

# Economic perspectives

Annual address by Governor Ida Wolden Bache  
to the Supervisory Council of Norges Bank  
and invited guests

Thursday 12 February 2026

# Economic perspectives 2026

I think the Norwegian 1000-krone bill is the most beautiful banknote in the world. The main motif is a wave on the open sea – with a storm blowing. The banknote itself is now in rough weather.

It is not alone in that.

As Canada's Prime Minister Mark Carney put it a few weeks ago, we now live in a world where the most powerful pursue their interests, where economic integration is used as coercion, and where those who are not at the table are on the menu.<sup>1</sup>

At the same time, we are on the cusp of a transformation where artificial intelligence could change the world in ways we cannot yet fully imagine.

There is a duality here.<sup>2</sup> There are many reasons for concern, but there is also cause for hope. Technological progress can, for example, enable us to find solutions to problems that have previously been beyond our reach, such as climate challenges or treatments for previously incurable diseases.

The question is how we address this duality – in a world where both opportunities and dangers seem greater than before. More than ever, we need institutions that foster stability and predictability. But sitting still is not an alternative. Renewing institutions is essential, so that they are adapted to present day realities. This also applies to Norges Bank and our social mission.

1 [Davos 2026: Special address by Mark Carney, PM of Canada | World Economic Forum](#)

2 The former UK Foreign Secretary used the terms "danger and excitement" to describe the times in which we live. [Hague speaks on global security | Oxford Alumni](#)

# Sustained economic expansion despite high tariffs

When I stood here last year, I warned that the global economy could be hit hard by a major trade conflict. Since then, US tariffs have been raised to a level not seen since the interwar period. But the economic downturn has not materialised. There are several reasons for this.

First, the tariff increases were not as large as they might appear on paper, primarily due to both multiple exemptions and companies' ability to maneuver around tariff rates.<sup>3</sup>

Moreover, few countries retaliated against the US tariff increases. In reality, the trade war has primarily been between the US and China – and after a few weeks of very high tariffs before summer last year, they agreed to roll back some trade barriers.

Chinese exports actually grew faster last year than in the preceding year. Lower Chinese exports to the US were more than offset by increased export sales to other countries.

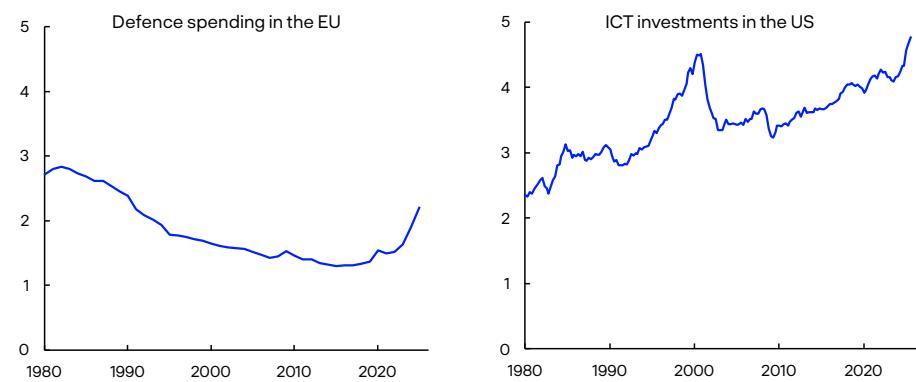
Norwegian export companies have also noticed that. Several of the companies we interviewed during autumn last year pointed to increased competition from Chinese companies. The main impression from the interviews is nevertheless that the US tariff increases and the trade turbulence have not had a major impact on their activity so far.

At the same time, other forces have also contributed to sustained growth (Chart 1). Activity in many European countries has been boosted by increased defence spending. In the US, artificial intelligence has been a key driver of economic growth. Investment in software, IT equipment and

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## Chart 1 Several drivers have counteracted the trade turbulence

