Outlook for the Norwegian Economy

Deputy Governor Jan F. Qvigstad
Sparebank 1, Fredrikstad
4 November 2009
Inflation
Moving 10-year average\(^1\) and variation\(^2\) in CPI\(^3\). Per cent. 1980 – 2009

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\(^1\) 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 $^1$)
5-day moving average. Percentage points.
5 January 2007 – 22 October 2009

Sources: Bloomberg, Thomson Reuters and Norges Bank

$^1$) Spread between 3-month money market rate and market key rate expectations
$^2$) Norges Bank’s projections
Indicator of world trade

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

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

Manufacturing in OECD and emerging markets

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

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

Crude oil and refined product inventories, US
In billions of barrels. January 2003 – October 2009

Spare capacity
Projections from EIA

Source: Energy Information Administration (EIA)
Key rates and estimated forward rates as at 22 October 2009\(^1\)

Per cent. 1 June 2007 – 31 December 2012\(^2\)

\(^1\) 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\(^1\)

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

1) A rising curve denotes a stronger exchange rate

Sources: Thomsen 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

1) 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\(^1\). 2007 Q4 – 2009 Q4

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

Source: Norges Bank
Household credit from domestic sources¹)
and house prices


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

Sources: TNS Gallup, Opinion and Norges Bank

1) Quarterly figures based on monthly observations

Monthly figures for October 2009
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

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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