

# The krone exchange rate and altered expectations

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# The krone celebrates its 150<sup>th</sup> anniversary!

## Lov af 17de April 1875 om Pengevæsenet.

Se Rgl. Dth. Prp. Nr. 14 og Komiteindstilling O. Nr. 17 for 1875. Jfr. Møntkonvention af 18de Decbr. 1872, separat affsluttet mellem Sverige og Danmark under 27de Mai 1873 med Tillægsartikel, som findes gjengivet i Skrivelse fra Udenrigsdepartementet af 30te Mai 1873. De nye svenske og danske Pengelove er henholdsvis af 30te og 23de Mai 1873. Jfr. den ved nærværende Lovs § 26 ophævede Lov 4de Juni 1873 og Res. 17de April 1875.

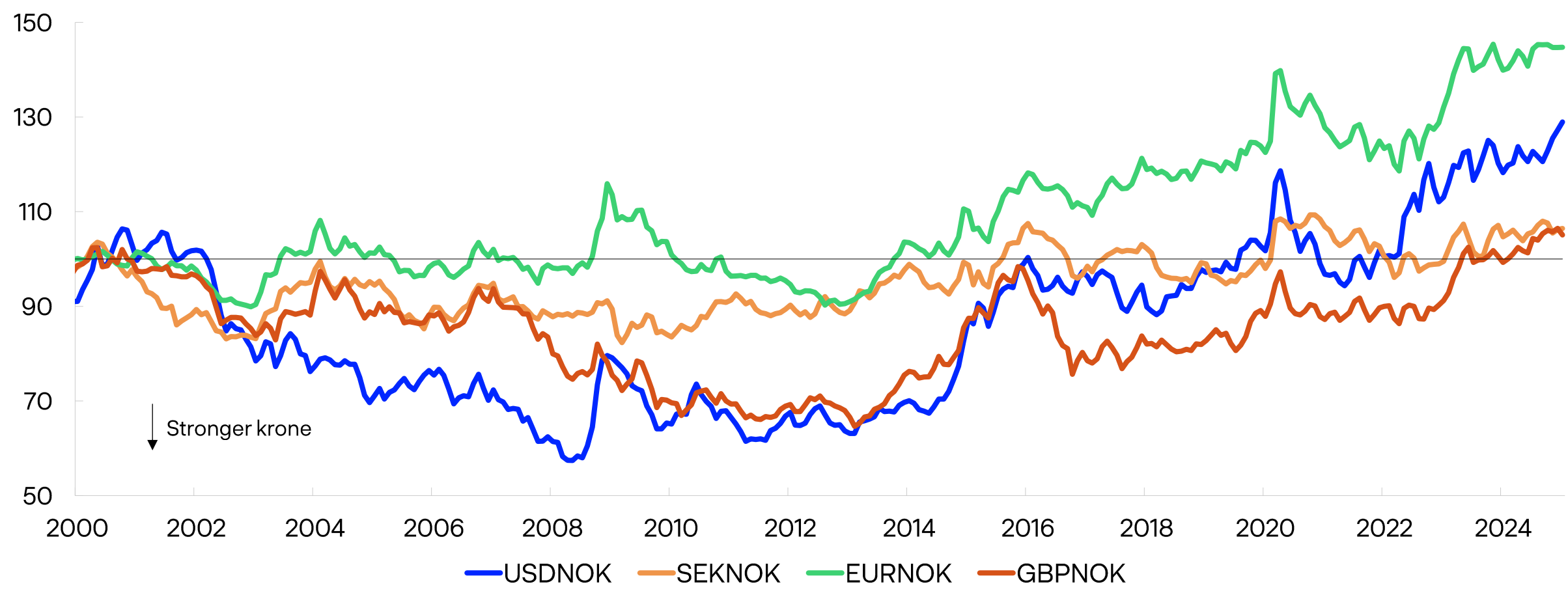
### § 1.

Grundlaget for Rigets Møntsystem er Guld og Pengeenheden skal være en Krone, som deles i 100 Dre. Kro-  
nens Værdi svarer til en Vægt af  $\frac{25}{62}$  (fem og tyve to  
og sextiendedele) eller 0,40323 af et Gram fint Guld.

