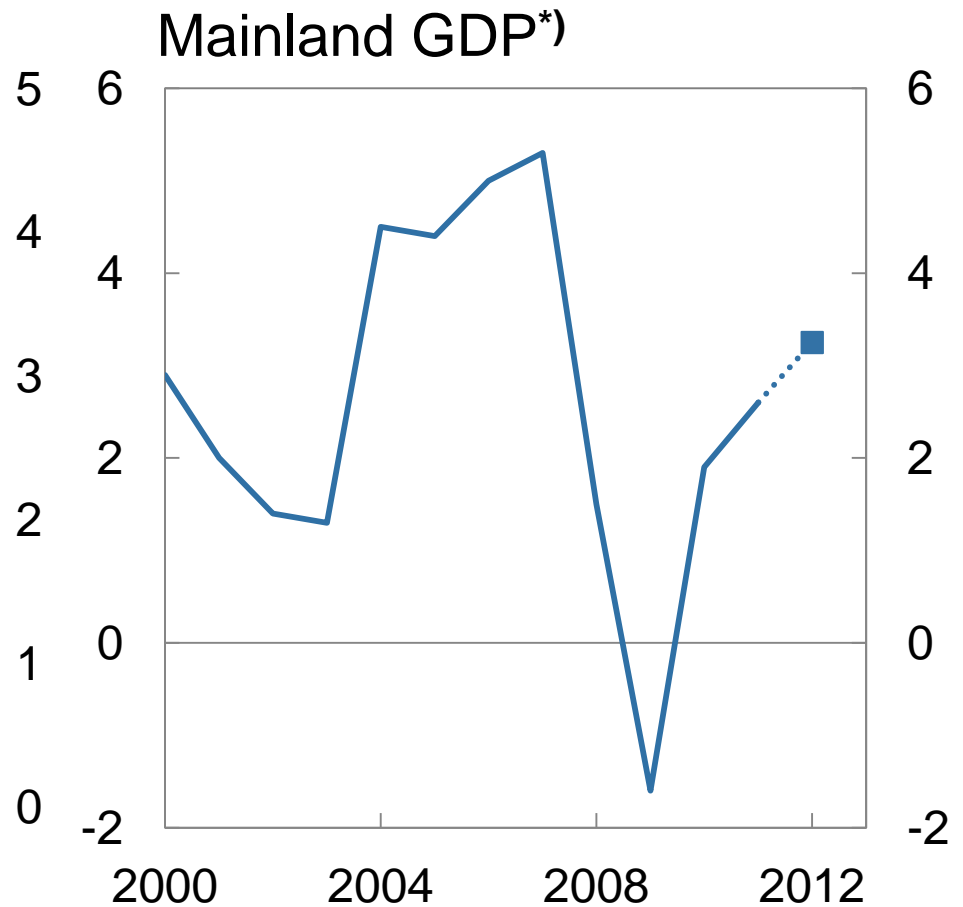
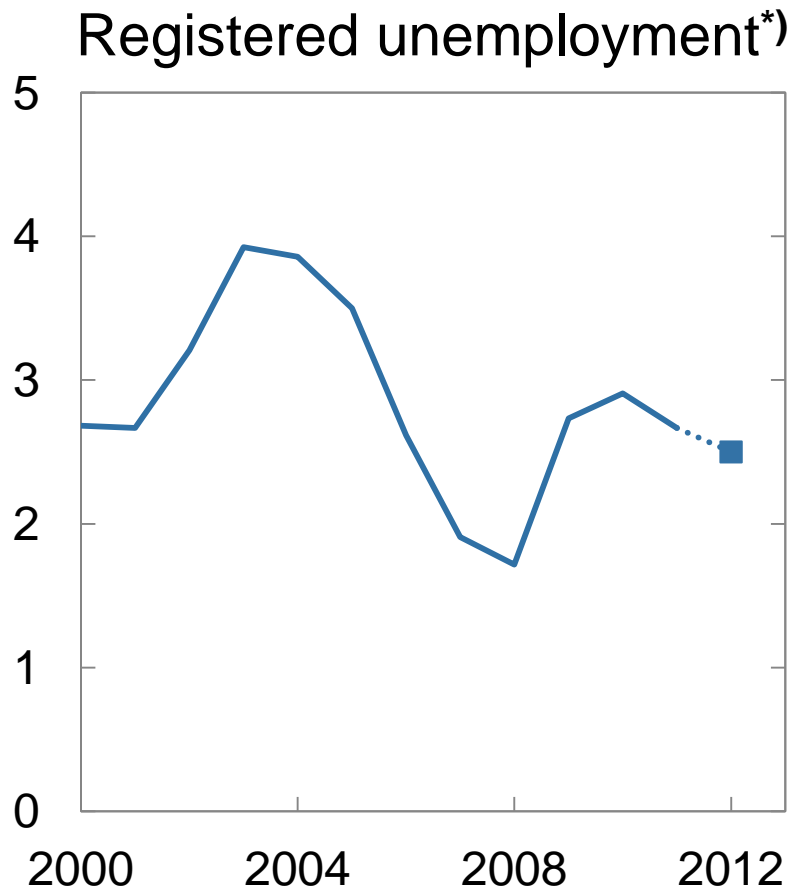
Renewed uncertainty in financial markets

