

# Outlook for the Norwegian Economy

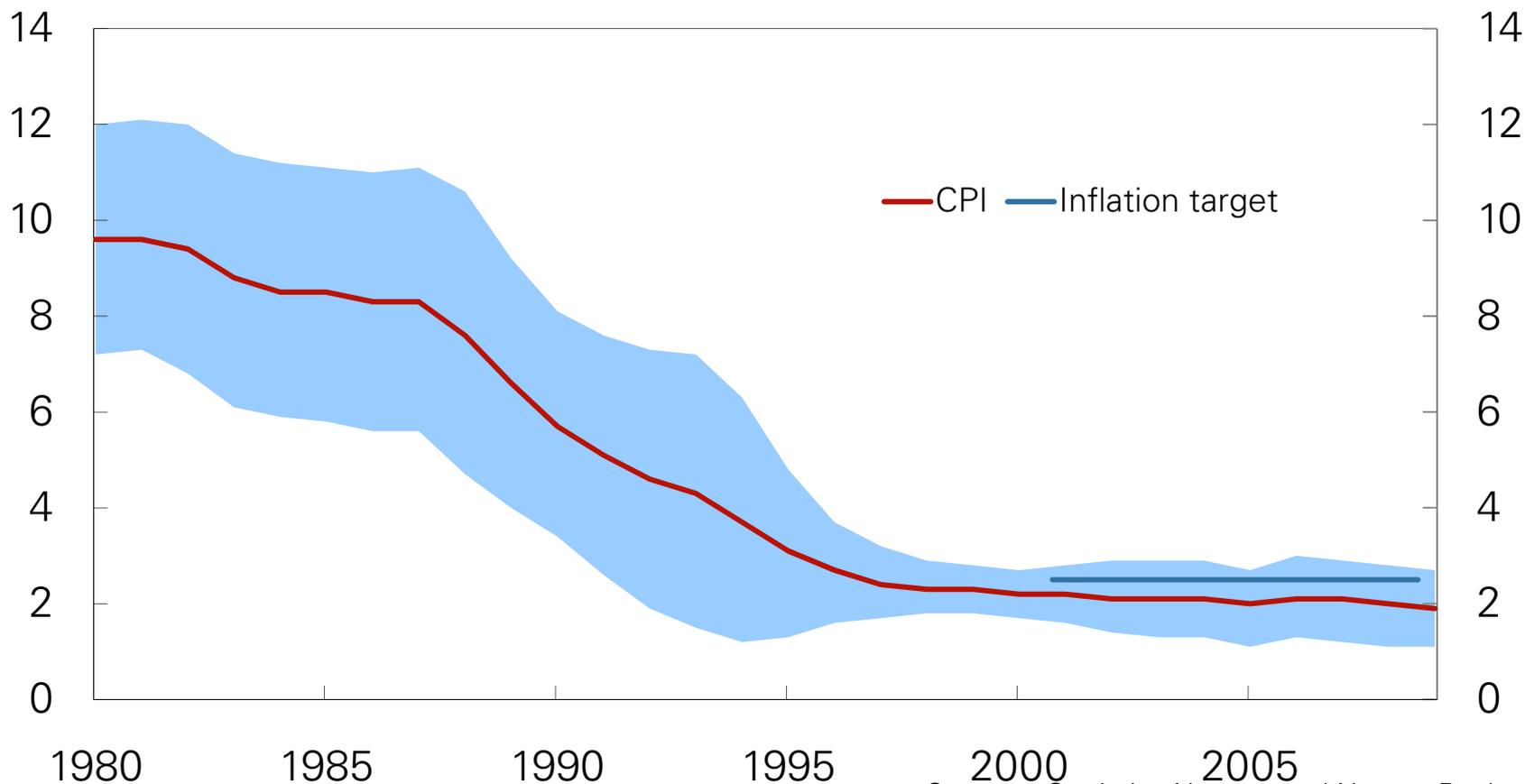
*Deputy Governor Jan F. Qvigstad*

*Sparebank 1, Fredrikstad*

*4 November 2009*

# Inflation

Moving 10-year average<sup>1)</sup> and variation<sup>2)</sup> in CPI<sup>3)</sup>. Per cent. 1980 – 2009



1) The moving average is calculated 7 years back and 2 years ahead

2) The band around the CPI is the variation in the CPI adjusted for tax changes and excluding energy products in the average period, measured by +/- one standard deviation

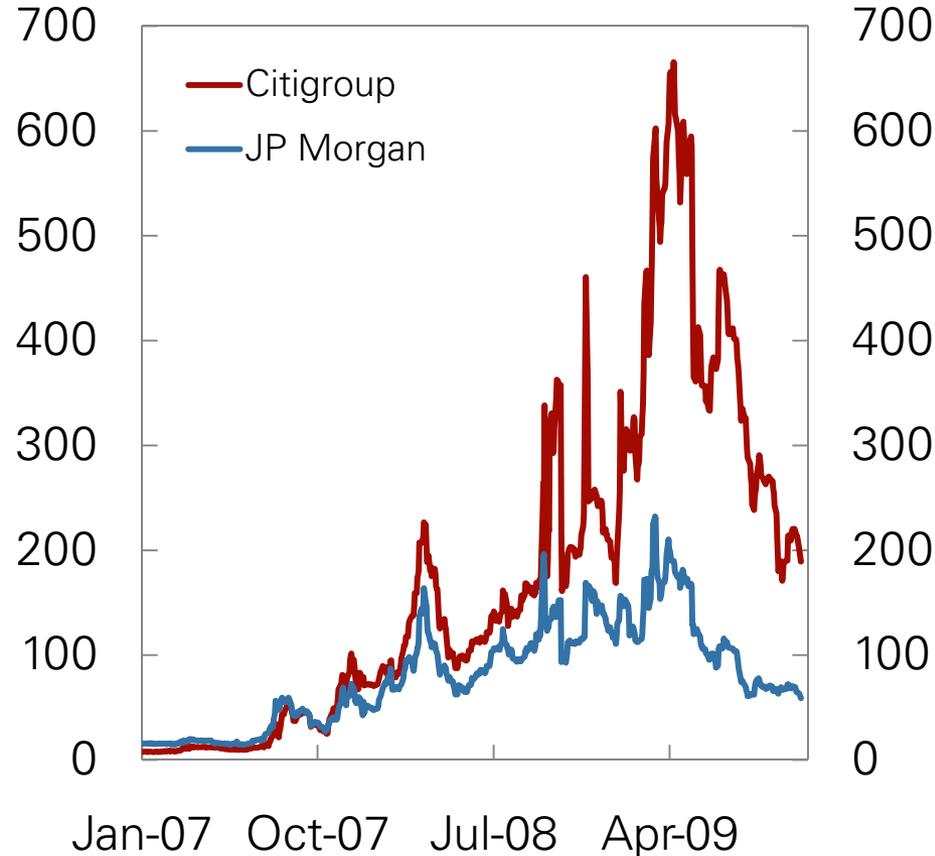
3) Estimate based on projections for 2009 – 2011 from Monetary Policy Report 3/09

Sources: Statistics Norway and Norges Bank

# Credit risk for selected banks

Measured by CDS spreads. Basis points.

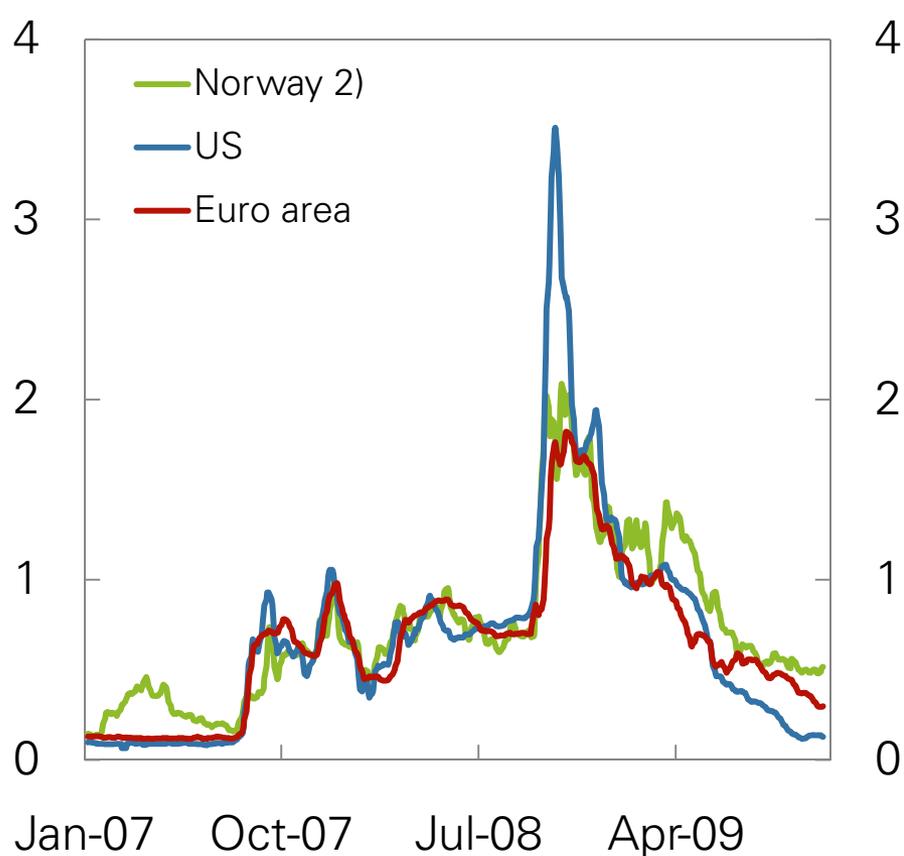
1 January 2007 – 22 October 2009



# Money market spreads<sup>1)</sup>

5-day moving average. Percentage points.

