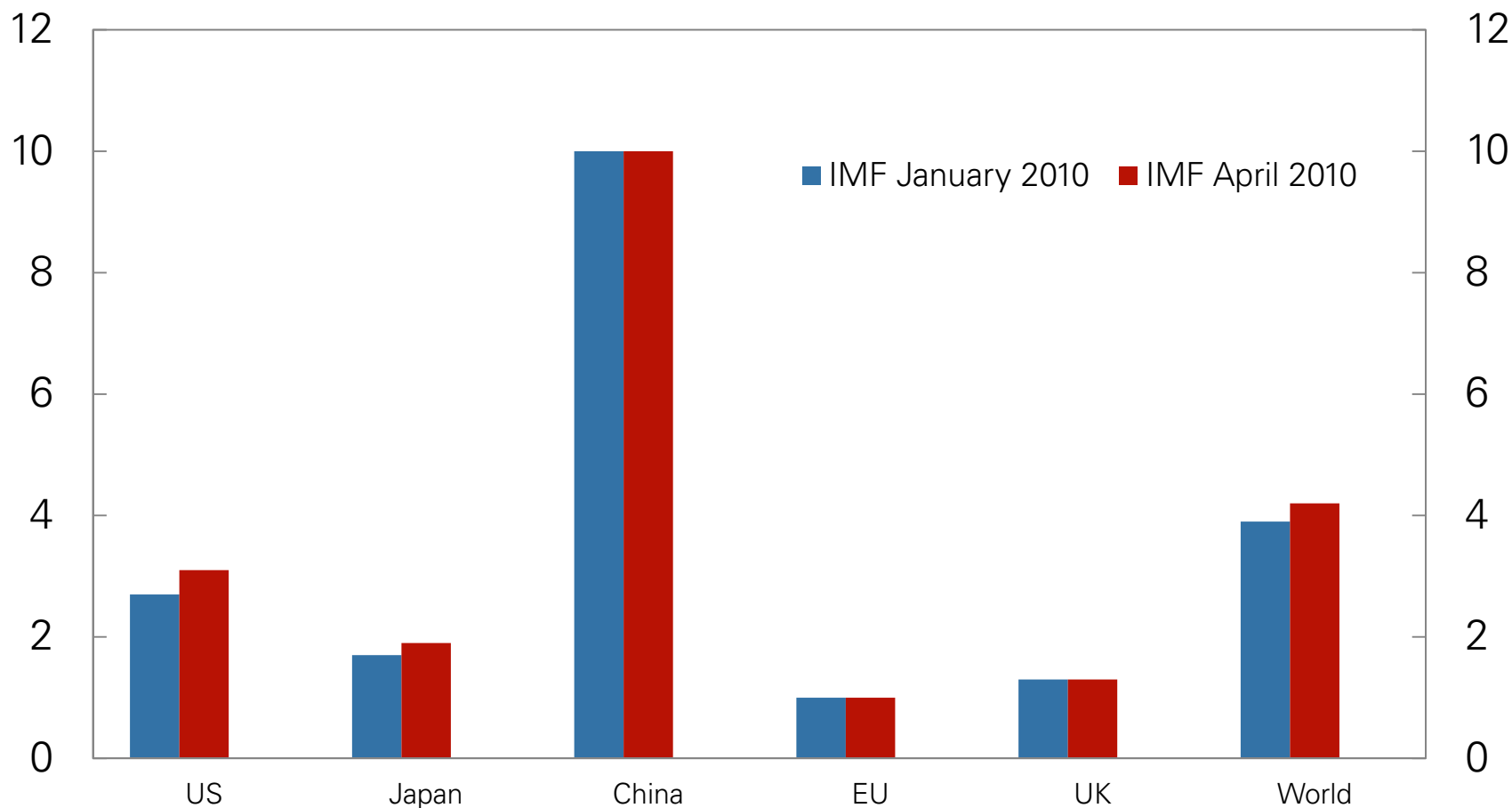


The conduct of monetary policy

*Introductory statement by Governor Svein Gjedrem at
the hearing before the Standing Committee on Finance
and Economic Affairs of the Storting
Oslo, 18 May 2010*

