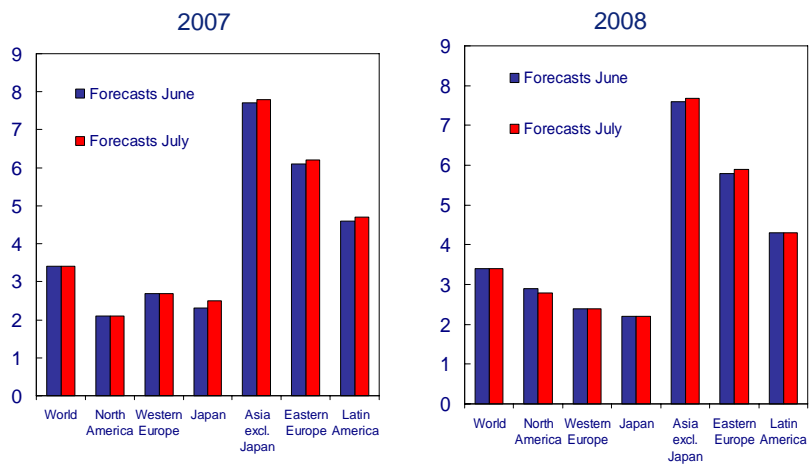


# Executive Board meeting

15 August 2007

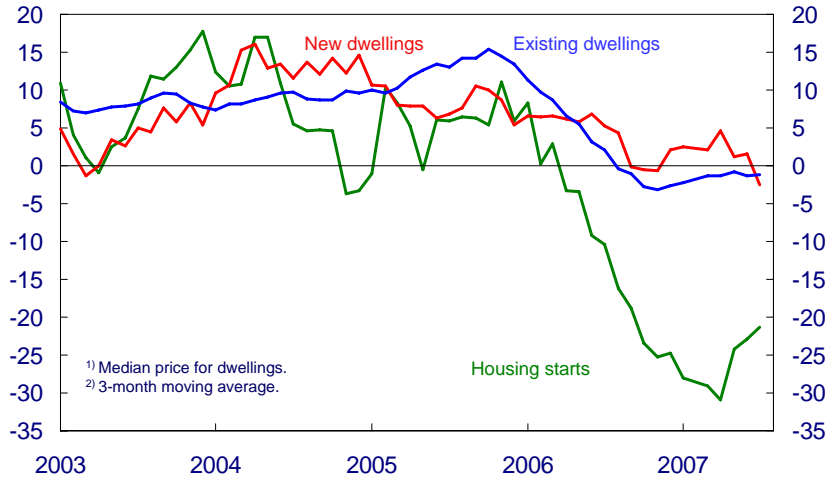
## Growth forecasts Consensus Forecasts

GDP. Percentage change on previous year



Source: Consensus Forecasts

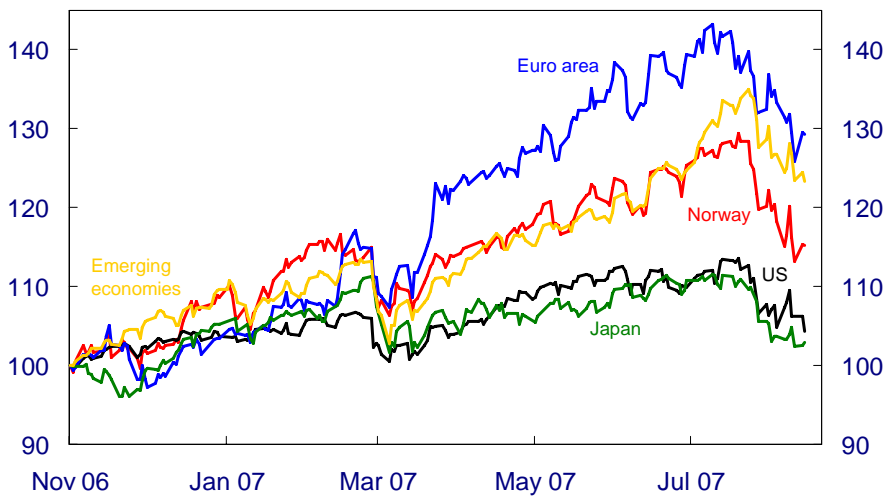
### House prices<sup>1)</sup> and housing starts in the US Seasonally adjusted. 12-month rise<sup>2)</sup>. January 2003 – June 2007