5 January 2007 – 22 October 2009



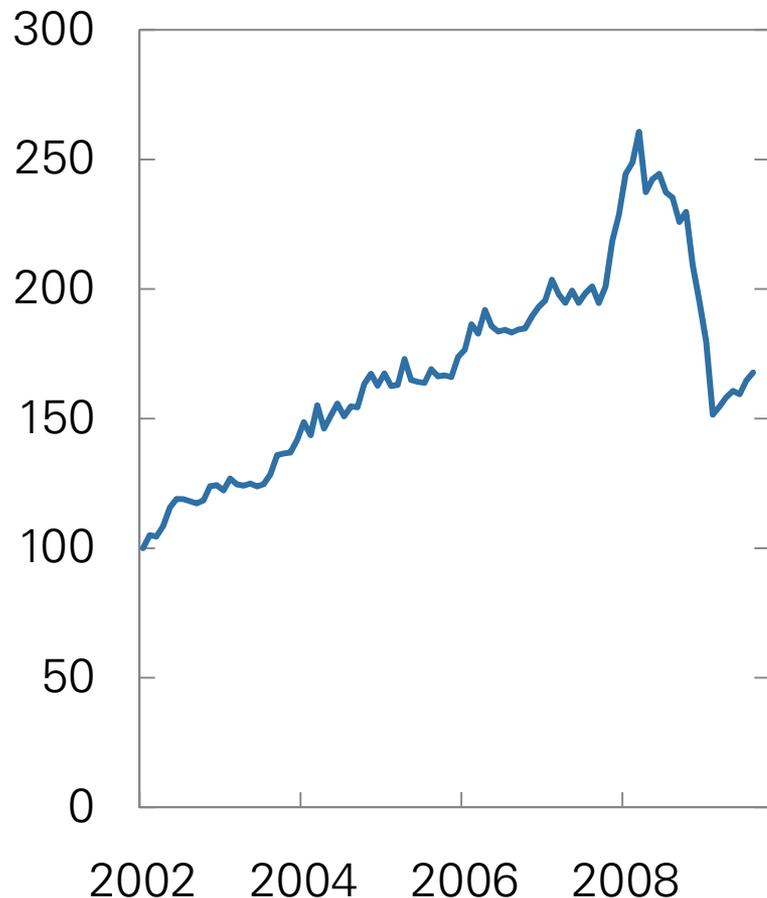
1) Spread between 3-month money market rate and market key rate expectations

2) Norges Bank's projections

Sources: Bloomberg, Thomson Reuters and Norges Bank

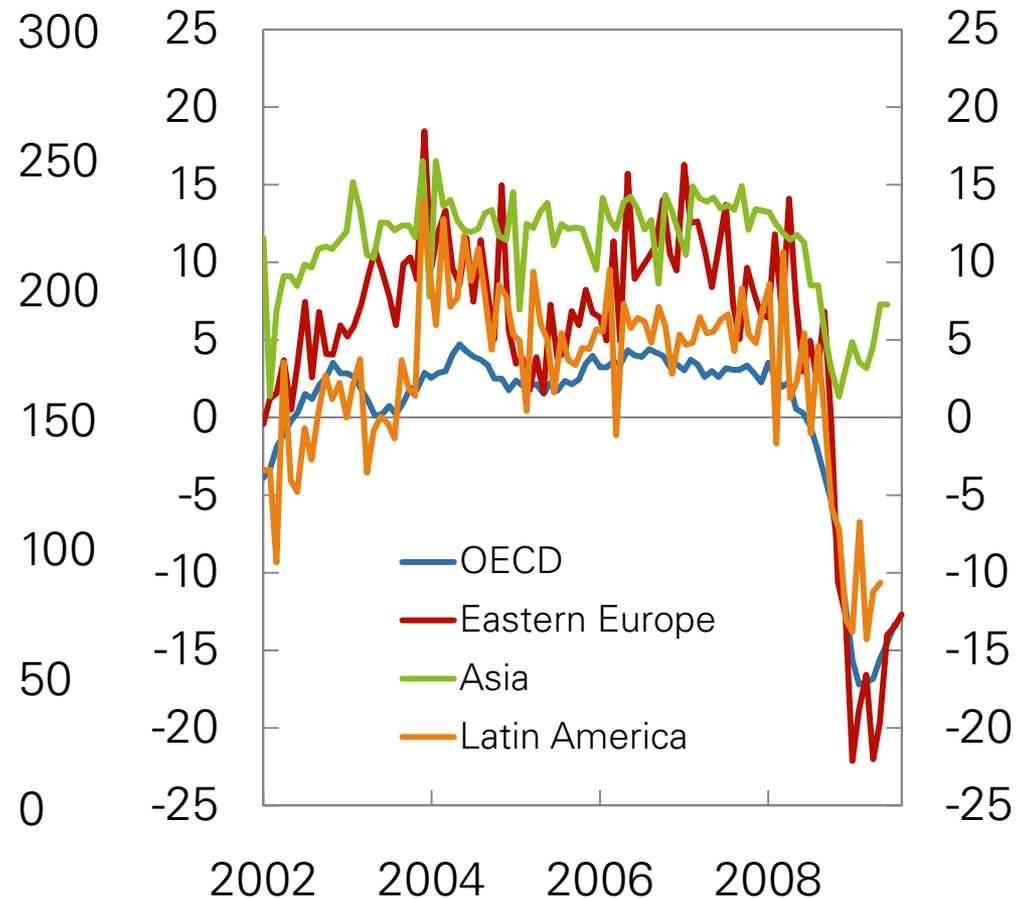
# Indicator of world trade<sup>1)</sup>

Index, January 2002 = 100.  
January 2002 – August 2009



# Manufacturing in OECD and emerging markets

12-month change. Per cent.  
January 2002 – August 2009



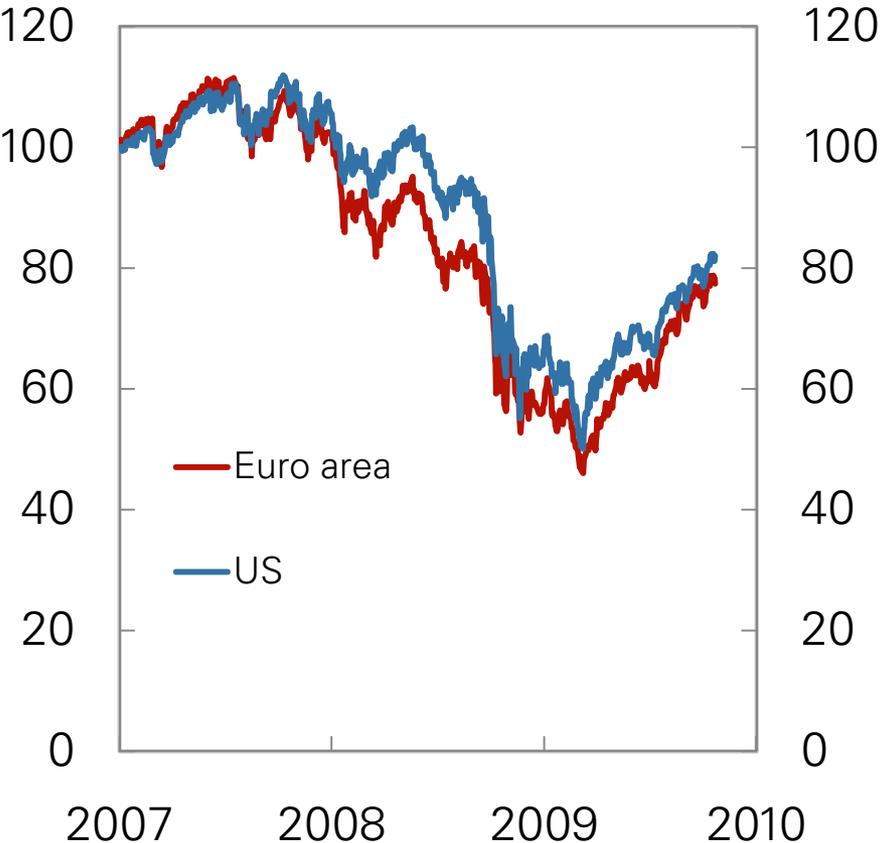
1) The index is constructed on the basis of the sum of exports and imports in the US, Japan, Germany and China. The figures are converted into USD

Sources: Thomson Reuters and Norges Bank

# International equity markets

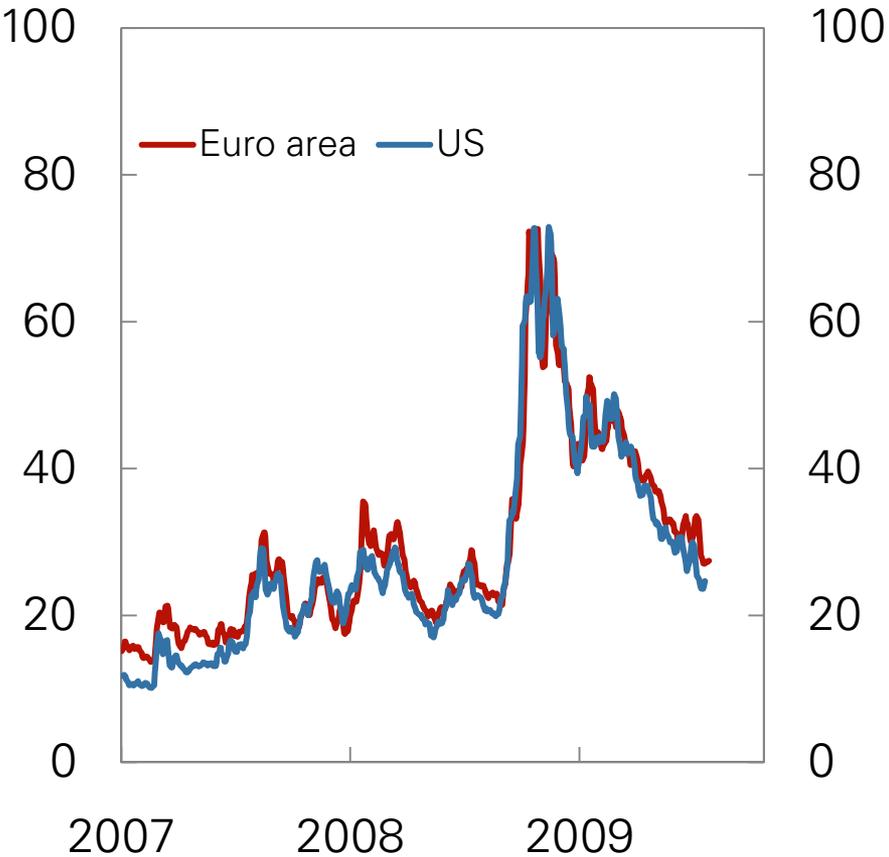
## Equity prices

Index, 1 January 2007 = 100.  
1 January 2007 – 22 October 2009



## Implied volatility

Standard deviation in basis points.  
5-day moving average.  
5 January 2007 – 22 October 2009

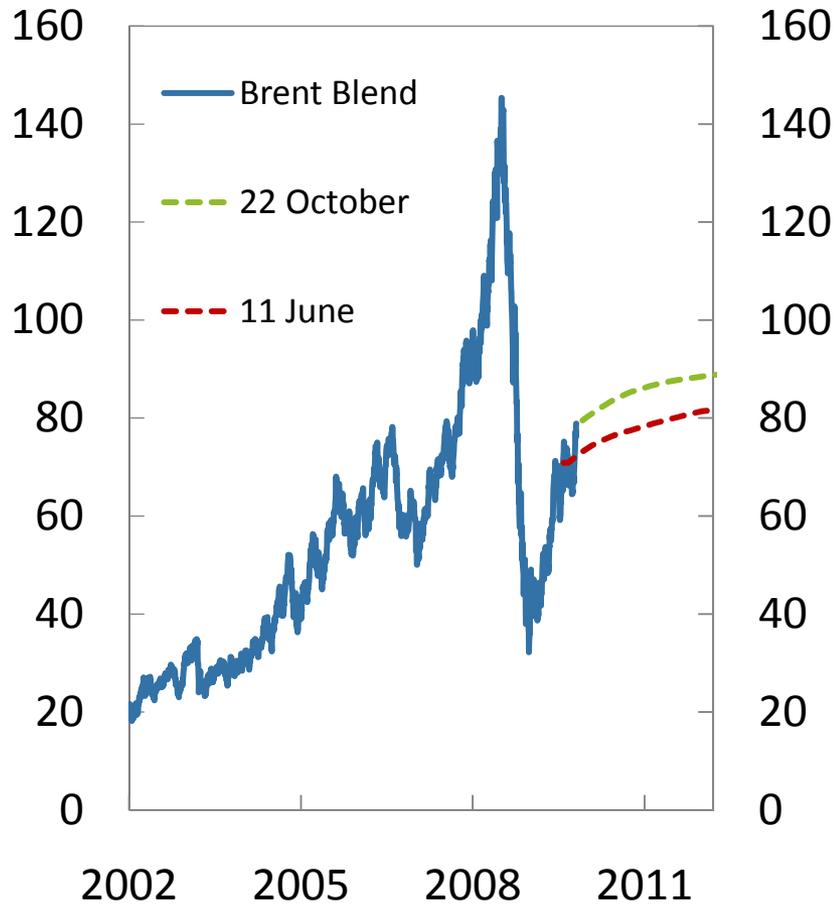


Source: Thomson Reuters

# Oil price (Brent Blend)

In USD per barrel.