Share of GDP. Percentage

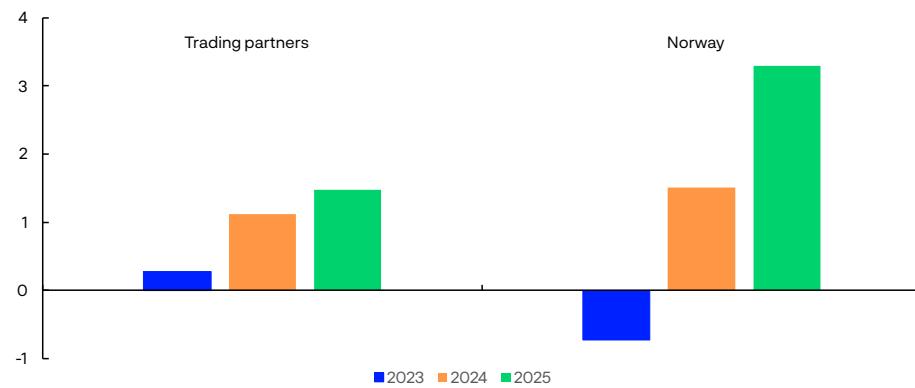


Sources: Bureau of Economic Analysis, NATO, World Bank Group and US Census Bureau

<sup>3</sup> See, e.g., Gopinath, G. and B. Neiman (2026), "The Incidence of Tariffs: Rates and Reality" NBER Working Paper 34620 and Higgins, M. and T. Klitgaard, "A Country-Specific View of Tariffs" Liberty Street Economics, Federal Reserve Bank of New York, October 6, 2025.

## Chart 2 Several drivers have counteracted the trade turbulence

Annual growth in household consumption. Percent



Sources: FocusEconomics and Statistics Norway.

data centres has soared. In addition, AI optimism has driven stock markets higher, and some of the gains have been used for consumption.

Growth in household consumption has picked up both internationally and in Norway (Chart 2). The increase has been strongest in Norway and reflects an increase in household purchasing power. Over the past two years, wages have risen more than prices, and employment has increased. In addition, the interest rate cuts last year helped reduce debt servicing costs somewhat.

We do not see a dim picture ahead either. The moderate upturn in the Norwegian economy is expected to continue and household purchasing power to increase further.

Does this mean that we can now breathe a sigh of relief? It would probably surprise you if I answered an unconditional yes to that question.

It is not difficult to envisage scenarios where the world economy is hit harder than we have seen over the past year. When companies do not know what rules, framework conditions and markets they will face tomorrow, investments can be postponed or redirected. The uncertainty extends beyond tariffs. If confidence in important financial institutions were to fail, or if doubts arise as to whether large borrowers will be able to service their debt, the consequences could be substantial.

But we are not there now, and there are also other forces at play. Much of it is related to the development of artificial intelligence.

# An epochal shift in technology

The physicist Inga Strümke put it this way: *This could go to hell. Or it could go really great.*<sup>4</sup>

On the dark side, we are seeing increasingly autonomous weapon systems, more targeted cyberattacks and more credible disinformation being spread.

On the other hand, AI can help solve a wide range of tasks both faster and better and acts as a catalyst for new ideas and new solutions. We see that AI enables doctors to make faster and more accurate diagnoses and that it advances medical research in the quest for new treatments and medications. We are also hearing that AI can accelerate the development of fusion energy - a technology that, if successful, could provide access to vast amounts of clean energy.

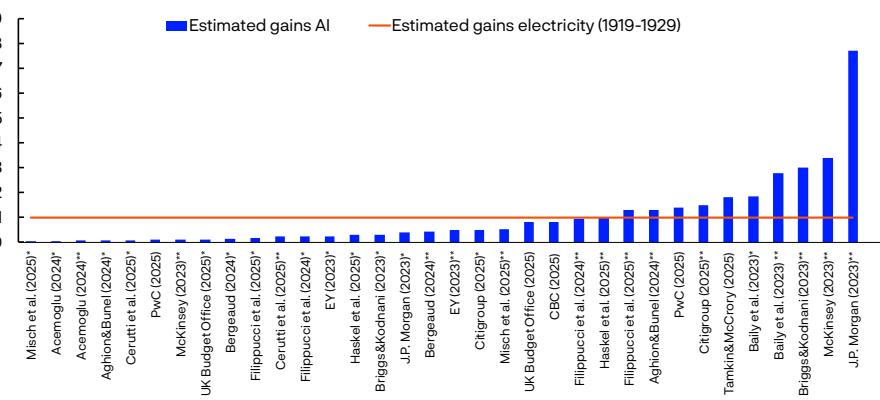
The size of productivity gains from AI, and how fast they will materialise, is highly uncertain. Different researchers and analysts have different answers. Some argue that productivity may even decline rather than increase in the near term.

