



MONETARY POLICY IN SMALL OPEN ECONOMIES – THE ASSET PRICE DILEMMA

DEPUTY GOVERNOR JON NICOLAISEN

16 May 2019

Strong upturn in the Norwegian economy

Four-quarter change. Percent

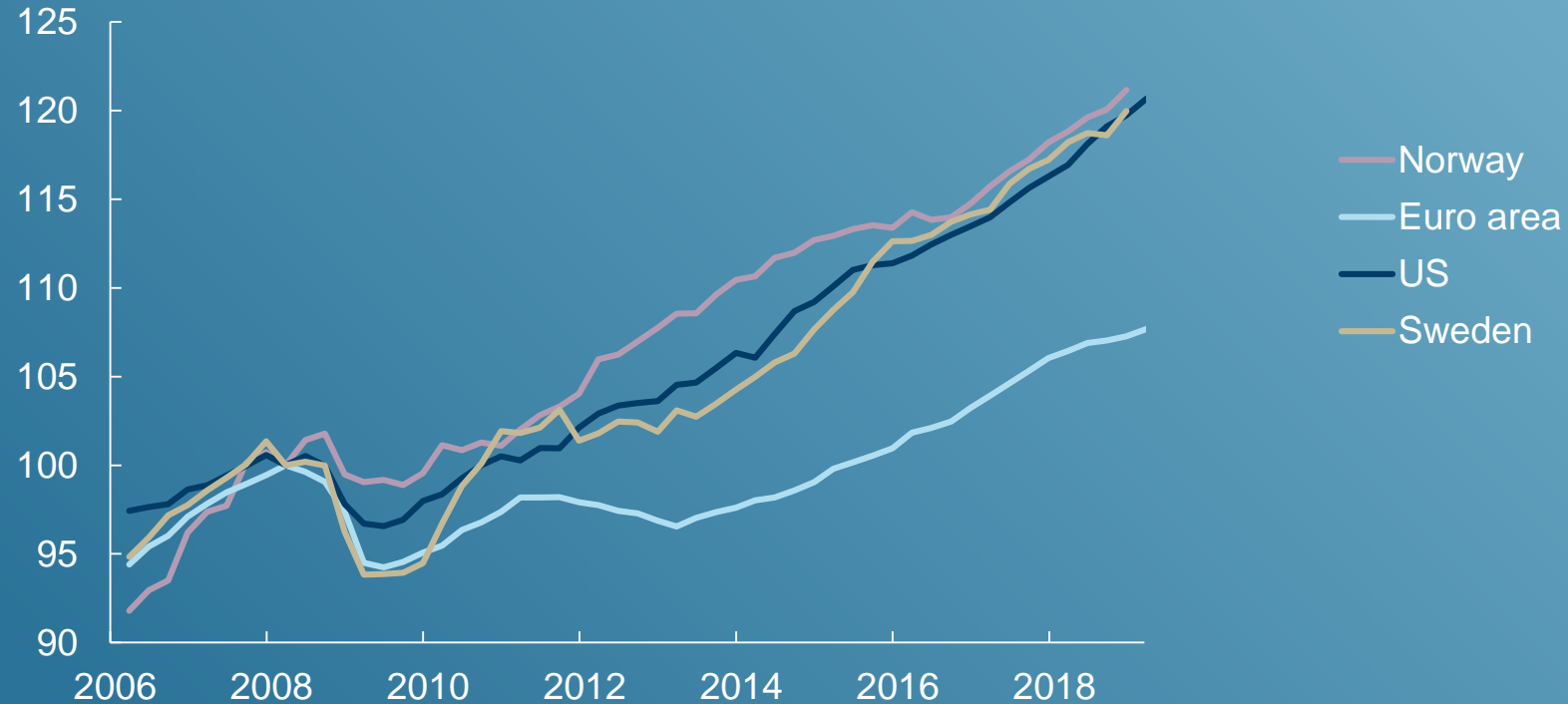


Sources: Statistics Norway and Norges Bank