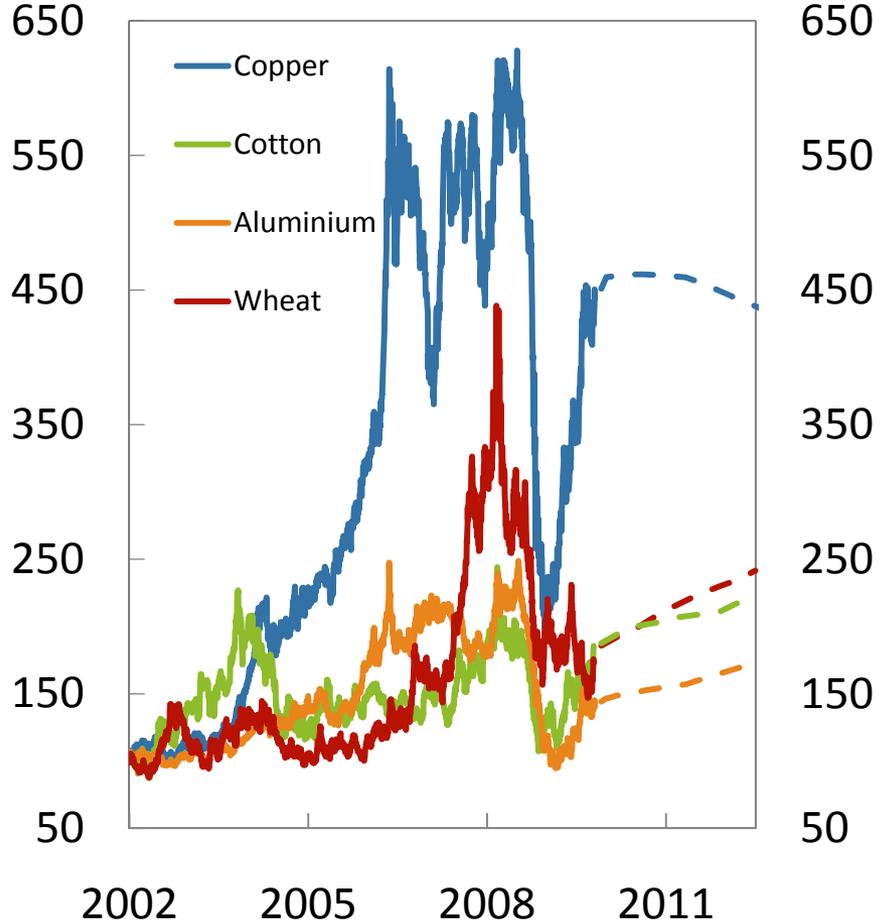
Spot and futures prices



# Commodity prices

In USD. Index.

