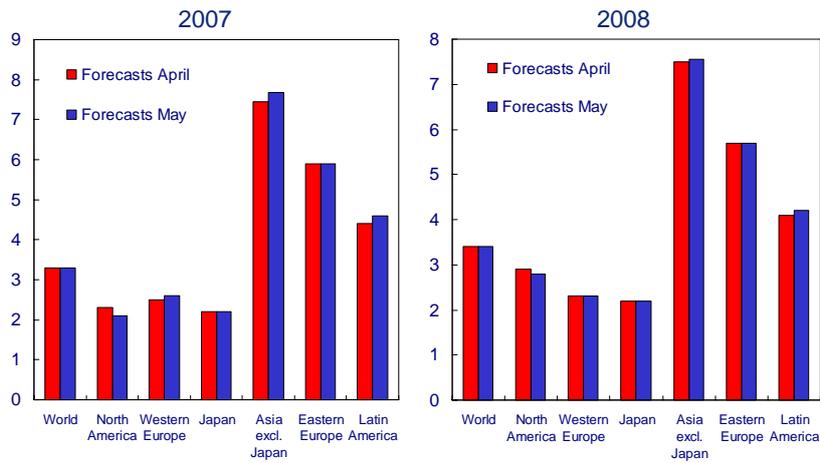


# Executive Board meeting

30 May 2007

## Growth forecasts Consensus Forecasts

GDP. Percentage change on previous year



### GDP - China and India

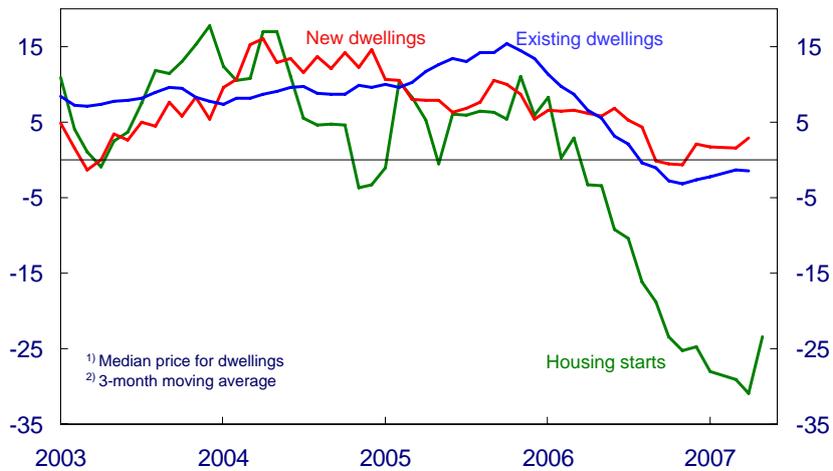
Growth on same quarter previous year



Source: Reuters

### House prices<sup>1)</sup> and housing starts in the US

Seasonally adjusted. 12-month change<sup>2)</sup>  
January 2003 – March 2007 (Housing starts to April)