Sources: Reuters (EcoWin) and Norges Bank 3

### Equities

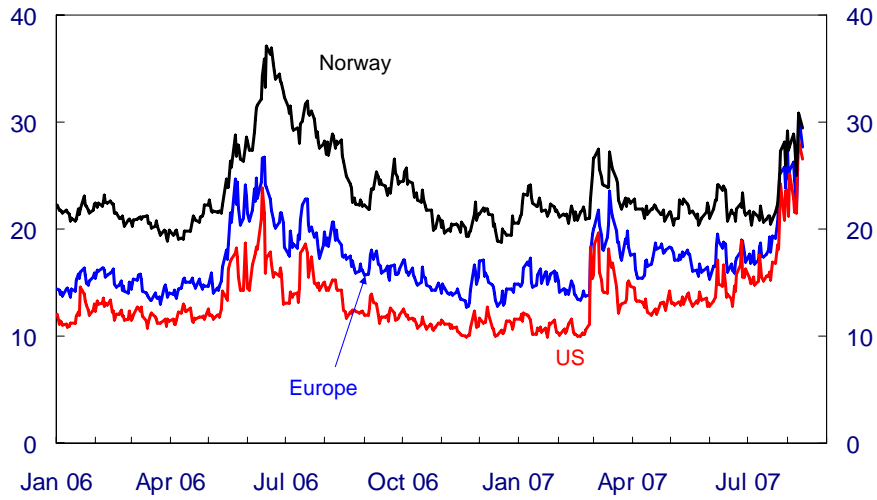
Indices, 1 November 2006 = 100. 1 November 2006 – 14 August 2007



Source: Reuters (EcoWin) 4

### Implied volatility from equity options

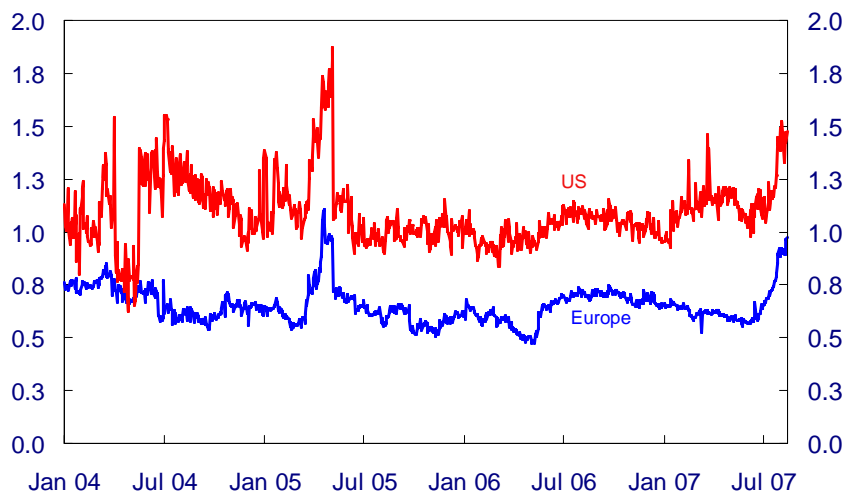
Per cent. 1 January 2006 – 13 August 2007



Sources: Reuters (Ecowin) and Oslo Stock Exchange 5

### Credit premium on BBB-rated corporate bonds

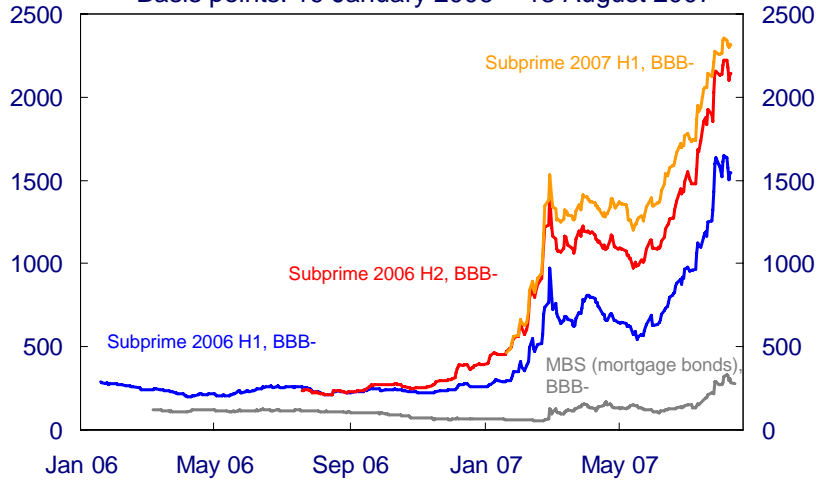
5-year maturity. Percentage points. 1 January 2004 – 13 August 2007