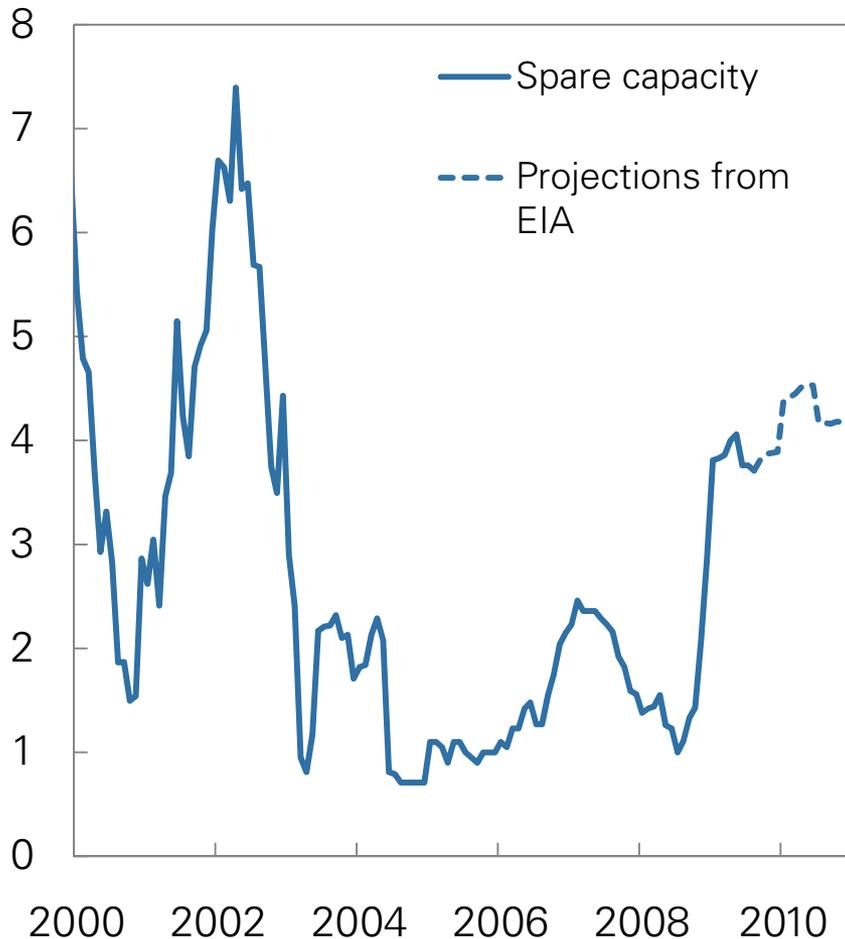
Spot and futures prices



Sources: Thomson Reuters and Norges Bank

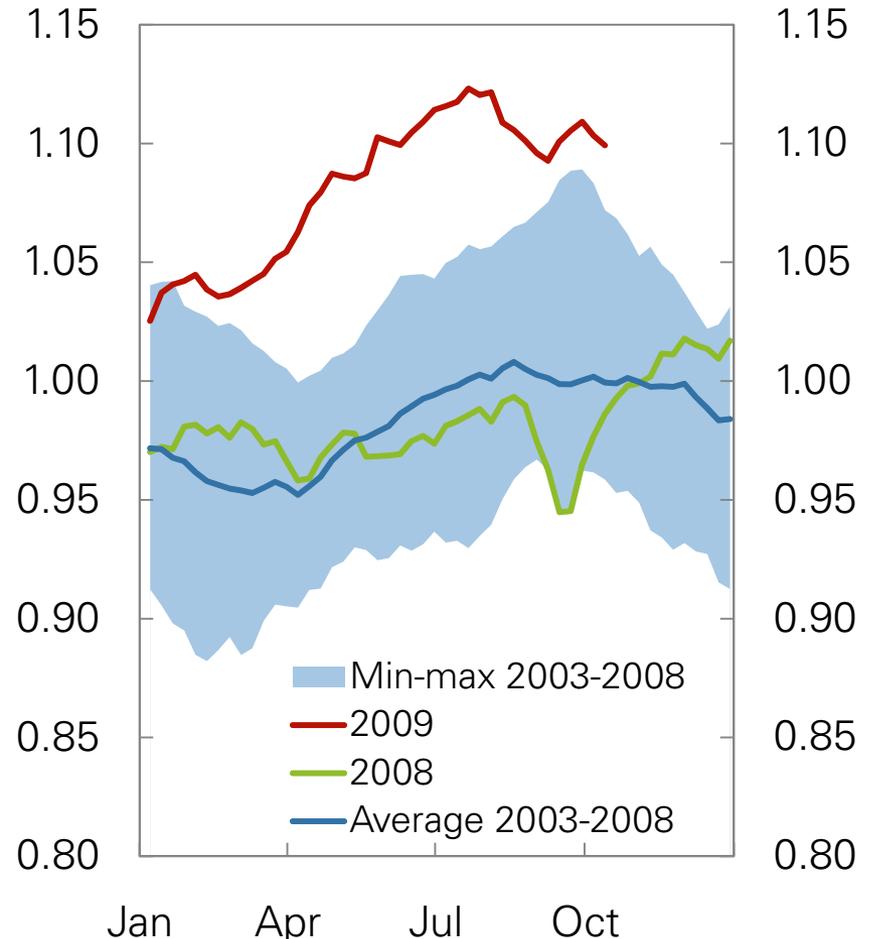
# Spare capacity in OPEC

Million barrels a day. Monthly figures.  
January 2000 – December 2010



# Crude oil and refined product inventories, US

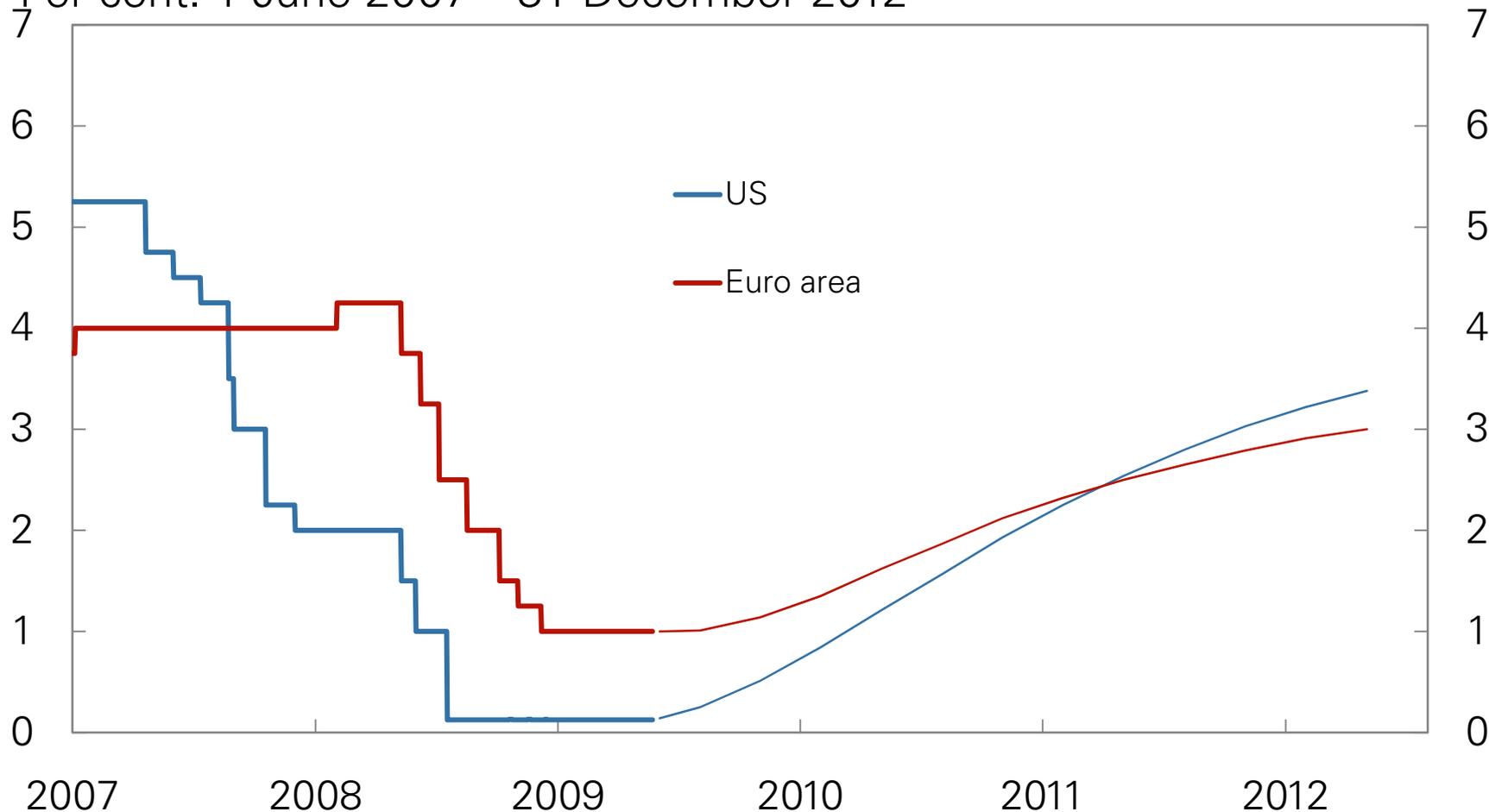
In billions of barrels. January 2003 – October 2009



Source: Energy Information Administration (EIA)

# Key rates and estimated forward rates as at 22 October 2009<sup>1)</sup>

Per cent. 1 June 2007 – 31 December 2012<sup>2)</sup>



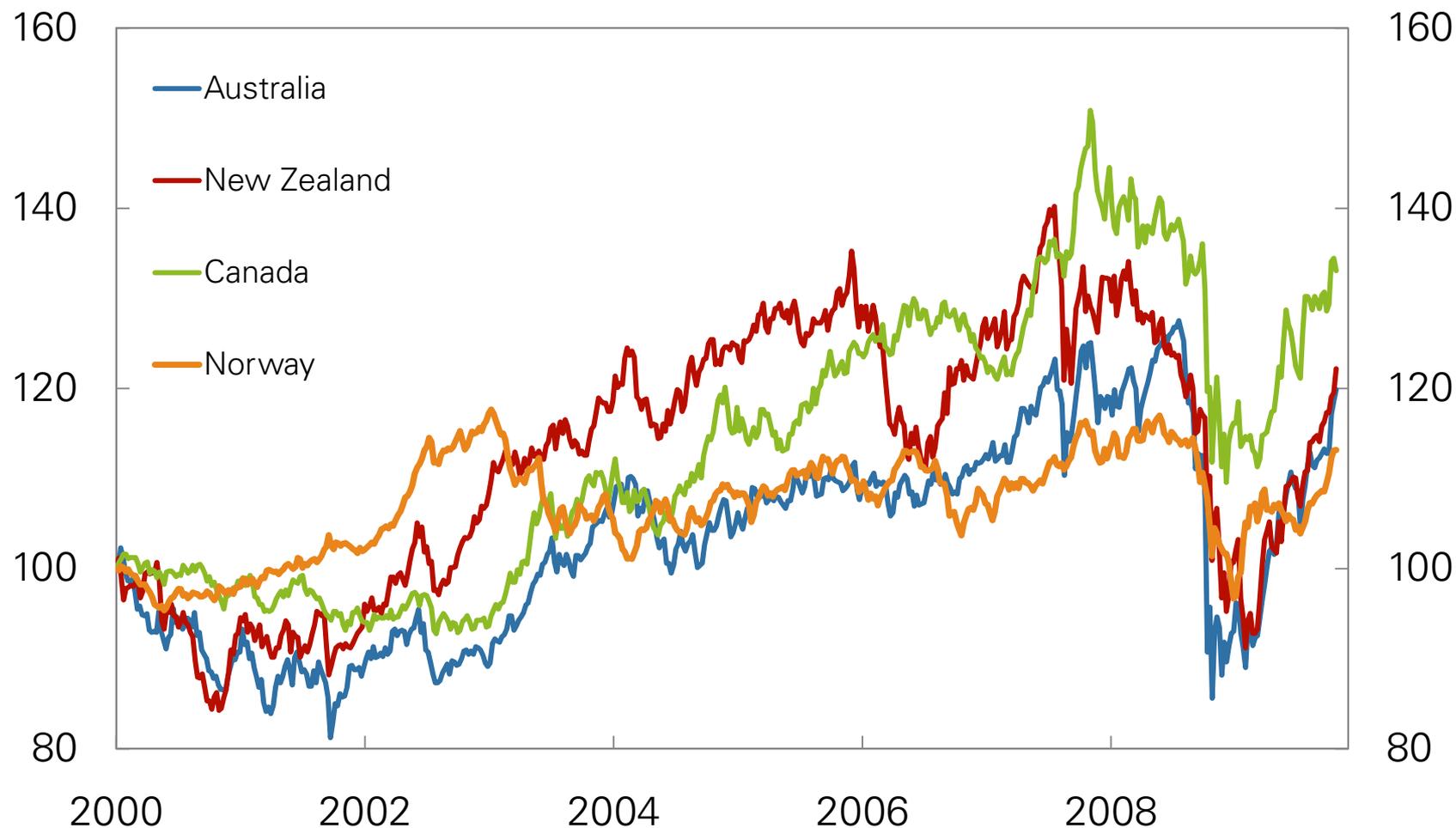
1) Thin lines show estimated forward rates as at 22 October 2009. Forward rates are derived from Overnight Indexed Swap (OIS) rates