Chart 3 shows different estimates of AI's potential boost to annual productivity growth in the coming years. The estimates vary between close to zero and just below eight percentage points.<sup>5</sup>

The question is then whether this is a lot or a little. For comparison, the introduction of electricity is estimated to have boosted productivity growth in the US by about 1 percentage point annually in the period 1919 to 1929.<sup>6</sup>

## Chart 3 Studies provide varying estimates of productivity gains from AI

Annual productivity gains from AI in coming years. Percentage points



Sources: See reference list in published Data sheet. \* High estimate, \*\* Low estimate

4 See [Forsknings.no](#)

5 The estimates are not directly comparable – they apply to different countries and are based on different productivity measures and different assumptions about distributional and indirect effects, but they span a wide range of possibilities.

6 See Crafts, N. (2002) "The Solow Productivity Paradox in Historical Perspective". *Discussion papers*, 3142. The Centre for Economic Policy Research (CEPR).

We have relatively few estimates for Norway to draw on. However, according to an analysis from the International Monetary Fund, Norway is better placed to reap the productivity gains from AI than many other countries.<sup>7</sup> Norway has, for example, many knowledge-intensive service industries where AI can be widely adopted. Norway also has high wage levels that provide incentives to invest in new technology.

A corollary to the productivity gains is the possibility that AI will reshape the labour market. This is not just about job displacement, but just as often about demand for new skills and the creation of new jobs.

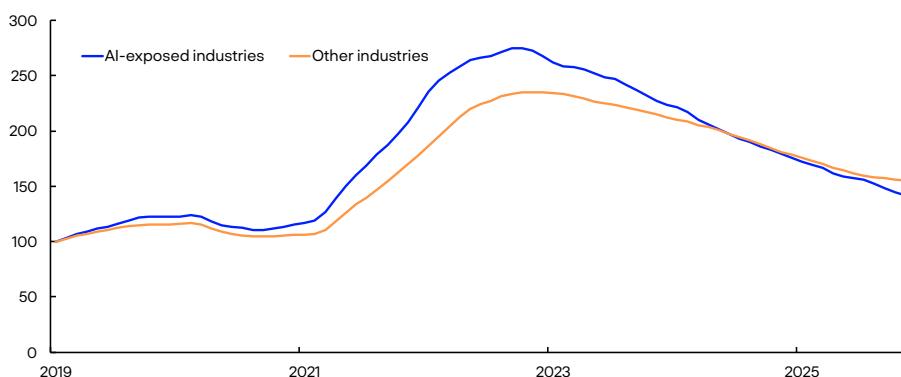
Many students are worried about the type of labour market they will be facing. Chart 4 shows developments in the number of job postings aimed at new graduates in Norway. We see that the number of job postings rose in all sectors in the wake of the pandemic. Since then, the number has declined as the economy has cooled. The decline has been most pronounced in the sectors where we could expect that AI would first impact labour demand, such as banking and finance and ICT. The decline is to a large extent probably due to cyclical conditions, but we cannot rule out that AI is starting to affect flows into certain jobs, as we are seeing signs of in some countries.<sup>8</sup>

So far, there is no clear trace of AI in headline labour market figures, neither in Norway nor abroad. For most of the firms we contact, AI has not yet changed their staffing needs in either direction. The main feedback is rather that the new technology requires new skills.<sup>9</sup>

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#### Chart 4 Are there traces of AI in job postings?

Job postings targeted at newly graduated. Index. January 2019 = 100



Source: Finn.no

7 See Misch, F., B. Park, C. Pizzinelli and G. Sher (2025). "AI and Productivity in Europe," *IMF Working papers*, 2025/067, International Monetary Fund.

8 See Liu, Y., H. Wang and S. Yu (2025) "Labor Demand in the Age of Generative AI: Early Evidence from the U.S. Job Posting Data". *World Bank Policy Research Working Paper*, and G. Henseke, R. Davies, A. Felstead, D. Gallie, F. Green and Y. Zhou (2025) "How Exposed Are UK Jobs to Generative AI? Developing and Applying a Novel Task-Based Index". ArXiv, Cornell University.