Source: Reuters (EcoWin) 6

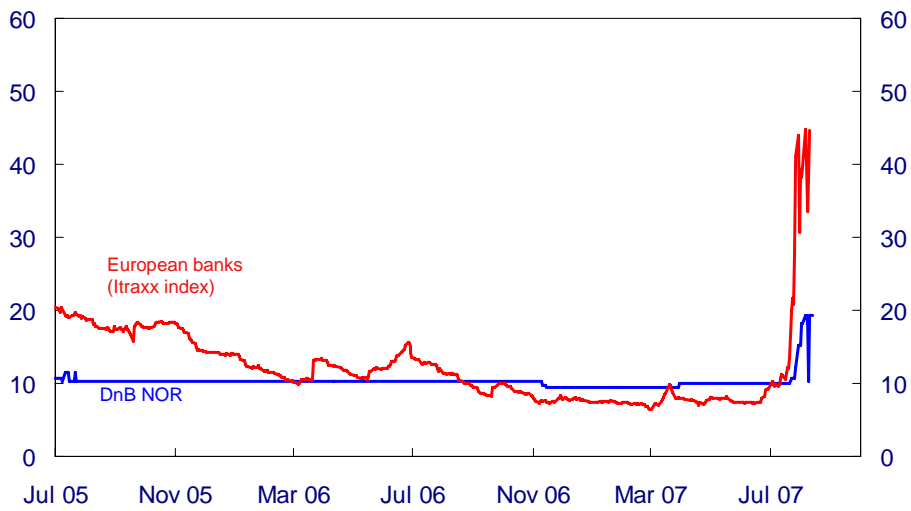
### Credit spreads on bonds secured on subprime loans and ordinary mortgage loans

Basis points. 19 January 2006 – 13 August 2007



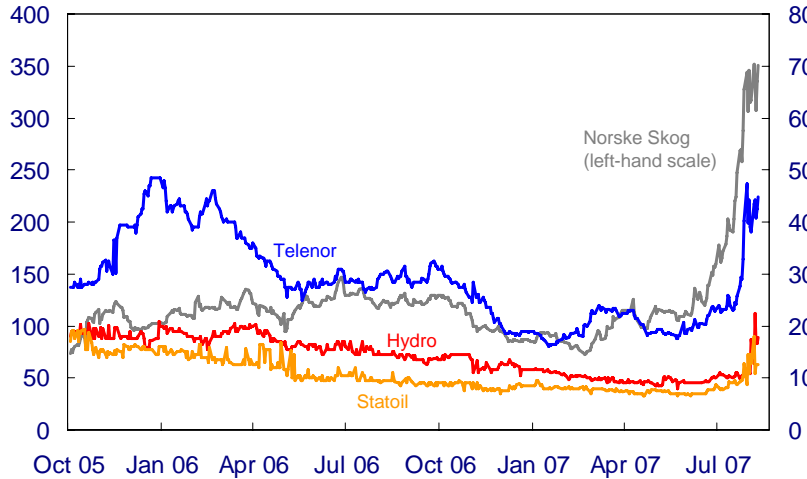
### Price of hedging credit risk. 5-year CDS prices