2) Daily figures from 1 June 2007 and quarterly figures from 22 October 2009

Sources: Thomson Reuters and Norges Bank

# Effective exchange rates<sup>1)</sup>

Index, week 1 2000 = 100. Weekly figures. Week 1 2000 – week 43 2009

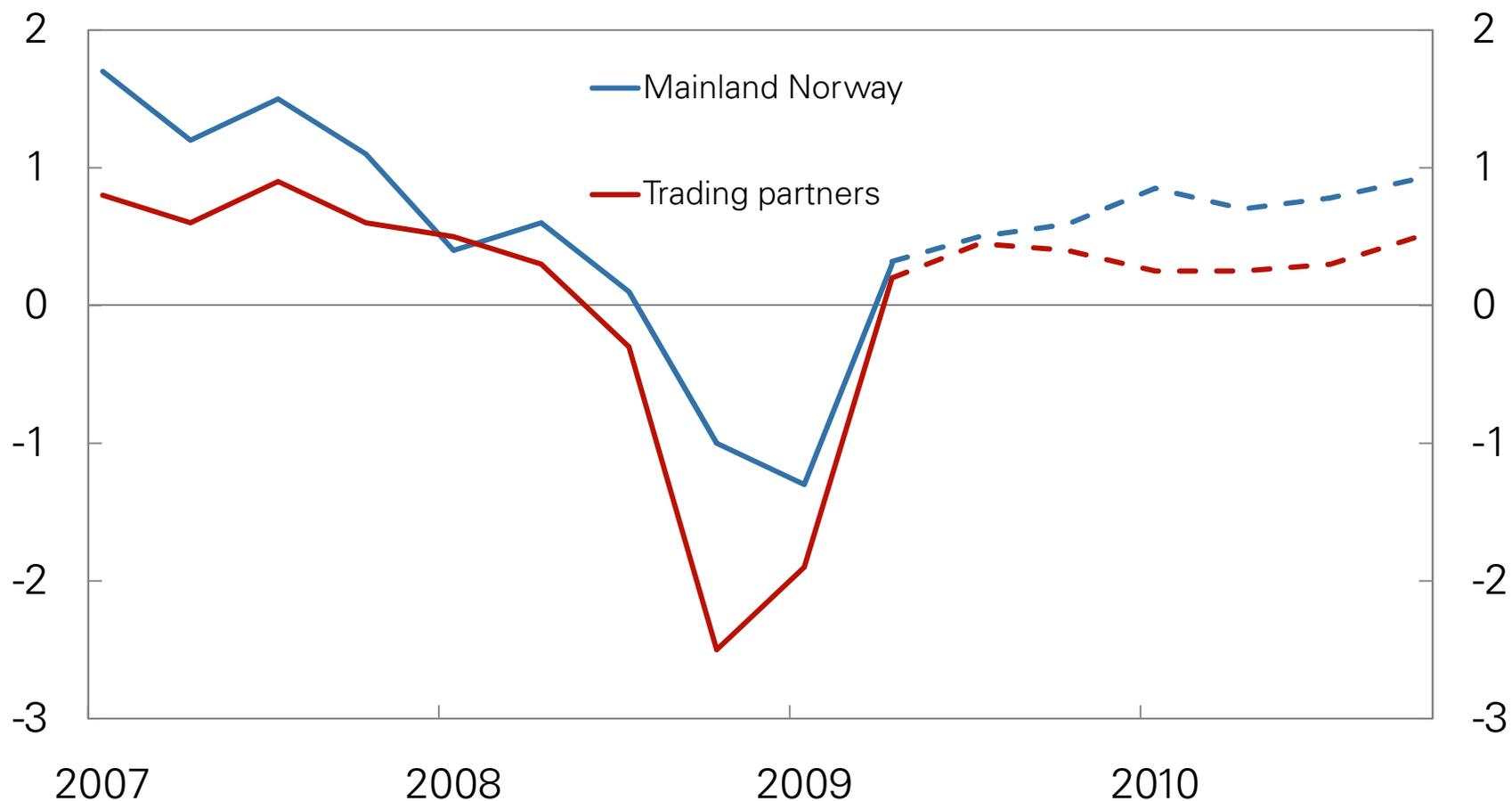


1) A rising curve denotes a stronger exchange rate

Sources: Thomson Reuters and Norges Bank

# GDP growth

Growth on previous quarter. Seasonally adjusted. Per cent.  
2007 Q1 – 2010 Q4



Sources: Statistics Norway and Norges Bank

# Countercyclical policy using unconventional measures

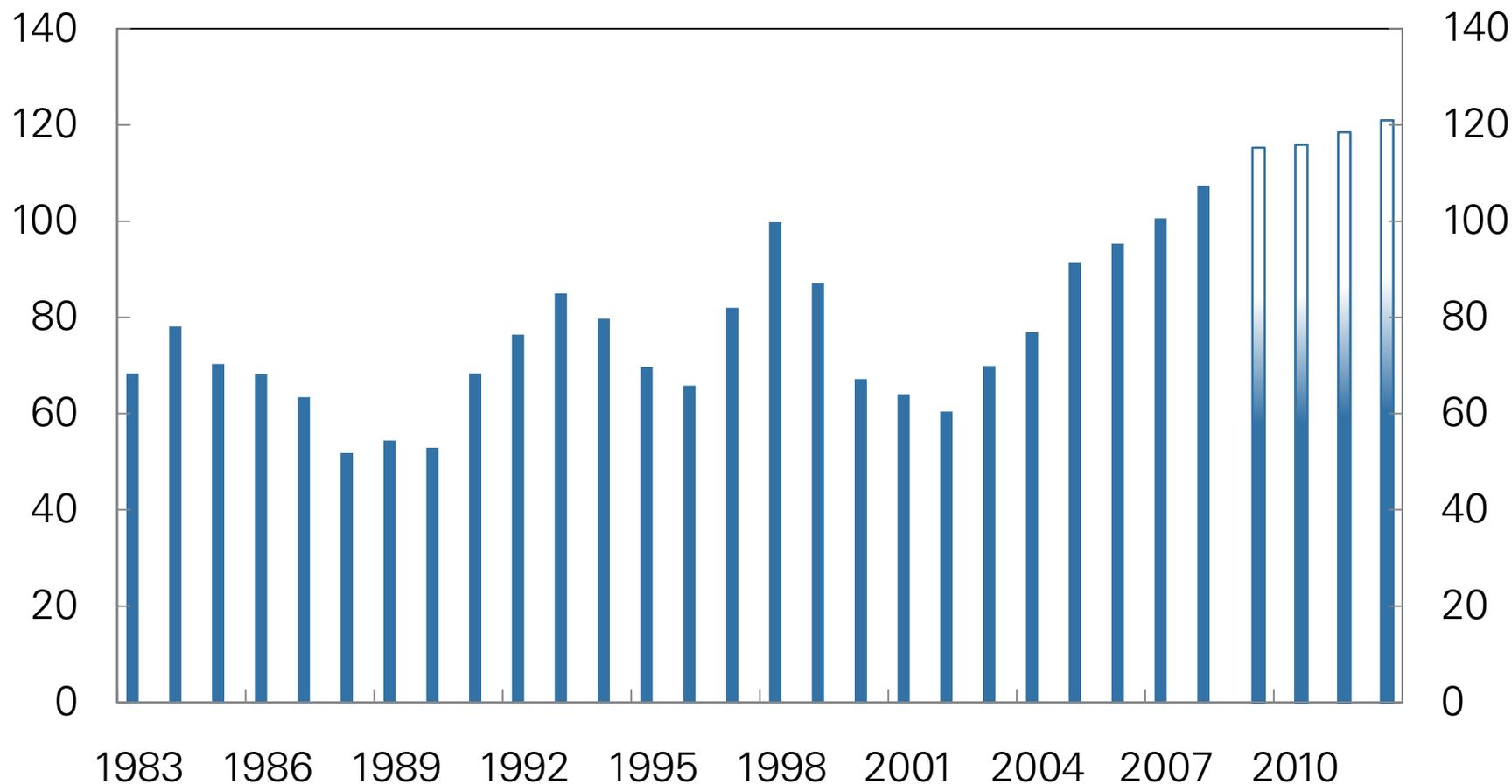
- expansionary fiscal policy
- low key rate
- extraordinary monetary policy measures
  - Swap arrangements
  - Liquidity supply
- Other extraordinary measures
  - Norwegian State Finance Fund
  - Government Bond Fund
  - funding for export industries

# Unwinding the extraordinary measures

- In recent months Norges Bank has
  - not supplied NOK liquidity through FX swaps
  - not supplied liquidity through foreign exchange market
  - not provided krone liquidity at long maturities
- Banking system liquidity normalised further
- The swap arrangement is being phased out
- Easing of collateral requirements will be reversed
- Share of banks borrowing facilities collateralised by bank bonds will be reduced

# Petroleum investment

At constant 2006-prices. In billions of NOK. 1983 – 2012

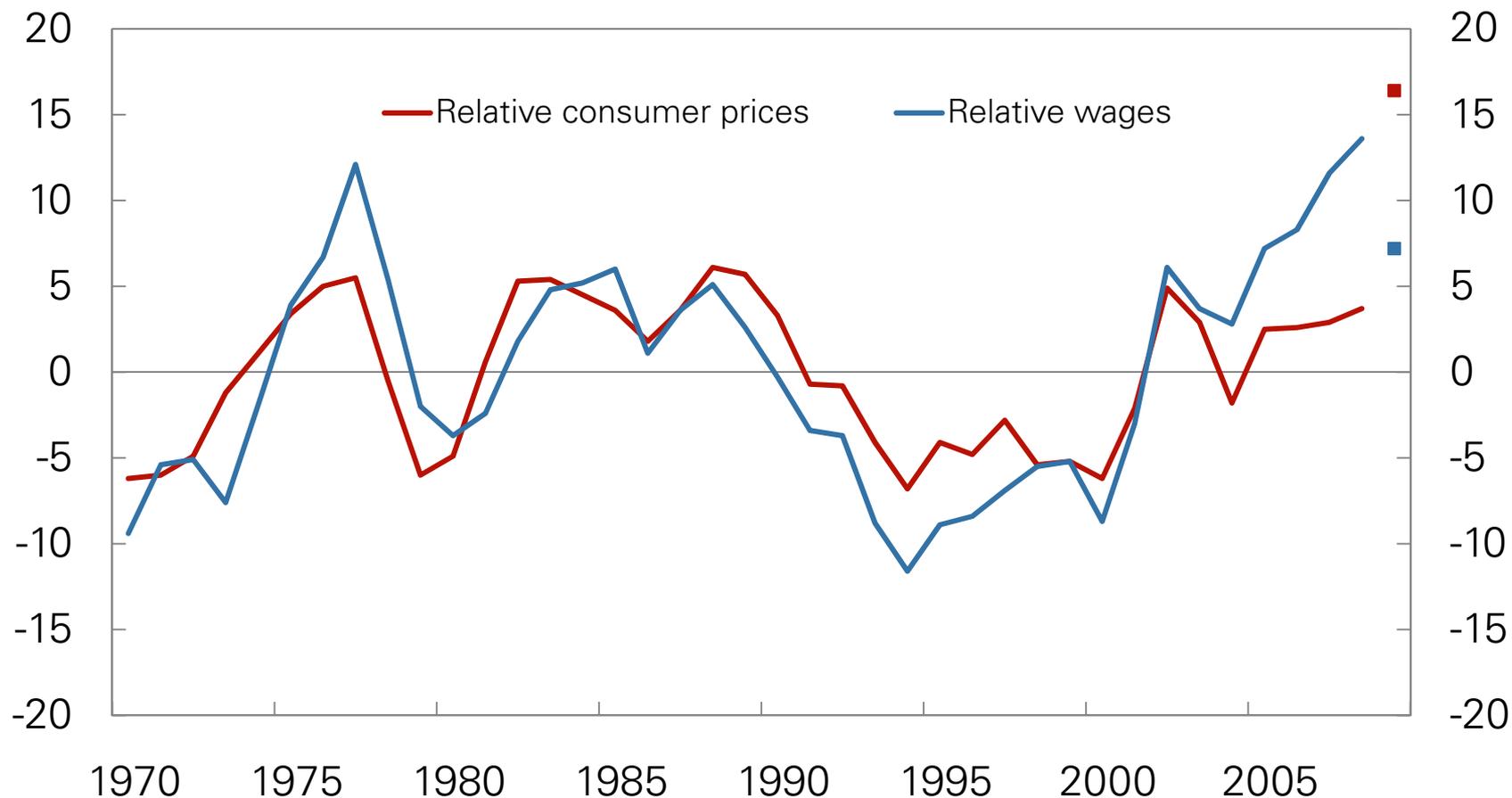


Sources: Statistics Norway and Norges Bank

# Real exchange rate

Deviation from mean over the period 1970 – 2008.

Per cent. 1970 – 2009<sup>1)</sup>

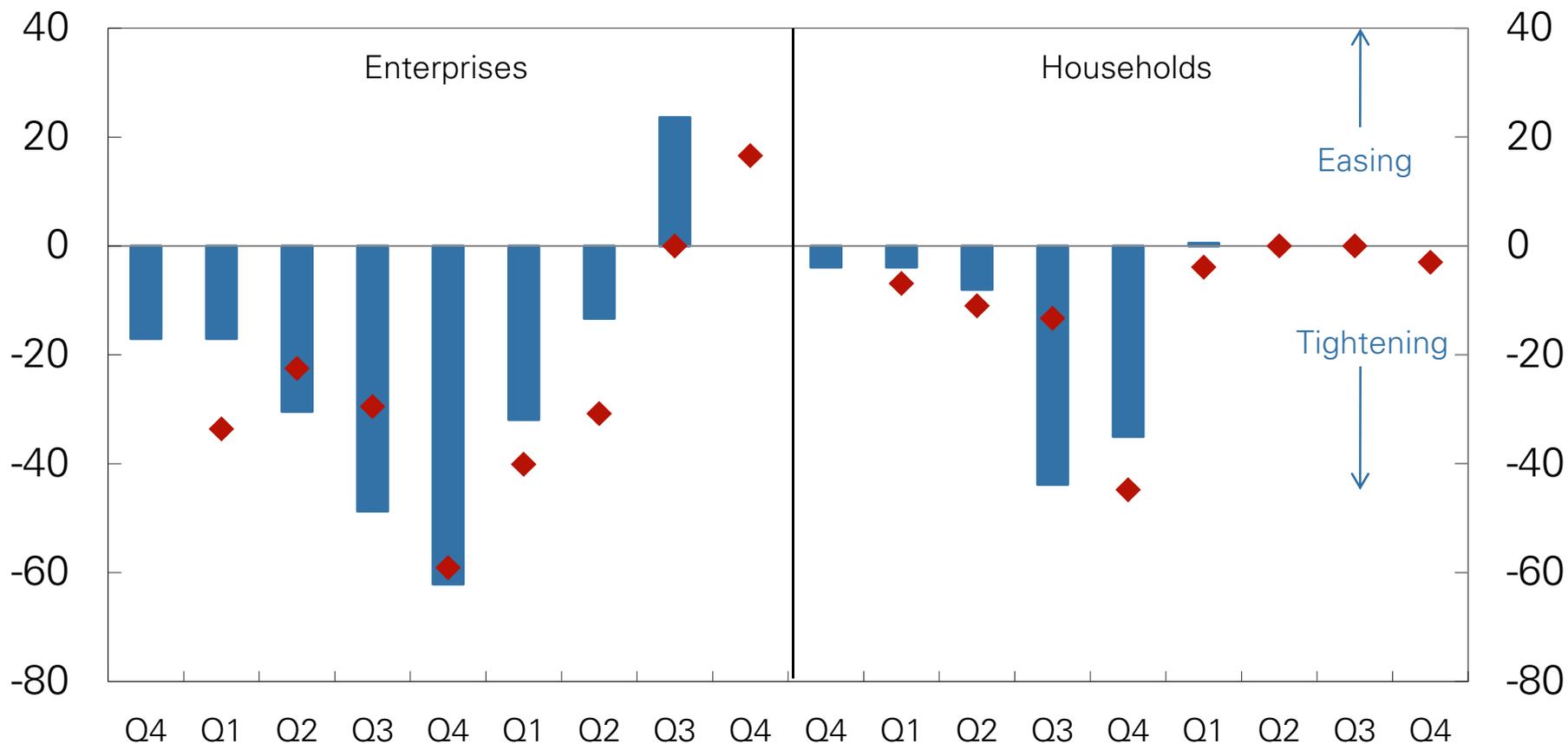


<sup>1)</sup>The squares show the average for the period 16 – 22 October 2009. A rising curve indicates weaker competitiveness