Yields on 10-year government bonds. Percent



Source: Thomson Reuters

Activity in the Norwegian economy remains high

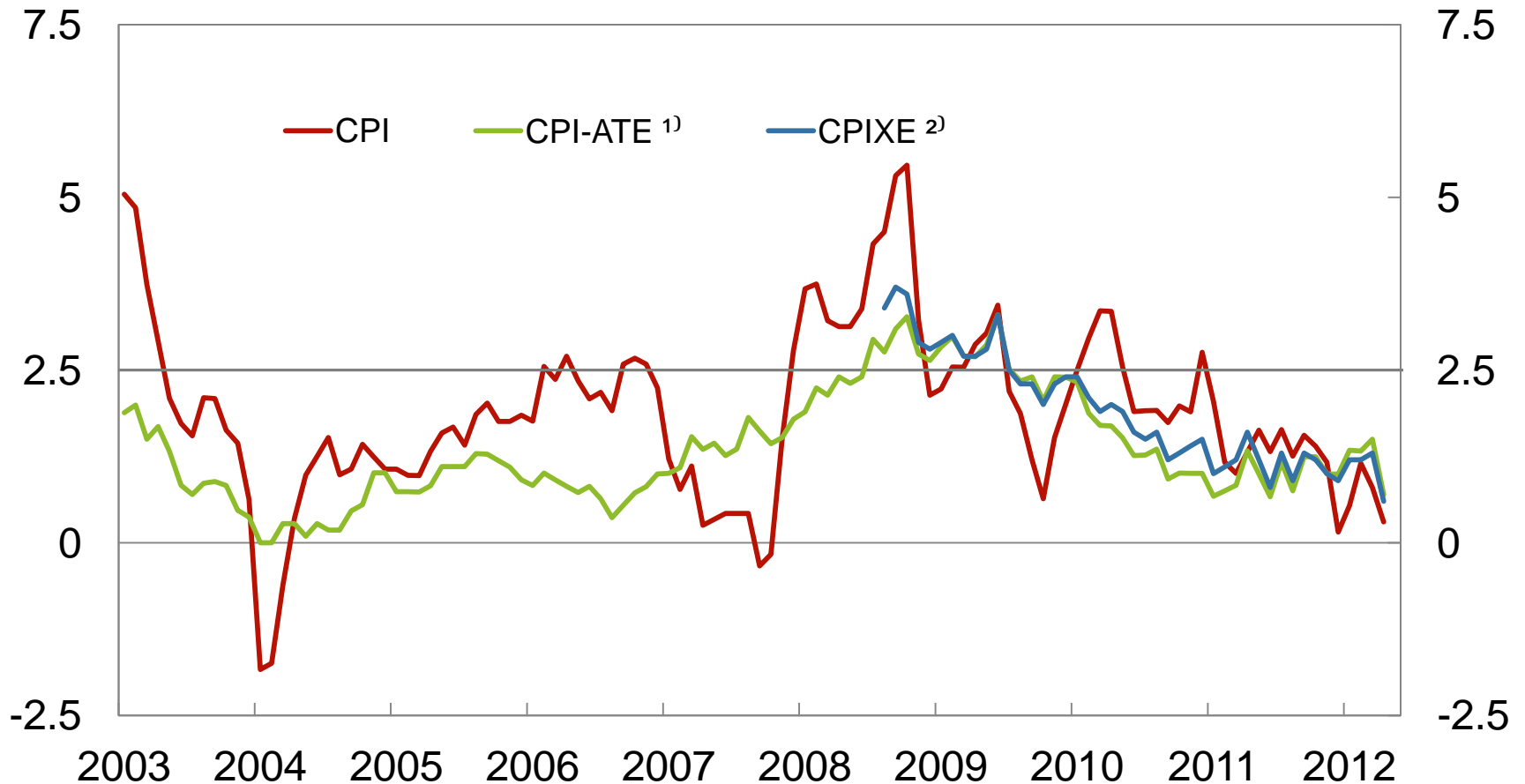


*) Percentage growth from previous year. Projections from MPR 1/12

Sources: Statistics Norway and Norges Bank

