

# Executive Board Meeting

*10 August 2011*

# Budget deficit, public debt, current debt, banks' balance sheets and cost level in 2010

In per cent of country's GDP. 2010

	GDP Average 2000 – 2010	Budget balance <sup>1)</sup>	Government debt <sup>1)</sup>	Current account	Banks' balance sheets	Cost level relative to Germany <sup>2)</sup>
Greece	2.6	-10.5	142.8	-11.8	224	118.8
Portugal	1.0	-9.1	93.0	-9.8	324	118.3
Spain	2.4	-9.2	60.1	-4.5	327	120.7
Italy	0.6	-4.6	119.0	-4.2	245	119.2
Ireland	3.3	-32.4	96.2	-0.7	992	99.2
Belgium	1.6	-4.1	96.8	2.4	322	119.7

1. Public sector as defined in ESA95 (Maastricht): Central, regional and municipal governments are included  
Budget balance is net borrowing in public sector. Government debt equals nominal value of gross debt in public sector at year-end

2. Unit labour costs (ULC), relative to Germany in 2010. Germany = 100. Index. Start year = 2000

Sources: European Commission, national central banks and ECB

# Euro area countries' latest rescue package

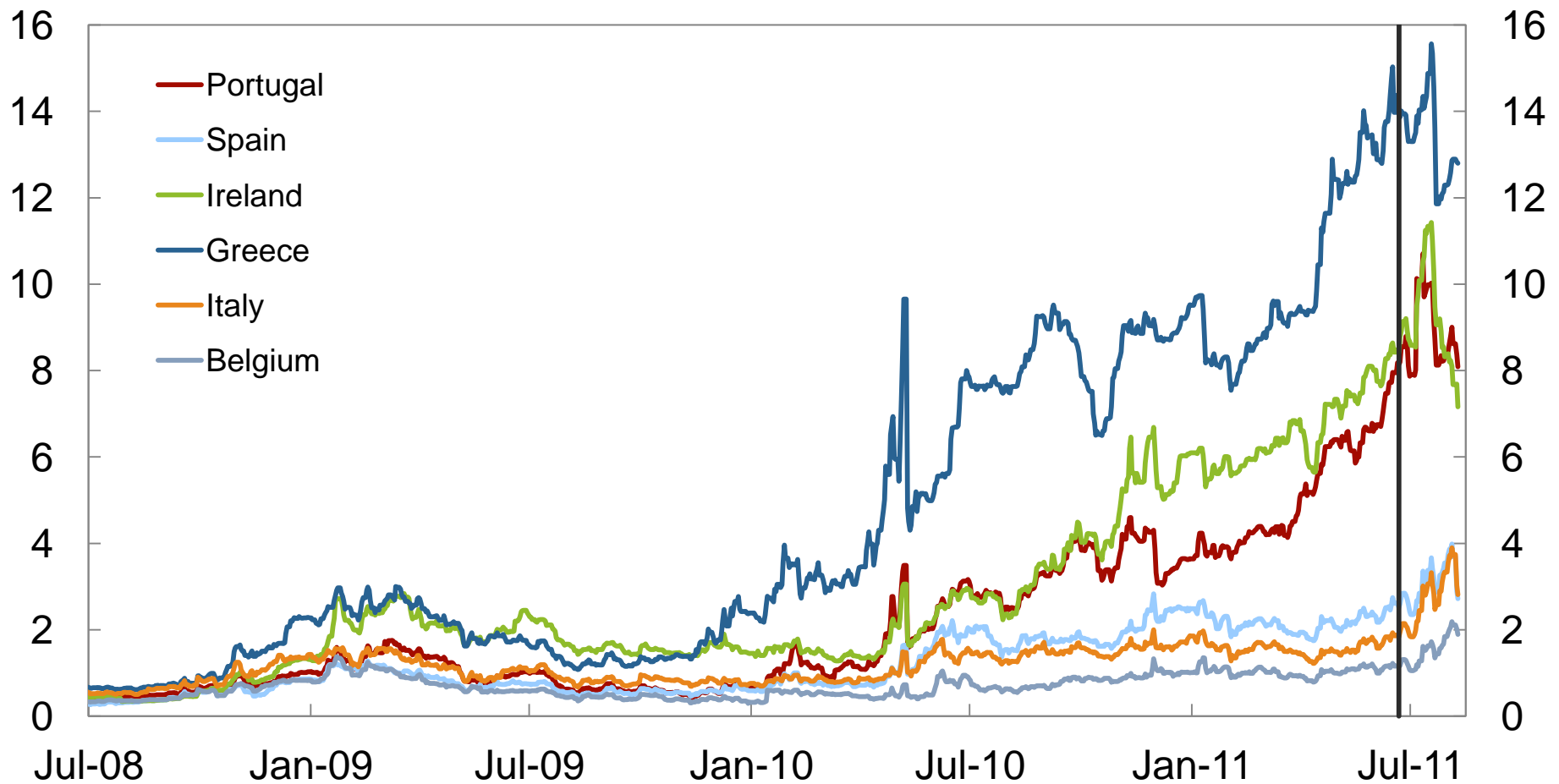
- New loan to Greece (EUR 109bn, IMF participation likely).
- Grace period. Lower interest rates and longer maturities, also on current loans. Portugal and Ireland will be given similar terms.
- The private sector will maintain a significant portion of their loans to Greece, but guaranteed by high-quality securities bought by Greece, financed with EFSF funds

=> Can reduce the Greek debt to 110-120% of GDP in 2020

- Expanded scope of EFSF (and later ESM), enabling them to:
  - provide loans to countries on the basis of a precautionary programme
  - fund recapitalisation of banks also in countries without a loan programme
  - purchase government bonds in the secondary market