# The krone exchange rate has varied against different currencies

Source: Norges Bank

Indexed. 2000 = 100

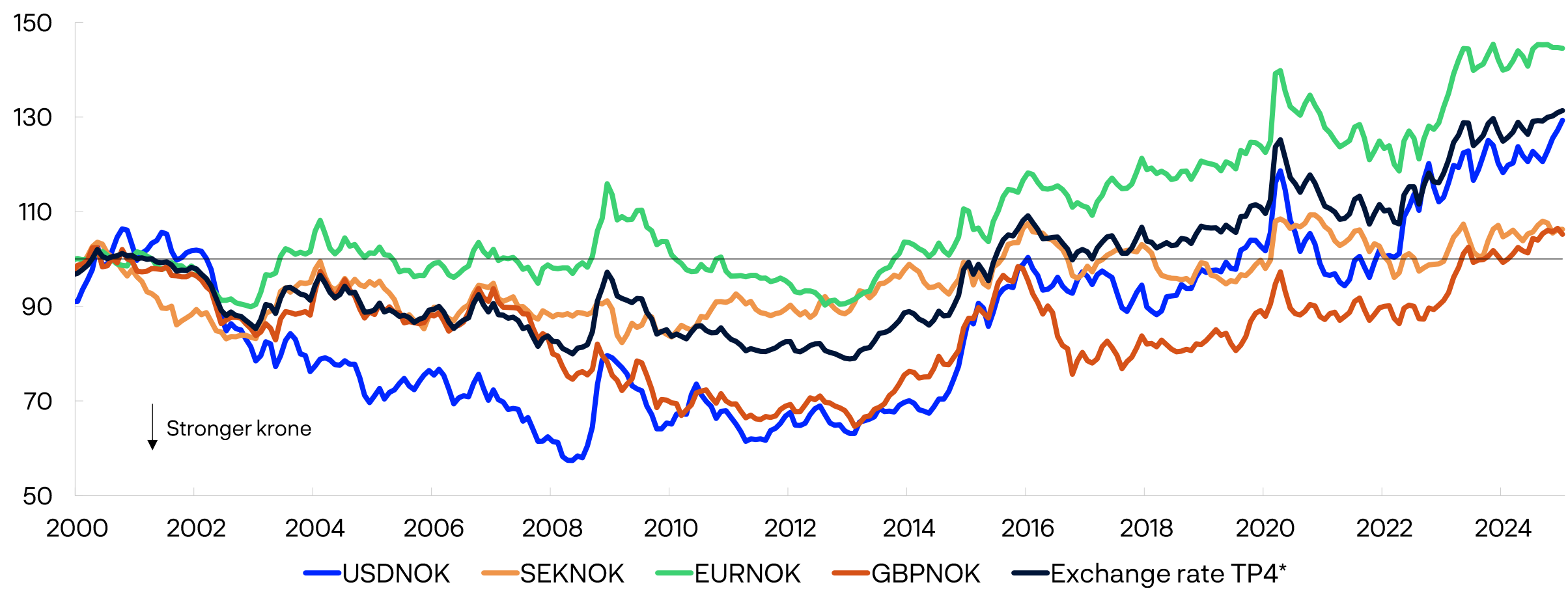




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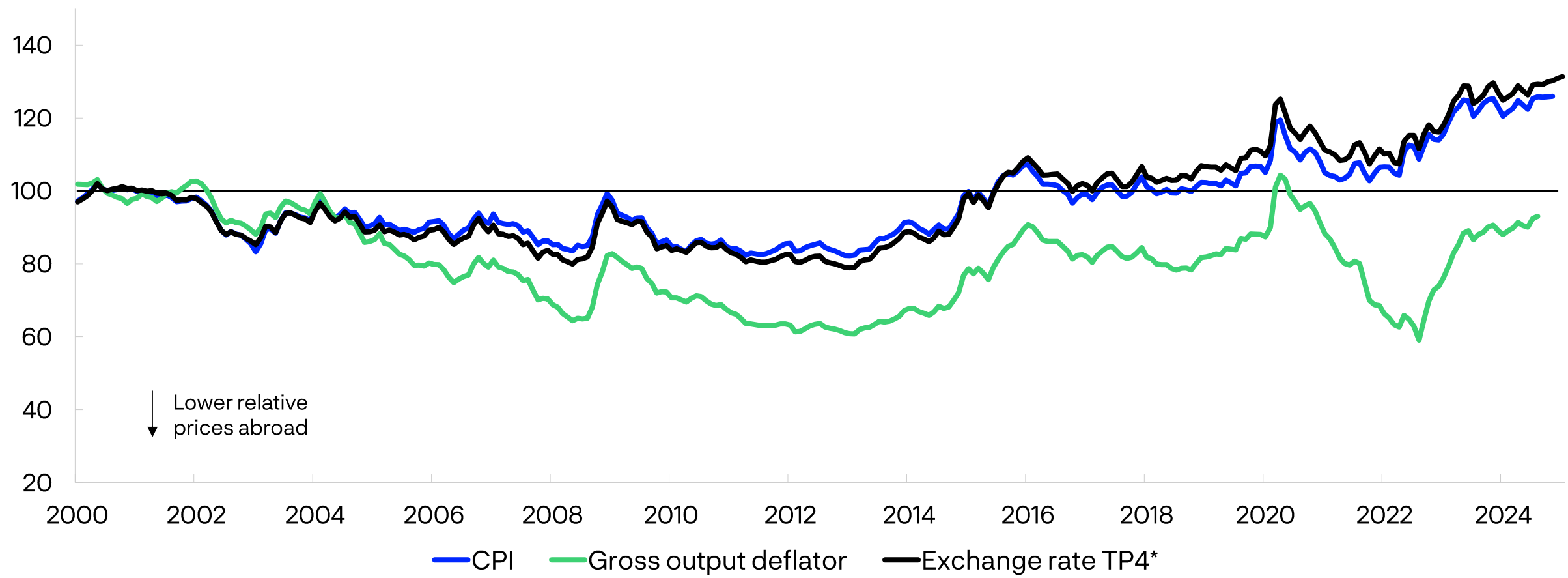


\*Exchange rate TP4 is a constant weighted aggregate where EUR = 50%, USD = 30%, SEK = 10% and GBP = 10%.