Projections for GDP growth in 2010

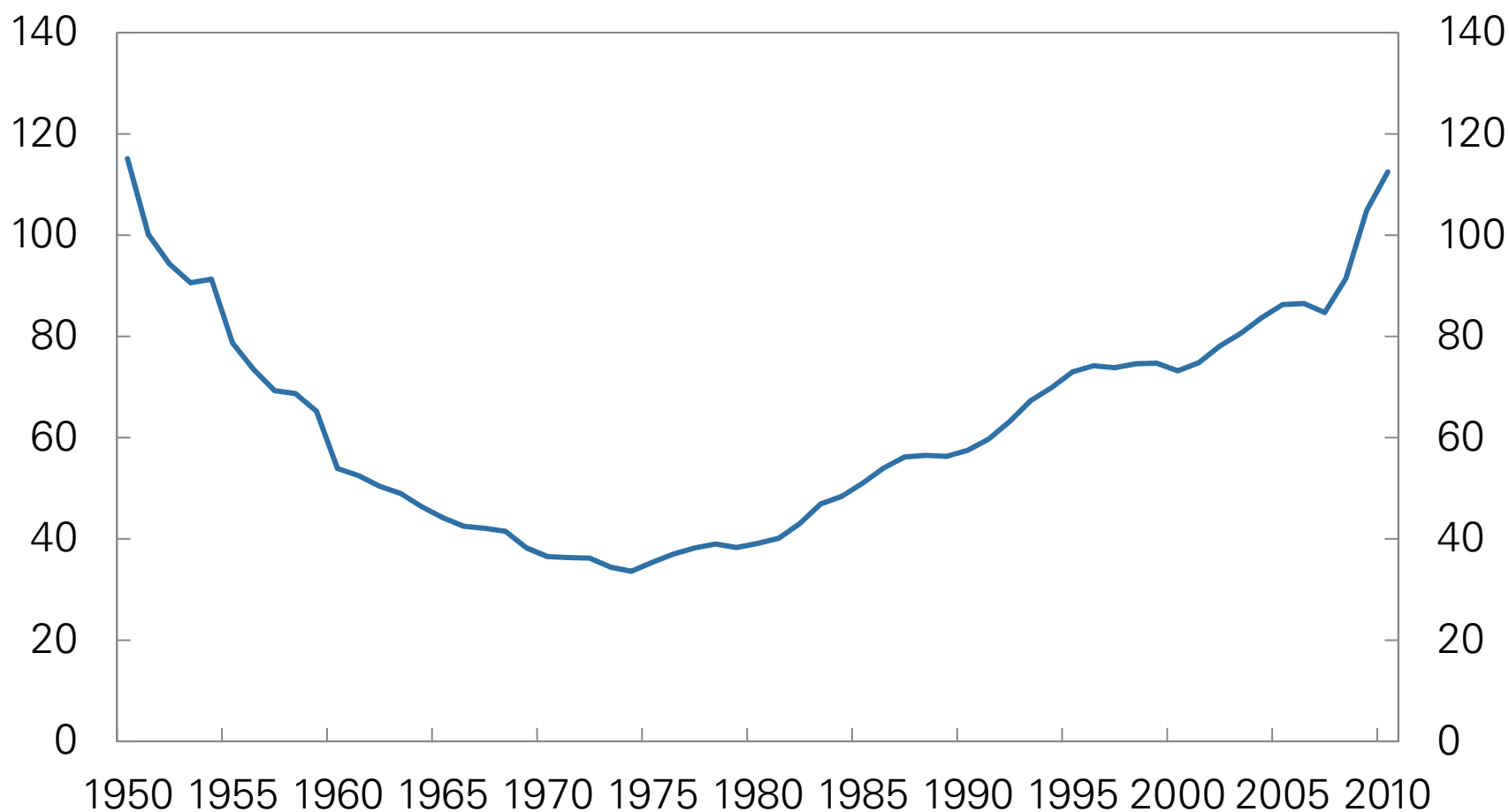
Per cent



Source: IMF

New imbalances – sovereign debt to GDP in the G-7

In per cent

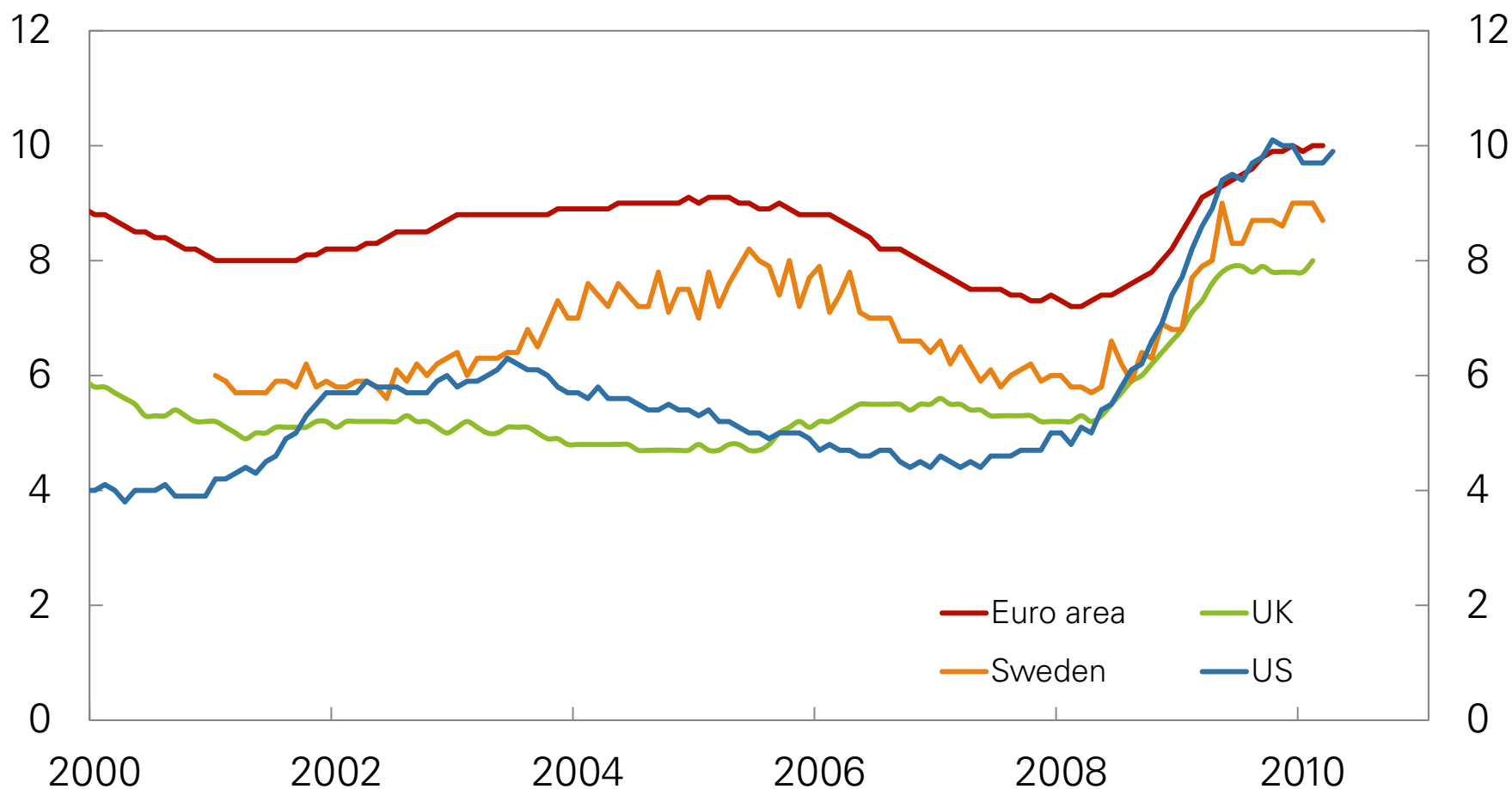


Source: IMF Global Financial Stability Report

New imbalances – increased unemployment

Share of labour force. Per cent. Seasonally adjusted

January 2000 – April 2010