# Yield spread over German 10-year government bonds

Percentage points. 1 July 2008 – 9 August 2011

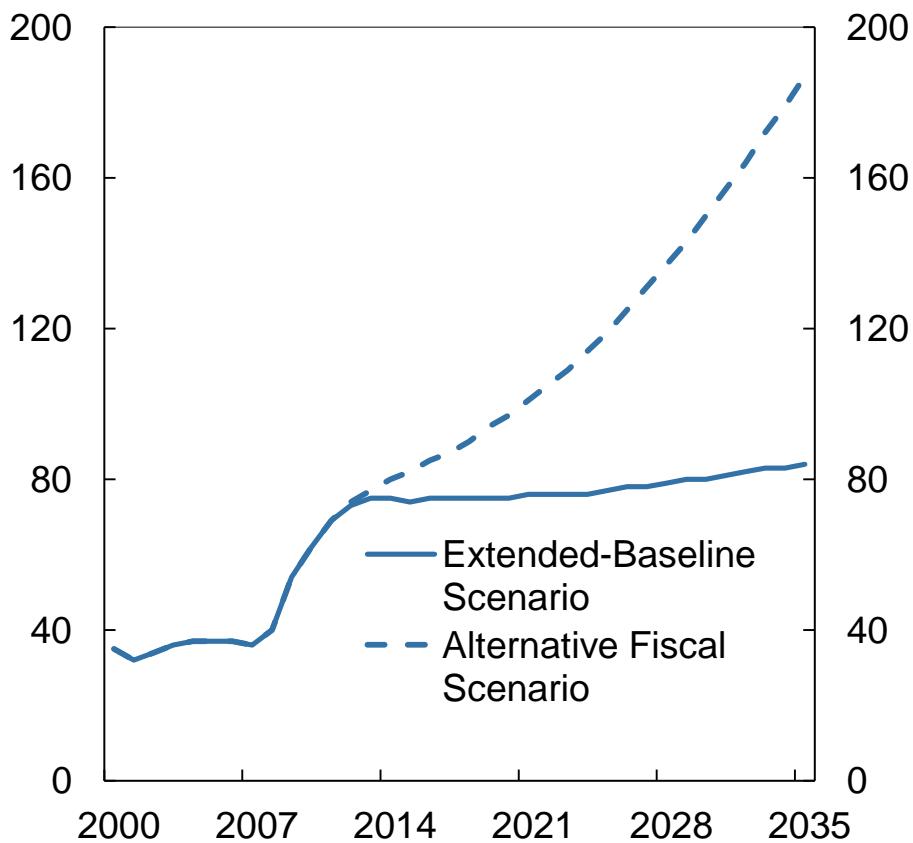


Source: Bloomberg

# US problem I – financial challenges

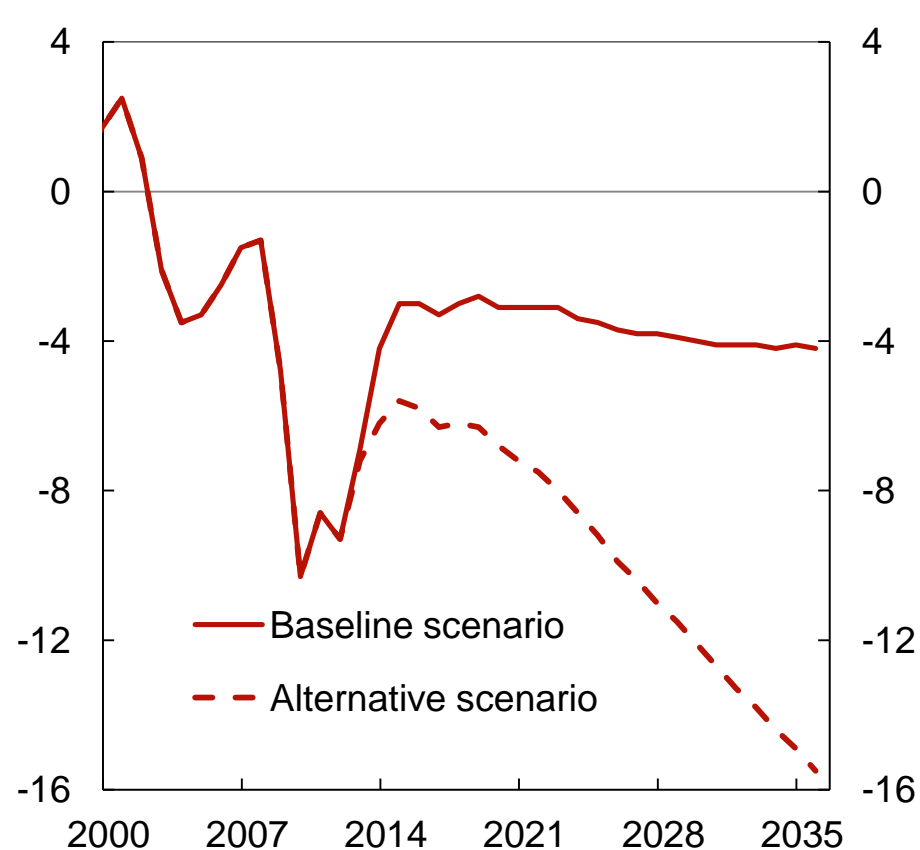
Per cent of GDP. Projections based on CBO's baseline and alternative projection. 2000-2010. Forecasts 2011-2035