# Nominal exchange rates alone provide little information

Sources: LSEG Datastream,  
Statistics Norway and  
Norges Bank

Prices measured in a common currency. Indexed. 2000 = 100

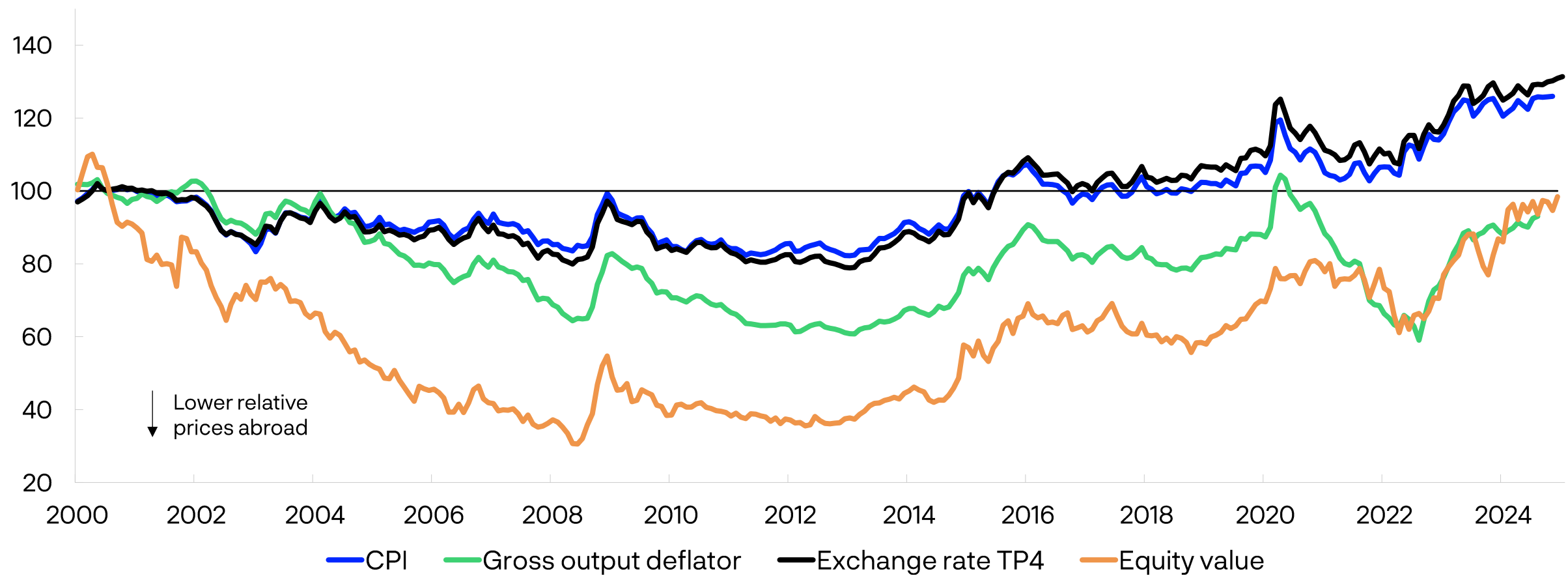


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# Expected oil prices have fallen since 2008

Source: LSEG Datastream

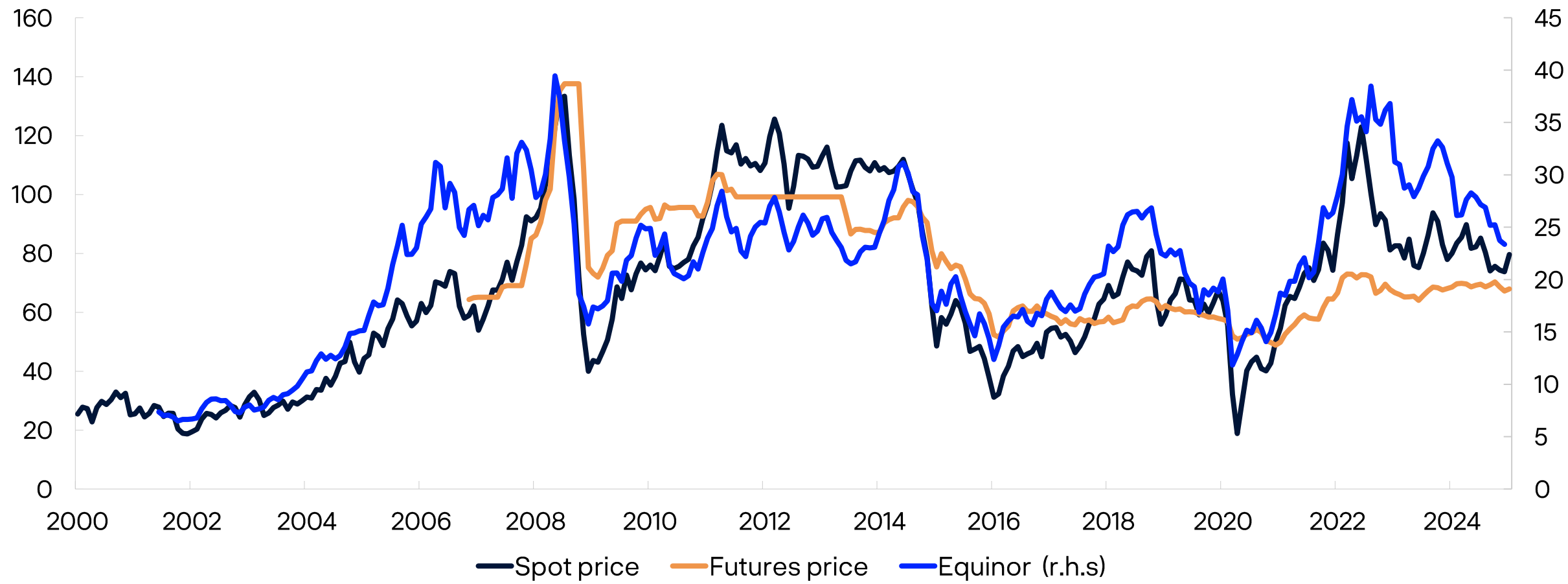
Oil prices. Six-year futures prices. US dollar