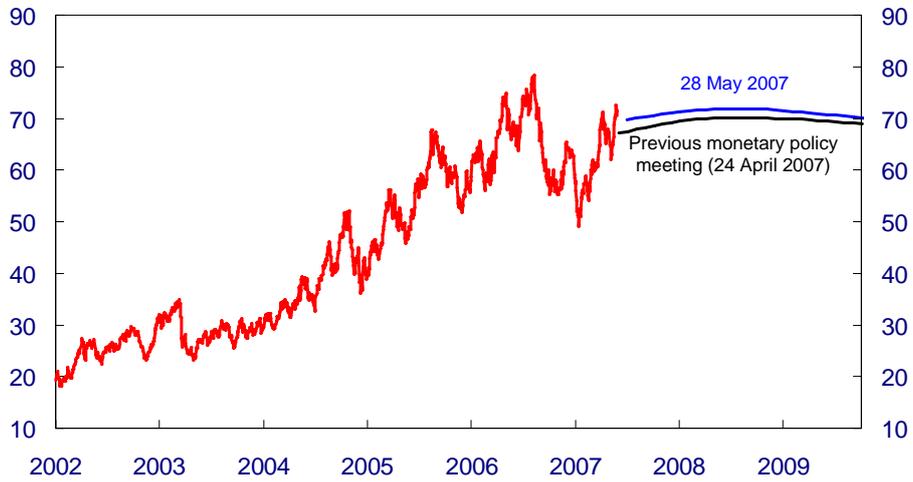


<sup>1)</sup> Median price for dwellings  
<sup>2)</sup> 3-month moving average

Sources: Reuters and Norges Bank 4

### Oil price Brent Blend and futures prices

USD per barrel. 3 January 2002 – 28 May 2007



Sources: Telerate, IPE and Norges Bank 5

### Equities

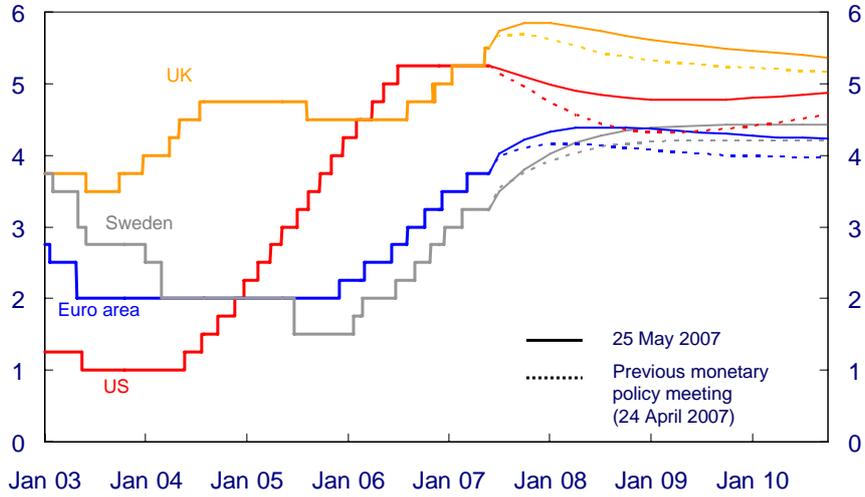
Indices, 1 January 2006 = 100. 1 January 2006 – 28 May 2007



Sources: Reuters 6

### Key policy rates and forward rates

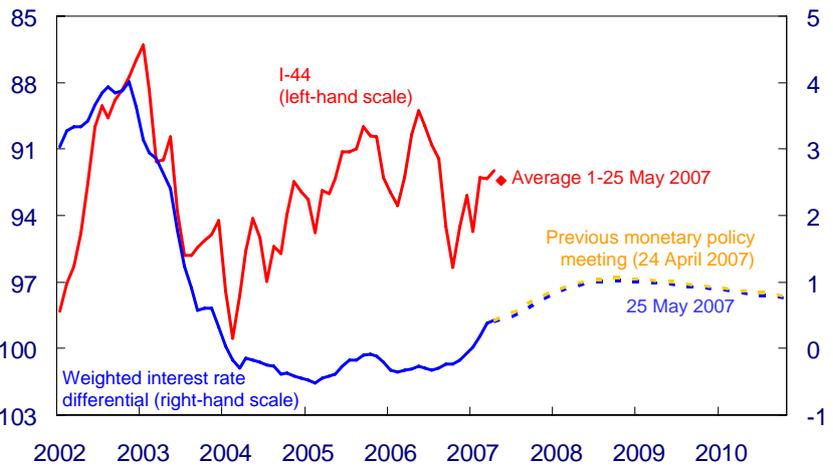
As at previous monetary policy meeting and as at 25 May 2007



Sources: Reuters, Bloomberg and Norges Bank 7

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

January 2002 – December 2010

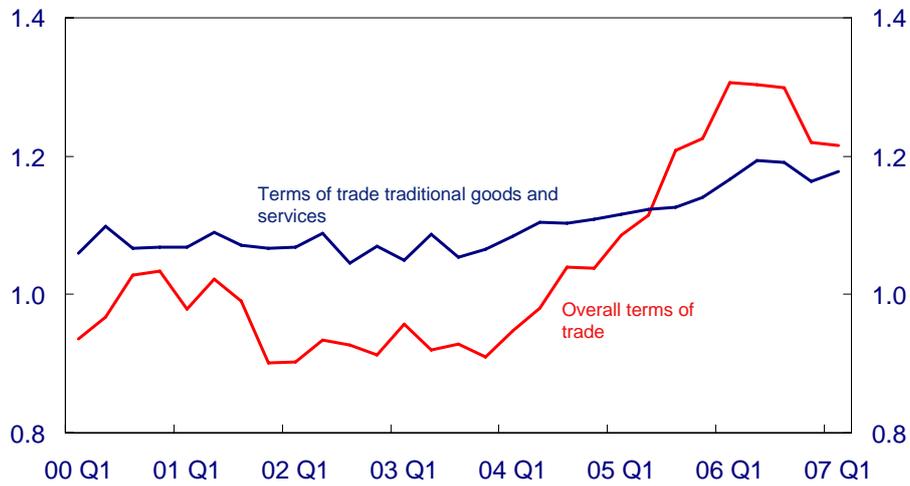


<sup>1)</sup> A rising curve denotes an appreciation of the krone.