9 See Norges Bank's *Regional Network 4/2025*, Norges Bank.

Some of you may now be wondering how AI could affect interest rates. The answer is that it is too early to tell.

If AI boosts global productivity, growth opportunities will increase and risk appetite could rise. This could also mean that both the global and domestic interest rate level will be higher over time than would otherwise be the case.<sup>10</sup>

In the near term, higher productivity could reduce production costs and dampen inflation. That pulls in the direction of lower interest rates. However, if expectations of higher earnings and wage growth boost investment and consumption without the supply side keeping pace, both wage and price inflation could move up. Interest rates could then increase – also in the near term.<sup>11</sup>

So far, I have mainly talked about the *potential* impact of AI on productivity, but the gains in productivity do not come about on their own.

Some observers refer to a technological overhang: the opportunities exist but we have yet to make full use of them. If we are to reap the benefits of AI, we must do more than install new tools. This will require substantial investment, data, skills and new working methods. And, not least, we need sound institutions.

As Nobel economics laureate Philippe Aghion<sup>12</sup> pointed out: *The technology is revolutionary. The crucial question is whether our institutions will manage to transition fast enough so that we are able to realise the productivity gains.*<sup>13</sup> And I will add; fast enough to avoid the worst conceivable outcomes and to avoid that the gains only benefit the few.<sup>14</sup>

The experience of previous technological shifts shows that the largest productivity gains are realised when several forces pull in the same direction. The productivity boost during the ICT wave in the 1990s was supported by increased globalisation and stronger rule-based international cooperation. That is worth thinking about.

<sup>10</sup> See Lukasz, R. (2025). “[What next for r?](#) A Capital Market Equilibrium Perspective on the Natural Rate of Interest”, *Brookings Papers on Economic Activity*, September 2025.

<sup>11</sup> AI can affect the policy rate through other channels. Security, preparedness and control requirements can increase firms' costs. Rising demand for data centres and data energy are putting pressure on energy markets in some areas and could lead to higher energy prices over time. Whether AI will push interest rates up or down is uncertain.

<sup>12</sup> Philippe Aghion is one of three awarded the 2025 Sveriges Riksbank Prize in Economic Sciences, often referred to as the Nobel Prize in Economics.

<sup>13</sup> [Will Our Institutions Keep Up With AI?](#) | INSEAD Knowledge

<sup>14</sup> For a further discussion of the significance of institutions for economic growth, see, e.g., Acemoglu, D., S. Johnson and J. Robinson (2005) “[Institutions as a Fundamental Cause of Long-Run Growth](#)”. In: Aghion, P. og S. N. Durlauf Red. *Handbook of Economic Growth*, Vol. 1, pp. 385–472. Elsevier.

# Changes to the framework for the Government Pension Fund Global

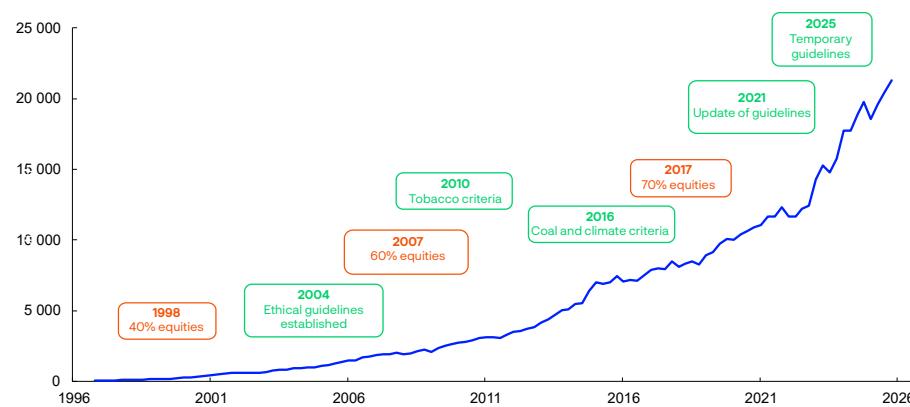
Globalisation and multilateral institutions stood strong when the then Minister of Finance Sigbjørn Johnsen made the first transfer to the Government Pension Fund Global (GPFG) in 1996. Thirty years later, the initial transfer of 2 billion kroner has turned into 20,000 billion kroner (Chart 5).