Sources: Statistics Norway, Technical Reporting Committee on Income Settlements, Ministry of Finance and Norges Bank

# Bank credit standards for enterprises and households

Change in credit standards since previous period<sup>1)</sup>. 2007 Q4 – 2009 Q4

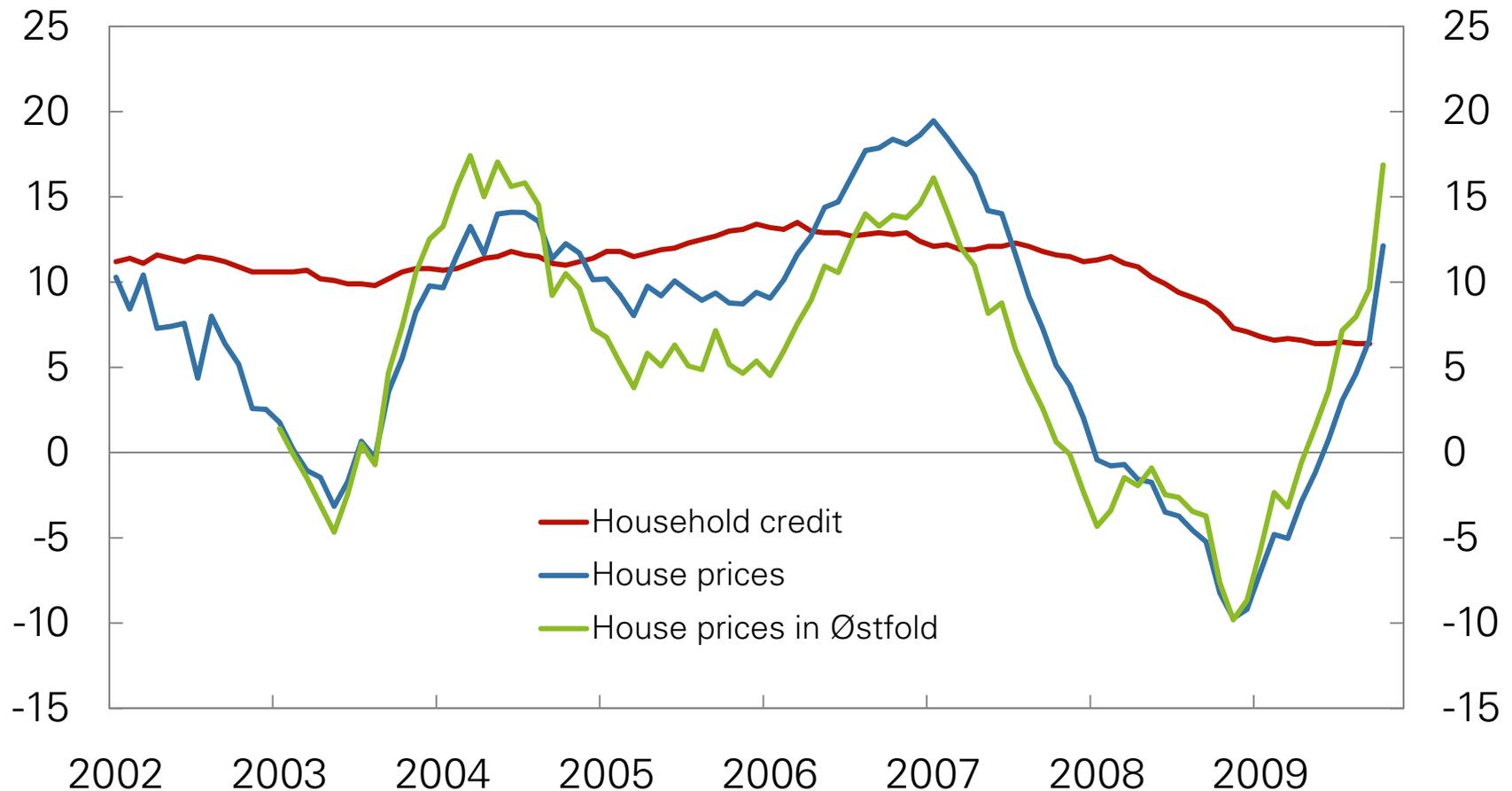


1) Red dots indicate expected developments and blue bars indicate actual developments

Source: Norges Bank

# Household credit from domestic sources<sup>1)</sup> and house prices

12-month change. Per cent. January 2002 – October 2009

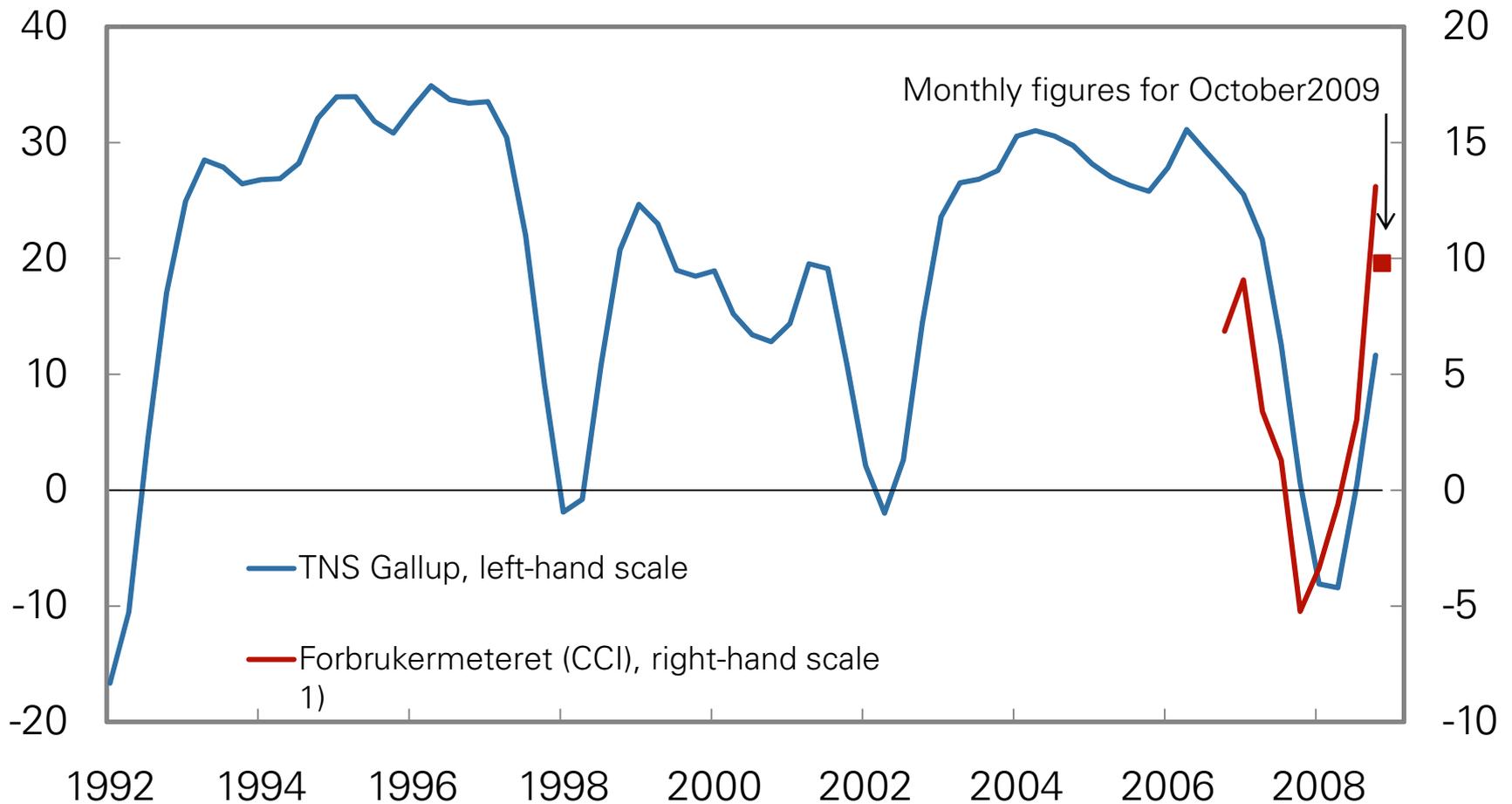


1) C2

Sources: Statistics Norway and the real estate industry (NEF, EFF, FINN.no og ECON Pöyry)