## Government debt<sup>1)</sup>



<sup>1)</sup> Debt held by the public

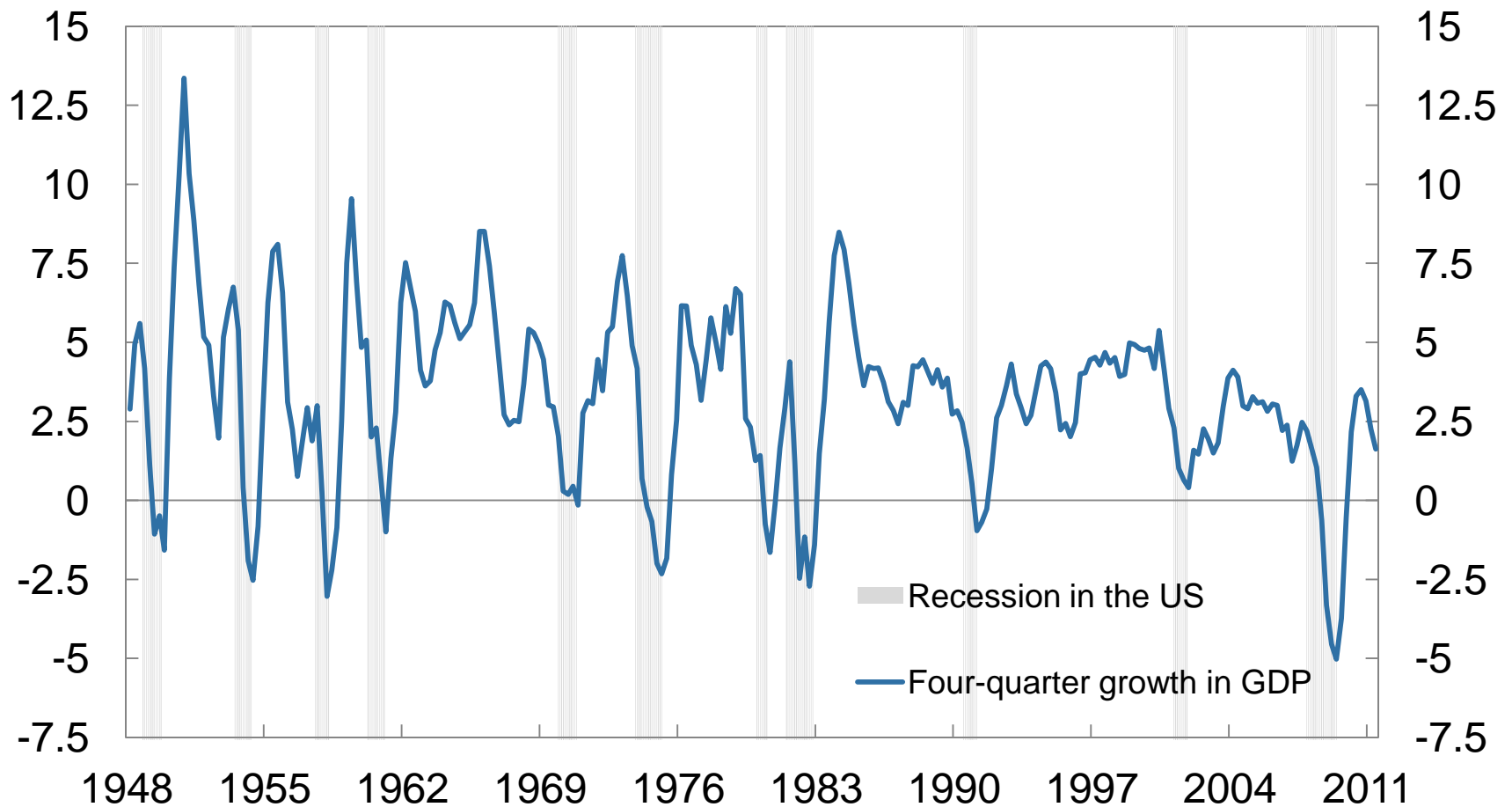
## Budget balance



Sources: Congressional Budget Office (CBO) and Norges Bank

# US problem II – weak growth

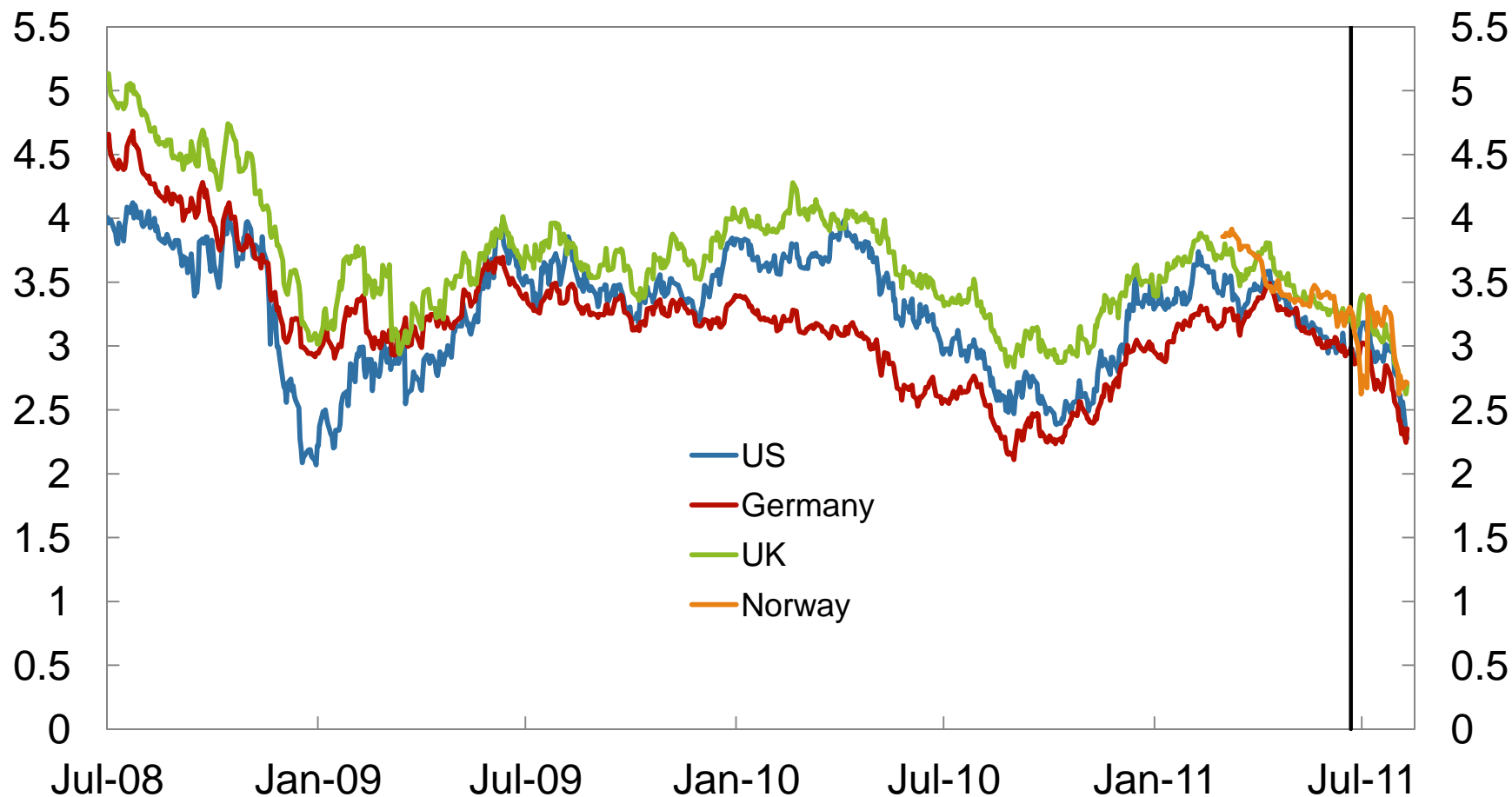