Sources: Bloomberg and Norges Bank 8

### Norway's terms of trade

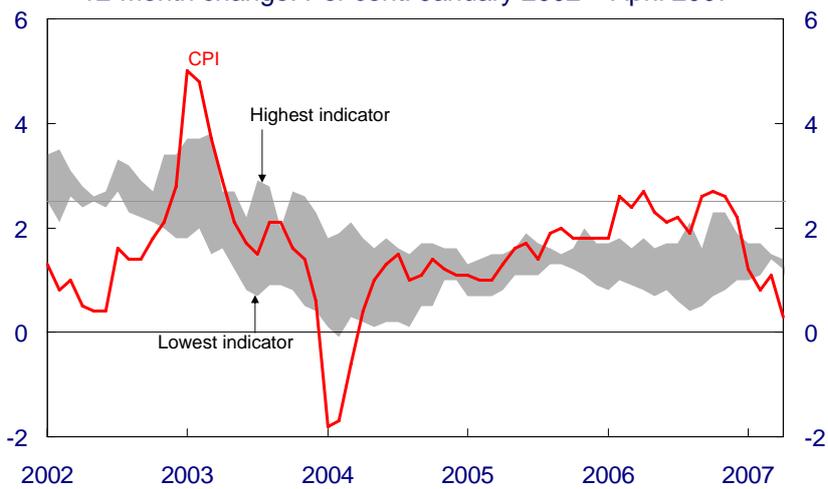
2000 Q1 – 2007 Q1



Sources: Statistics Norway and Norges Bank 9

### Inflation and interval for underlying inflation<sup>1)</sup>

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

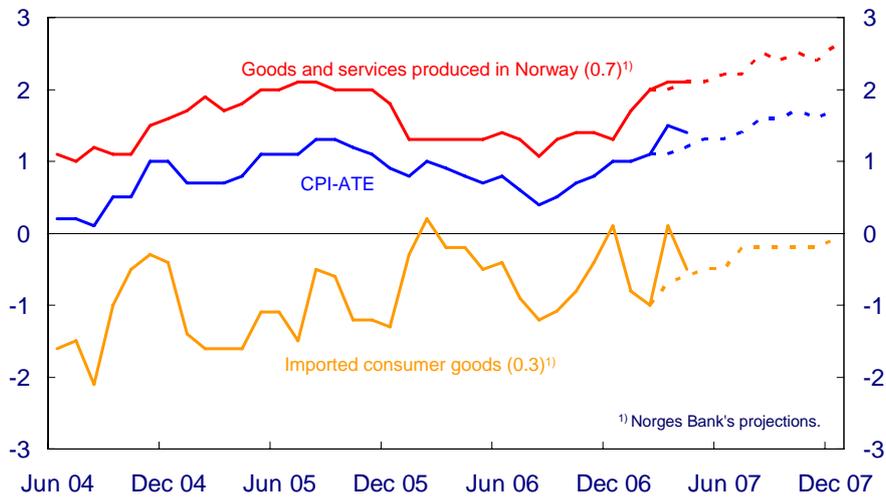


<sup>1)</sup> Highest and lowest indicator of the CPI-ATE, a weighted median and a trimmed mean of the sub-indices in the CPI.