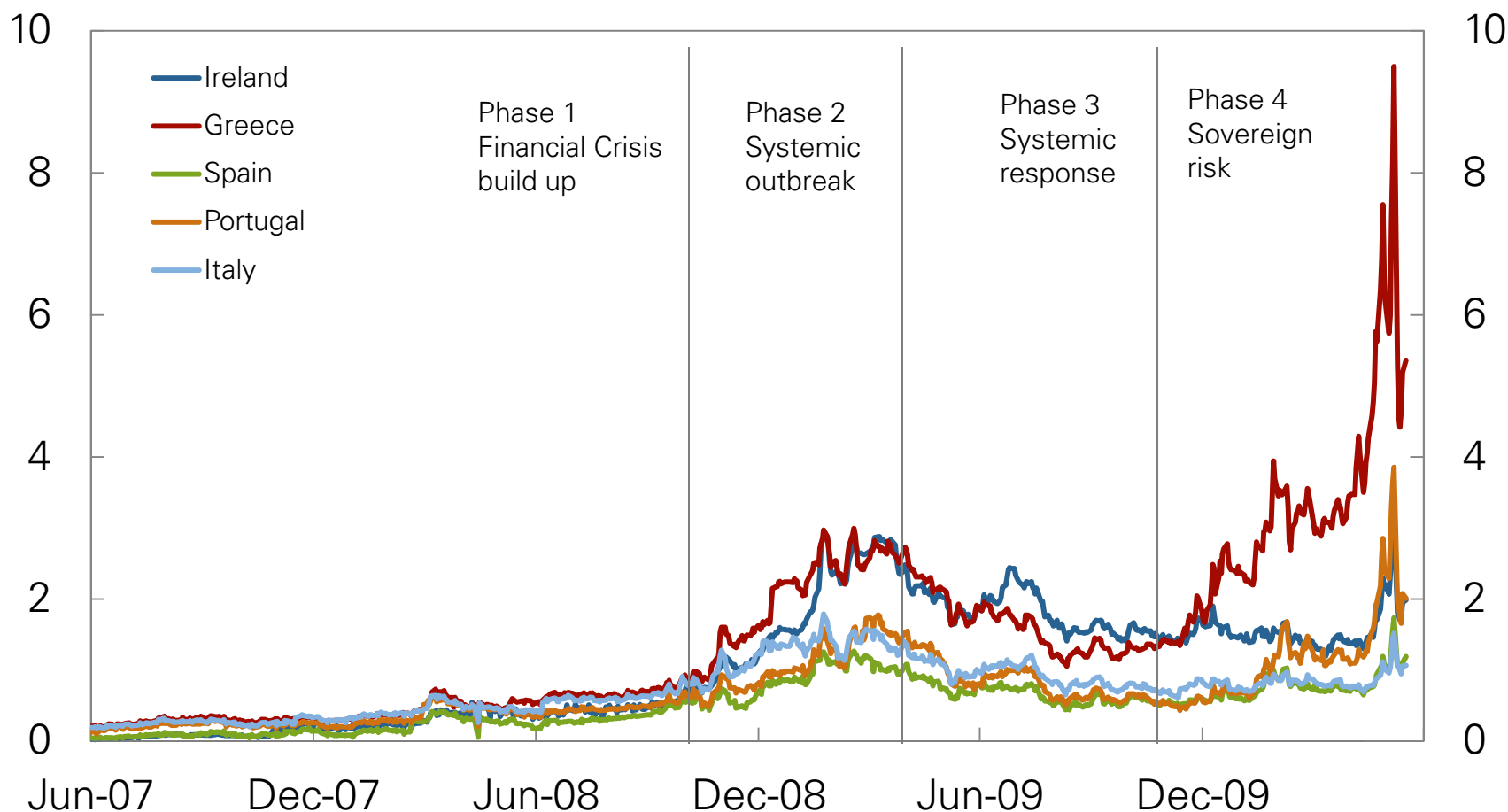


Source: Thomson Reuters

The crisis and the government bond market

Difference against 10-year German government bond. Percentage points

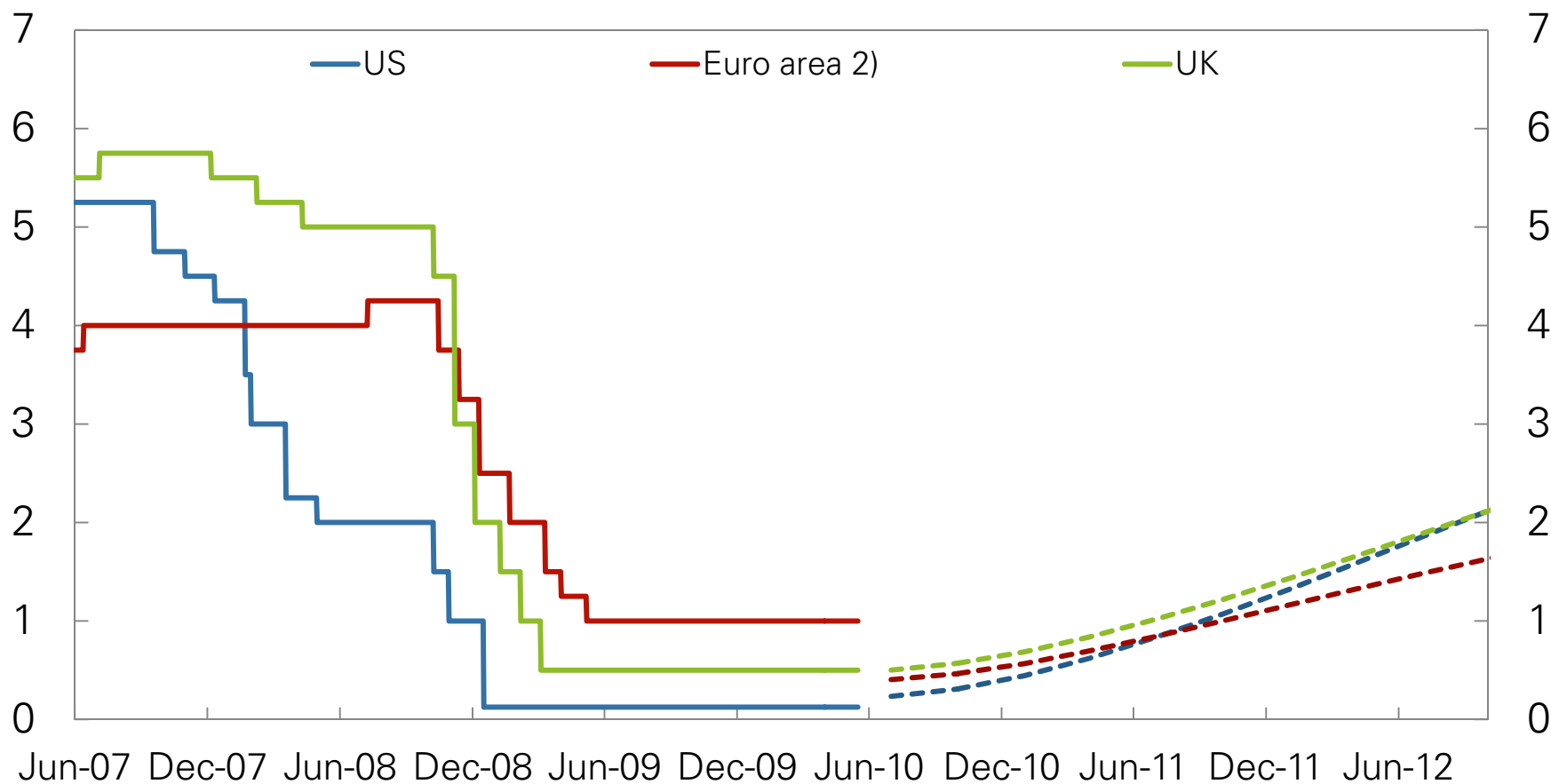
2 July 2007 – 17 May 2010



Sources: Bloomberg L.P and IMF Global Financial Stability Report

Actual and expected key rates