# Expected oil prices have fallen since 2008

Sources: Equinor,  
LSEG Datastream and  
Norges Bank

Oil prices. Six-year futures prices. USD

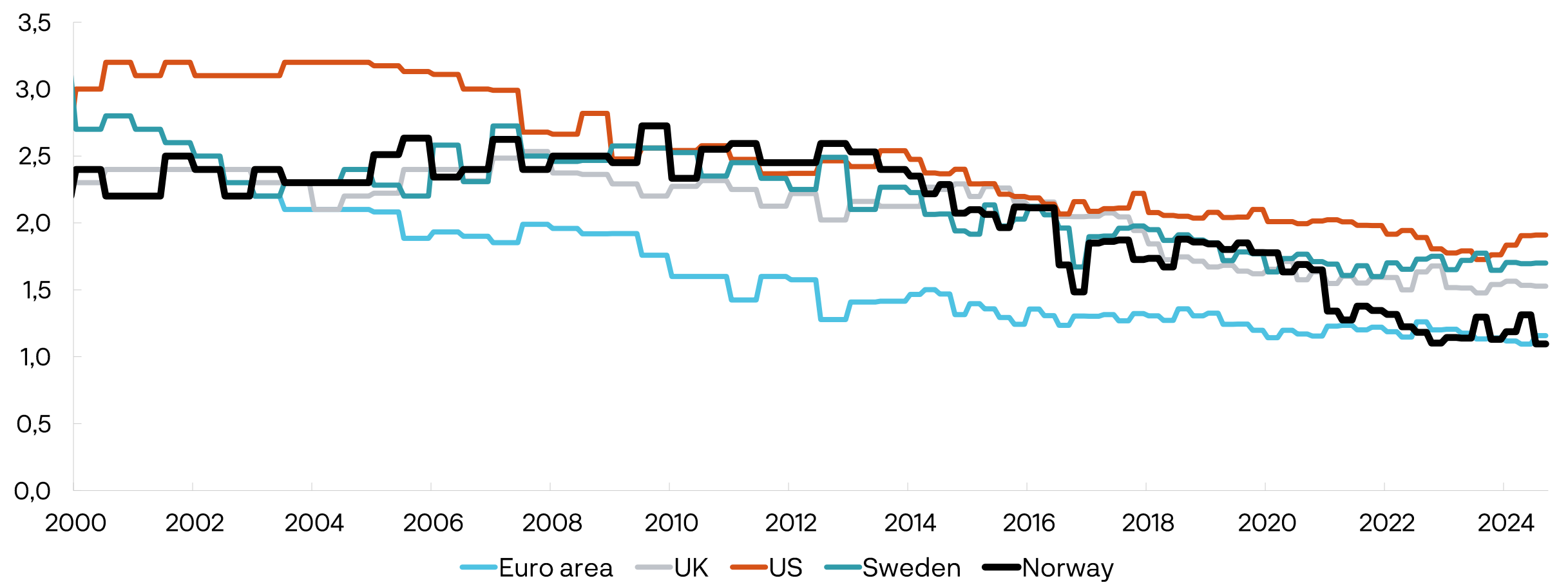




# Long-term economic growth expectations have fallen since 2013

Source: Consensus Economics Inc

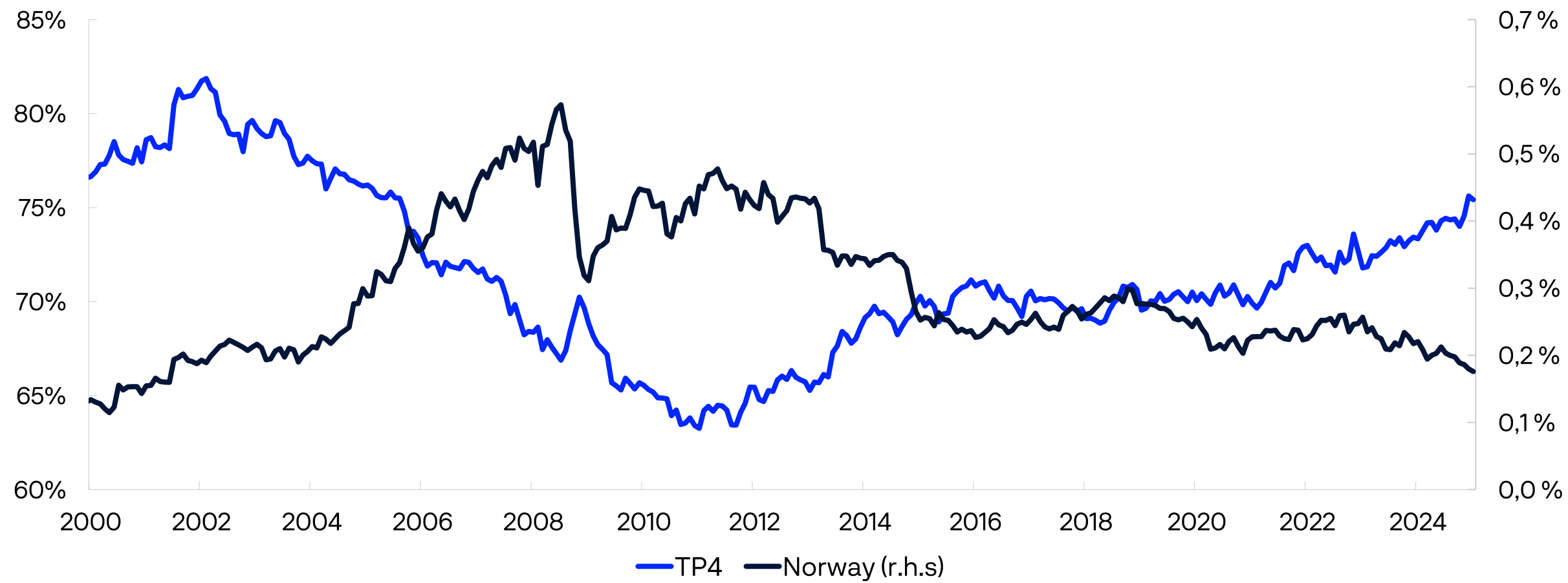
Expected 10-year real growth in GDP. Percent



# Norway's share of the “market portfolio” has fallen back...

Sources: FTSE and Norges Bank

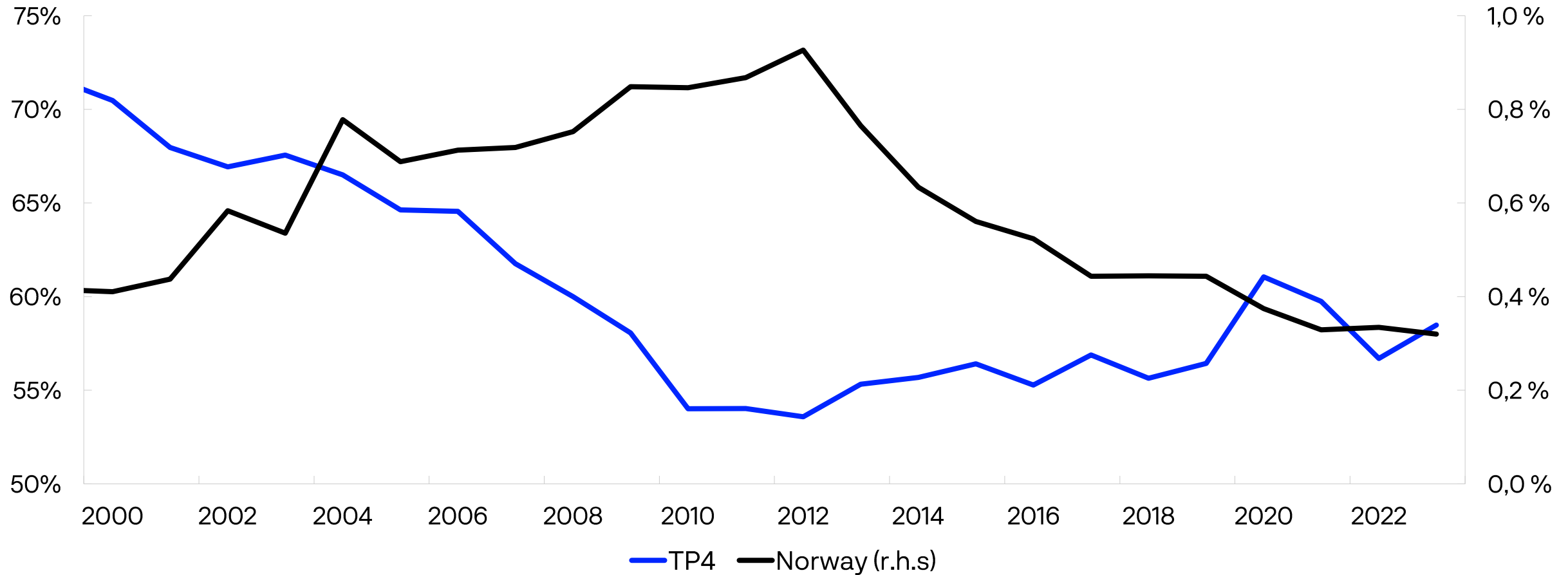
Share of investable market value of listed equities. Percent