The management framework for the GPFG has been developed over time. The ethical guidelines were established in 2004 and have since been revised several times, each time endorsed by the Storting. The framework has many positive features but also involves some dilemmas. We increasingly see that there is a gap between international and domestic expectations regarding responsible investment. That was clearly expressed this summer. Israel's occupation of Palestinian territories and the war in Gaza sparked debate about the GPFG's investments. In Norway, there was criticism that Norges Bank did not divest from more companies. We have taken that criticism seriously. At the same time, the exclusion of a large US company provoked reactions by some observers, including a number of US politicians. In today's world, some aspects of investment management might strengthen confidence in the GPFG at home, while weakening its position and investment opportunities abroad. That is a matter we must dare to speak about.

We have a good tradition of making changes to the GPFG framework based on thorough assessments. That has been a strength. It is also a strength that the political authorities react quickly when circumstances so require. In November, the government appointed a commission to review the ethical framework. The questions the commission has been asked to answer are important but also demanding. Regardless of the outcome, the framework must be clear about where the responsibilities lie, must be based on realistic ambitions for responsible investment and

## Chart 5 The management framework has been developed over time

Government Pension Fund Global. Market value in billions of NOK



Source: Norges Bank

enable the GPFG to continue to fulfil its purpose: high financial returns that can benefit future generations.

Norges Bank manages the GPFG with an eye to that purpose. However, the decisions that have the greatest impact on risk and return over time are made by the political authorities. Of primary importance is the decision on the allocation to equities. The equity allocation was last adjusted in 2017 when the Storting supported raising it to 70 percent. It has also been decided that the equity investments should be broadly diversified across markets and companies. The size of the investment in a company should roughly reflect the market capitalisation of the company.

The strategy has yielded solid returns in recent years. The total return on the GPFG's equity investments over the past three years is over 70 percent. At the same time, a consequence of the strategy is that the big US tech companies now account for a substantial share of the GPFG's investments, after AI optimism has driven equity prices to high levels.

Two things follow from this. The first is that we must, as always, be prepared for a sharp fall in the value of the GPFG. The second is that a strategy based on broad equity indices and market weights does not prevent large exposures to individual countries, sectors or companies. Thoughtful consideration must be given to the risk this may pose to an investment fund such as ours and how it should be managed. There are no easy answers to that. The expert council for the GPFG recently recommended an arrangement for the regular and systematic review of the investment strategy. The council recommends that the work begin now, which is a recommendation that I fully support.

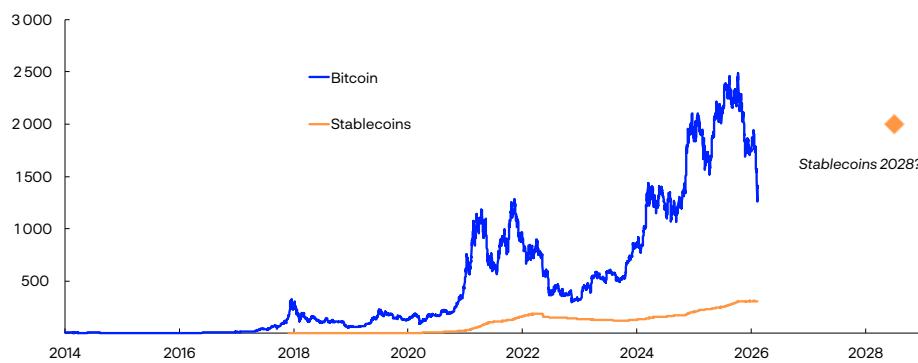
## New forms of money

The geopolitical changes and rapid technological advances also affect the monetary system (Chart 6).

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### Chart 6 Blockchain money is on the rise

Market value. In billions of USD



Sources: DefiLlama, CoinGecko and US Treasury BAC

In 2008, Satoshi Nakamoto launched Bitcoin. In a short note, he, she or they/them - no one knows for sure - presented a payment system based on cryptography. The payment system was based on distributed ledger technology, and bitcoin was the system's unit of money. In the system, two parties could pay each other digitally and securely, without having to rely on a bank or another third party. The major innovation was that trust in this system could be achieved through technology alone.