Basis points. 1 July 2005 – 13 August 2007



### Price of hedging credit risk. 5-year CDS prices

Basis points. 3 October 2005 – 10 August 2007



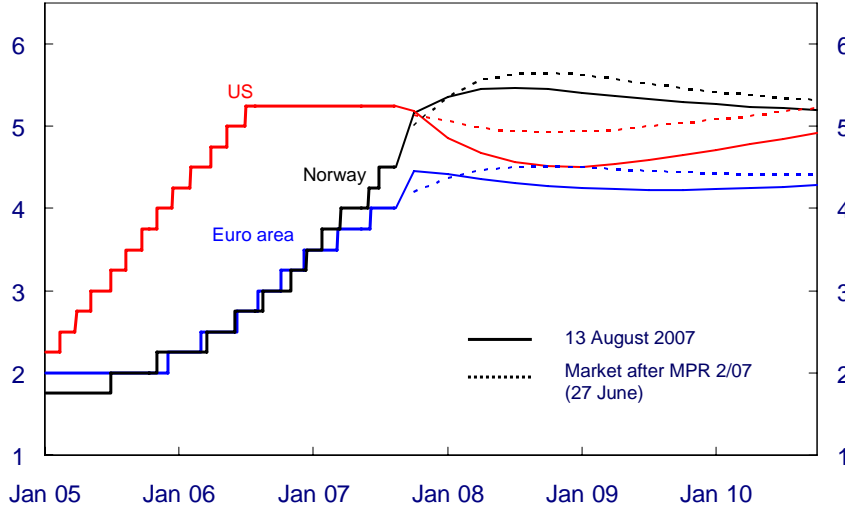
Source: Thomson Datastream

### Supply of liquidity from various central banks

Central bank	Date	Amount supplied in local currency	Interest rate	Comment:
ECB	9 August	EUR 94.8bn	4.0 per cent (fixed-rate loan)	Largest single injection ever. ECB promised full allotment.
	10 August	EUR 61.05bn	4.08 per cent (average)	Variable interest rate. Average interest rate on allotment of 4.08 per cent.
	13 August	EUR 47.67bn	4.07 per cent (average)	Variable interest rate. Average interest rate on allotment of 4.07 per cent.
Federal Reserve	9 August	USD 12bn + USD 12bn	From 5.187 to 5.33 per cent	First amount supplied as a 14-day repo. Second amount was an ordinary O/N repo. According to the <i>Financial Times</i> , this is about twice as much as normal.
	10 August	USD 38bn	5.236 (19bn) 5.266 (16bn) 5.127 (3bn)	Three different repo tranches in the course of the weekend. Largest injection since the days following 11 September 2001.
Bank of Canada	9 and 10 August	CAD 1.69bn		
Bank of Japan	10 August	JPY 1000bn	0.553 per cent (average)	O/N
	13 August	JPY 600bn	0.609 per cent (average)	1-week repo
The Reserve Bank of Australia	10 August	AUD 4.95bn		Twice the normal amount.
Swiss National Bank	9–13 August		2.6 per cent (overnight) and 2.43 per cent (1-week)	Has supplied a fair amount of liquidity. Reuters estimates the injection on Thursday 9 August at CHF 2-3bn.
Norges Bank	9 August	NOK 45bn	4.61 per cent (average)	Ordinary F-loan auction with allotment rate of 4.61 per cent.

### Key policy rates and forward rates

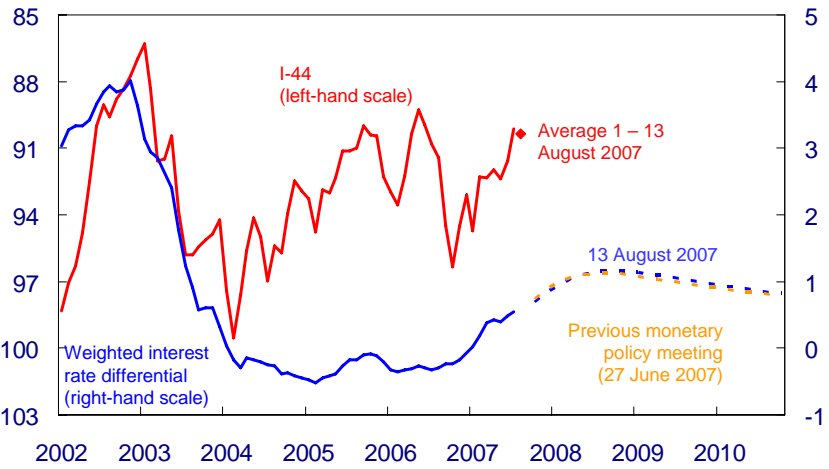
As at previous monetary policy meeting and as at 13 August 2007



Sources: Reuters (EcoWin), Bloomberg and Norges Bank 11

### 3-month interest rate differential and import-weighted exchange rate (I-44)<sup>1)</sup>

January 2002 – December 2010

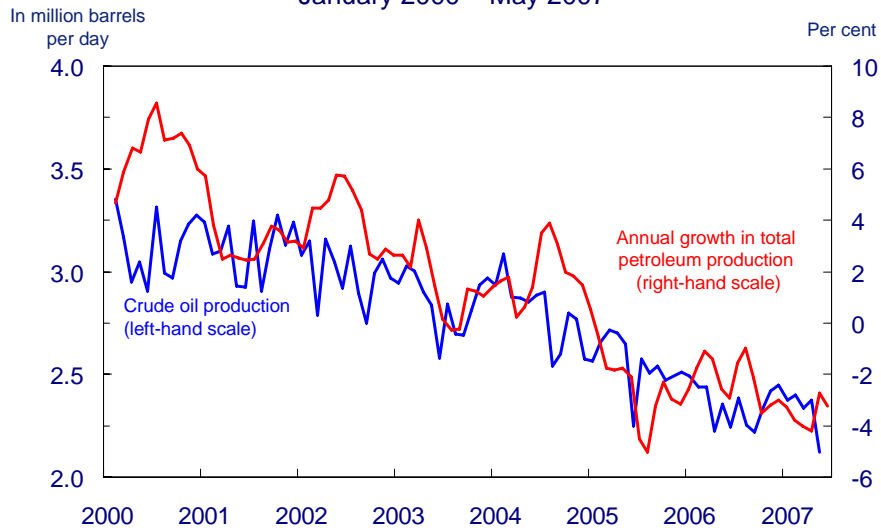


<sup>1)</sup> A rising curve denotes an appreciation of the krone.