# ... and we see the same for foreign direct investment

Source: UNCTAD and  
Norges Bank

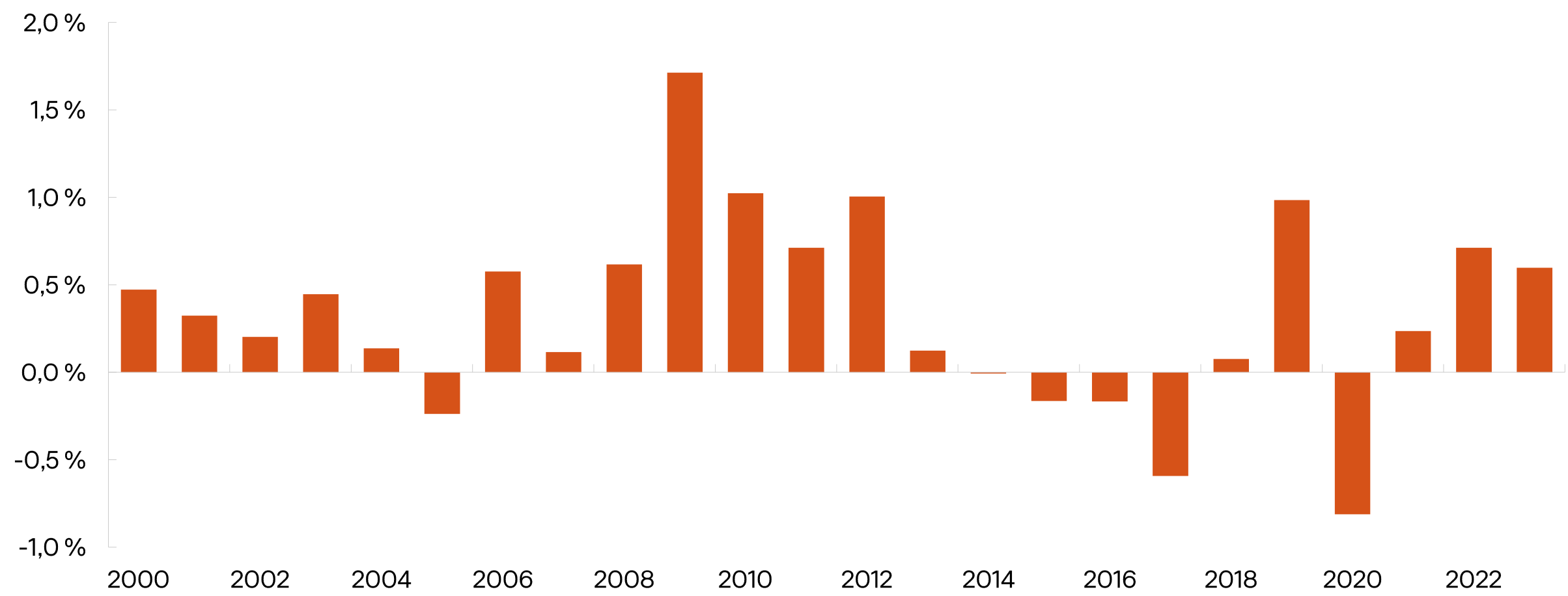
Inward FDI stock relative to global FDI stock. Percent



# FDI inflows into Norway have declined

Source: UNCTAD

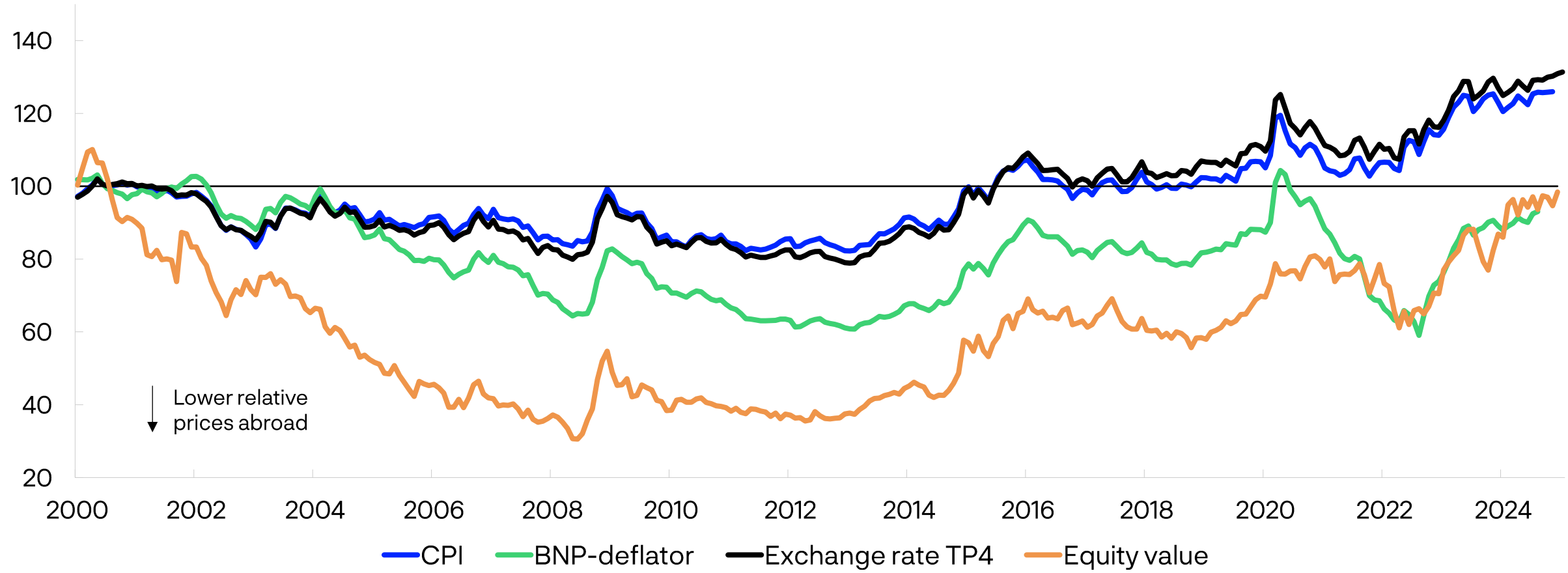
FDI inflows relative to global FDI stock. Percent