# Household expectations

Net figures. Quarterly figures. 1992 Q4 – 2009 Q3

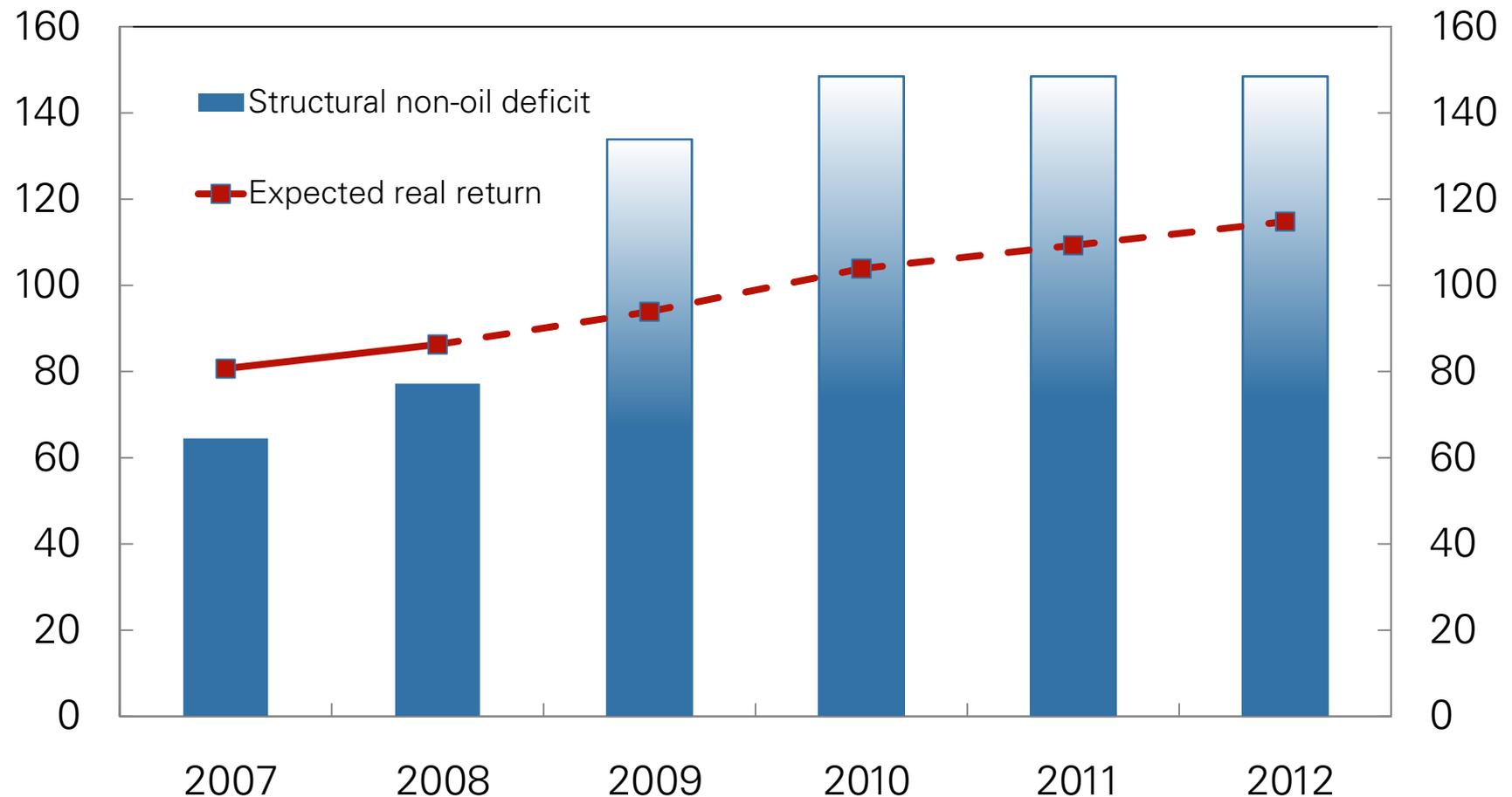


1) Quarterly figures based on monthly observations

Sources: TNS Gallup, Opinion and Norges Bank

# Structural non-oil deficit and expected return on the Government Pension Fund – Global

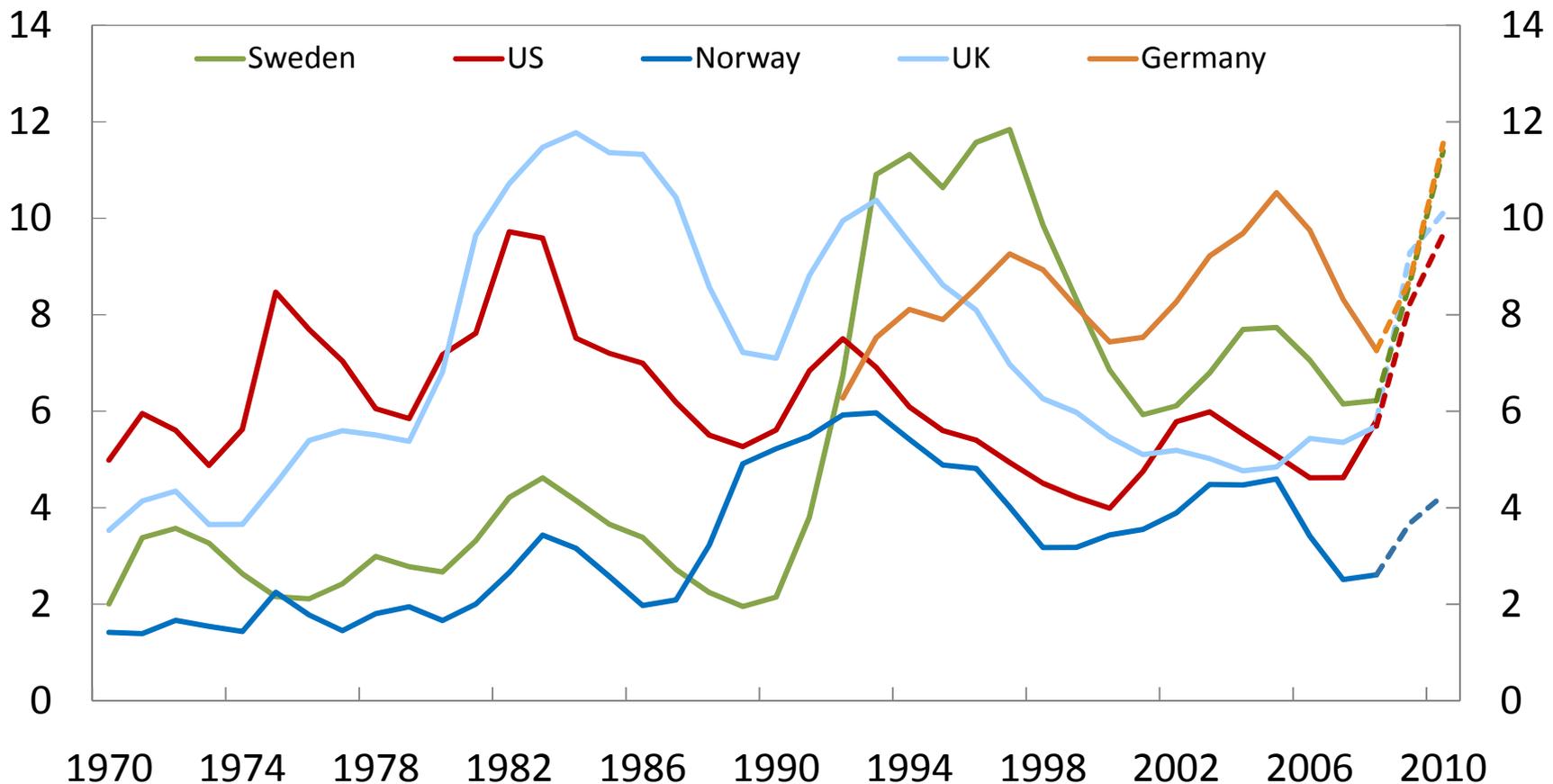
In billions of 2010-NOK. 2007 – 2012



Sources: Ministry of Finance and Norges Bank

# LFS unemployment as percentage of labour force

Annual figures. 1971 – 2010. Projections are shown by broken lines

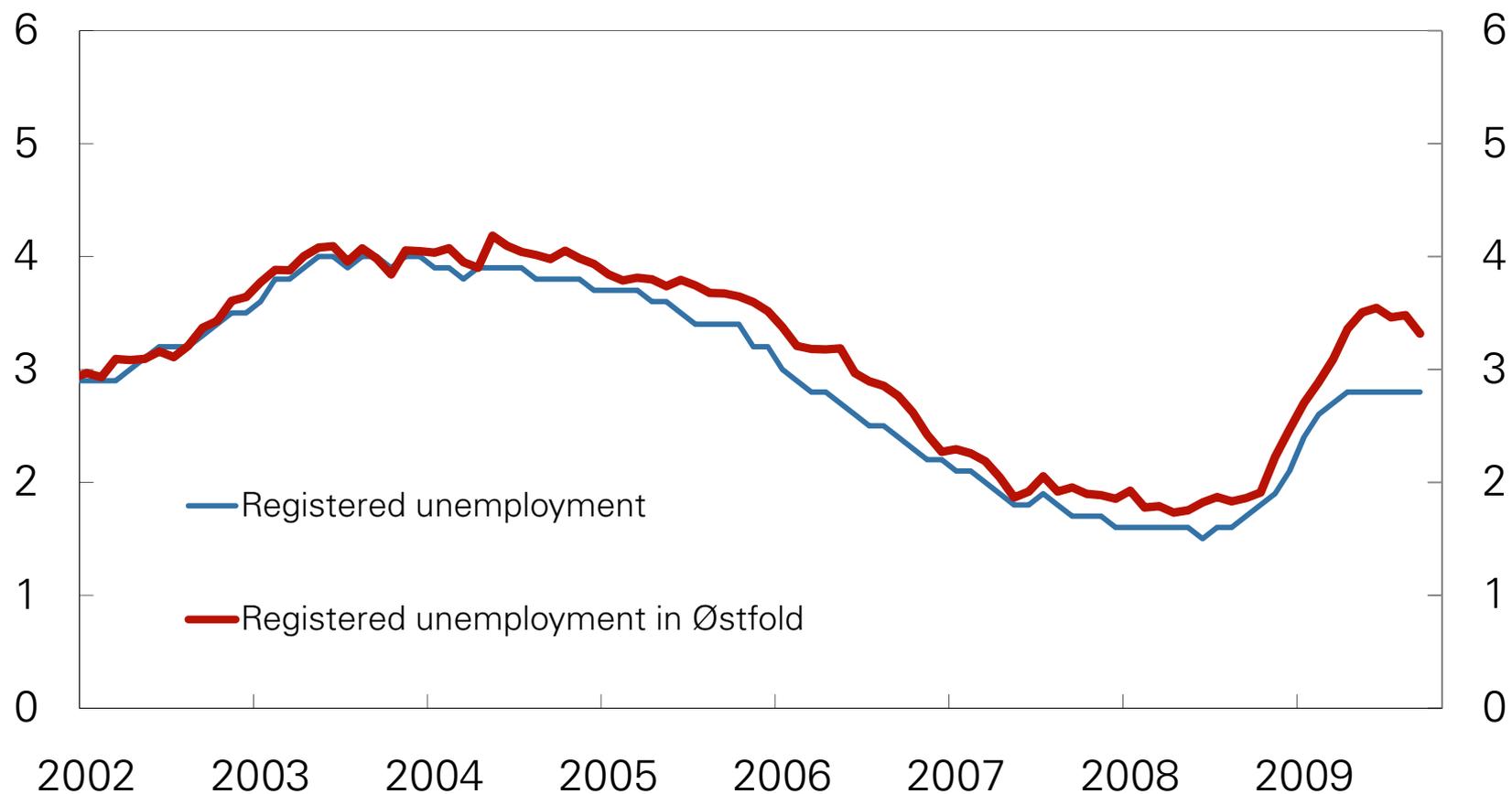


Source: OECD

# Unemployment in Norway

As percentage of labour force. Seasonally adjusted.