Sources: Bloomberg, Reuters (EcoWin) and Norges Bank 12

### Petroleum production in Norway

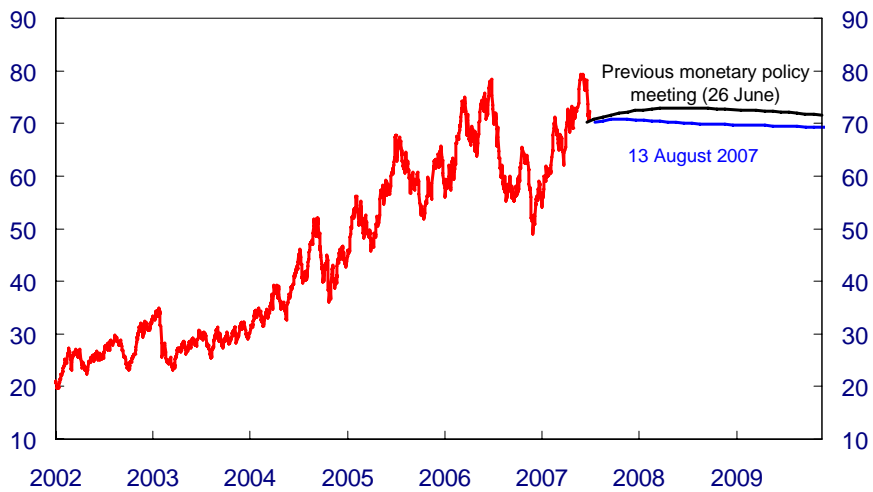
January 2000 – May 2007



Source: Norwegian Petroleum Directorate

### Oil price Brent Blend and futures prices

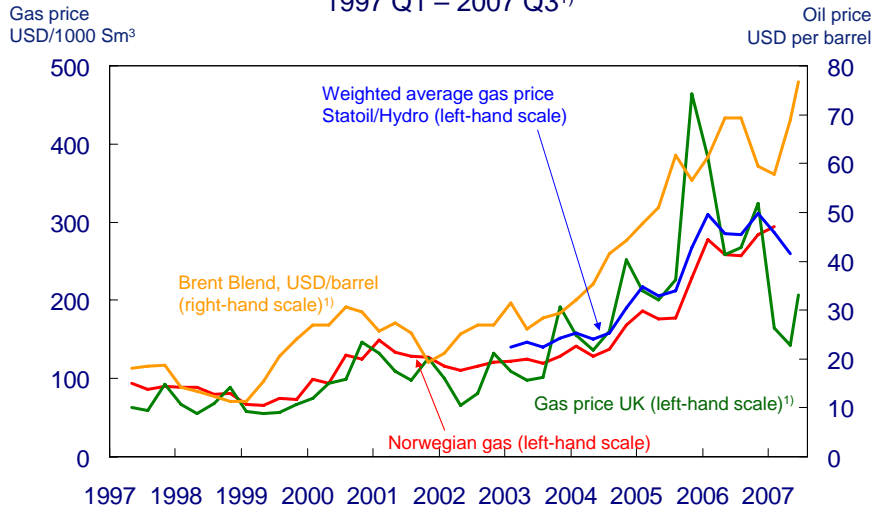
USD per barrel. 3. January 2002 -13 August 2007



Sources: Telerate, IPE and Norges Bank

### Average prices for crude oil and natural gas

1997 Q1 – 2007 Q3<sup>1)</sup>

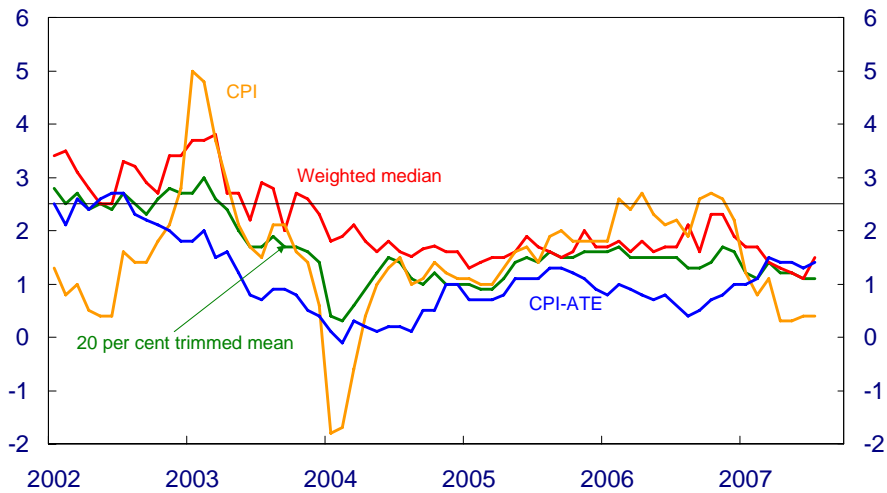


<sup>1)</sup>Average daily figures to date in 2007 Q3.