1948 Q1 – 2011 Q2



Sources: Thomson Reuters, NBER and Norges Bank

# Market reactions – government bonds

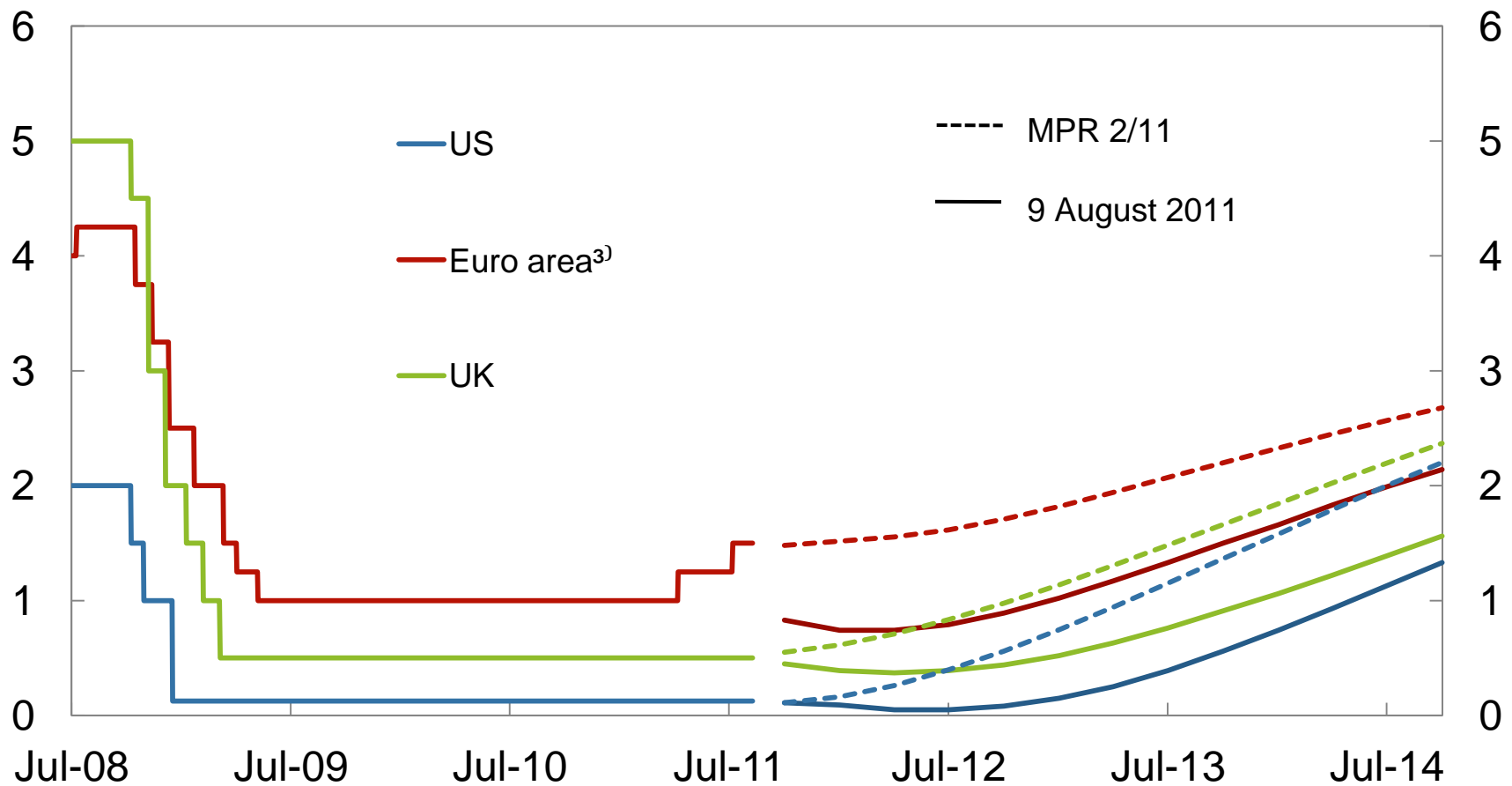
Yield on 10-year bonds. Per cent. 1 July 2008 – 9 August 2011