Sources: Statistics Norway and Norges Bank 10

### CPI-ATE

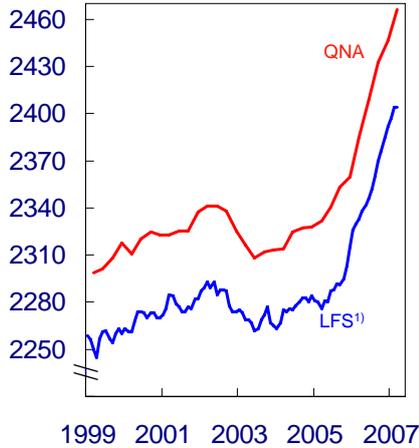
Total and by supplier sector. 12-month change. Per cent  
June 2004 – April 2007



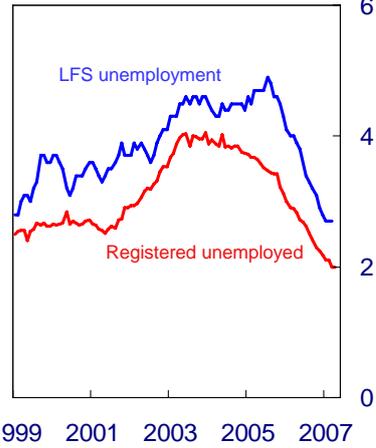
Sources: Statistics Norway and Norges Bank 11

### Labour market

Employment  
In 1000s



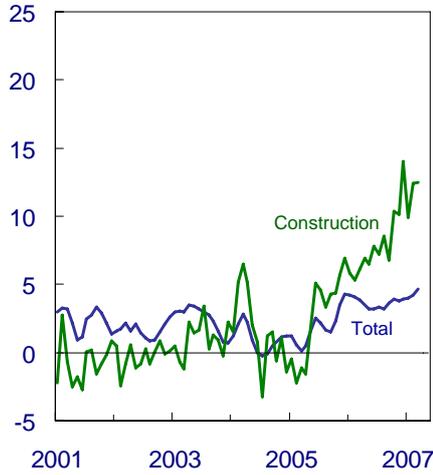
Unemployment  
Per cent. Seasonally adjusted



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

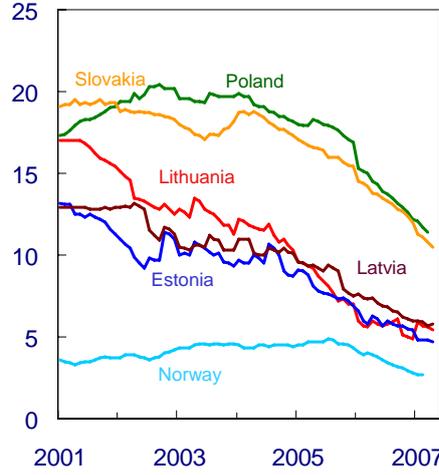
Sources: Statistics Norway and Norwegian Labour and Welfare Organisation (NAV) 12

**Average monthly real wage growth in Poland**  
12-month growth



**Unemployment rate**

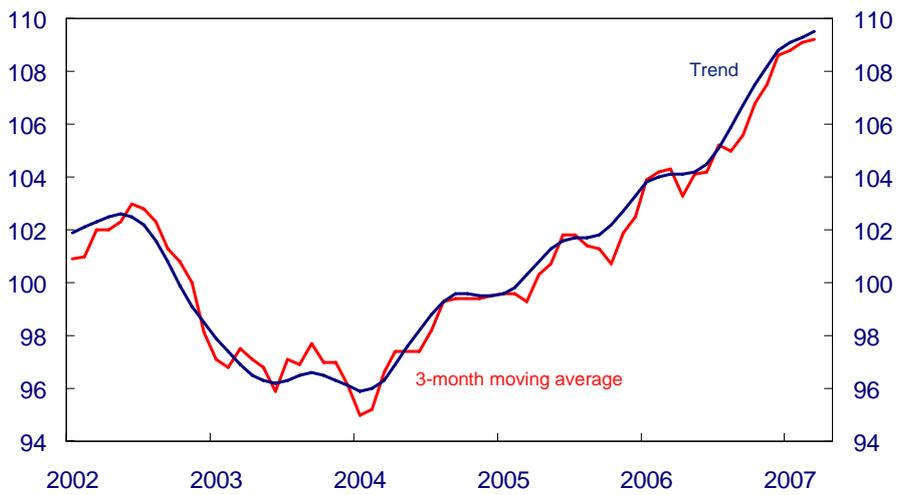
Monthly figures. January 2001 – April 2007