Consumer price inflation is low

12-month change. Percent



1) CPI adjusted for tax changes and excluding energy products

2) CPI adjusted for tax changes and excluding temporary changes in energy prices

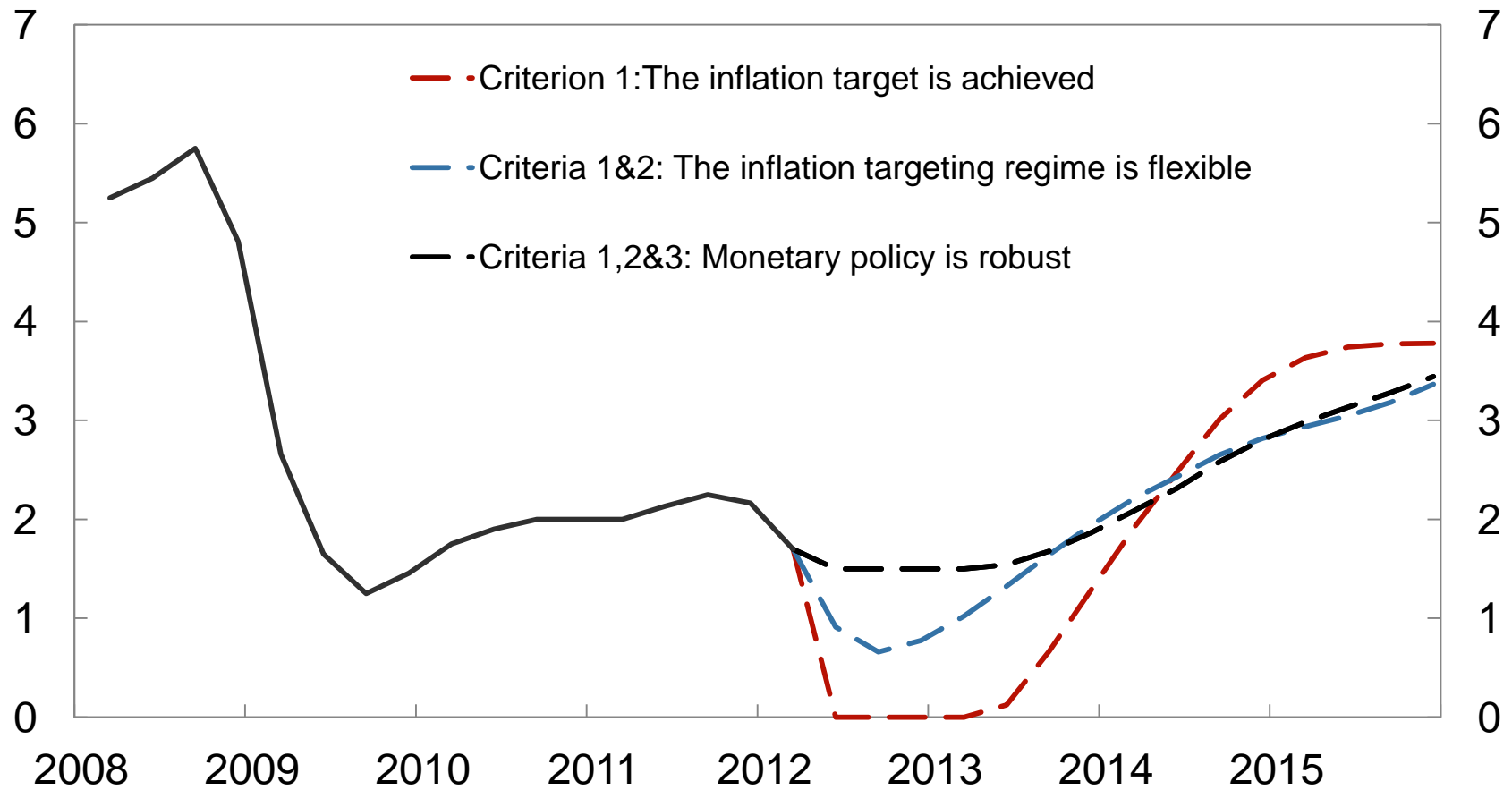
Sources: Statistics Norway and Norges Bank