# How do macroeconomic variables pass through to exchange rates?

Sources: LSEG Datastream,  
Statistics Norway and  
Norges Bank

Prices in common currency. Indexed. 2000 = 100



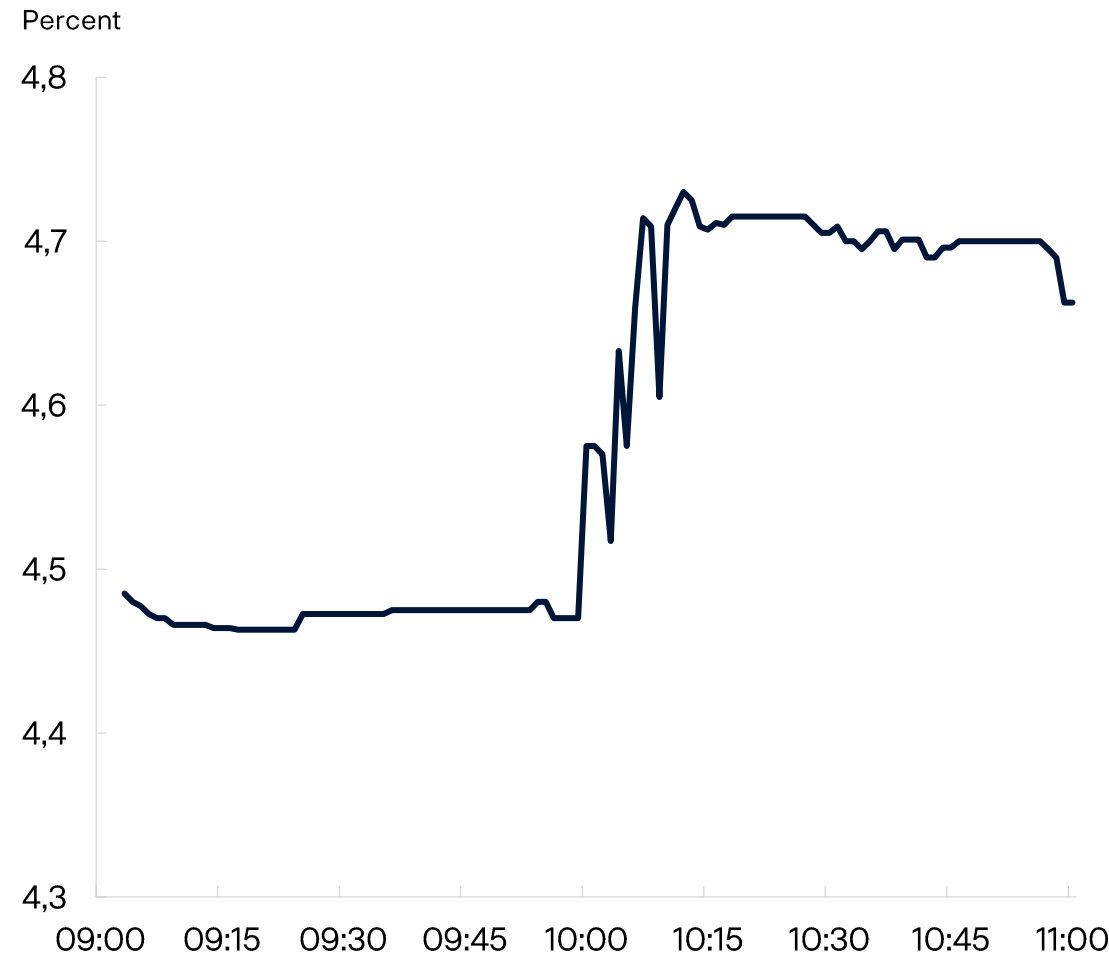
\*Exchange rate TP4 is a constant weighted aggregate where EUR = 50%, USD = 30%, SEK = 10% and GBP = 10%.

