

# Executive Board meeting

*14 December 2011*

# EU measures

## ECB

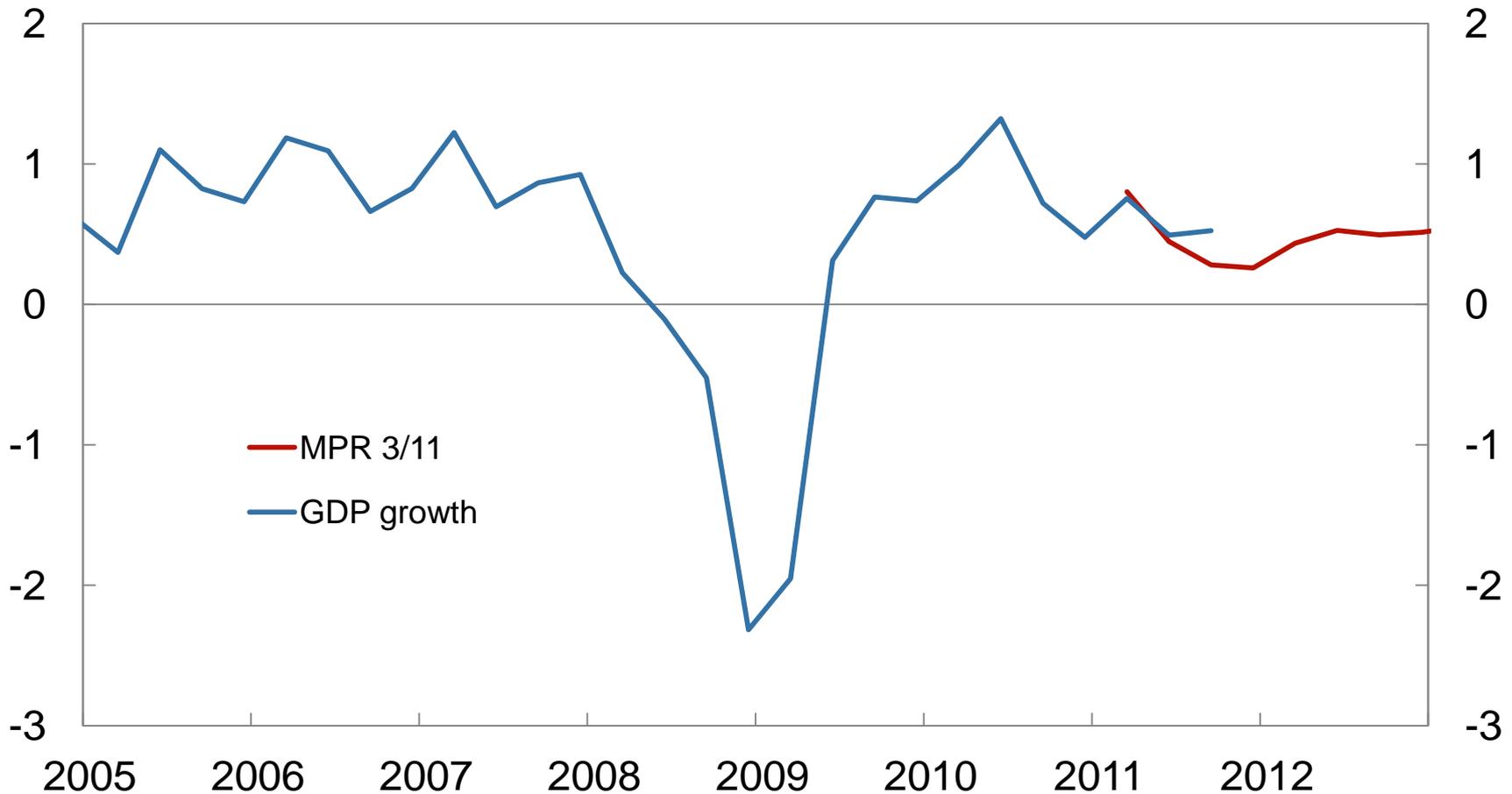
- Key policy rate has been reduced to 1.0 percent
- Measures:
  - Liquidity operation with a maturity of 36 months
  - Reserve requirements reduced from 2 to 1 per cent
  - Reduced requirements for collateral from banks in liquidity operations.

## EU summit – main elements of the agreement

- Stricter budgetary control, maximum deficit of 0.5 per cent of GDP. Automatic sanctions
- EFSF: EUR 500 billion. Earlier establishment
- EUR 200 billion in loans to IMF