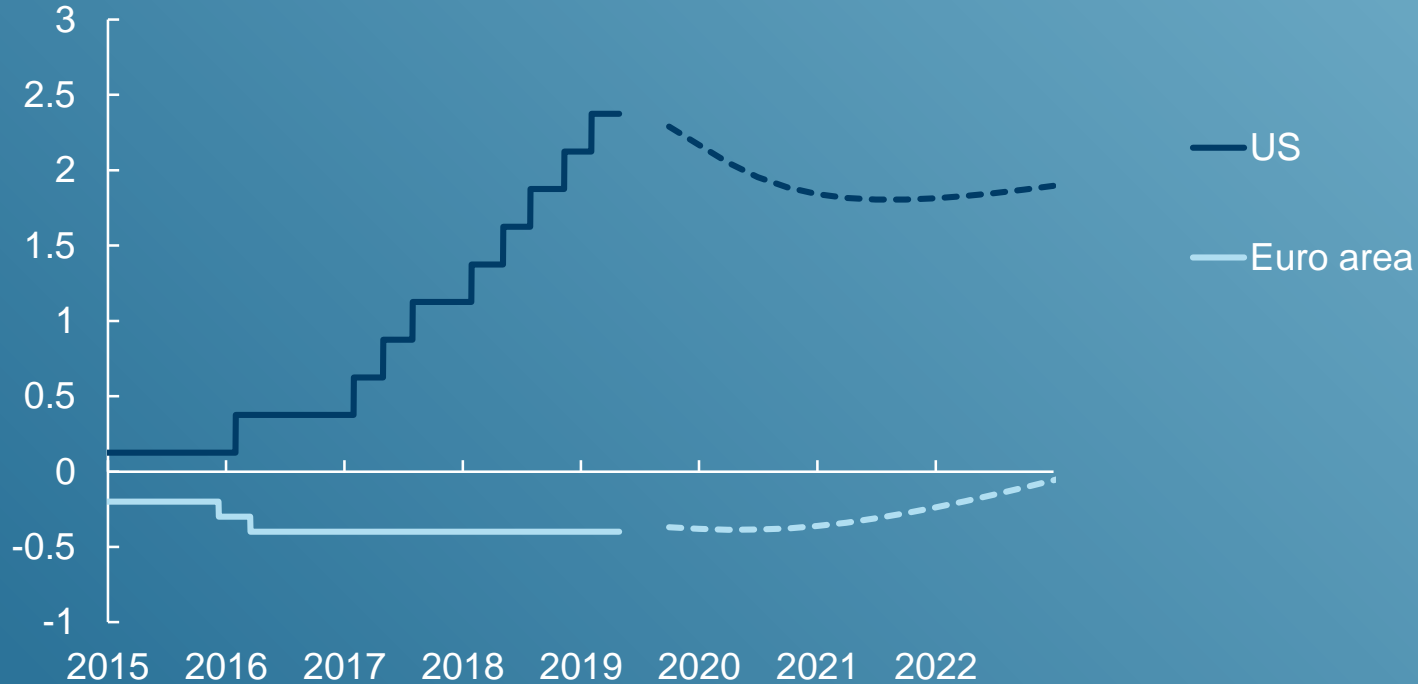
Higher trend growth than the euro area

GDP. Index. 2008 Q1 = 100



Low policy rates in Europe

Policy rates and estimated forward rates¹⁾



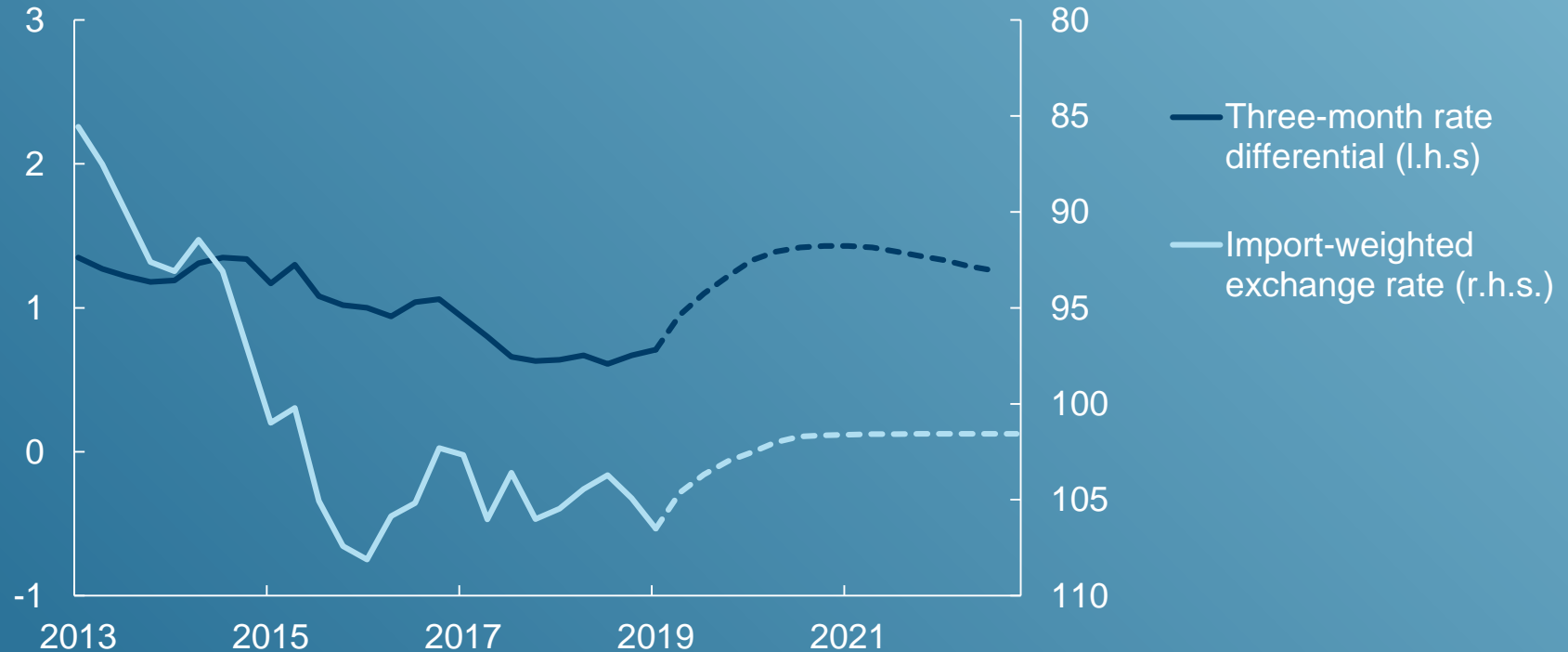
1) OIS rates. At 8 May 2019.