Source: Reuters 14

**Manufacturing output index**

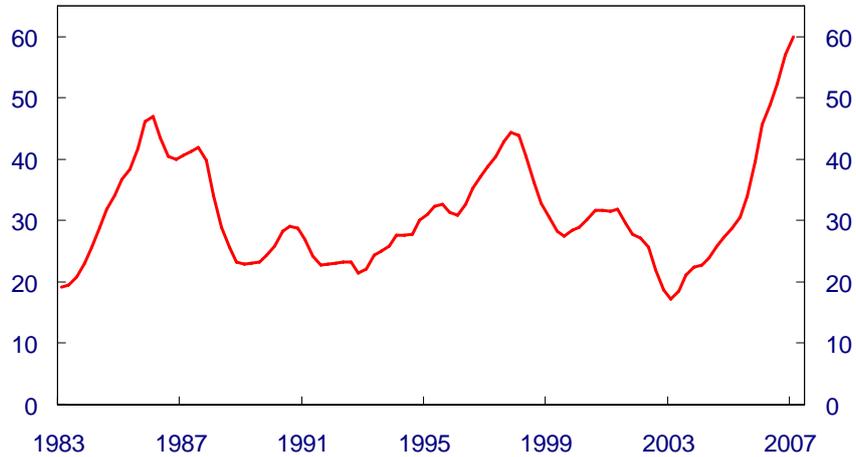
Volume index. Seasonally adjusted 3-month moving average and trend



Source: Statistics Norway 15

### Indicator of resource shortage - business tendency survey for manufacturing

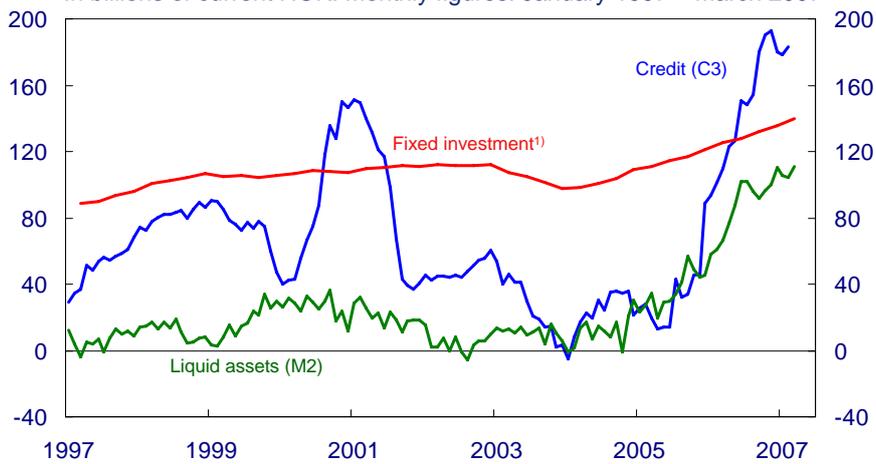
Per cent. 1983 Q1 – 2007 Q1



Source: Statistics Norway 16

### Annual growth in mainland enterprise sector credit, liquid assets and investment level

In billions of current NOK. Monthly figures. January 1997 – March 2007

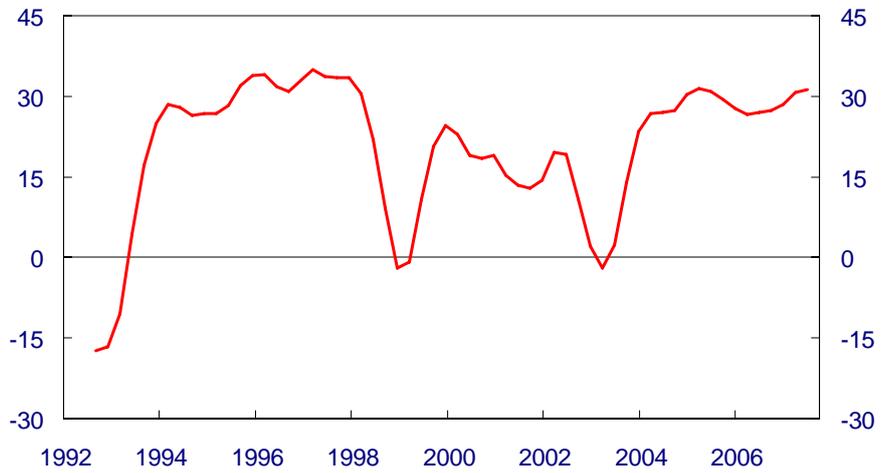


<sup>1)</sup> Gross fixed capital formation. Mainland Norway excl. dwellings and public sector. Total last four quarters