# Projected GDP growth for Norway's trading partners<sup>1)</sup>

Quarterly growth. Per cent. 2005 Q1 – 2014 Q4

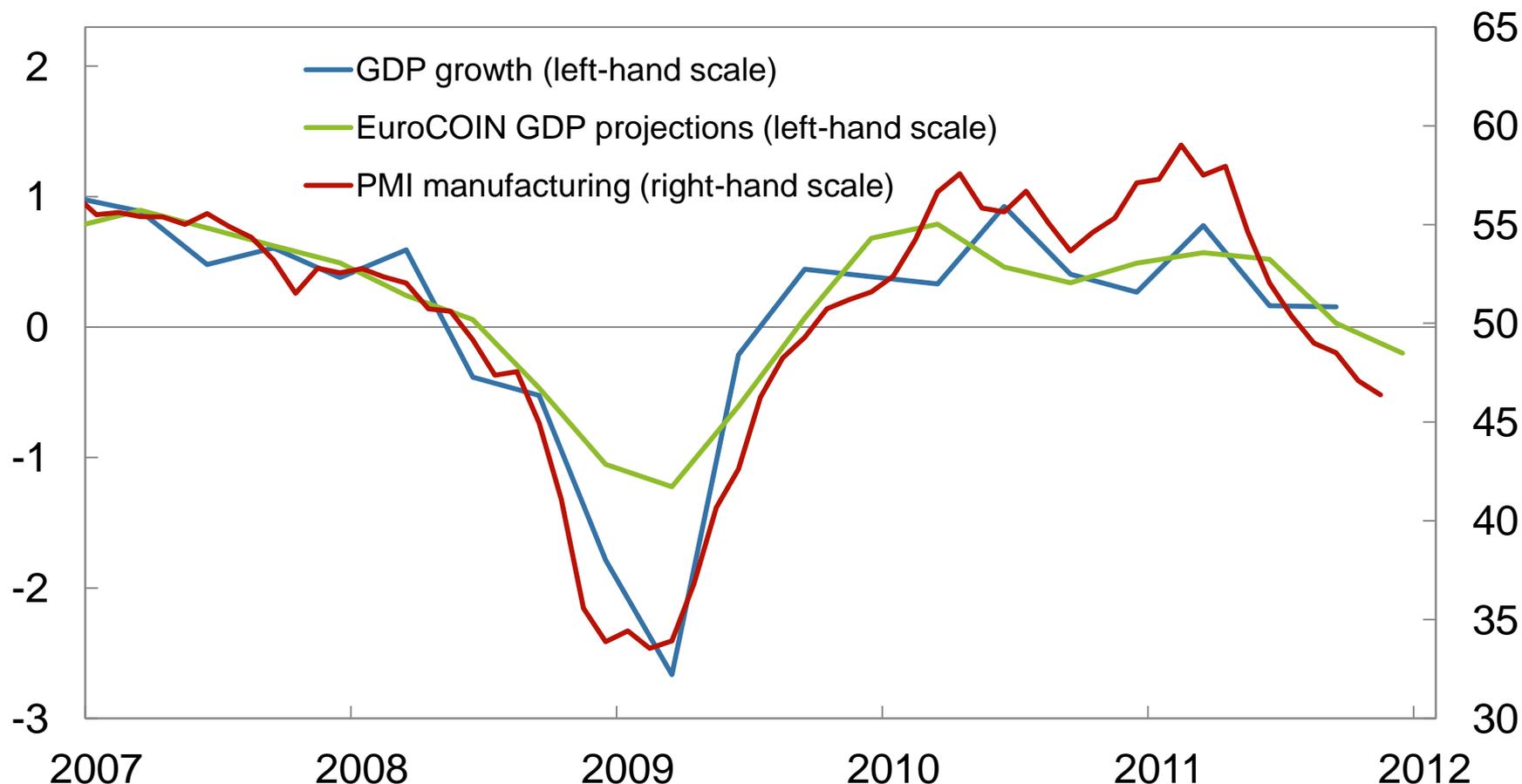


1) Figure for the 26 largest trading partners, weighted by export share

Sources: Thomson Reuters and Norges Bank

# Expected fall in euro area GDP in Q4

GDP growth and PMI manufacturing. 2007 – 2011<sup>1)</sup>

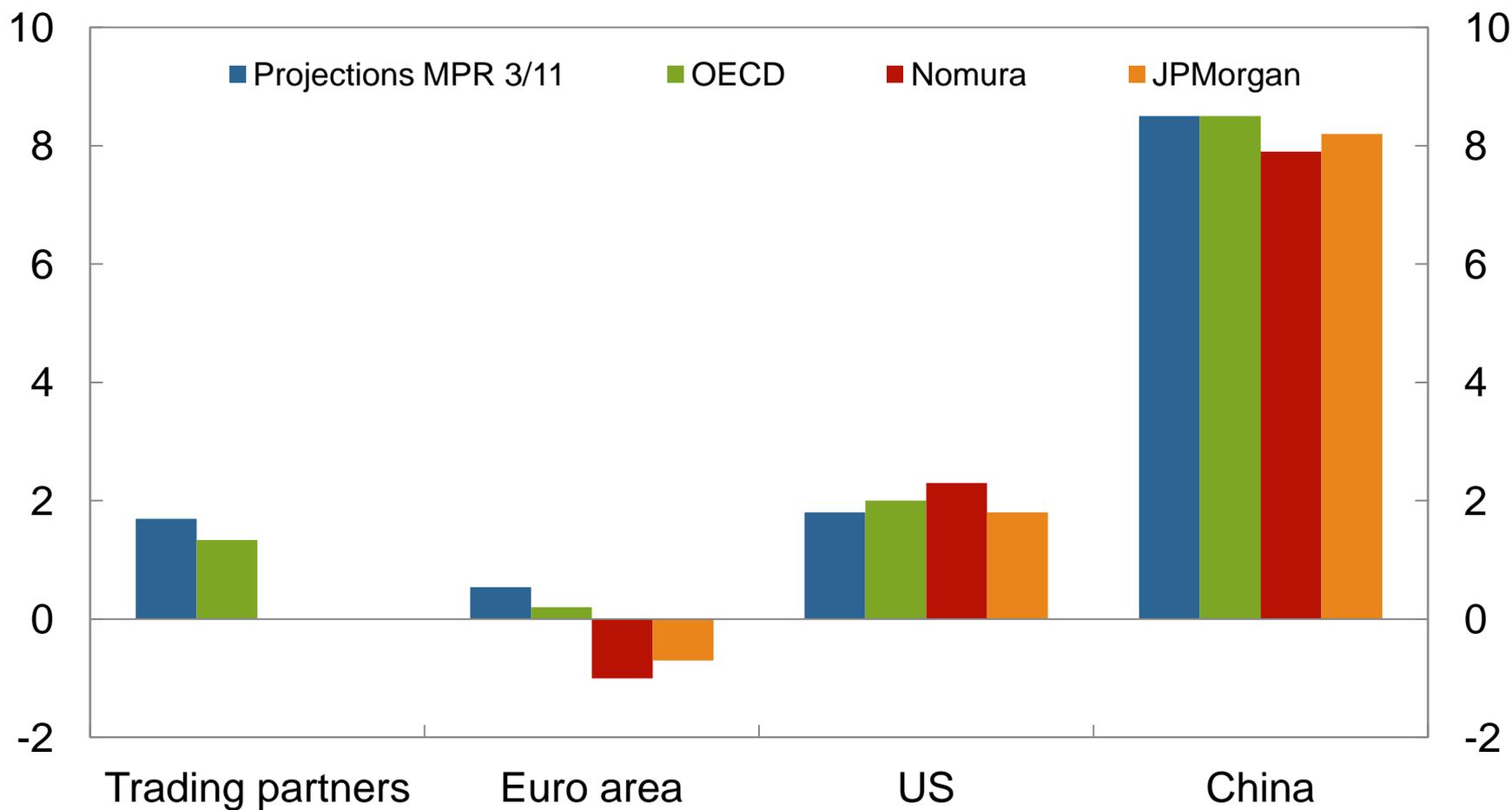


1) GDP growth figures to Q3 2011. EuroCOIN GDP projections to Q4 2011. Quarterly figures. PMI figures to November 2011. Monthly figures