# The policy rate can affect the exchange rate

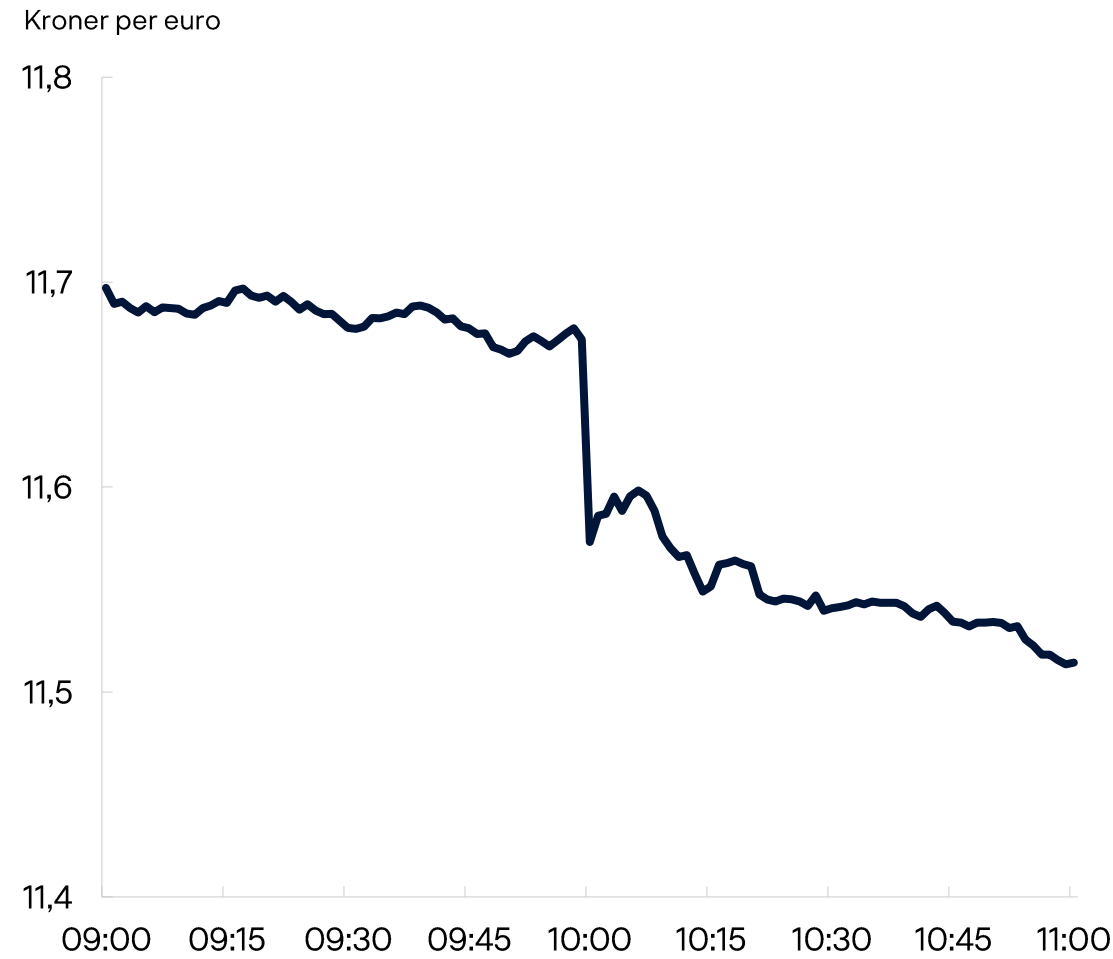
Source: Refinitiv Tick History

Interest rate publication 14 December 2023

Market rate



Euro exchange rate

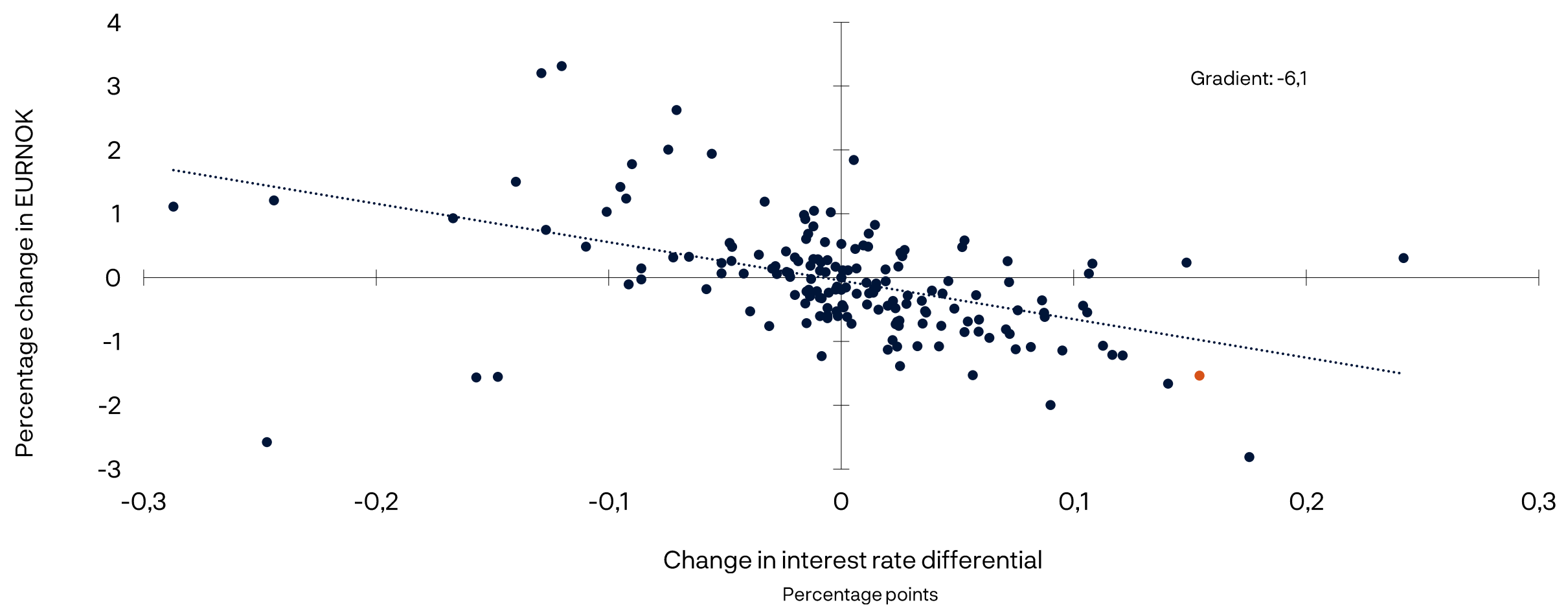




# The relationship between changes in interest rate differentials and exchange rates

Sources: Bloomberg and Norges Bank

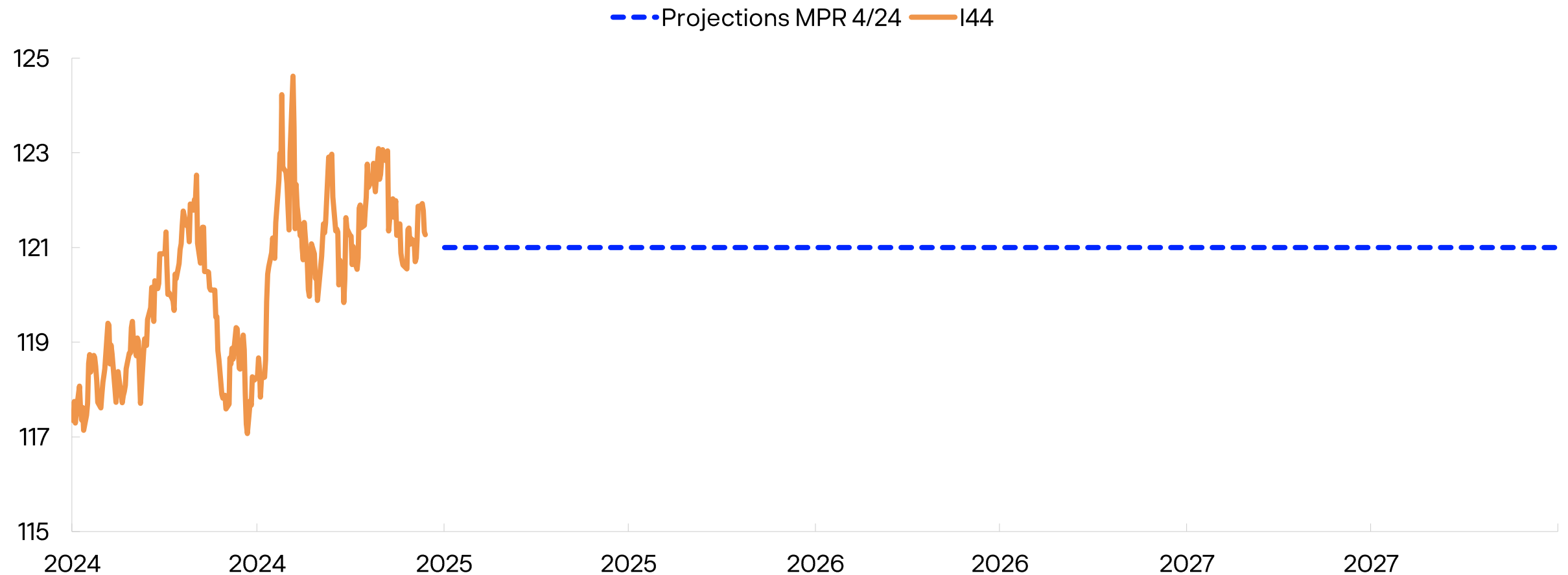
Publication dates 2003-2024. Differences in EURIBOR and NIBOR 1-year swap



# We assume a relatively flat exchange rate going forward...

Source: Norges Bank