Criteria for an appropriate interest rate path

1. The inflation target is achieved
2. The inflation targeting regime is flexible
3. Monetary policy is robust

Key policy rate

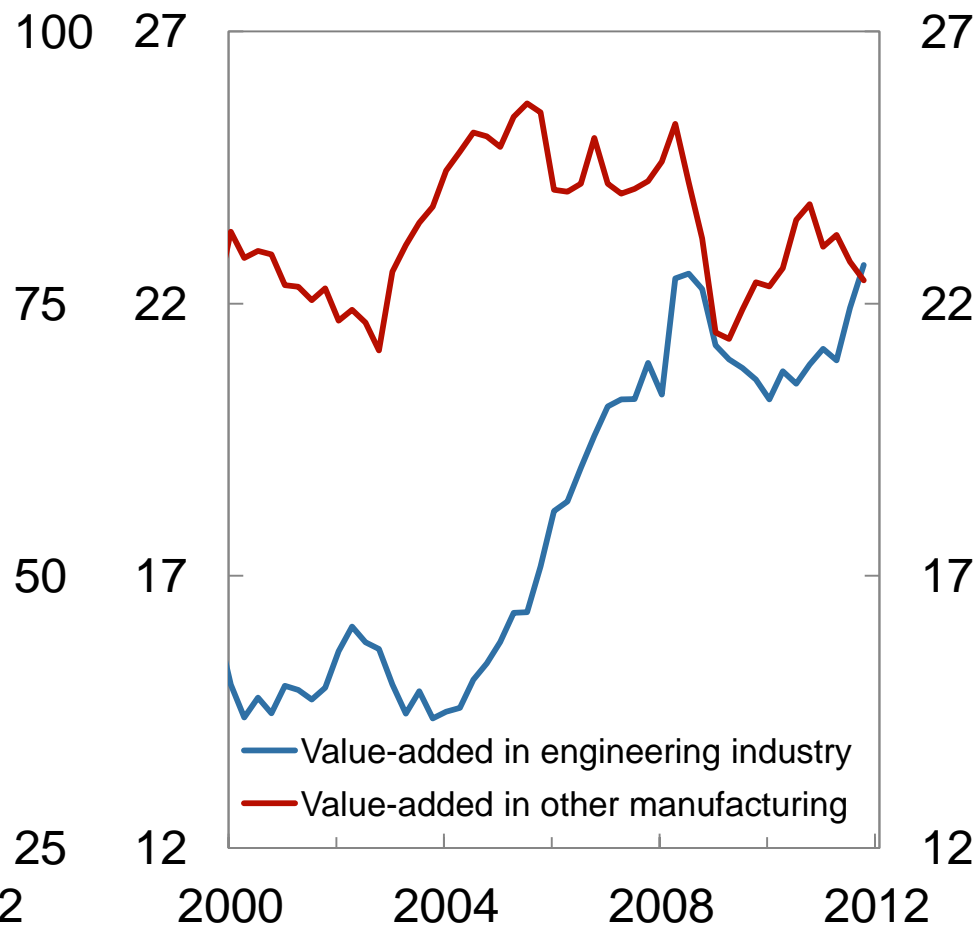
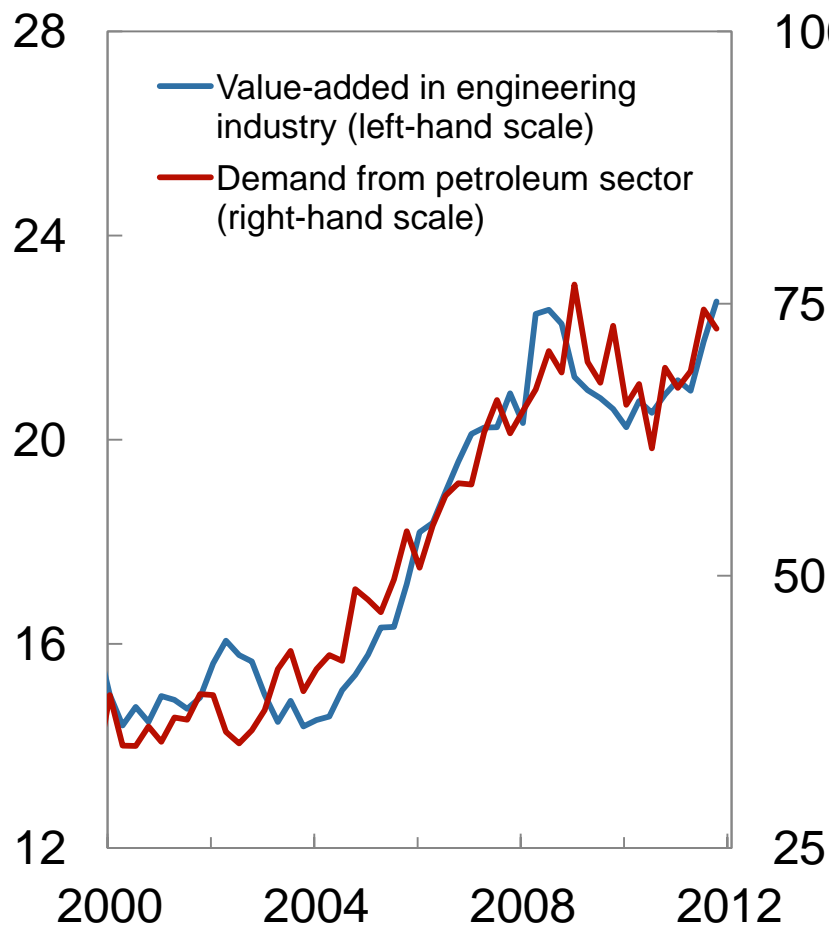
Percent