Source: Thomson Reuters

# Growth projections 2012

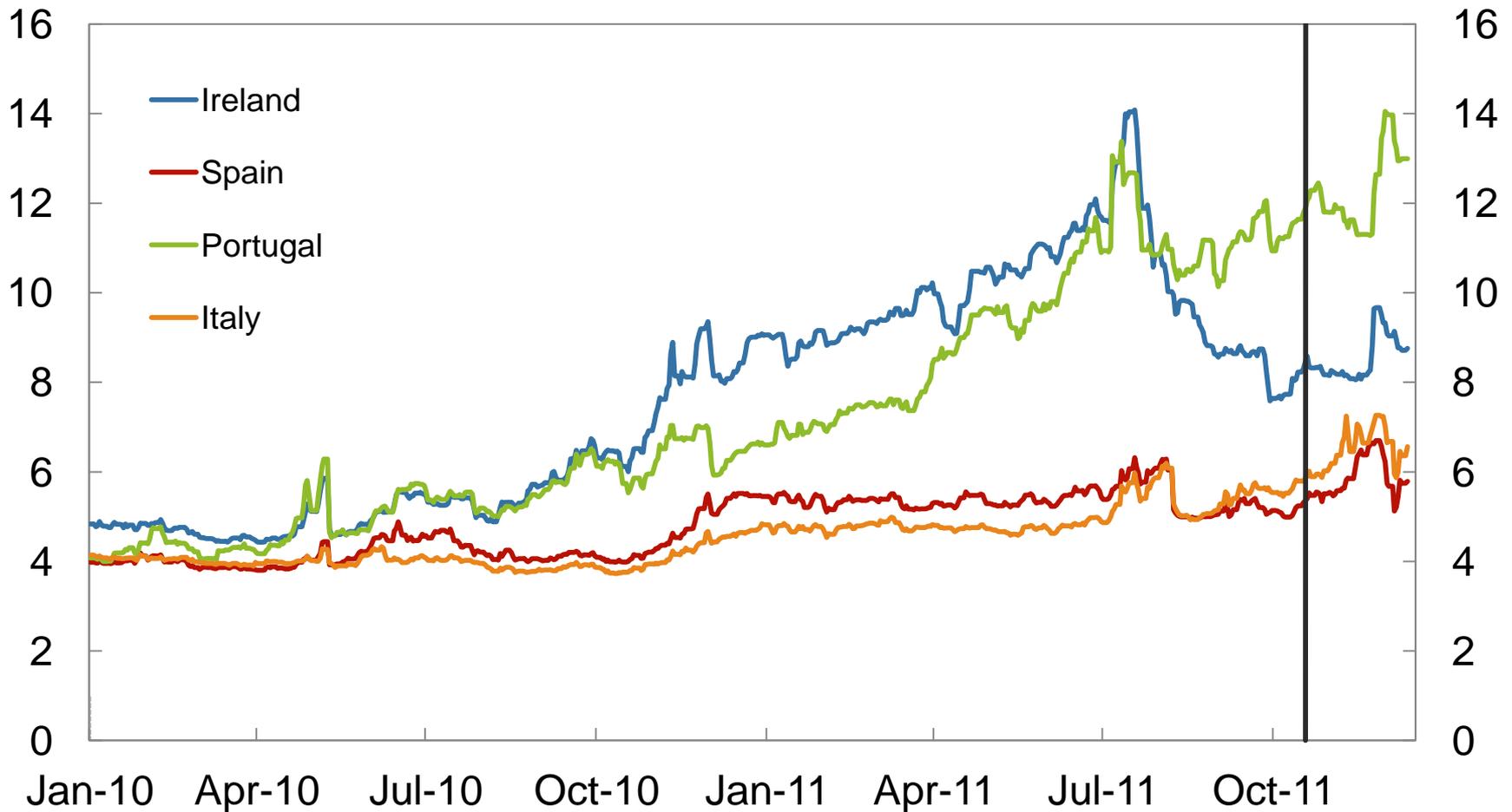
Per cent



Sources: OECD, Nomura, J.P. Morgan and Norges Bank

# Yields on 10-year government bonds in euro area periphery

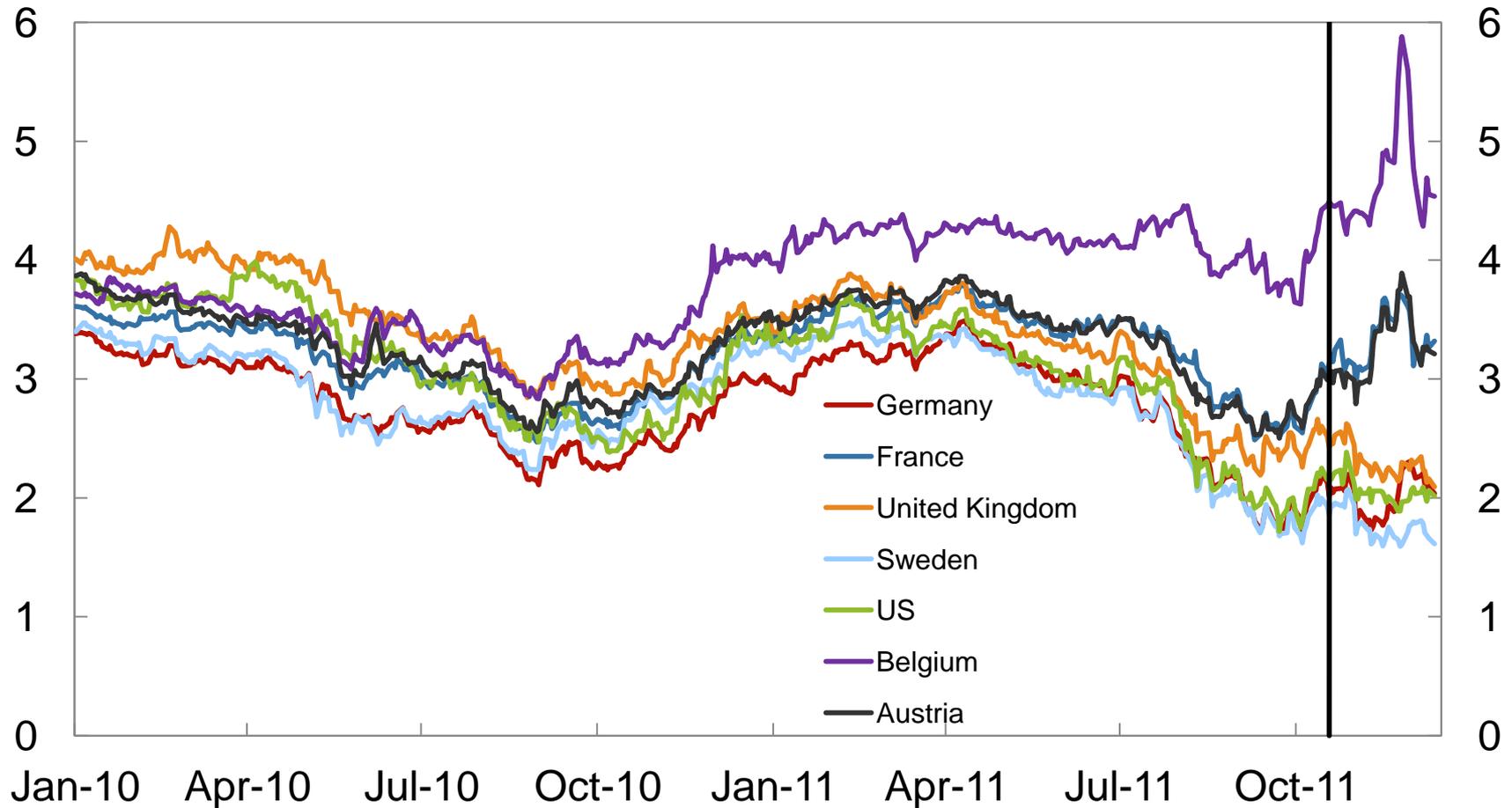
Per cent. 1 January 2010 – 12 December 2011



Sources: Bloomberg and Thomson Reuters

# Yields on 10-year government bonds

Per cent. 1 January 2010 – 12 December 2011

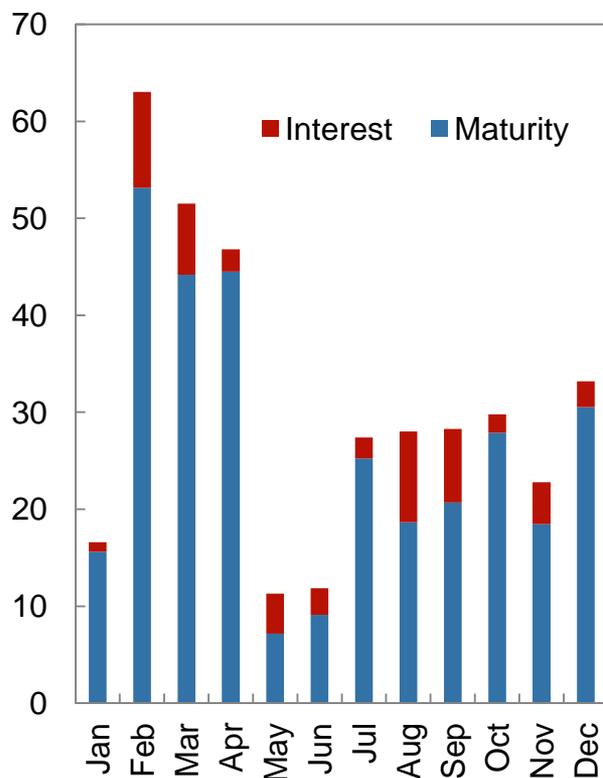


Sources: Bloomberg and Thomson Reuters

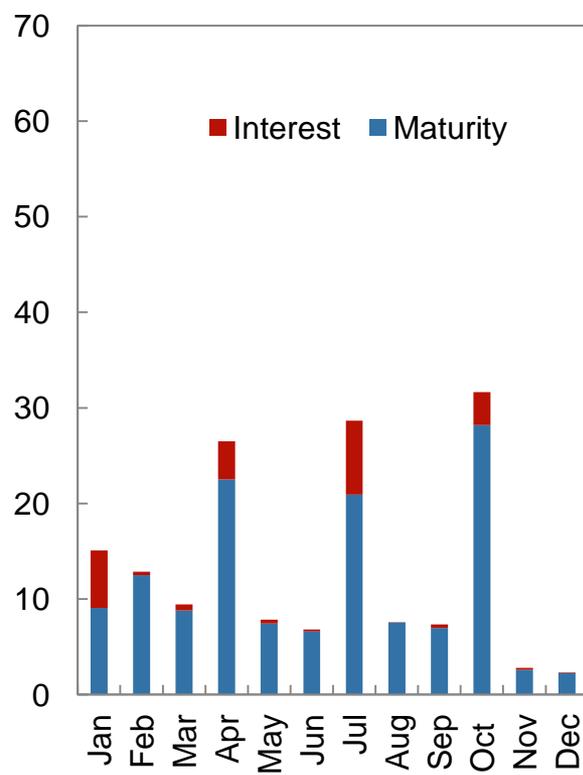
# Government debt maturity for 3 euro area countries in 2012

