

## **Summary minutes**

### **Monetary policy meeting of the Executive Board, 20 September 2000**

#### Present:

From the Executive Board: Svein Gjedrem, Jarle Bergo, Torgeir Høien, Sylvi Røssland Sørfonn, Sigbjørn Johnsen, Trond R. Reinertsen and Eystein Gjelsvik (item 1).

Employee representatives: Espen Halvorsen and Sonja Blickfeldt Myhre, who participated in the Board's consideration of administrative item no. 4.

From Norges Bank's administration: Jan F. Qvigstad, Harald Bøhn (items 3 and 4), Henning Strand, Inger-Johanne Sletner (item 4), Bente Akselsen (item 4), Jon Nicolaisen (item 1), Kristin Gulbrnadsen (item 1), Grete Hammerstrøm (item 1), Morten Baltzersen (item 1), Siri Caspersen (item 4), Poul Henrik Poulsson, Ole J. Oldertrøen and Judith Ellingsen.

#### Matters for consideration:

##### 1. The current monetary policy situation

Related documents:                      STRICTLY CONFIDENTIAL memo 13 September 2000  
(strategy                                      document) from Wing I/Economics Department

CONFIDENTIAL memo 14 September 2000 (use of  
instruments) from Wing I/Economics Department

STRICTLY CONFIDENTIAL memo 19 September 2000  
(decision document) from Wing I/Economics Department

The Deputy Governor presented a review of the main economic developments since the previous Executive Board meeting, with particular emphasis on developments in money, foreign exchange and capital markets.

The Governor then presented the proposed strategy for the fourth quarter of 2000 and for the main assessments underlying the proposal in the decision document to raise the key policy rate by 0.25 percentage point. The Board was informed that the matter had been submitted to the Ministry of Finance.

The Executive Board discussed the strategy document and the decision document.

In answer to a question raised as to how the second sentence on page 6 in the strategy document should be understood, the Governor referred to the Executive Board's statement in

its letter to the Ministry of Finance of 21 October 1999 concerning "Economic policy in 2000" about how the central bank interprets the foreign exchange regulation. The Executive Board assumed that this interpretation had not been changed and that the statement in the strategy document should be understood in accordance with this interpretation. This having been clarified, the Executive Board approved the recommendation in the strategy document on the conduct of monetary policy in the fourth quarter of 2000.

Executive Board member Torgeir Høien also referred to the Executive Board's statement in its letter to the Ministry of Finance of 21 October 1999 concerning the central bank's interpretation of the foreign exchange regulation. This board member would have preferred that an extraordinary meeting were now convened in which the Executive Board – before the central government budget for 2001 is presented on 4 October 2000 – could discuss the Ministry of Finance's proposed amendment to the foreign exchange regulation to explicitly replace the exchange rate target with an inflation target as the mandate for monetary policy. To provide further background and to elaborate his view, he referred from and submitted a memo of 20 September 2000.

The Executive Board then discussed the recommendation in the decision document and decided to increase the interest rate on banks' sight deposits and intraday loans (D-loans) at Norges Bank by 0.25 percentage point to 7.00 and 9.00 percentage points respectively with effect as from 21 September 2000.

Executive Board member Eystein Gjelsvik was unable to concur with the majority view and presented arguments to support his view that the interest rate should not be changed.

The Executive Board took note of the memo concerning the September assessment of the use of instruments.