Source: Thomson Reuters

# Market reactions – expected key rates<sup>1)</sup>

Per cent. 1 July 2008 – 31 December 2014<sup>2)</sup>



1) Expected interest rates are based on Overnight Indexed Swap (OIS) rates

2) Daily figures from 1 July 2008 and quarterly figures as at 9 August 2011

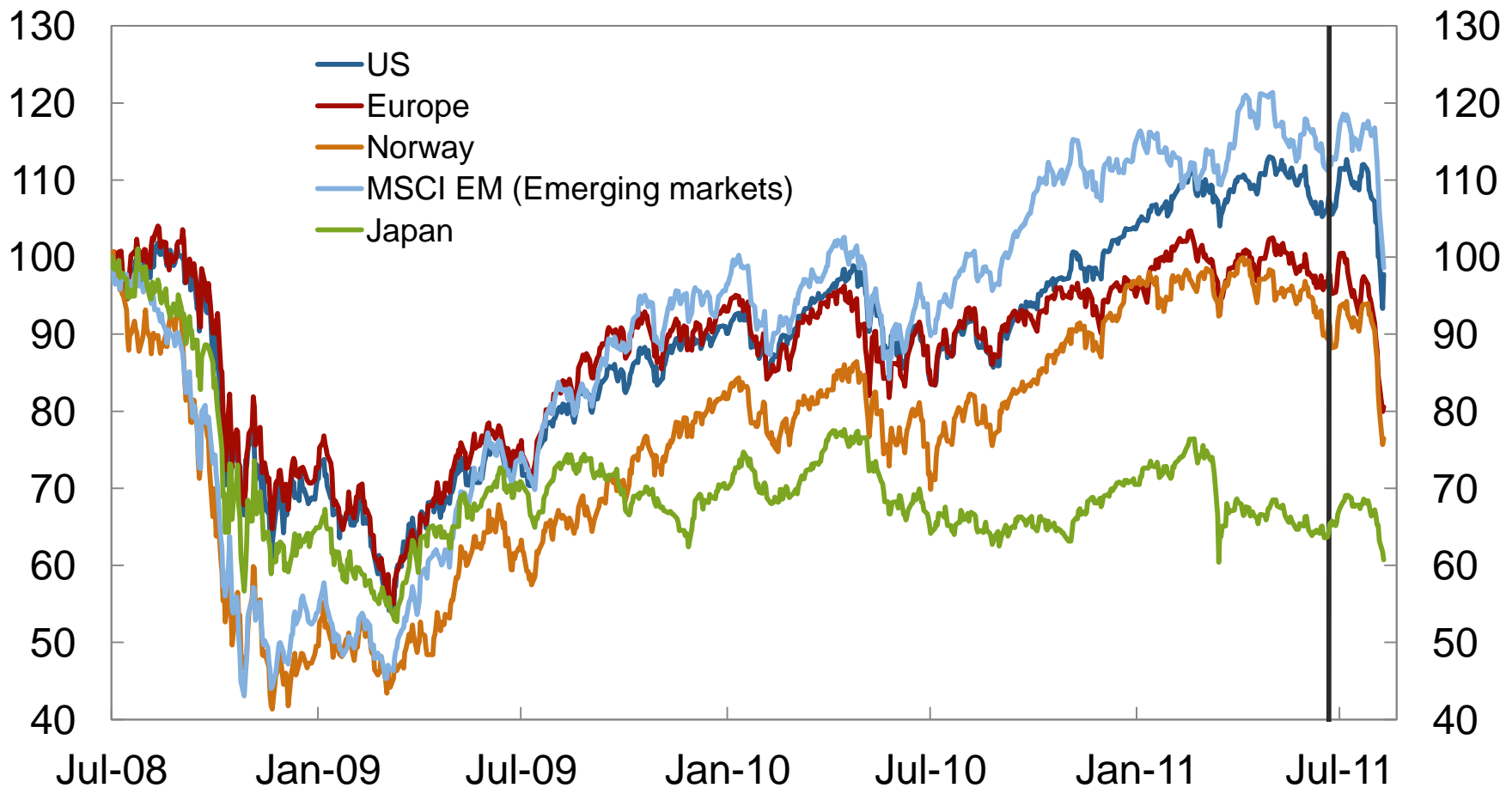
3) EONIA in euro area

Sources: Bloomberg and Norges Bank



# Market reactions – equities

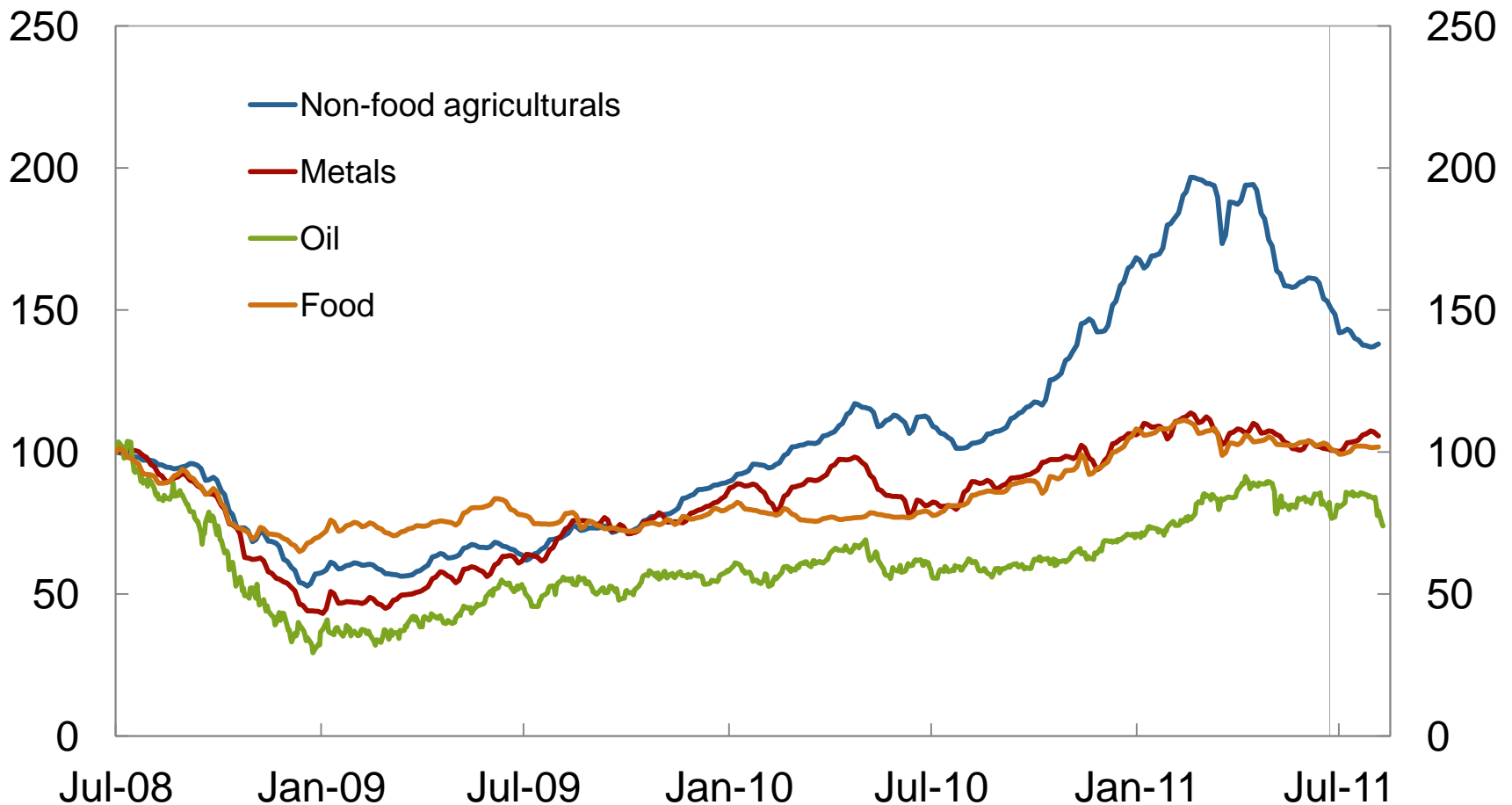
Index, 1 July 2008 = 100. 1 July 2008 – 9 August 2011