In EUR billions

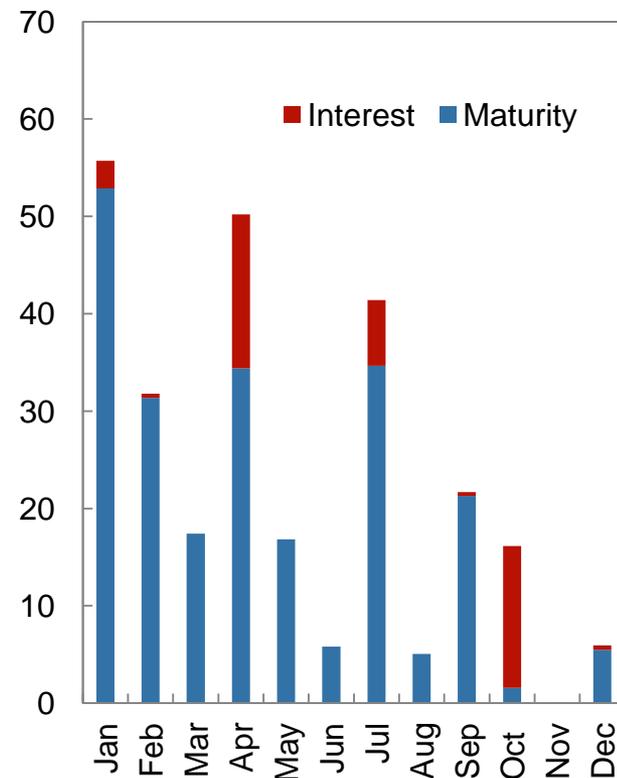
## Italy



## Spain



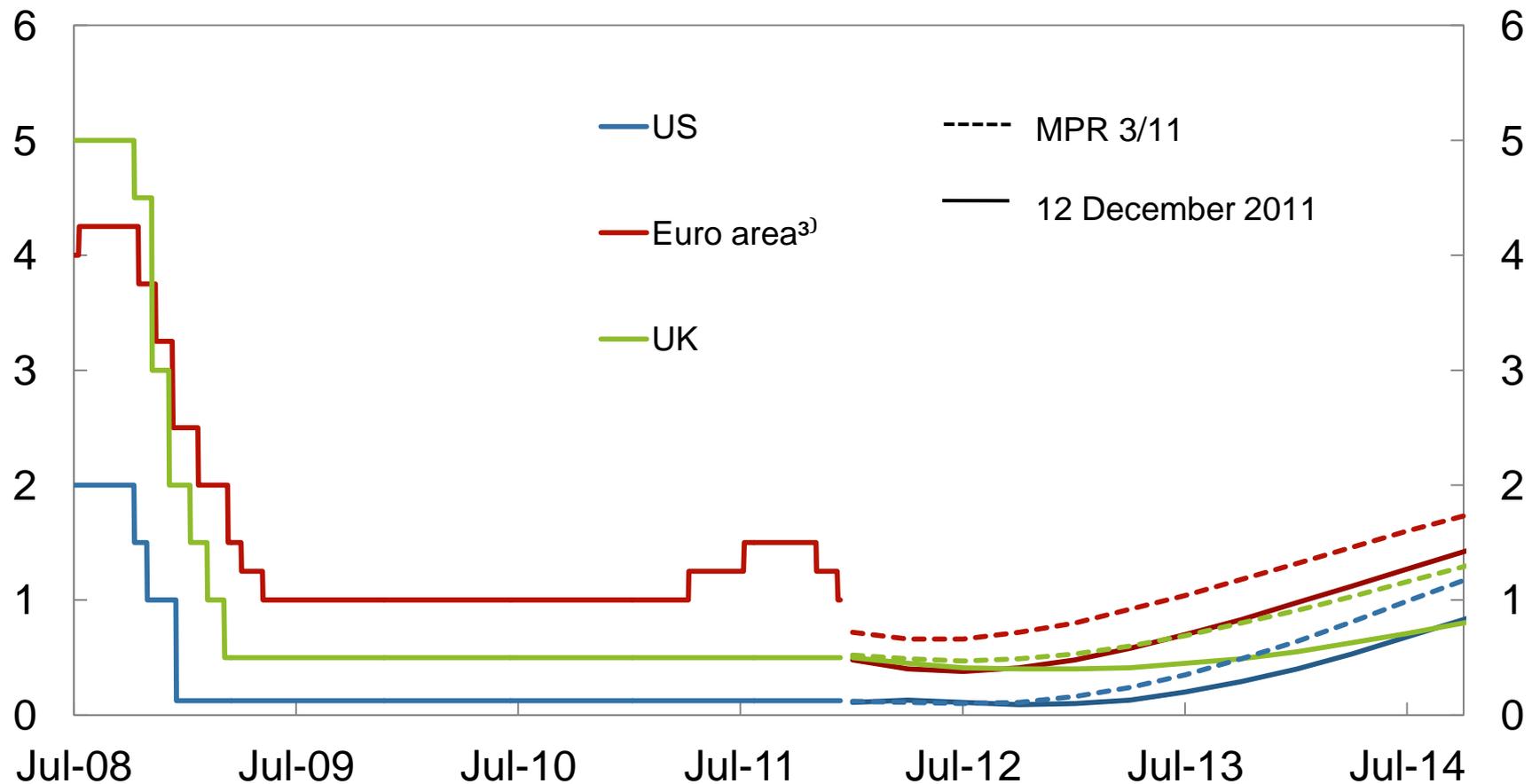
## France



Source: Bloomberg

# Key rates and estimated forward rates<sup>1)</sup>

Per cent. 1 July 2008 – 31 December 2014<sup>2)</sup>



1) Forward rates are based on Overnight Indexed Swap (OIS) rates

2) Daily figures from 1 July 2008 and quarterly figures as at 12 December 2011

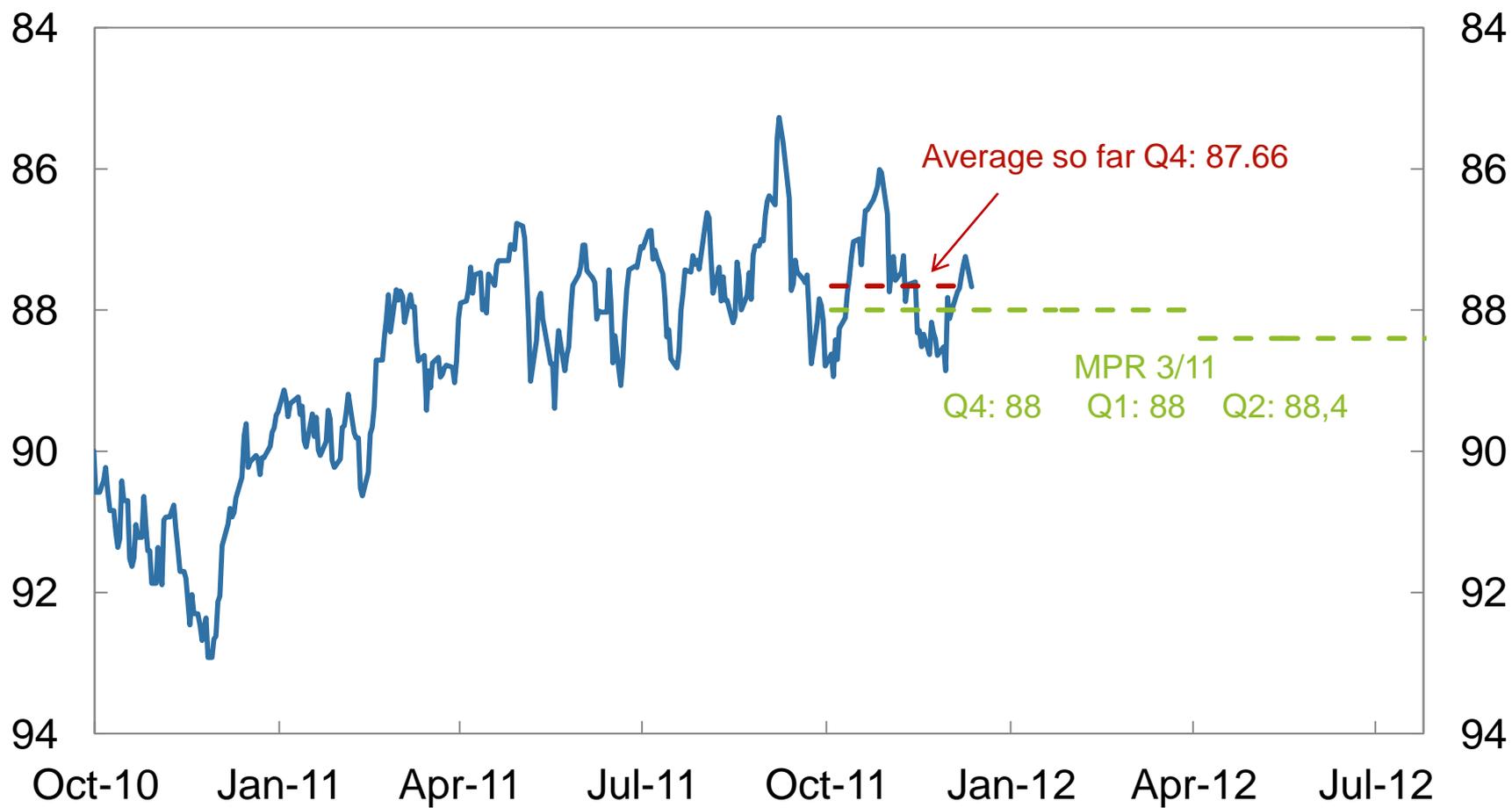
3) EONIA

Sources: Bloomberg and Norges Bank

# Import-weighted exchange rate index (I-44)<sup>1)</sup>

Daily (historical) and quarterly figures (projected)<sup>2)</sup>.

October 2010 – July 2012



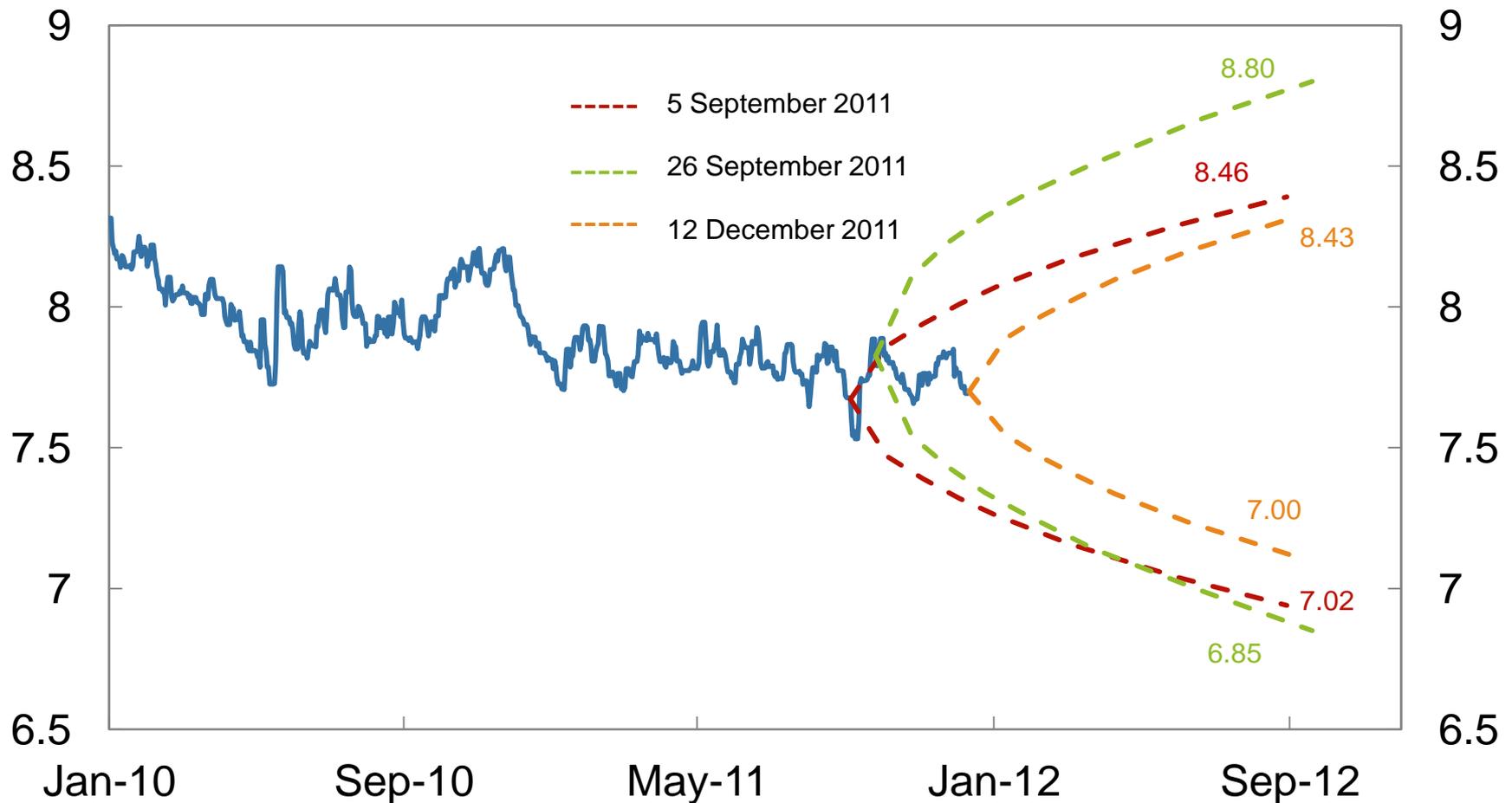
1) A positive slope denotes a stronger krone exchange rate