Source: Norges Bank

A manufacturing sector divided

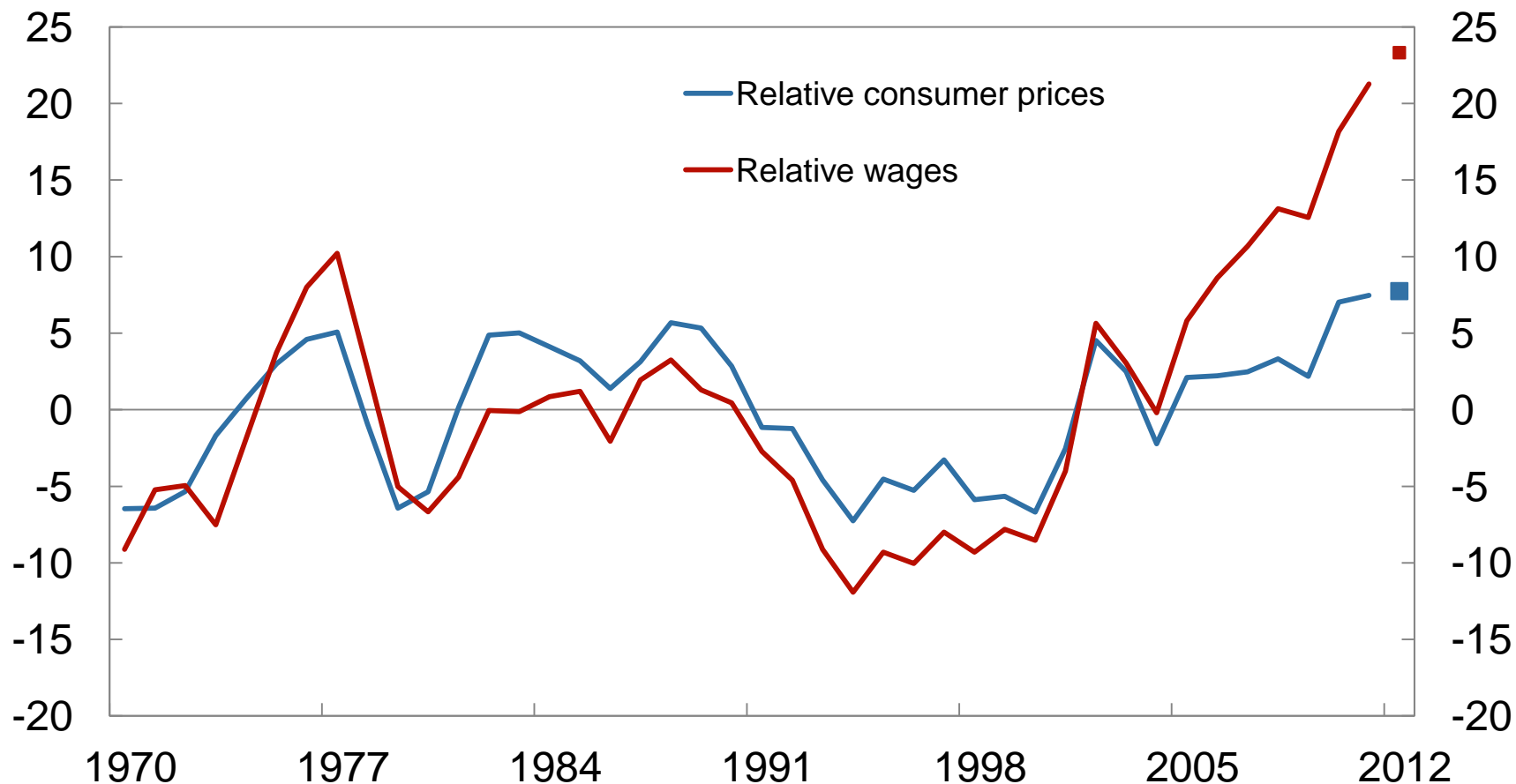
Seasonally adjusted. Constant 2009 prices. In billions of NOK