Per cent. 1 Juni 2007 – 31 October 2012 ¹⁾



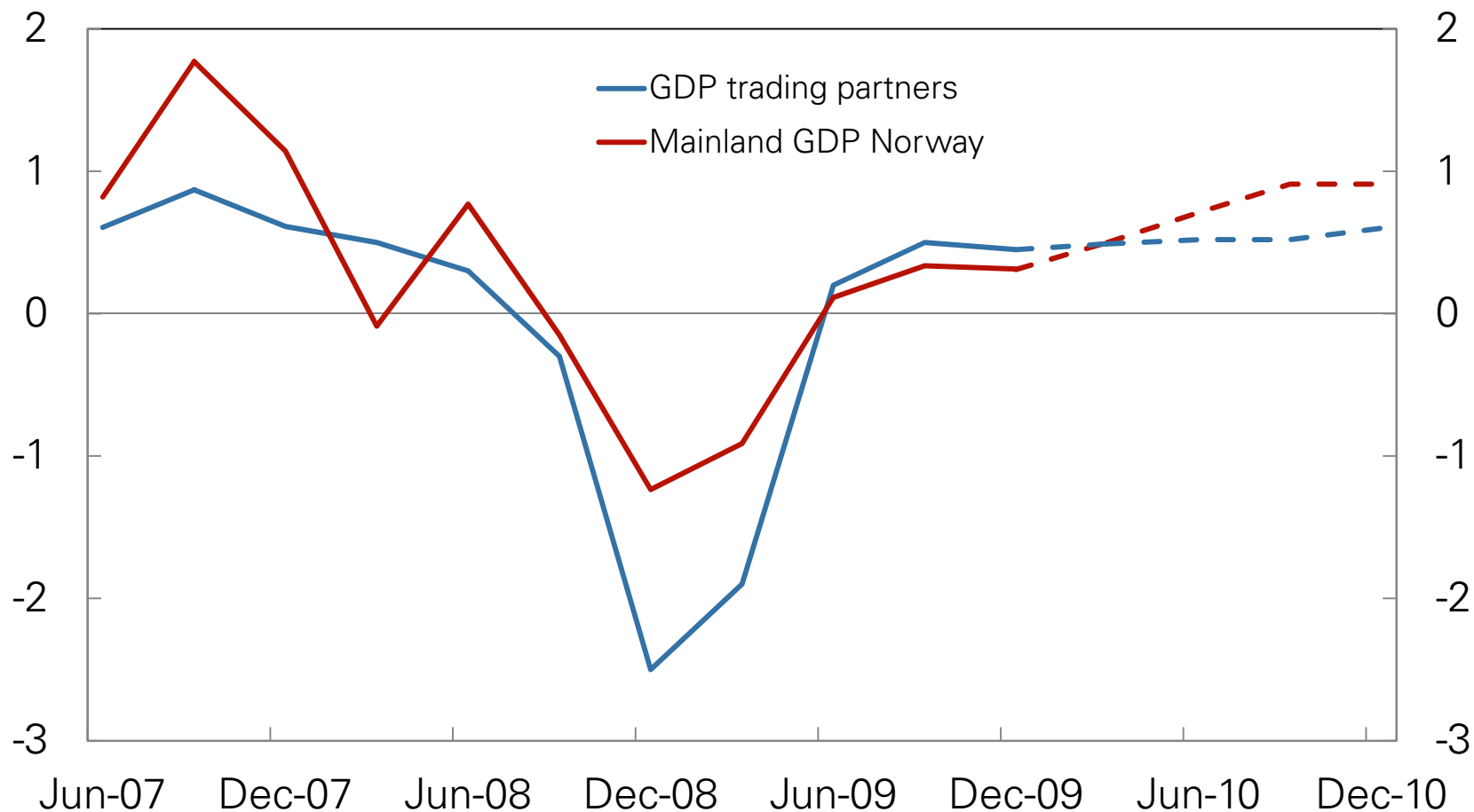
1) As at 17 May 2010

2) EONIA

Sources: Thomson Reuters, Bloomberg and Norges Bank

Growth on previous quarter

Seasonally adjusted. Per cent. 2007 Q2 – 2010 Q4¹⁾



1) Broken lines show projections from MPR 1/10

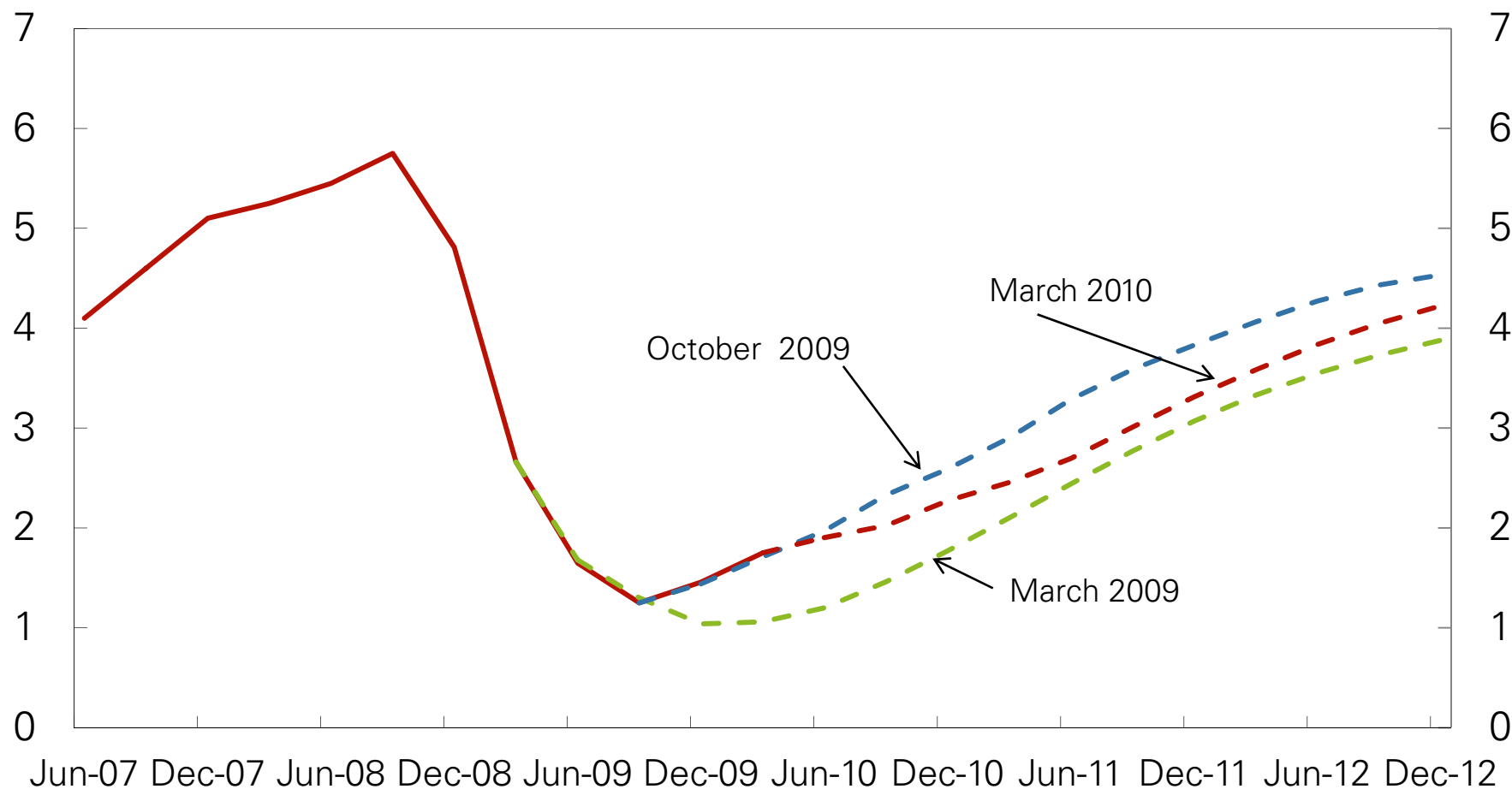
Sources: Statistics Norway and Norges Bank