2) Projections 2011 Q4 – 2012 Q2 from MPR 3/11

Source: Norges Bank

# EUR/NOK and outcome range for krone exchange rate

1 January 2010 – 31 December 2012



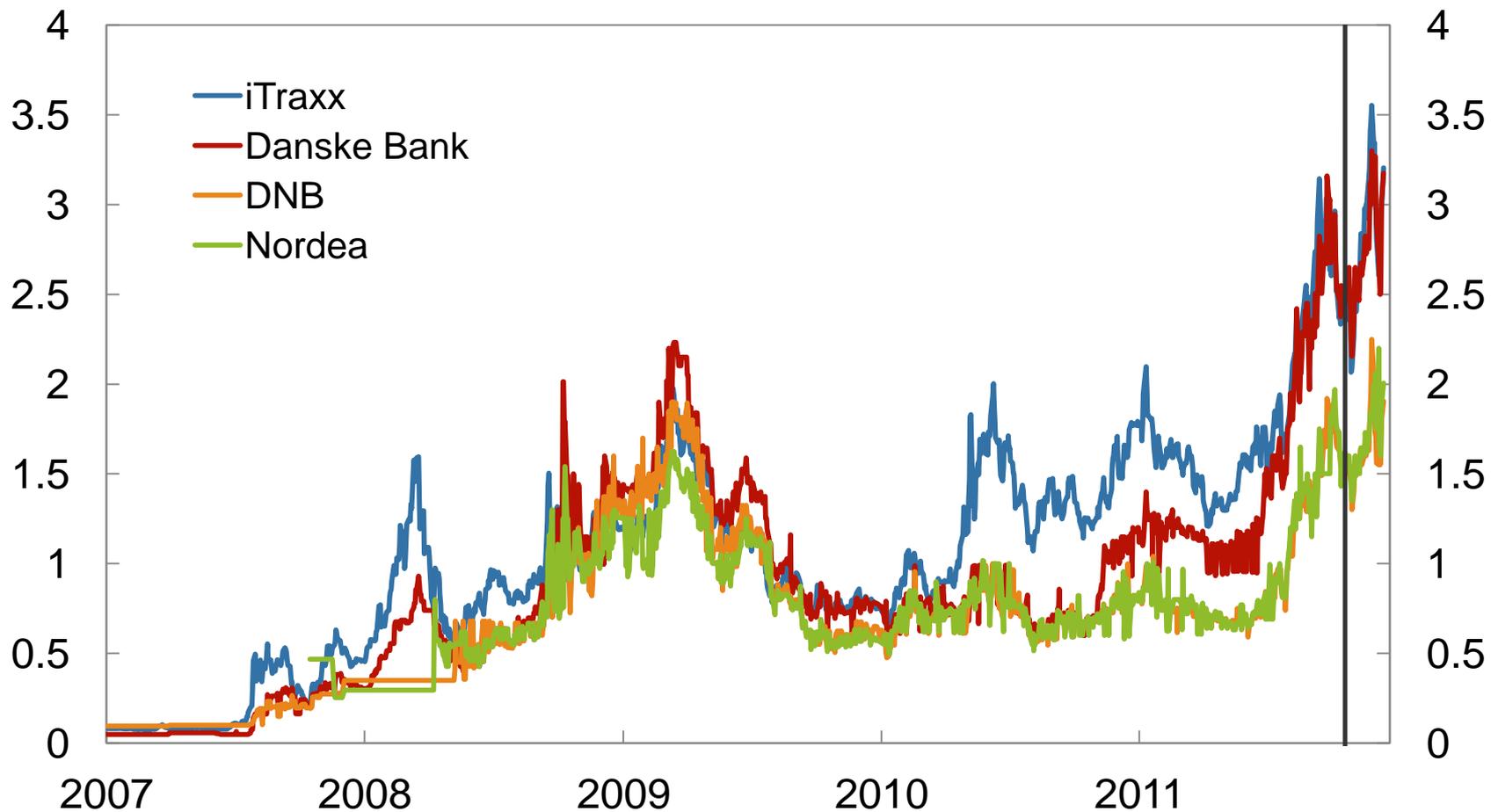
1) Based on prices for currency options at 12 December 2011

Source: Bloomberg

# CDS premiums

Itraxx Senior Financials<sup>1)</sup> and Nordic Banks.