Sources: Reuters (EcoWin), Statistics Norway, Statoil, Norsk Hydro and Norges Bank 15

### Various inflation indicators

12-month change. Per cent. January 2002 – July 2007

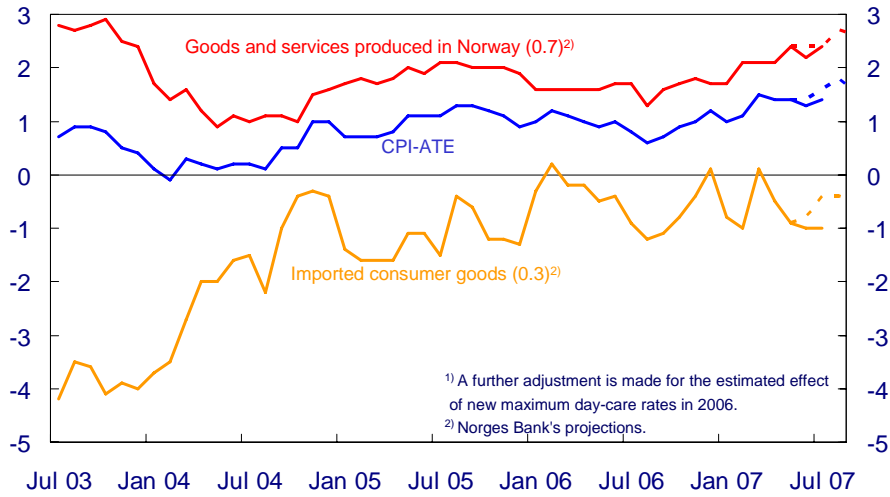


Source: Statistics Norway 16



### CPI-ATE<sup>1)</sup>

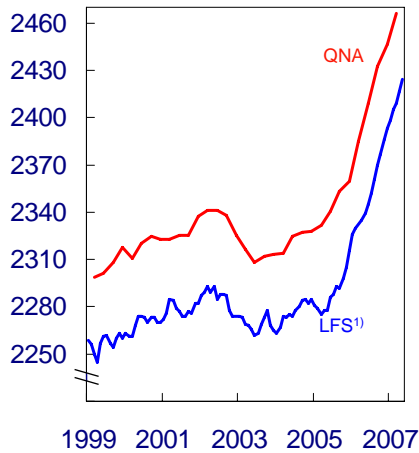
Total and by supplier sector. Projections MPR 2/07  
12-month rise. Per cent. July 2003 – July 2007



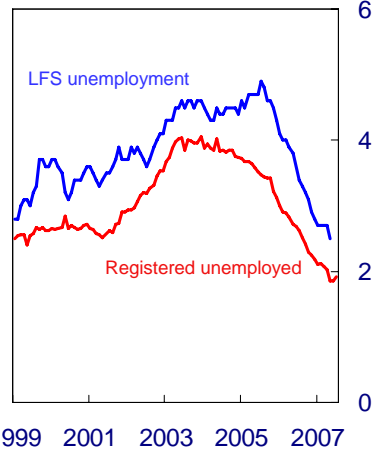
Sources: Statistics Norway and Norges Bank

### Labour market

Employment  
In 1000s



Unemployment  
Per cent. Seasonally adjusted.

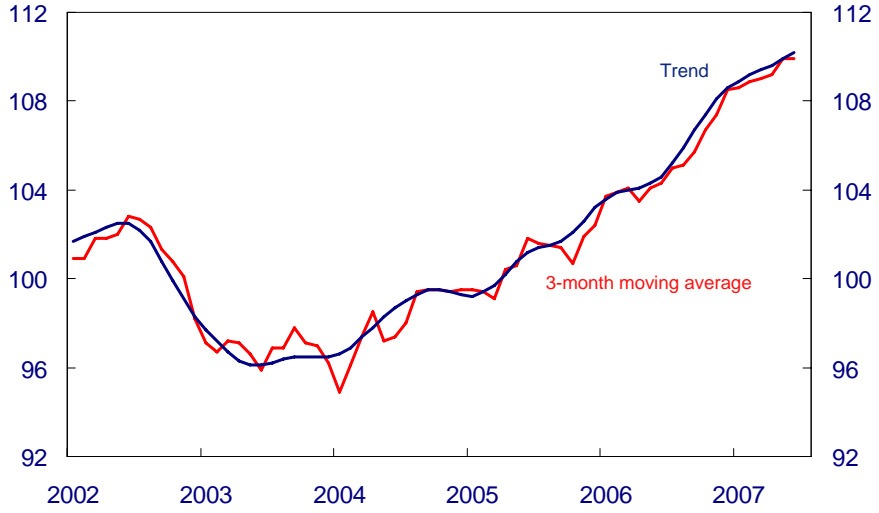


<sup>1)</sup> The changes to the LFS have resulted in a break in the time series between 2005 and 2006.