Unwinding of measures

- Feb-09: Last offer of loans in NOK at long maturities
- May-09: Last offer of currency swaps
- Oct-09: Last auction in the swap arrangement involving covered bonds
- Oct-09/Feb-10: Tightening-up of collateral requirements for banks' borrowing in Norges Bank

Norges Bank's interest rate forecast

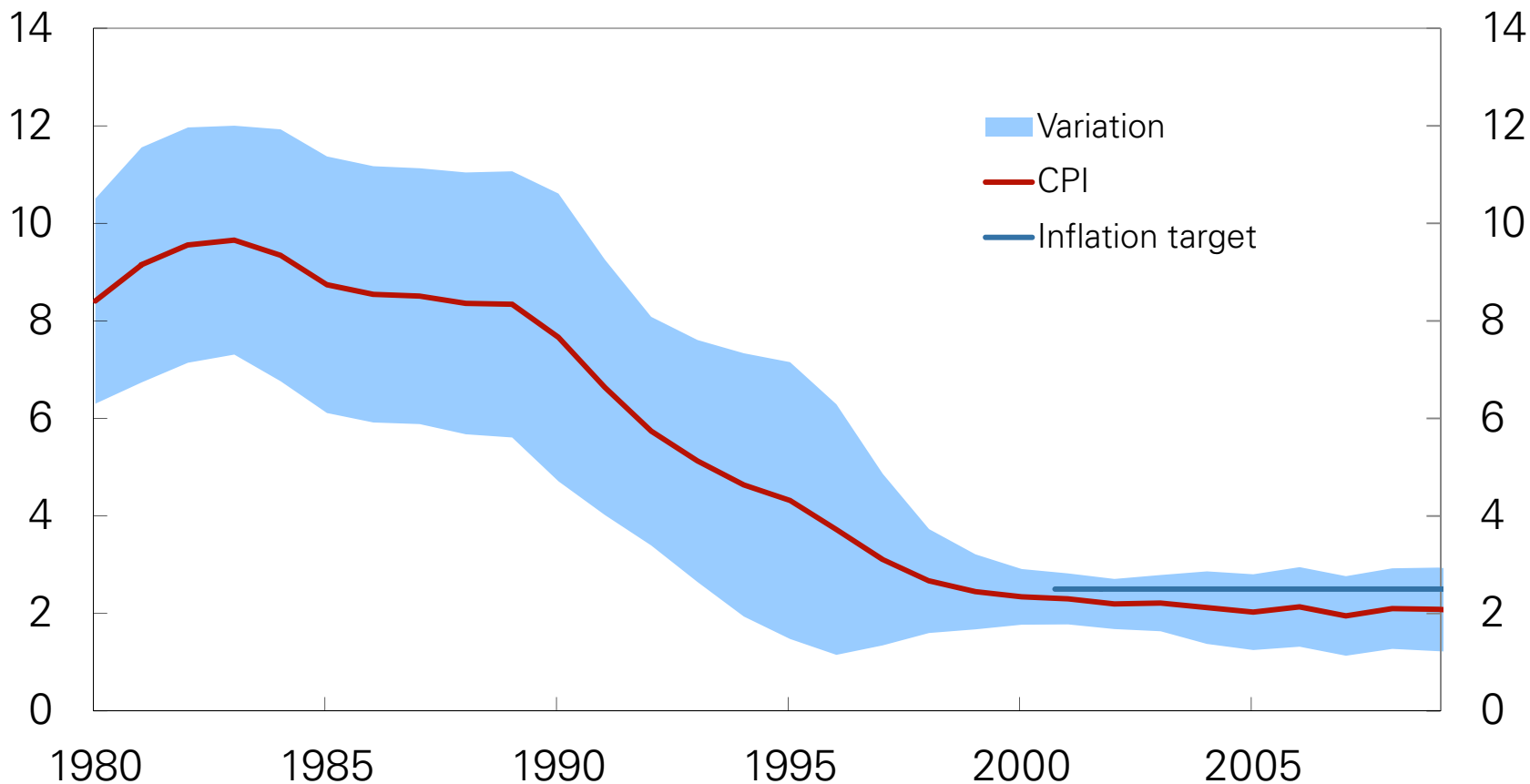
Per cent. 2007 Q2 – 2012 Q4



Source: Norges Bank

Inflation

Moving 10-year average¹⁾ and variation²⁾ in CPI³⁾. Per cent. 1980 – 2010



1) The moving average is calculated 10 years back

2) The band around the CPI is the variation in the CPI adjusted for tax changes and excluding energy products in the average period, measured by +/- one standard deviation

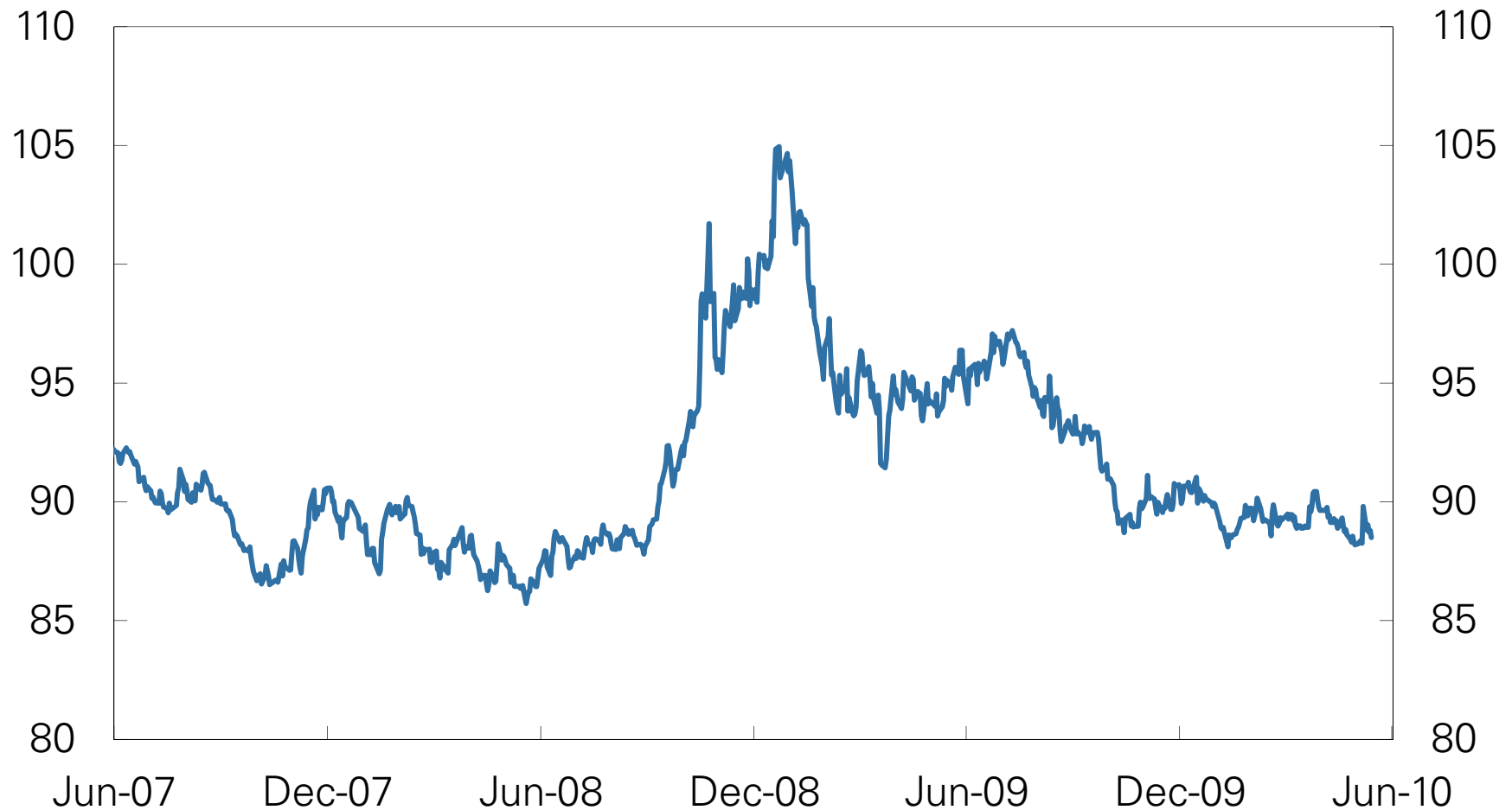
3) Projections for CPI from MPR 1/10 form the basis for this estimate