Source: Statistics Norway 17

### TNS Gallup's household trend indicator

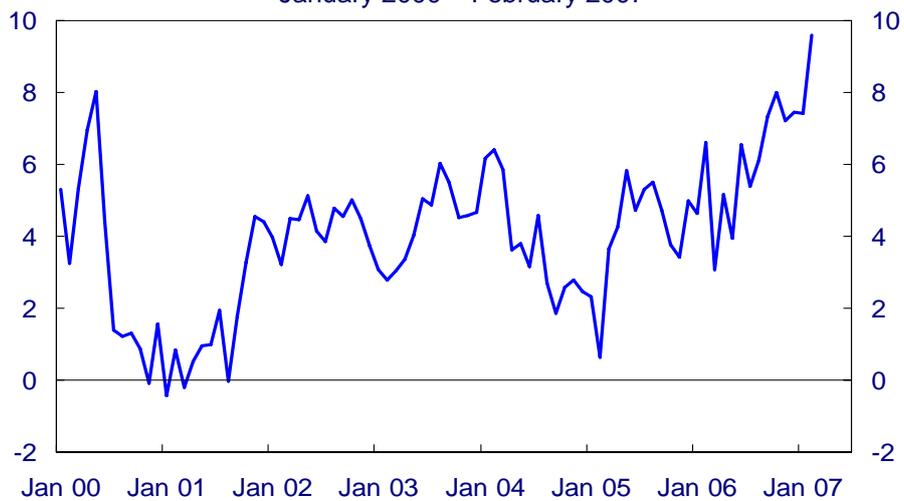
Trend. 1992 Q3 – 2007 Q2



Source: TNS Gallup 18

### Retail sales index

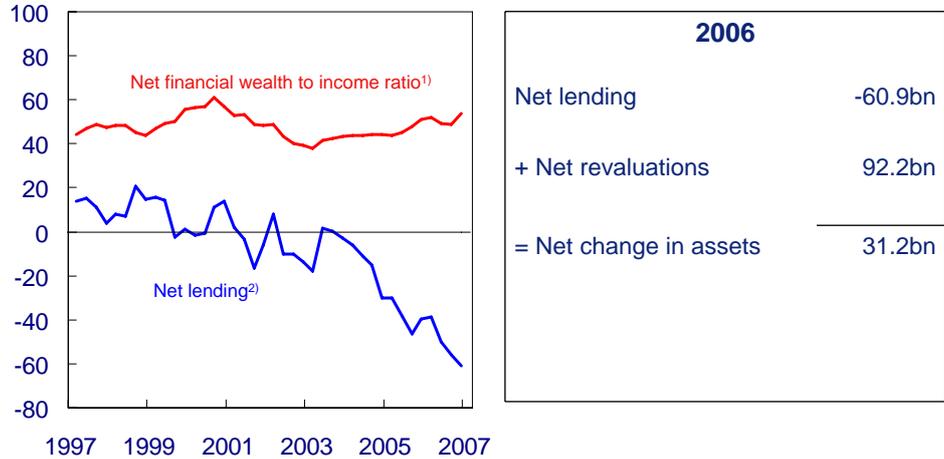
12-month growth. 3-month moving average. Per cent  
January 2000 – February 2007



Sources: Statistics Norway and Norges Bank 19

## Household net lending and net financial wealth to income ratio

Last four quarters. 1997 Q1 - 2006 Q4

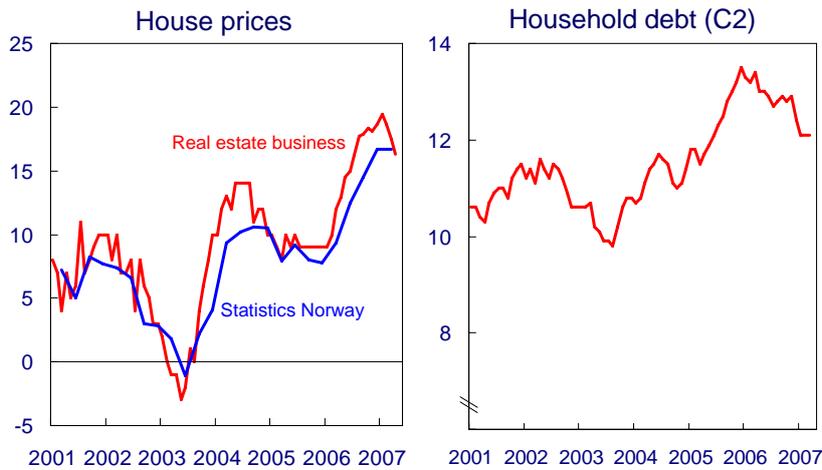


<sup>1)</sup> Net assets as a share of disposable income.  
<sup>2)</sup> In billions of NOK. Adjusted for estimated reinvested share dividends for 2000 – 2005.