Sources: Statistics Norway and Norwegian Labour and Welfare Organisation (NAV)

### Manufacturing output index

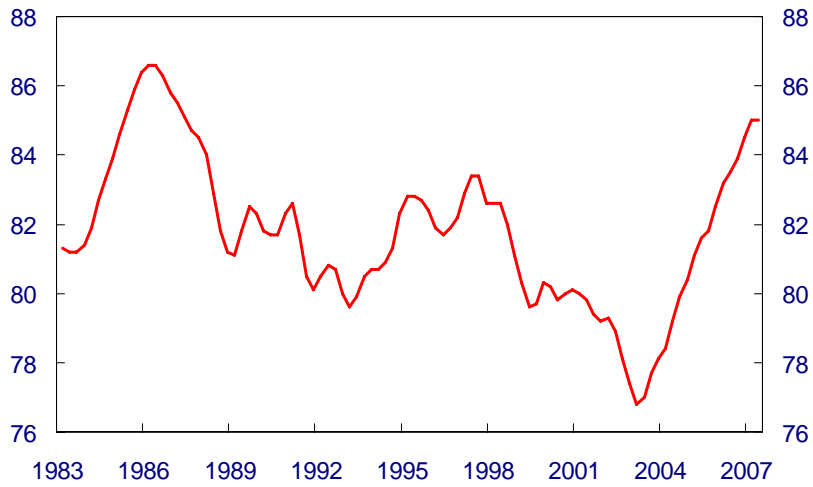
Volume index. Seasonally adjusted 3-month moving average and trend



Source: Statistics Norway

### Capacity utilisation in manufacturing - Business tendency survey

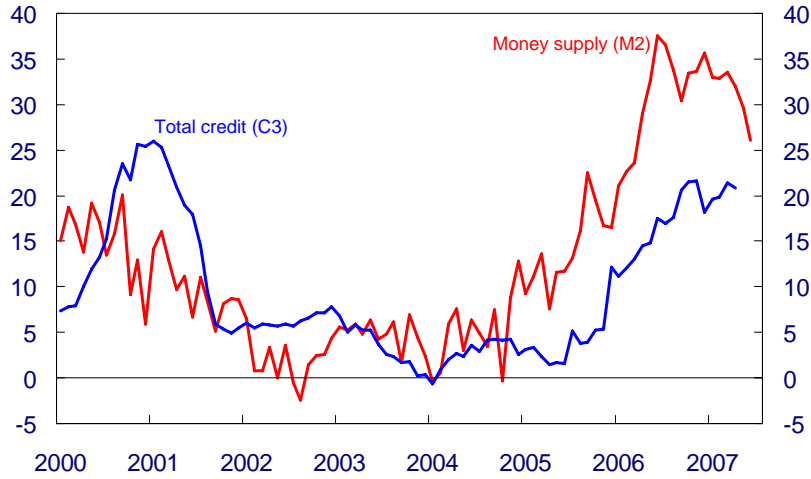
Per cent. 1983 Q1 – 2007 Q2



Source: Statistics Norway 21

### Enterprise sector credit<sup>1)</sup> and liquid assets<sup>2)</sup>

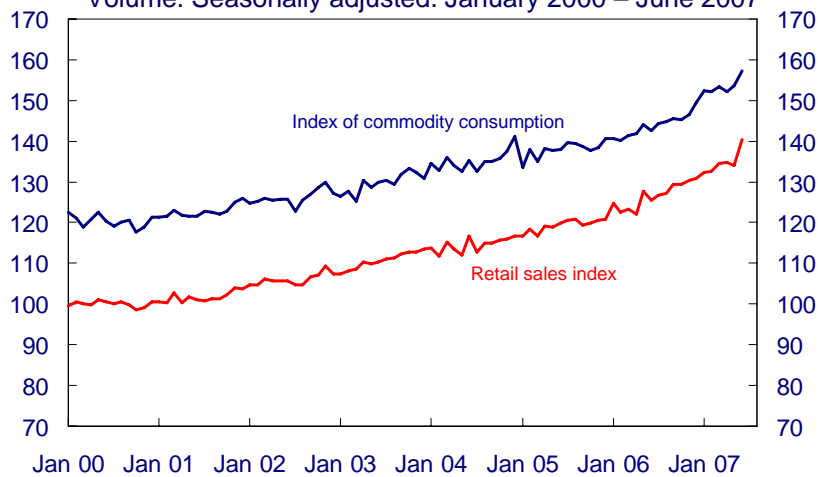
12-month growth. Per cent. January 2000 – June 2007 (C3 to April)



<sup>1)</sup> Mainland non-financial enterprises (C3).  
<sup>2)</sup> Non-financial enterprises' liquid assets (M2).

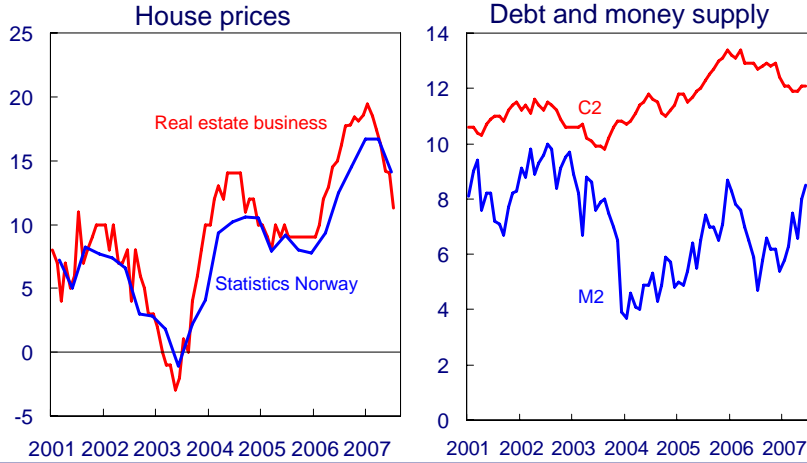
### Retail sales index and index of commodity consumption