Source: Statistics Norway

Price and cost levels relative to trading partners

Percent¹⁾. Deviation from mean over the period 1970–2011

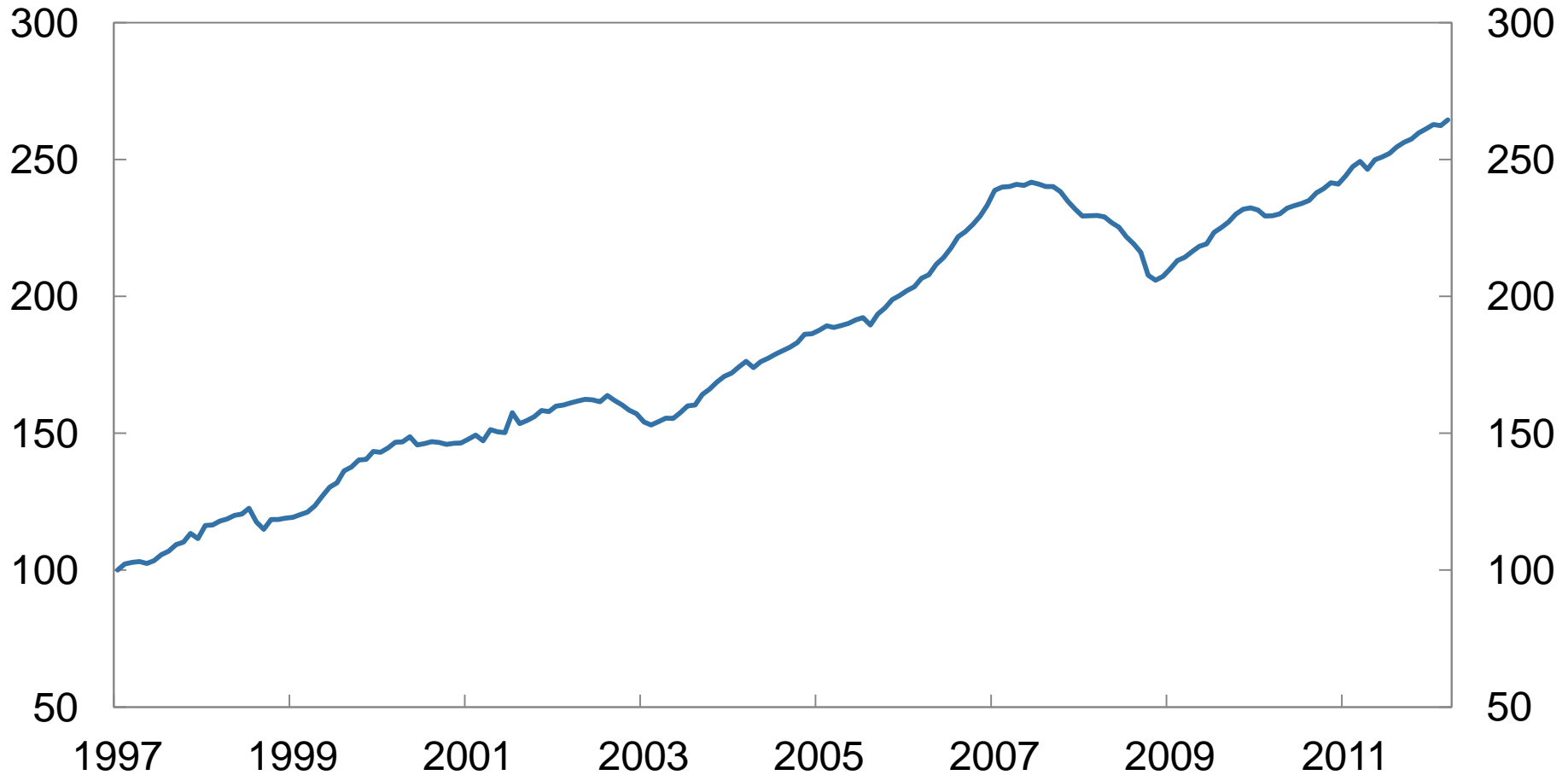


1) The squares show the average so far in 2012. A rising curve indicates weaker competitiveness

Sources: Statistics Norway, Technical Calculation Committee for Wage Settlements, Ministry of Finance and Norges Bank