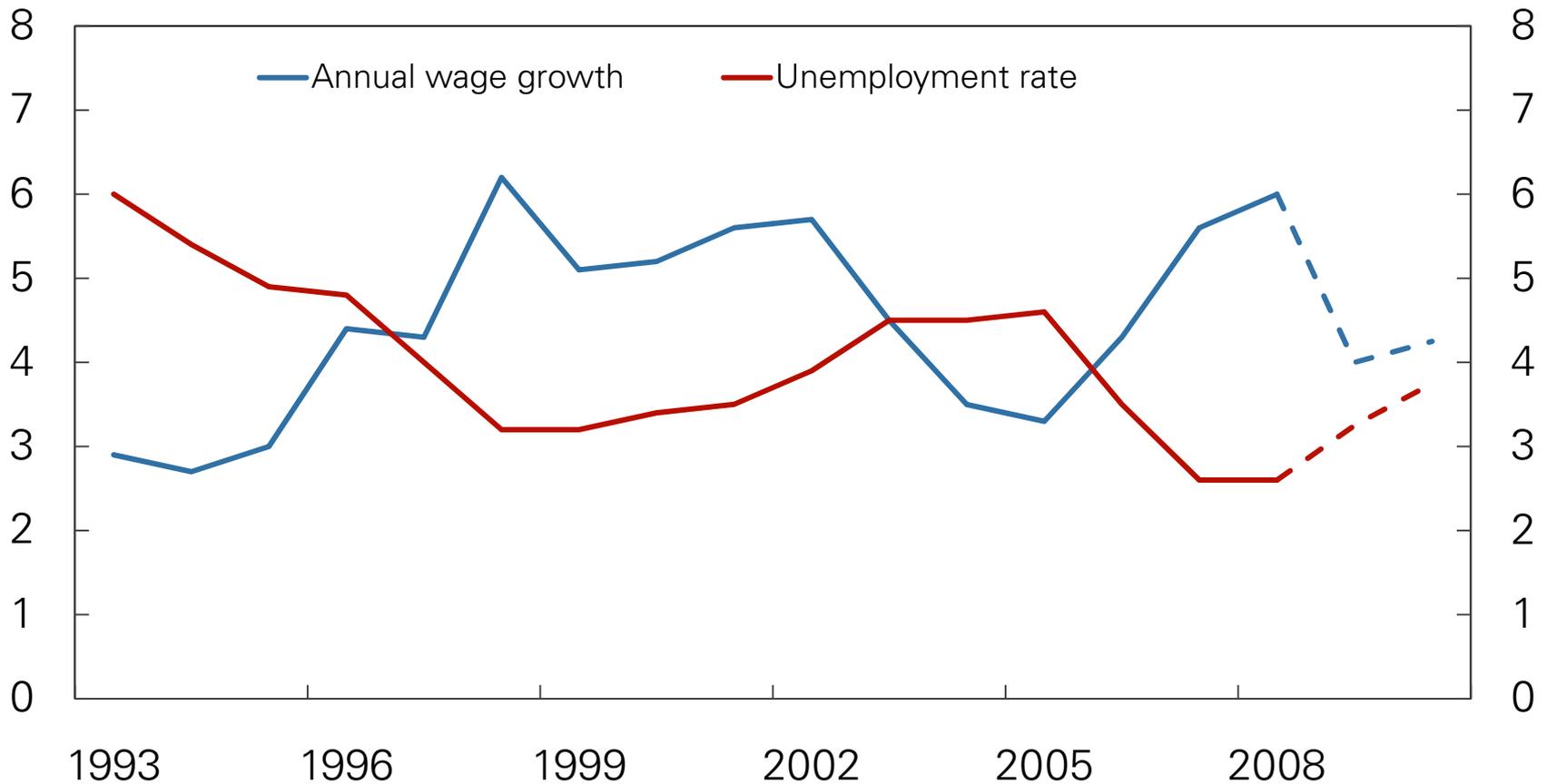
January 2002 – October 2009



Sources: Statistics Norway, Norwegian Labour and Welfare Administration (NAV) and Norges Bank

# Annual wage growth and LFS unemployment

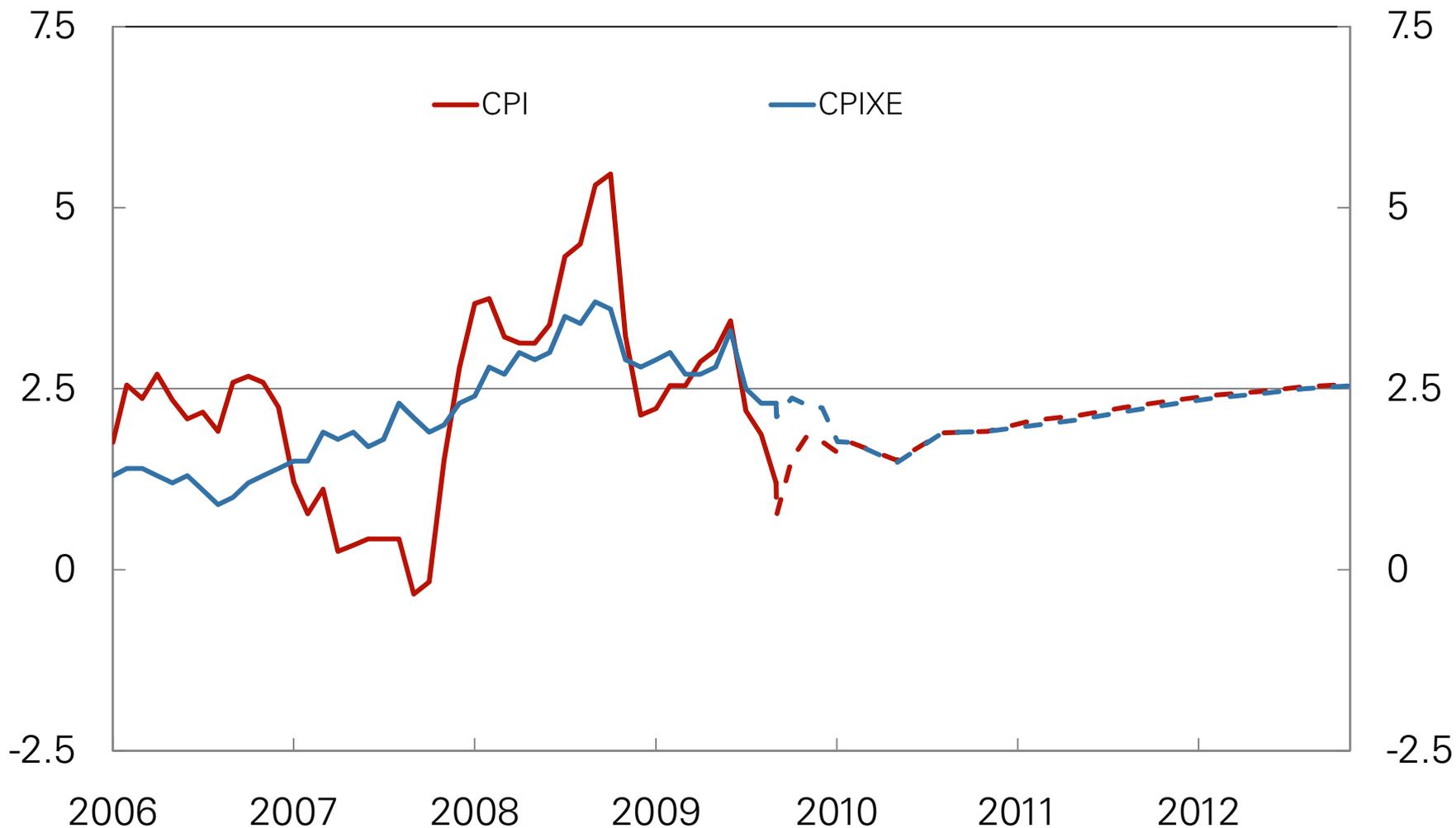
Per cent. 1993 – 2010



Sources: Statistics Norway, Technical Reporting Committee on Income Settlements and Norges Bank

# Inflation

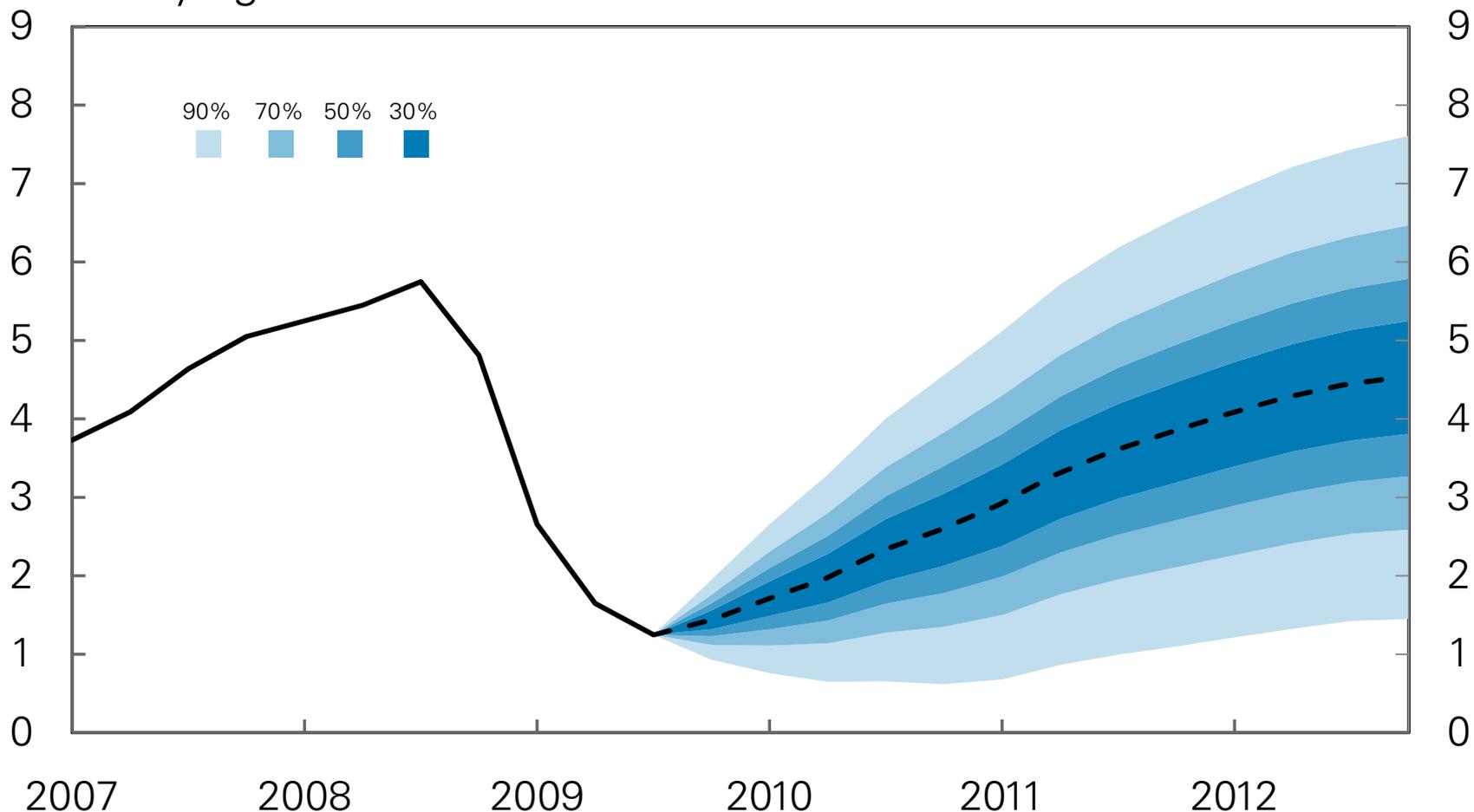
12-month change. Per cent. January 2006 – December 2012



Sources: Statistics Norway and Norges Bank

# Projected key policy rate in baseline scenario with fan chart

Quarterly figures. Per cent. 2007 Q1 – 2012 Q4



Source: Norges Bank

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*Sparebank 1, Fredrikstad*

*4 November 2009*