Volume. Seasonally adjusted. January 2000 – June 2007



### House prices, household debt and the money supply

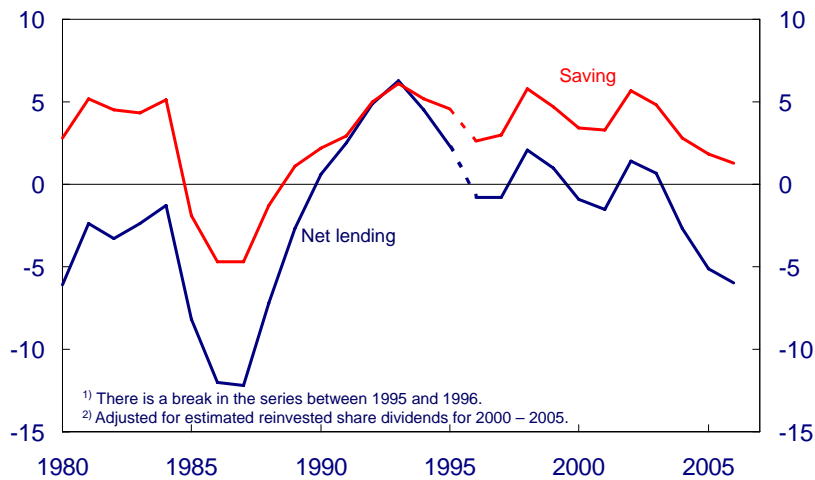
Change on same month/quarter previous year. Per cent  
January 2001 – July 2007 (C2 and M2 June)



Sources: Norwegian Association of Real Estate Agents, Association of Real Estate Agency Firms, Finn.no, ECON, Statistics Norway and Norges Bank <sup>24</sup>

### Household saving ratio and net lending as a share of disposable income<sup>1, 2)</sup>

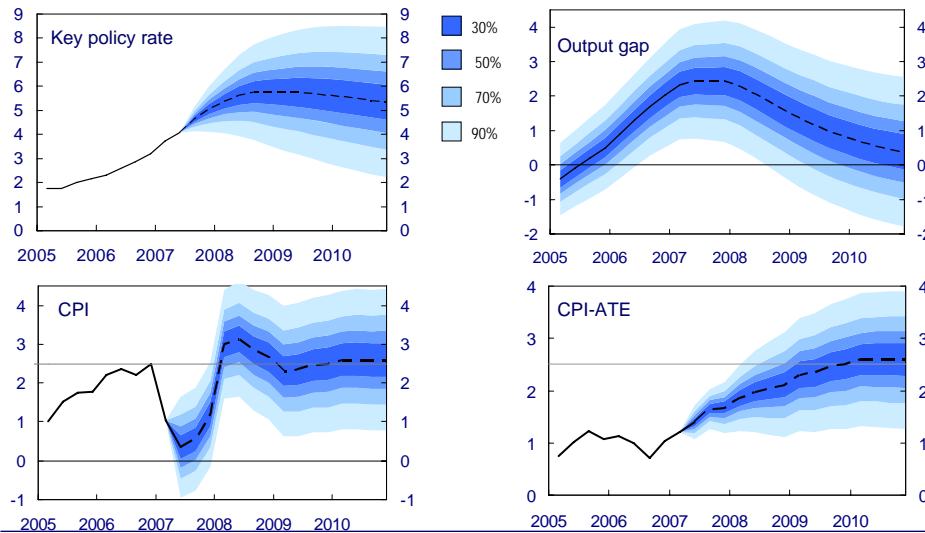
1980 – 2006



<sup>1)</sup> There is a break in the series between 1995 and 1996.  
<sup>2)</sup> Adjusted for estimated reinvested share dividends for 2000 – 2005.

Sources: Statistics Norway and Norges Bank

### Projections in *Monetary Policy Report 2/07* Per cent. 2005 Q1 – 2010 Q4



## Monetary policy strategy - evaluation

- The interest rate path presented in MPR 2/07 reflects the Executive Board's trade-off between bringing inflation up to target and stabilising developments in output and employment.
- In the light of this trade-off, the interest rate will be increased gradually so that we can assess the effects of interest rate changes and other new information on economic developments. Given the inflation target, we will be mindful of the effects of higher interest rates on the krone exchange rate when inflation is low.
- The key policy rate should lie in the interval 4½ – 5½% in the period to the publication of the next Report on 31 October 2007, conditional on economic developments that are broadly in line with the projections.