House prices

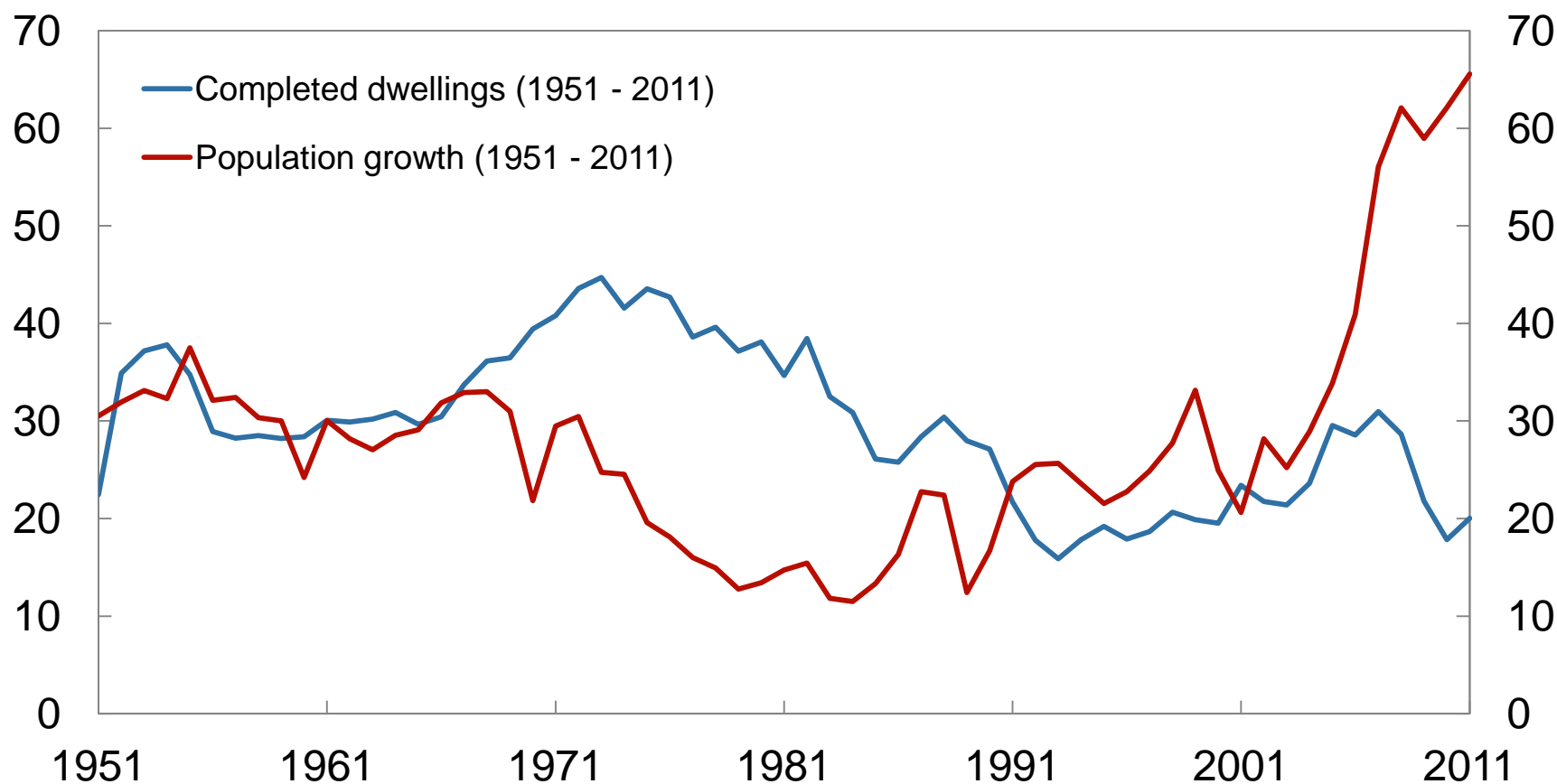
Deflated by the CPI. Indexed. 1997=100



Sources: The real estate sector (NEF, EFF, FINN.no and ECON Pöyry)

Population growth and completed dwellings

In thousands. Annual figures



Source: Statistics Norway

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