Percentage points. Daily figures. 1 January 2007 – 12 December 2011

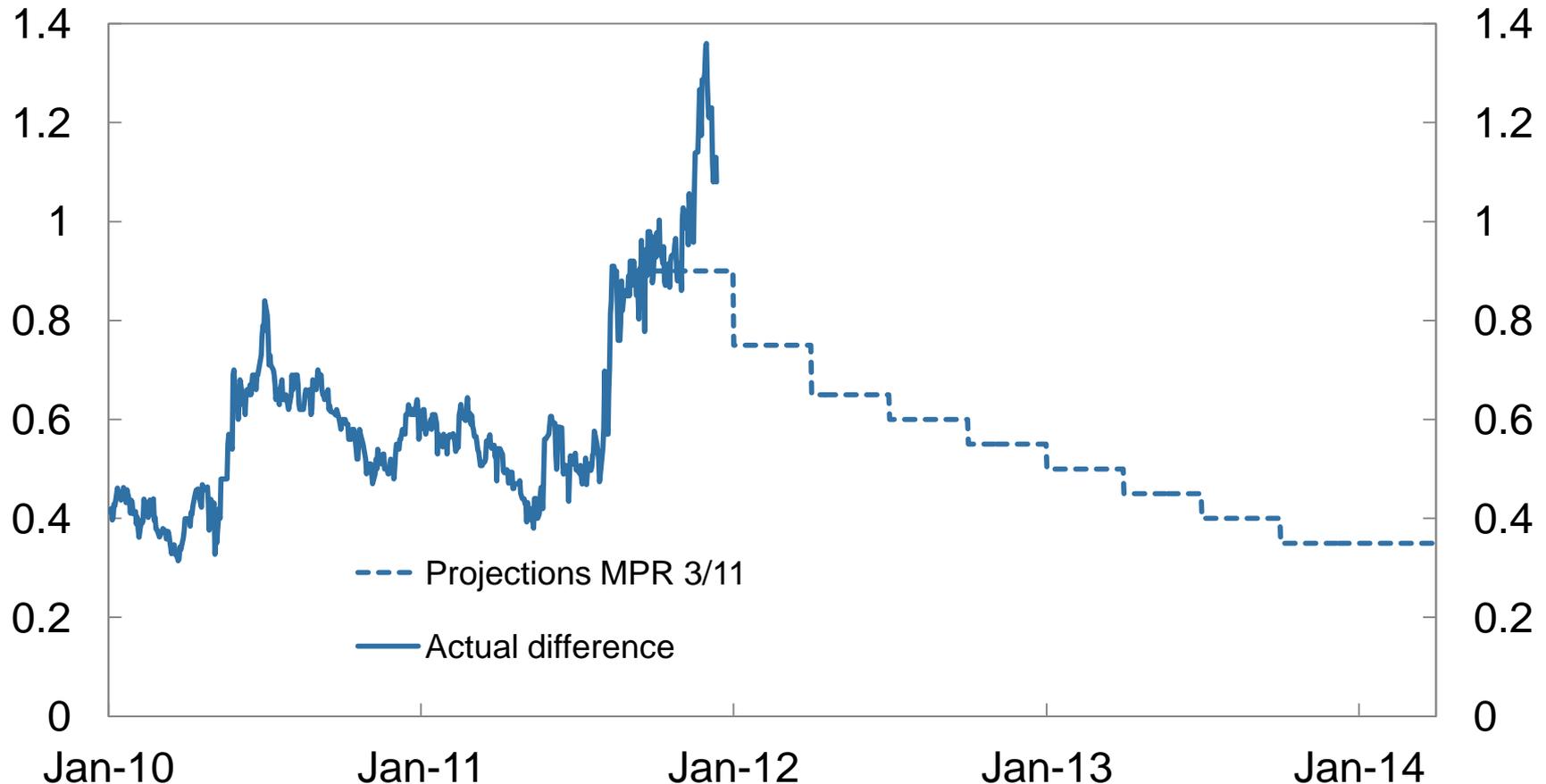


1) 25 large European financial institutions

Source: Bloomberg

# Difference between 3-month money market rate and expected key rate.<sup>1)</sup>

Percentage points. 1 January 2010 – 12 December 2014



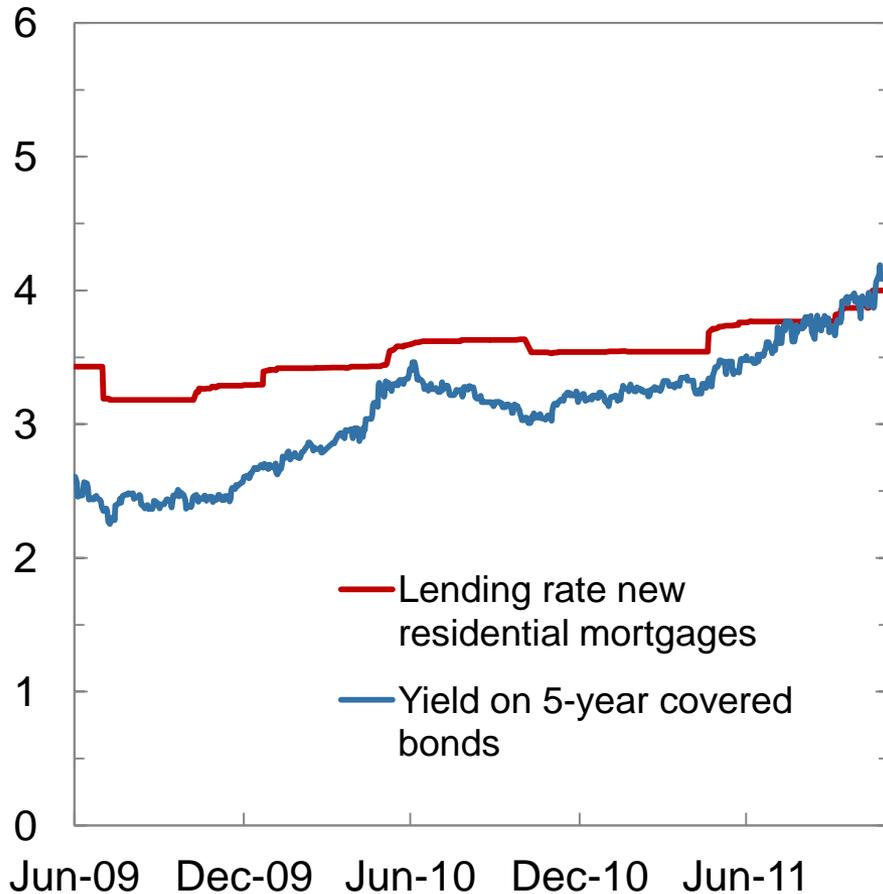