Source: Thomson Reuters

# Market reactions – price of oil, metals, food and non-food agriculturals

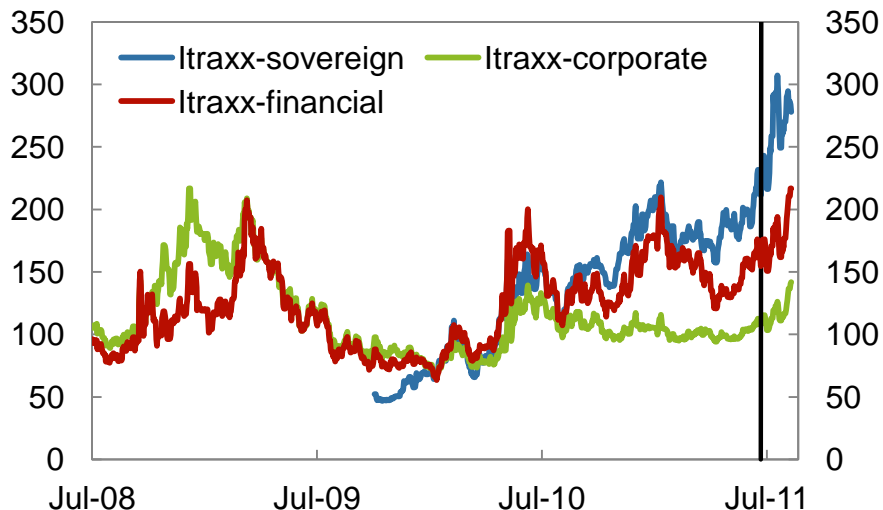
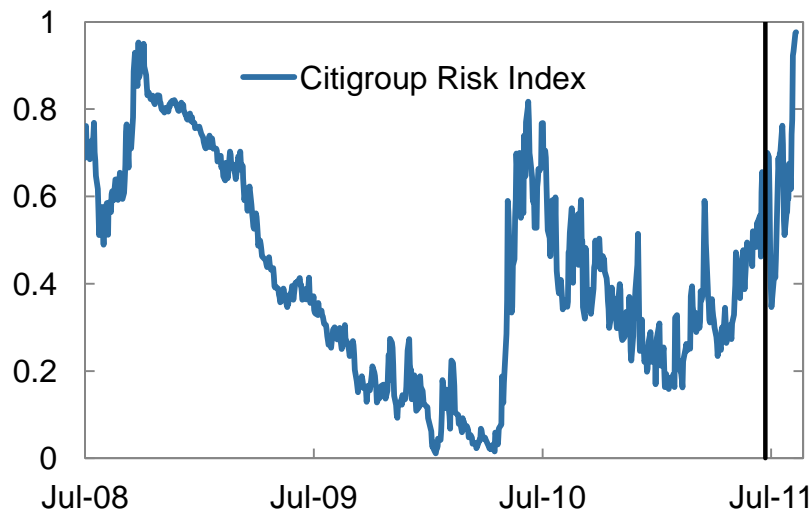
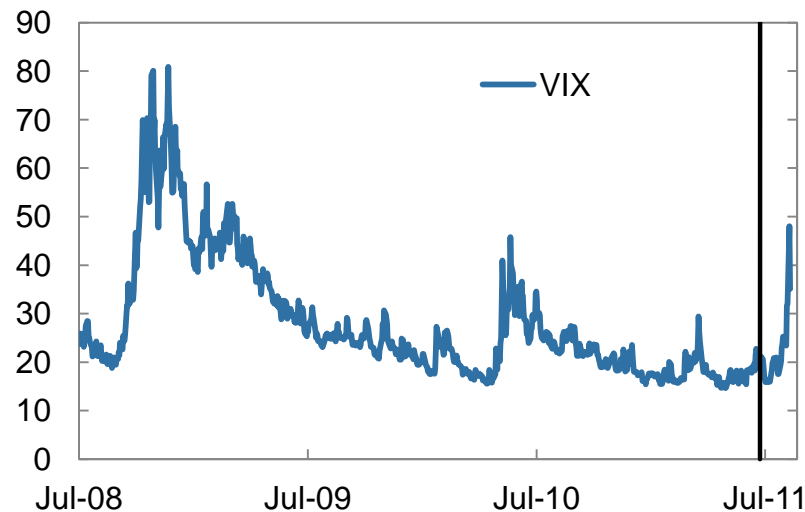
Weekly figures<sup>1)</sup>. SDR Index. 1 July 2008 = 100