Since then, bitcoin has proved not to work well as a means of payment, in contrast to the original intention. Instead, it has become an investment asset for those who are willing to take on considerable risk or are sceptical about established institutions and want to invest outside the US dollar or other fiat currencies. Bitcoin has been followed by tens of thousands of other cryptocurrencies, but none has achieved any role as a means of payment.

In 2014, cryptoassets emerged that combined various components to create a kind of monetary Kinder Egg: Stablecoins. They were based on blockchain technology, were backed by other assets *and* maintained a stable value. Stablecoins have become a buzzword among many people with an interest in economics, and the Financial Times named stablecoins one of its 2025 words of the year.

Stablecoin issuers hold a reserve of bank deposits and securities with the aim of maintaining par value relative to a fiat currency. This makes stablecoins better suited as a means of payment than cryptocurrencies such as bitcoin. There is not a large outstanding volume of stablecoins today, but some predict that their volume will increase several-fold over the coming years.

But what does this mean for us? For now, the answer is: not that much.

To date, stablecoins have largely been used for the purchase and sale of bitcoins and other cryptocurrencies. They are also used on a small scale for international money transfers, but hardly at all for the purchase of common goods and services. In any case, as most stablecoins are in US dollars, they are impractical to use as a means of payment for us in Norway.

In practice, stablecoins are not entirely "stable". Their value against the US dollar normally varies a bit. There have also been episodes of more serious breaches of the promise of a fixed value. Stablecoin issuers are not backed by a central bank and were for a long period not subject to any regulation.

Traditional forms of money are doing a far better job as a means of payment. Our money can be used virtually everywhere, albeit not on blockchains. A 1000-krone note has precisely the same value as a thousand kroner in a bank account. One thousand kroner deposited in Handelsbanken has the same value as one thousand kroner in

Sparebanken Norge. At the same time, the money moves seamlessly and rapidly between banks when we make payments.

We take it for granted that this is how our money works. But this did not come about on its own. It is a result of laws, rules and institutions that have been established to secure the monetary system. Banks can create money and execute payments. In return, they must meet strict regulatory requirements. Confidence in bank deposits as a form of money, is also supported by a deposit guarantee scheme. Norges Bank is the hub of the system. As the bankers' bank, Norges Bank ensures that all Norwegian kroner are equal.

Although our money serves us well, we cannot rule out that stablecoins or similar forms of money may become more important ahead. Blockchains may evolve to become a marketplace for more types of assets, such as equities, bonds and real estate, or stablecoin payments may become so efficient that they are also used in the more traditional parts of the economy.

If new forms of money become more widespread, we will have to consider how to adapt regulation to the new terrain. We will also have to assess whether we need public money on blockchains, in the form of central bank digital currency. Norges Bank has concluded that this form of money is not needed now, but that might change in the future. Banks should also consider how to avoid ending up on the back foot.

New forms of money are not just about technology but also about geopolitics. The European Central Bank is working to introduce a digital euro – a central bank digital currency that is available to the general public. The purpose is to strengthen preparedness and make the payment system less dependent on non-European companies.

Our monetary unit - the Norwegian krone - celebrated its 150th anniversary in 2025.<sup>15</sup> Norwegian kroner were to a large extent in the form of cash 150 years ago. Now virtually all Norwegian kroner are bank deposits. Norges Bank will work to ensure that the Norwegian krone continues to be an attractive and safe means of payment for individuals and firms in the future. If the krone is not used, the krone interest rate will not matter to anyone, and we will then lose the opportunity to ensure price stability.

## Monetary policy provides an anchor

On the 1000-krone banknote, we can see not only waves, but also an anchor chain. The main task of monetary policy is precisely to provide the economy with a nominal anchor. This year marks 25 years since we

<sup>15</sup> The Storting (Norwegian parliament) approved in 1875 the replacement of the monetary units the speciedaler and the skilling with krone and øre with effect from 1877. Last year we could commemorate the 150th anniversary of the Norwegian krone, while the 1000-krone note will not be 150 years old until 2027 - provided that it still exists.

adopted an inflation targeting framework for monetary policy. Since 2018, the target – the anchor – has been 2 percent.