1) Norges Bank's projections from 2011 Q4

Sources: Bloomberg, Thomson Reuters and Norges Bank

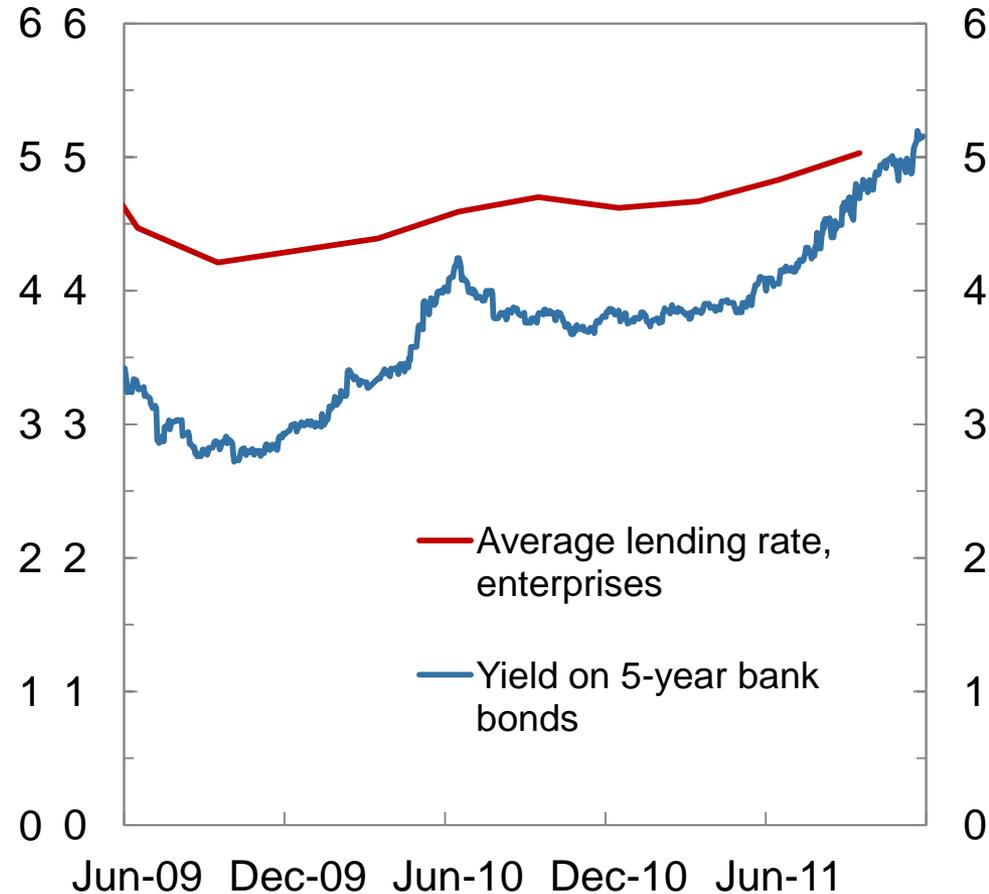
# Banks' funding costs

30 June 2009 – 12 December 2011

Yields on covered bonds and residential mortgage rates



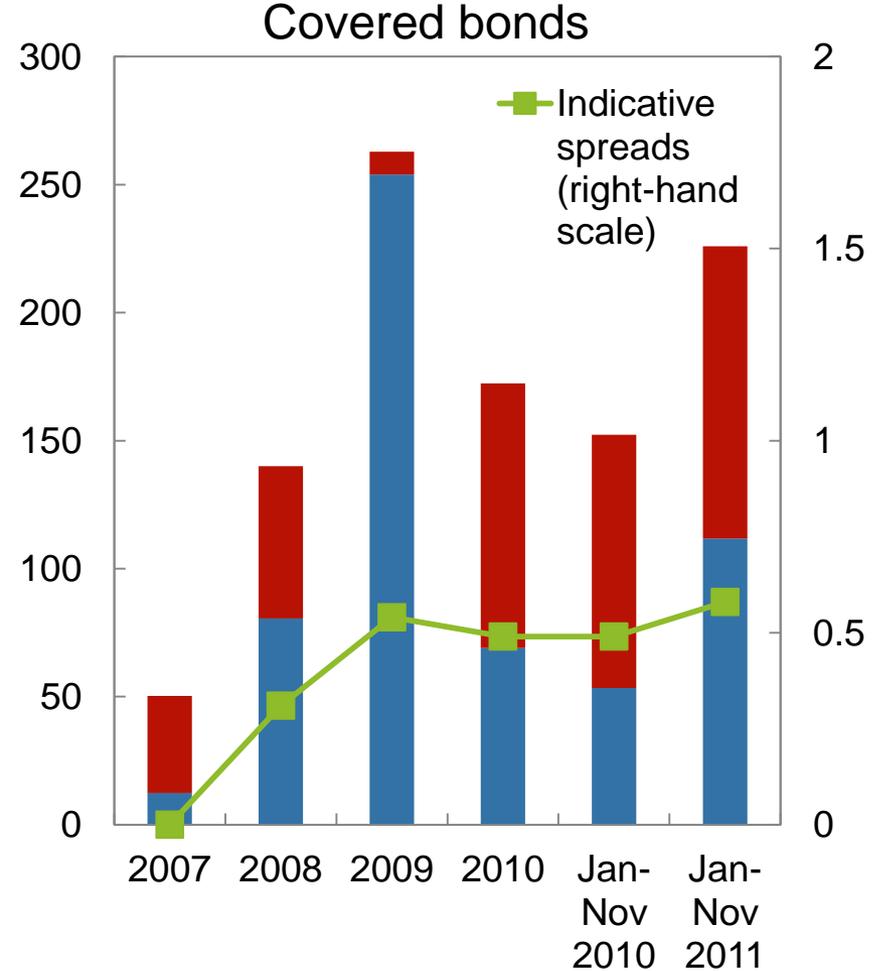
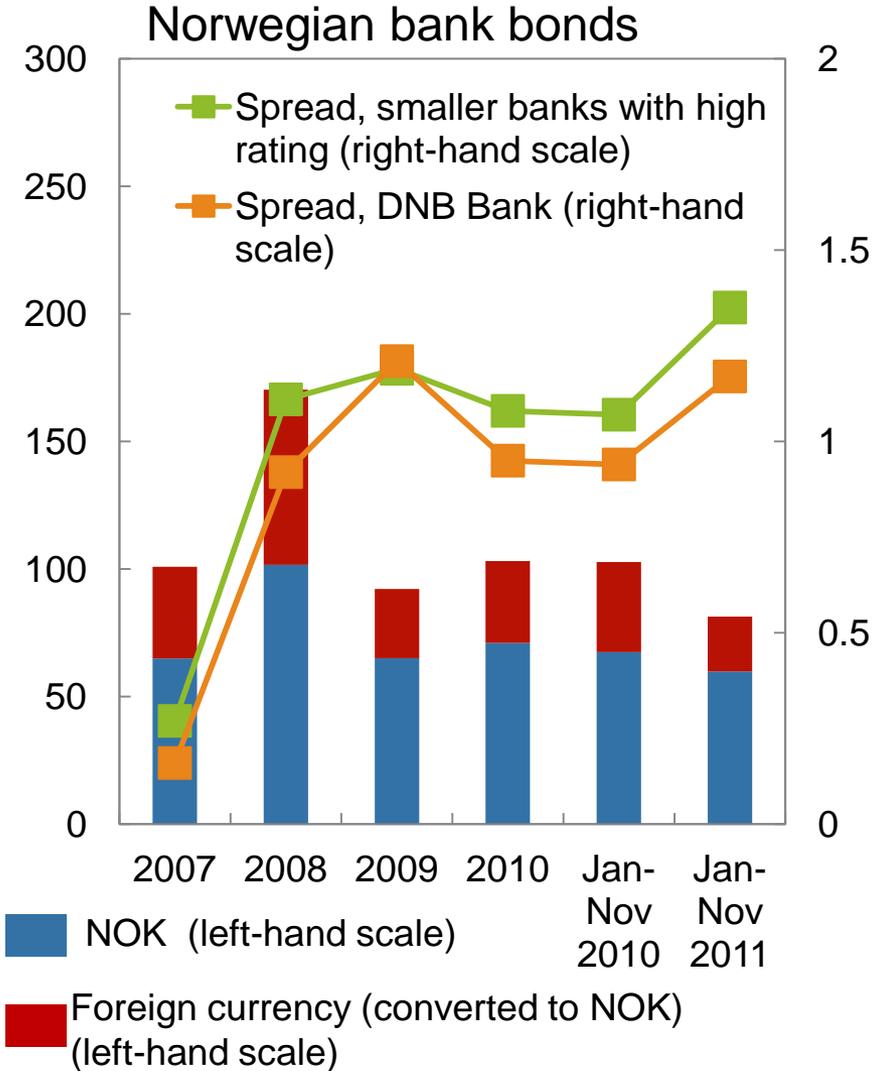
Yields on senior bank bonds and lending rates to enterprises