1) Daily figures for oil

Source: Thomson Reuters

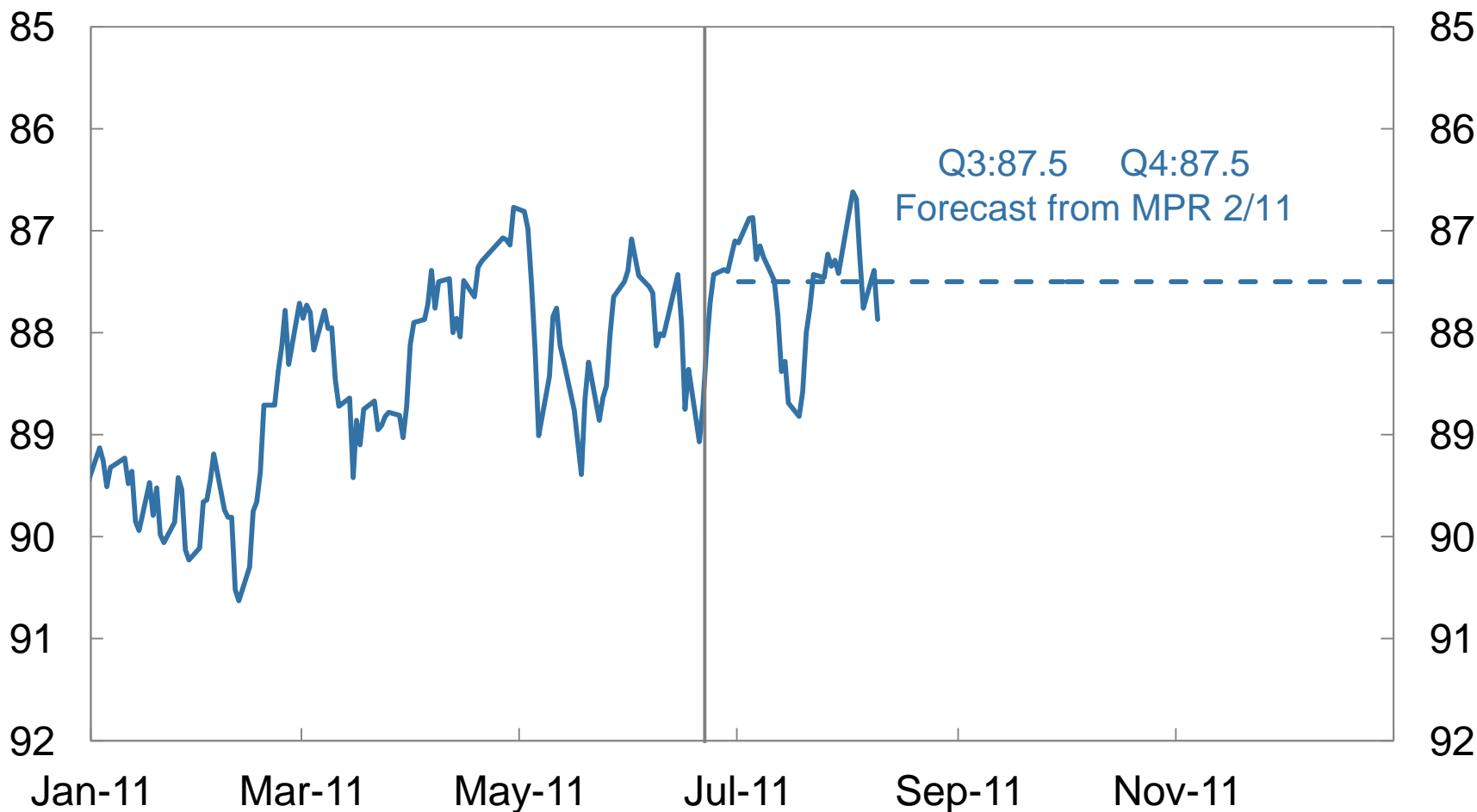
# Market reactions – risk indicators in the financial market



Source: Bloomberg

# Market reactions – import-weighted exchange rate (1-44)<sup>1)</sup>

Daily (historical) and quarterly figures (projected)<sup>2)</sup>. January – December 2011



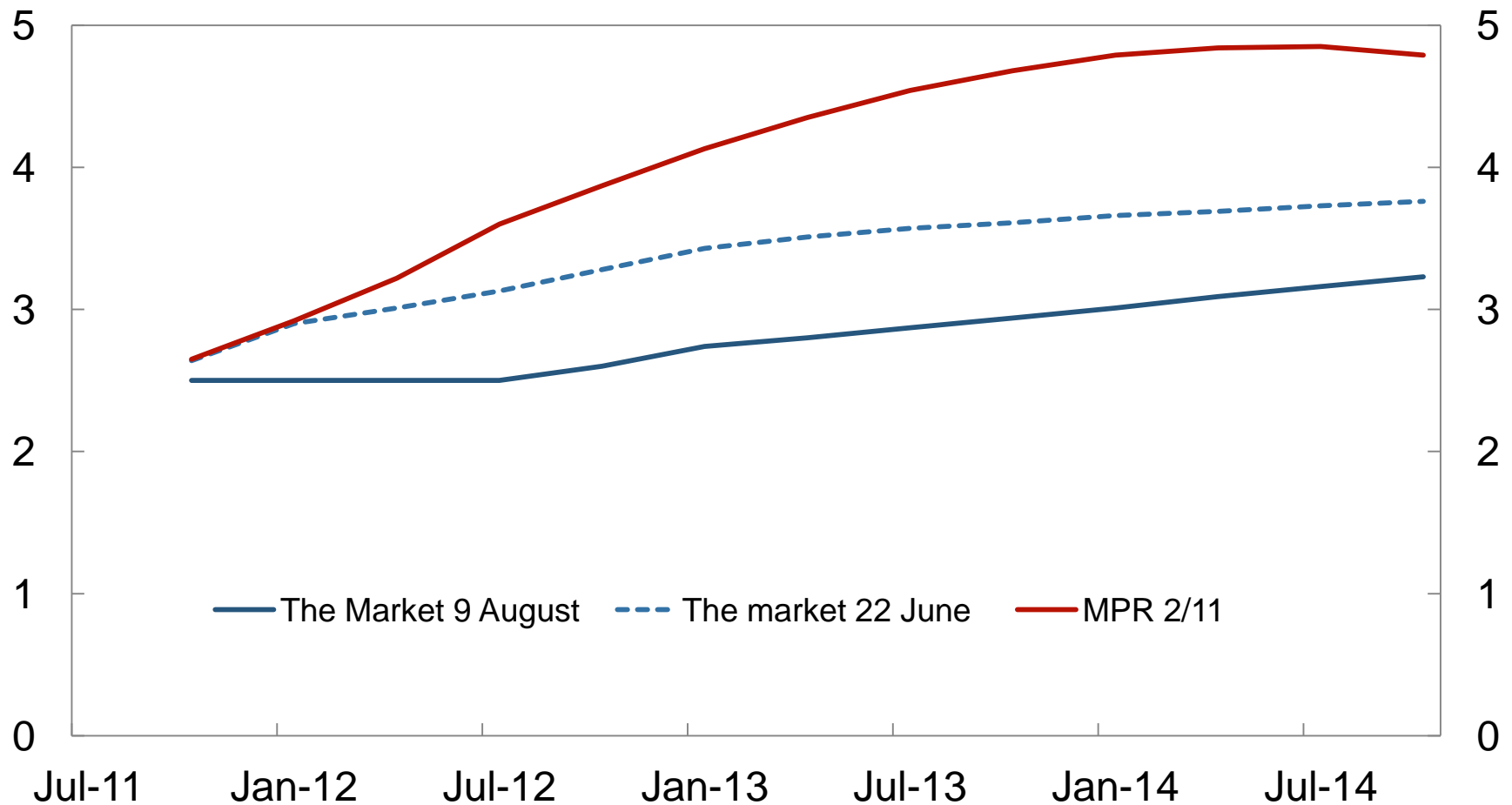
1) A rising curve denotes a stronger krone exchange rate