Sources: Statistics Norway and Norges Bank

The krone exchange rate

The import-weighted exchange rate index (I-44).

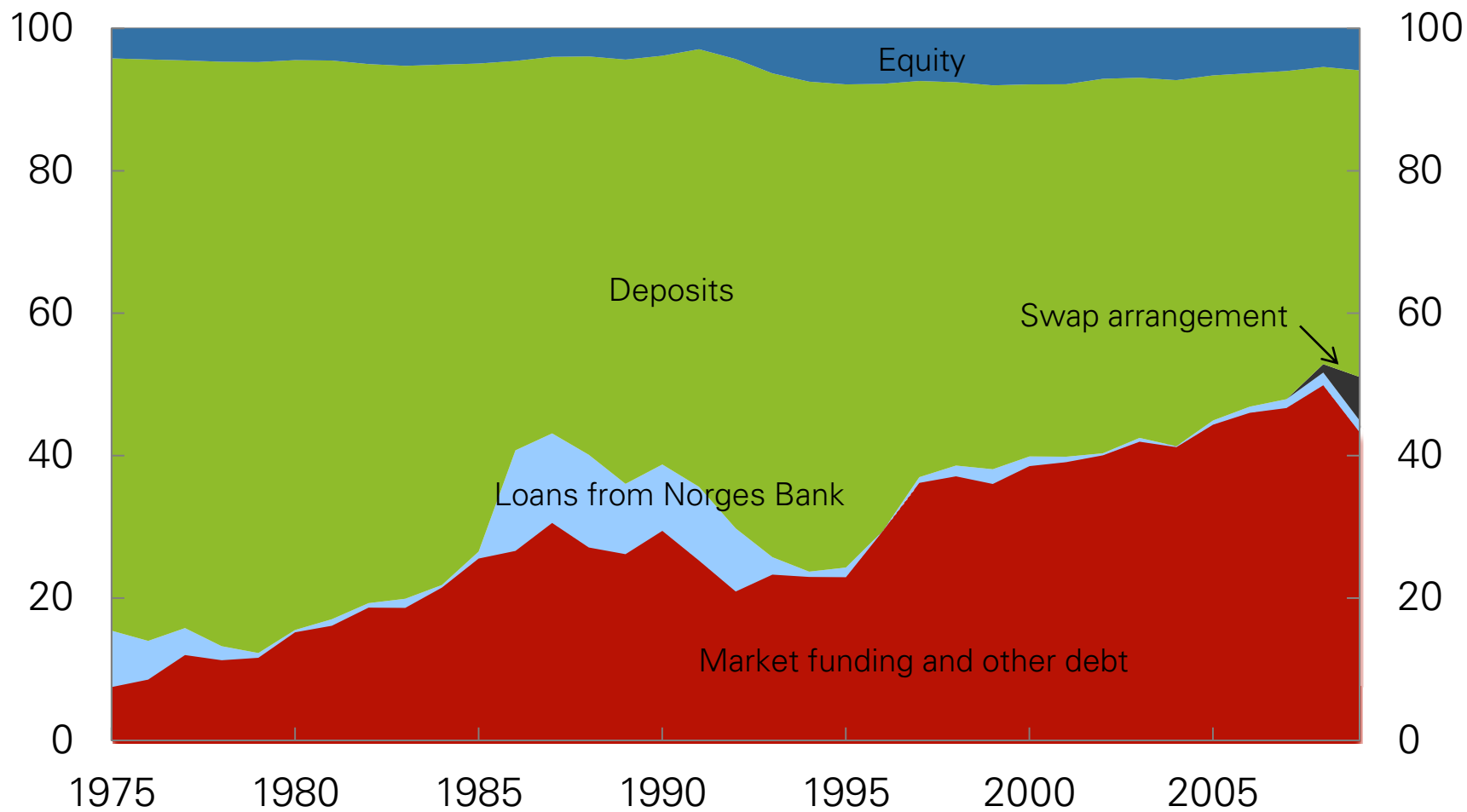
1 June 2007 – 14 May 2010



Source: Norges Bank

Funding sources for banks in Norway

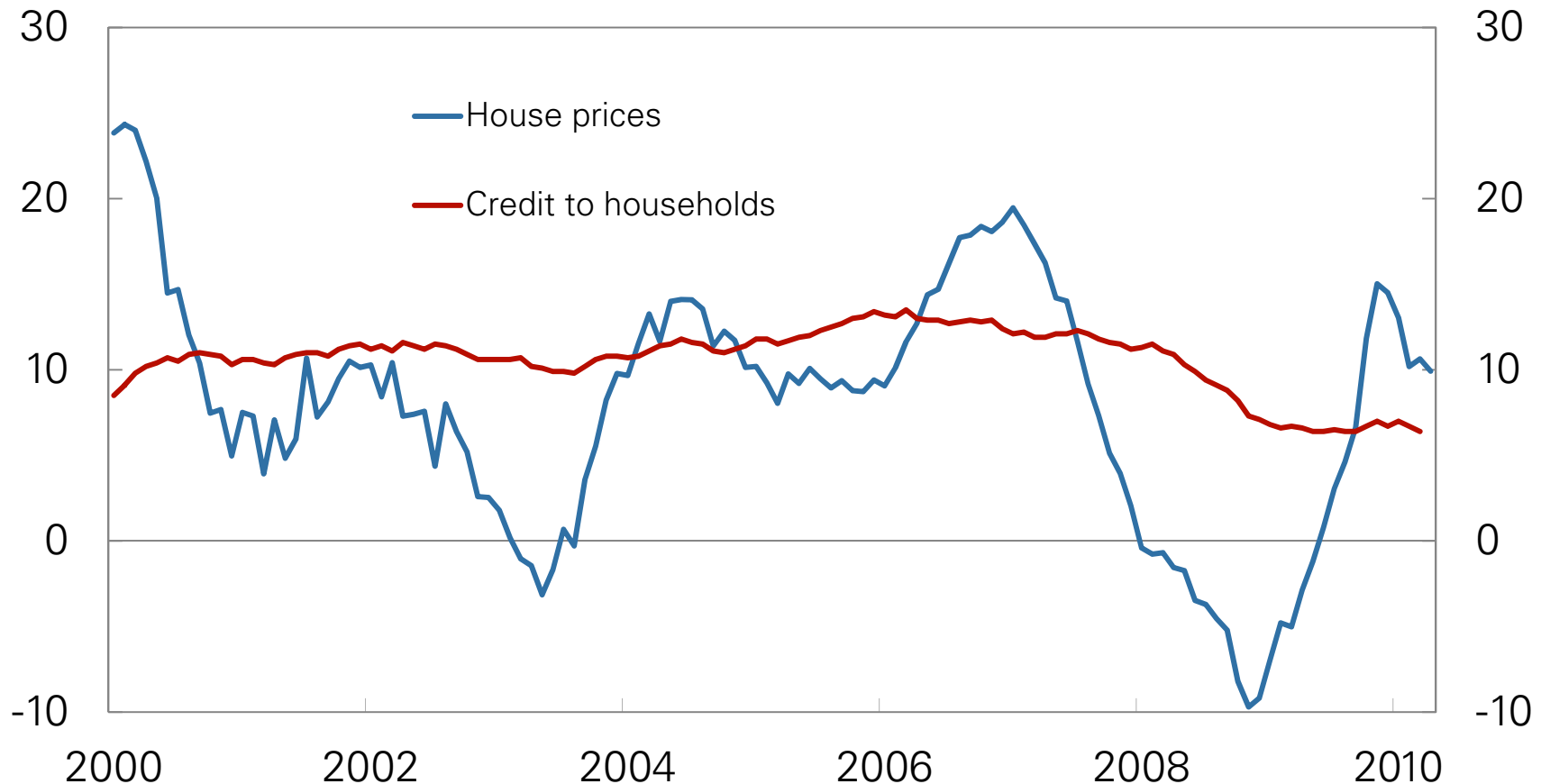
Percentage of total assets. 1975 – 2009



Sources: Klovland (2007), Matre (1992), Statistics Norway and Norges Bank