Sources: Bloomberg, Thomson Reuters and Norges Bank



Interest rate differentials and the NOK

Money market rate differentials and import-weighted exchange rate (I-44)



Oil prices have edged higher and the krone has weakened

USD per barrel Brent Blend and import-weighted exchange rate index¹⁾

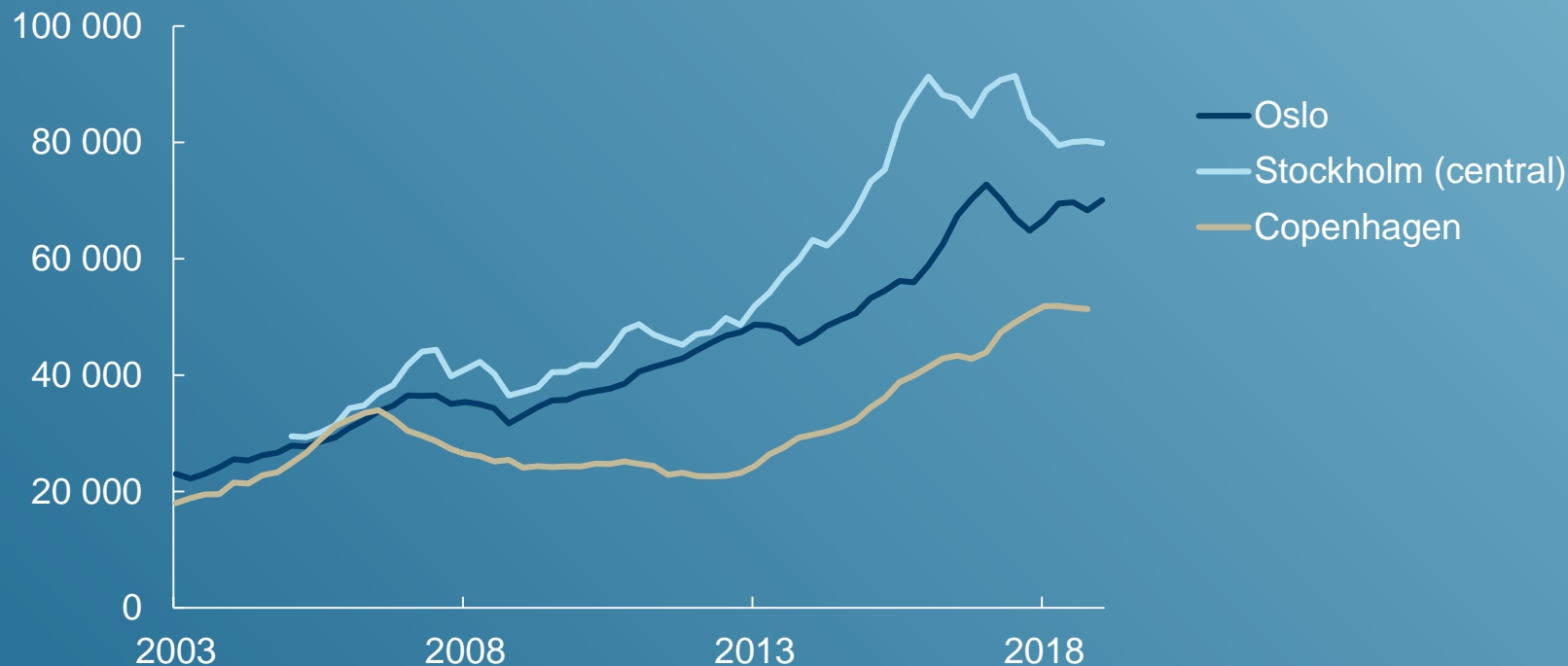


1) A positive slope denotes a stronger krone exchange rate.
Sources: Thomson Reuters and Norges Bank



Strong house price inflation in Scandinavia

NOK per square meter



Sources: Association of Danish Mortgage Banks, Danish Association of Chartered Estate Agents, Eiendomsverdi, Finance Denmark, Finn.no, Realkreditforeningen, Swedish Real Estate Statistics, Thomson Reuters, Real Estate Norway, and Norges Bank



Regulation on Monetary Policy

Section 1 “Monetary policy shall maintain monetary stability by keeping inflation low and stable.”

Section 3 “The operational target of monetary policy shall be annual consumer price inflation of close to 2 percent over time. Inflation targeting shall be forward-looking and flexible so that it can contribute to high and stable output and employment and to counteracting the build-up of financial imbalances.”



Inflation has risen

Twelve-month change. Percent



Interest rate forecast





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