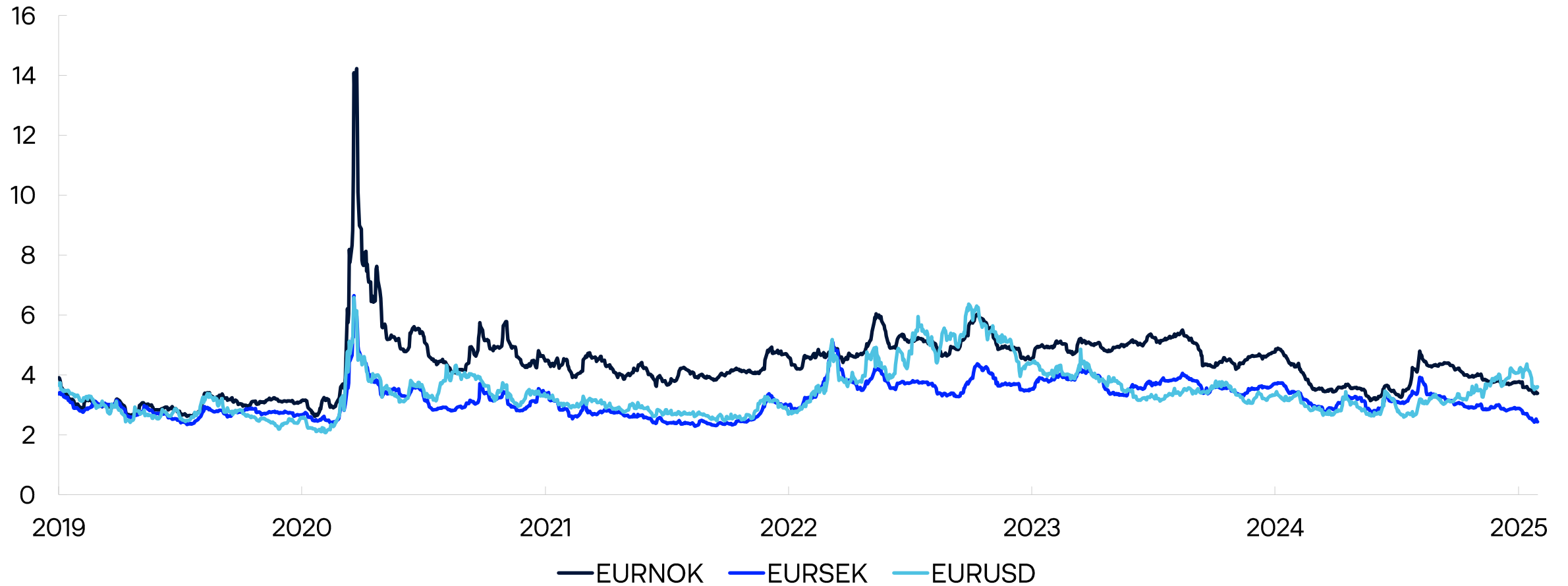
I44. Index



# ...but the rate is expected to vary over time

Sources: Bloomberg and  
Norges Bank

Three-month implied volatility. Percent



# The krone exchange rate and altered expectations

- The degree to which the krone has depreciated varies across currencies and periods
- Oil price changes and expected growth may affect investors' expected earnings
- Altered policy rate expectations coincide with changes to the policy rate
- We assume throughout a relatively flat exchange rate in our projections