Growth in credit to households¹⁾ and change in house prices

12-month change. Per cent. January 2000 – April 2010²⁾



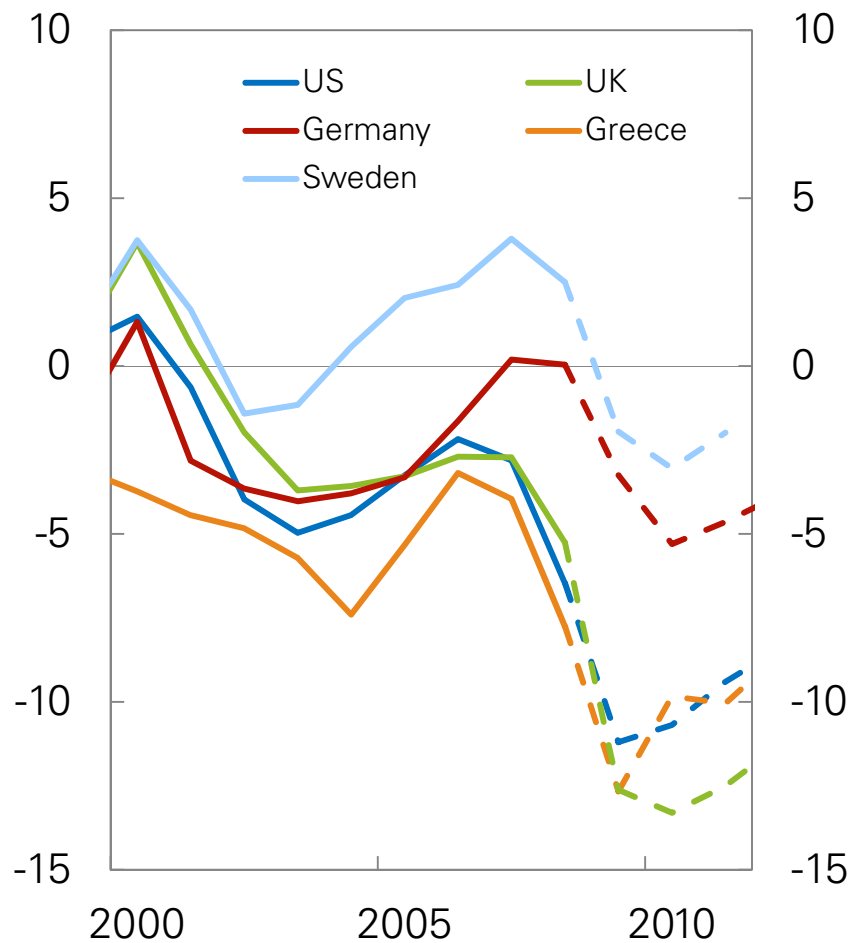
1) Credit from domestic sources, C2

2) House prices for April. Credit growth to end-March

Sources: Statistics Norway, OPAK, the real estate sector (NEF, EFF, FINN.no og ECON Pöyry), OBOS and Norges Bank