The Ministry of Finance will now review the mandate for monetary policy. This is sensible. In my view, flexible inflation targeting has proved effective, and I cannot foresee a better alternative at the present time. That does not rule out that there may be room for some adjustments, or that bigger changes might be needed in the future.

Norges Bank is mandated to ensure low and stable inflation and to help keep employment as high as possible while promoting economic stability. Some have argued that the aims of monetary policy should be broadened to include considerations such as the distribution of income and wealth or climate change. I would like to warn against that, not because they aren't important considerations, but because they are tasks that monetary policy is ill-suited to solve. Other components of economic policy have more targeted instruments. Moreover, if monetary policy is to take into account many considerations, it will be difficult to evaluate performance. The independence we have been given in interest rate setting makes it particularly important that elected representatives can control that we are actually doing the job we are assigned to do.

The Monetary Policy and Financial Stability Committee is responsible for setting the policy rate. Since the Committee was established in 2020, the policy rate decisions have been unanimous.

Some might wonder how it can be that five people have always come to the same conclusion – in a period where the pandemic, cost shocks and geopolitical upheavals have resulted in an unusually high degree of uncertainty.

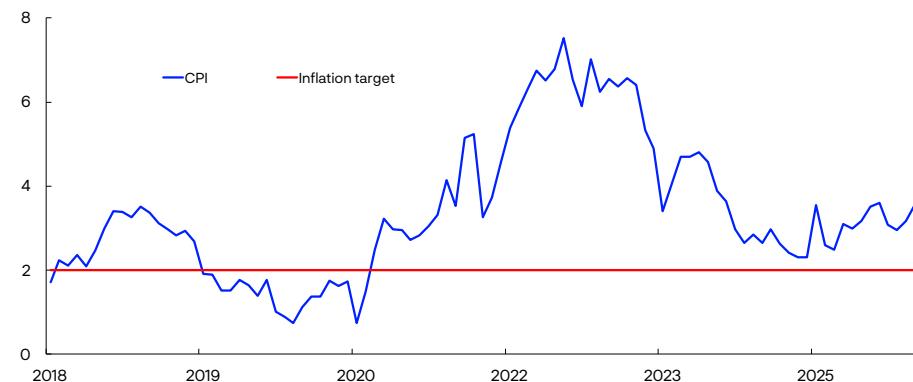
It would be remarkable if the members always came into the meetings with identical assessments – and nor do we. But we do attend the meetings with an intention of agreeing, and then we listen to each other's assessments and arguments.

We have developed our communication over time. So far, we have not published minutes of our meetings, as many other central banks do. We believe that the time has now come to open up a little more about the discussions leading up to the policy rate decisions. In the course of this year, we will begin to publish a summary of the Committee's discussions. The goal is to provide more nuances and details than today, but we will omit Committee members' names. We believe this will continue to foster thorough and open discussions where we listen to each other and seek agreement.

After inflation surged in the wake of the pandemic, the Committee raised the policy rate sharply and rapidly. Inflation has come down markedly from the peak, and last year we began to ease monetary policy somewhat. Since September last year, the policy rate has been 4 percent.

## Chart 7 Inflation is too high

Twelve-month change. Percent



Source: Statistics Norway

The reason why we have not reduced the policy rate to the same extent as our main trading partners is that inflation is still too high. Excluding energy prices, inflation has been close to 3 percent since autumn 2024 (Chart 7). According to figures published this week, inflation increased in January and was higher than we had expected. We will ensure that inflation is brought back to 2 percent.

## Conclusion

Let me conclude.

The world is navigating stormy waters.

There is also a bit of a storm here at central bank headquarters. The Minister of Finance has asked us to consider withdrawing the 1000-krone banknote from circulation. The purpose is to combat crime. There are also some calls for withdrawing all the banknotes.

But the banknotes do not only have sentimental value. They contribute to preparedness and are the only form of money accessible to everyone in Norway. Our banknotes are also a tangible expression of an institution that cannot be taken for granted: a sound monetary system, where the central bank stands behind and can ensure that our money retains its value over time.

Irrespective of whether we may one day decide to become a cashless society or not, Norges Bank will ensure that the economy has a nominal anchor. This is no less important in these times of upheaval. The past years have reminded us that the outlook can change abruptly. That is why we do not make any promises about the policy rate.

Thank you for your attention.