Source: Norges Bank 20

## House prices and household debt

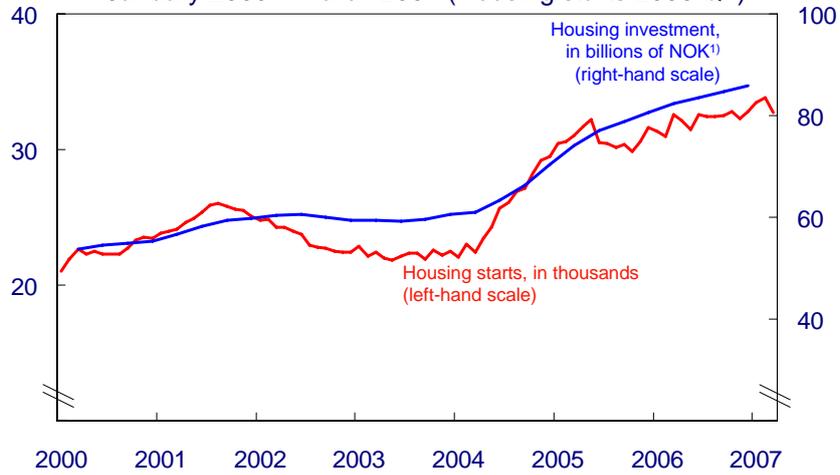
Change on same month/quarter previous year. Per cent  
 January 2001 – April 2007 (C2 March)



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

### Housing starts and housing investment

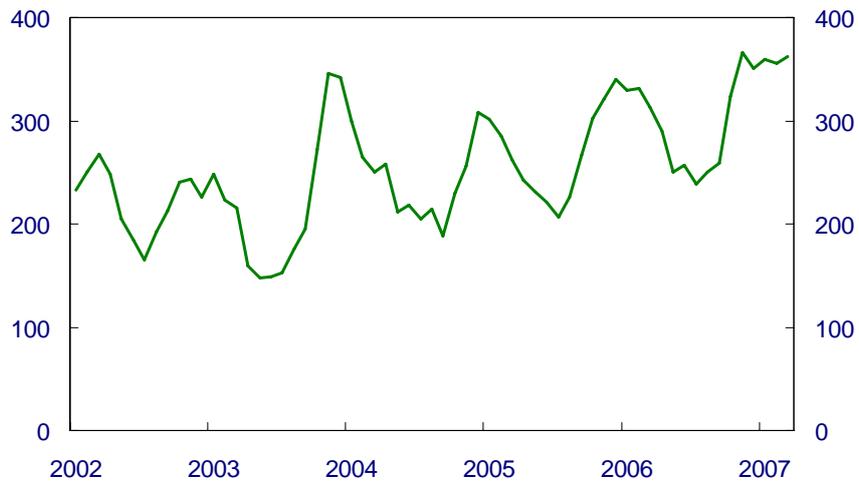
Total over 12 months/4 quarters  
January 2000 – March 2007 (Housing starts 2006 Q4)



<sup>1)</sup> Constant 2004 prices.