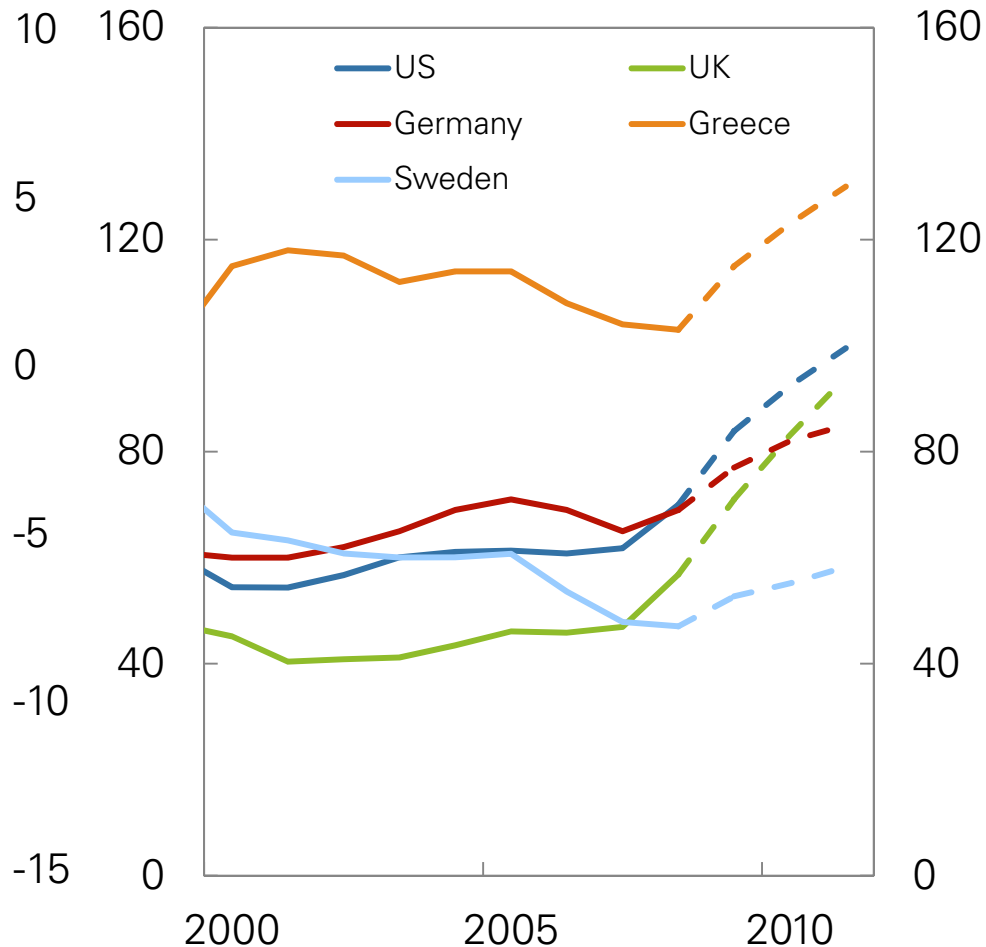
Fiscal deficit

Percentage of GDP. 2000 – 2011



Gross public debt

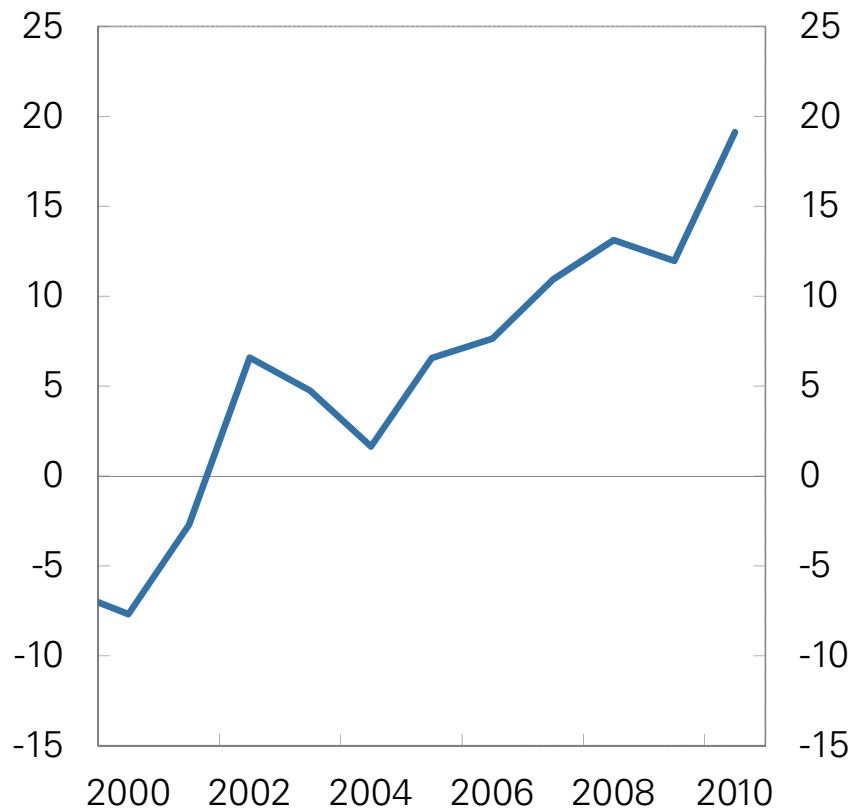
Percentage of GDP. 2000 – 2011



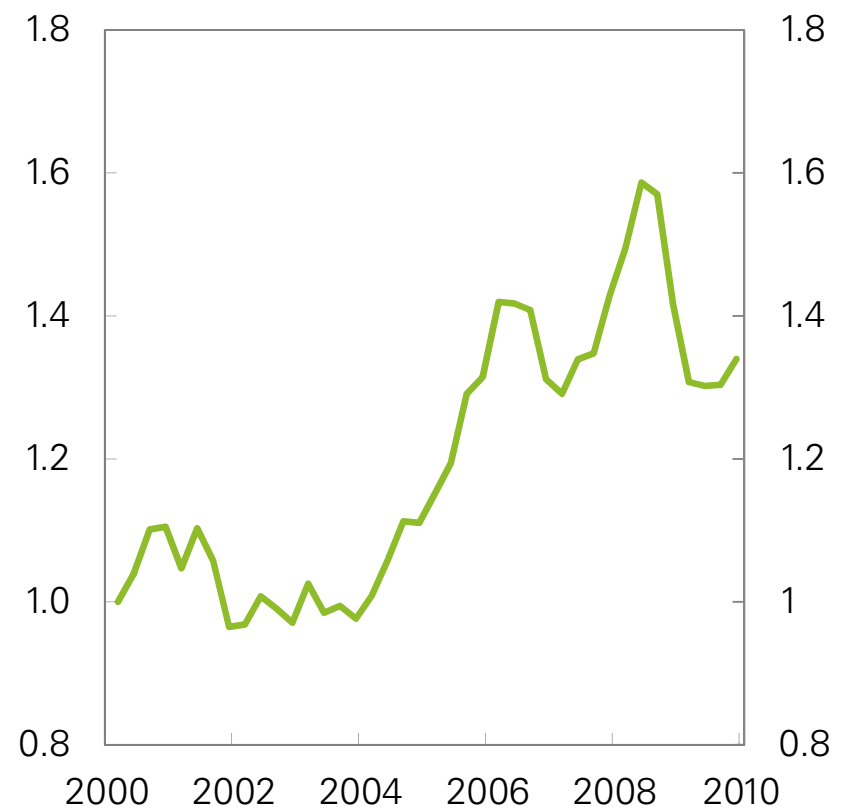
Source: OECD Economic Outlook 86

Challenges to the Norwegian economy

Relative labour costs¹⁾ against trading partners. Per cent



Terms of trade
Index, 2000 Q1=1



¹⁾Deviation from mean over the period 1970 – 2008.

Sources: Ministry of Finance, Norges Bank and Statistics Norway