Sources : Norsk Familieøkonomi AS, DNB Markets, Statistics Norway and Norges Bank

# Average credit spreads and issued volume of bank bonds and covered bonds

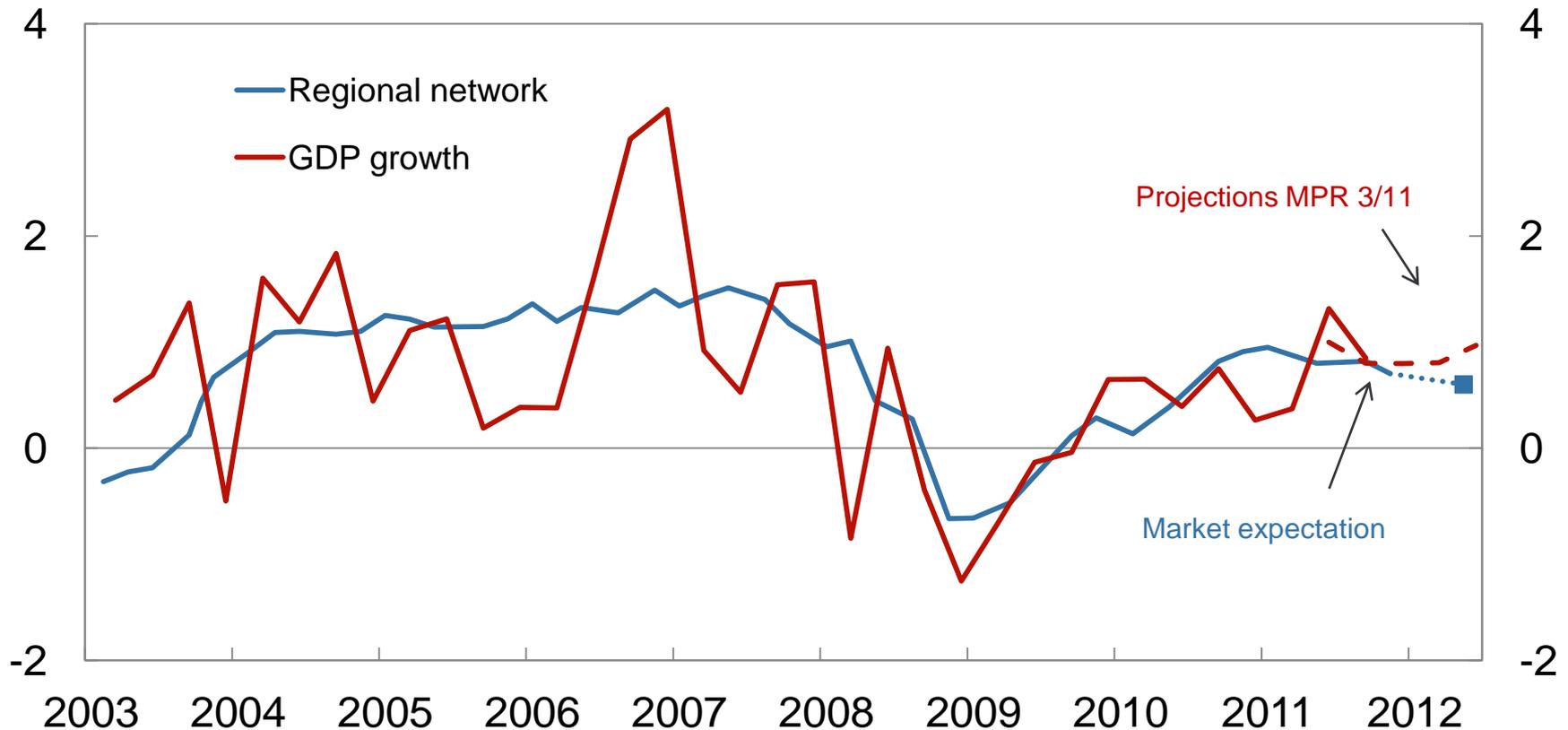
Per cent. NOK billions. 2005 – 2011



Sources: Stamdata, Bloomberg, DNB Markets and Norges Bank

# GDP mainland Norway and Norges Bank's regional network's indicator of production growth<sup>1)</sup>

Quarterly change. Seasonally adjusted. Per cent. Q1 2003 – Q2 2012<sup>3)</sup>



- 1) Change in production past three months and expected change in production next six months.
- 2) Most recent observation from the regional network is from November 2011. Most recent observation for GDP is Q3 2011. Projections for GDP are from MPR 3/11 and are not adjusted after the main revision of quarterly national accounts.

Sources: Statistics Norway and Norges Bank



# Summary

1. Weaker growth prospects abroad
  2. Greater uncertainty in financial markets. Money and funding market constraints
  3. Expected key expectations have decreased
- 
4. Stable krone exchange rate
  5. Banks' financing has become more expensive and less accessible
  6. Reduced growth prospects for the Norwegian economy
  7. Inflation somewhat lower than previously projected