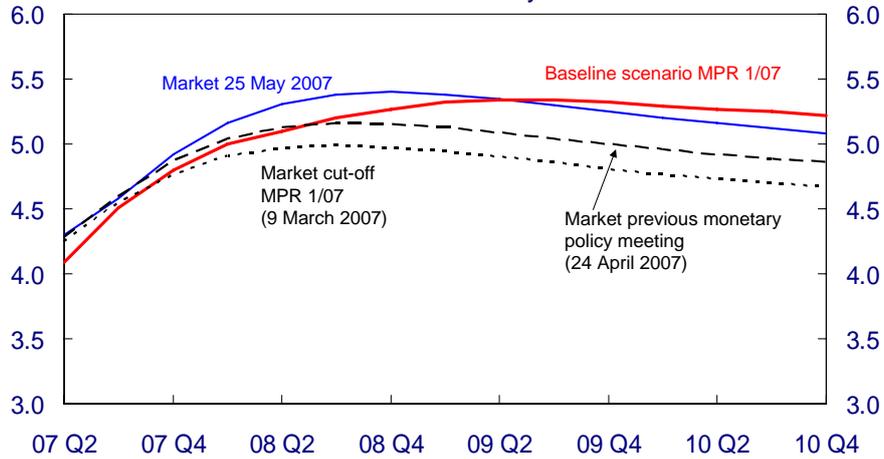
### Commercial building starts

Area (1000 m<sup>2</sup>)  
3-month moving average. January 2002 – March 2007



### Key policy rate in baseline scenario and estimated forward rates<sup>1)</sup>

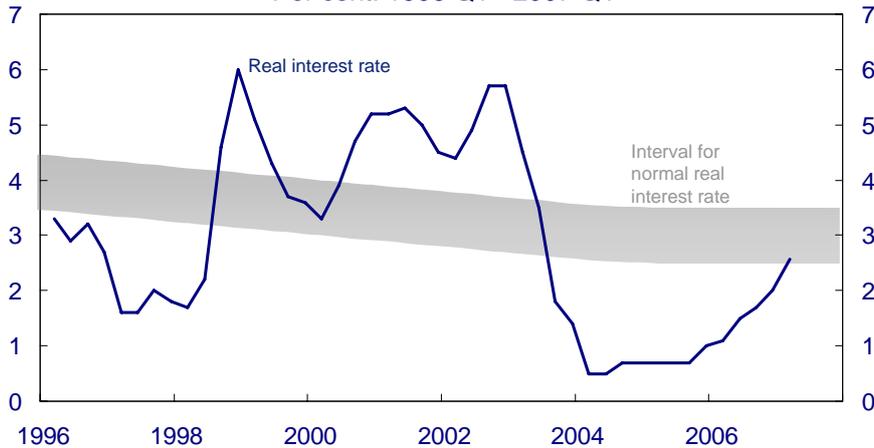
Per cent. At 25 May 2007



<sup>1)</sup> A credit risk premium and a technical difference of 0.20 percentage point have been deducted to make the forward rates comparable with the key policy rate.

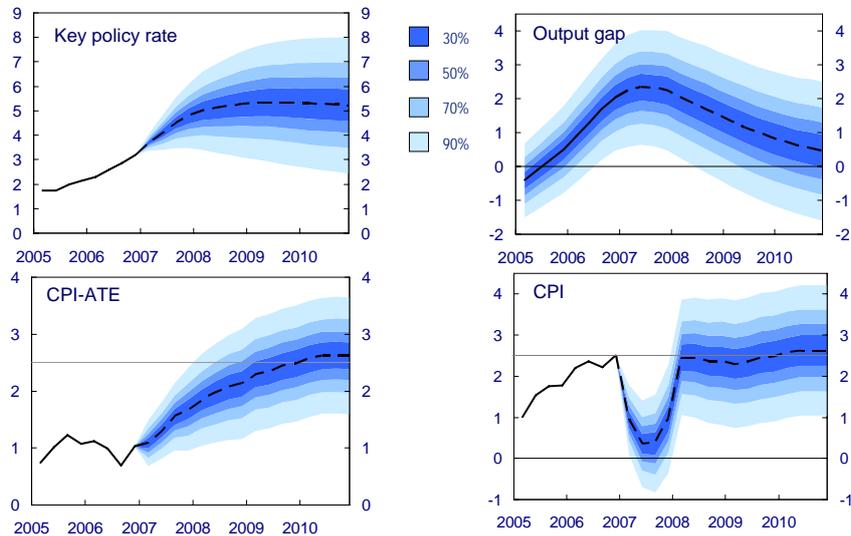
### 3-month real interest rate<sup>1)</sup> and the normal real interest rate

Per cent. 1996 Q1 - 2007 Q1



<sup>1)</sup> 3-month money market rate deflated by the 12-quarter moving average (centred) of inflation measured by the CPI. Projections for the CPI from MPR 1/07 form the basis for this estimate.

## Baseline scenario in *Monetary Policy Report 1/07*



Sources: Statistics Norway and Norges Bank 26

## Monetary policy strategy

- The interest rate path presented in *Monetary Policy Report 1/07* 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 about economic developments.
- The key policy rate should lie in the interval 4 – 5% in the period to the publication of the next *Report* on 27 June 2007, conditional on economic developments that are broadly in line with the projections.