2) Projections for 2011 Q3 and Q4

Source: Norges Bank

# Market reactions – expected key policy rate in Norway

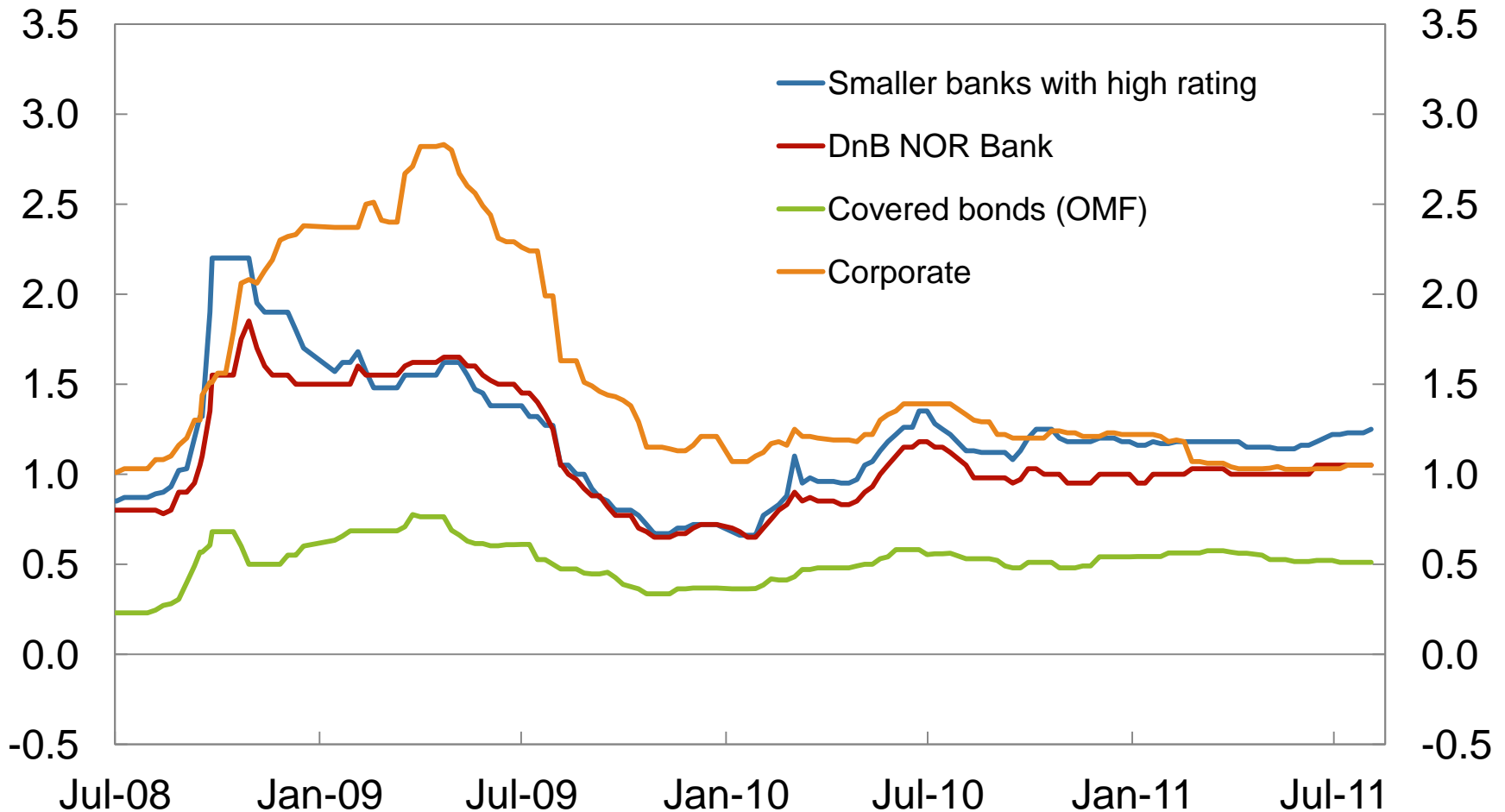
Per cent. 2011 Q4 – 2014 Q3



Sources: Bloomberg, Thomson Reuters and Norges Bank

# Market reactions – Premiums on Norwegian bonds

Spread over five-year swap rates. Per cent. Week of 2 July 2007 – week of 1 August 2011

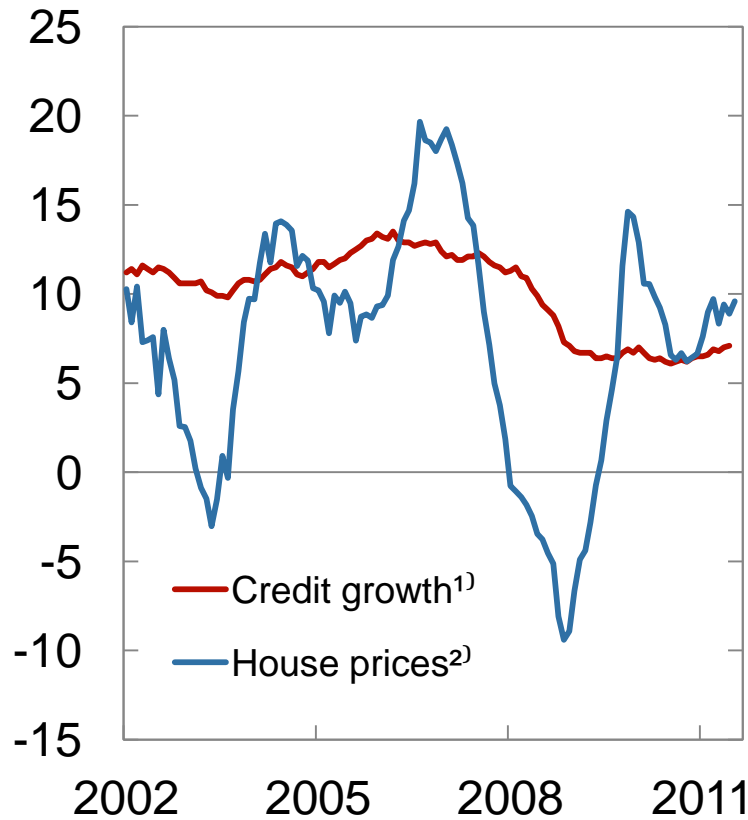


Source: DnB NOR Markets

# Credit growth and property prices

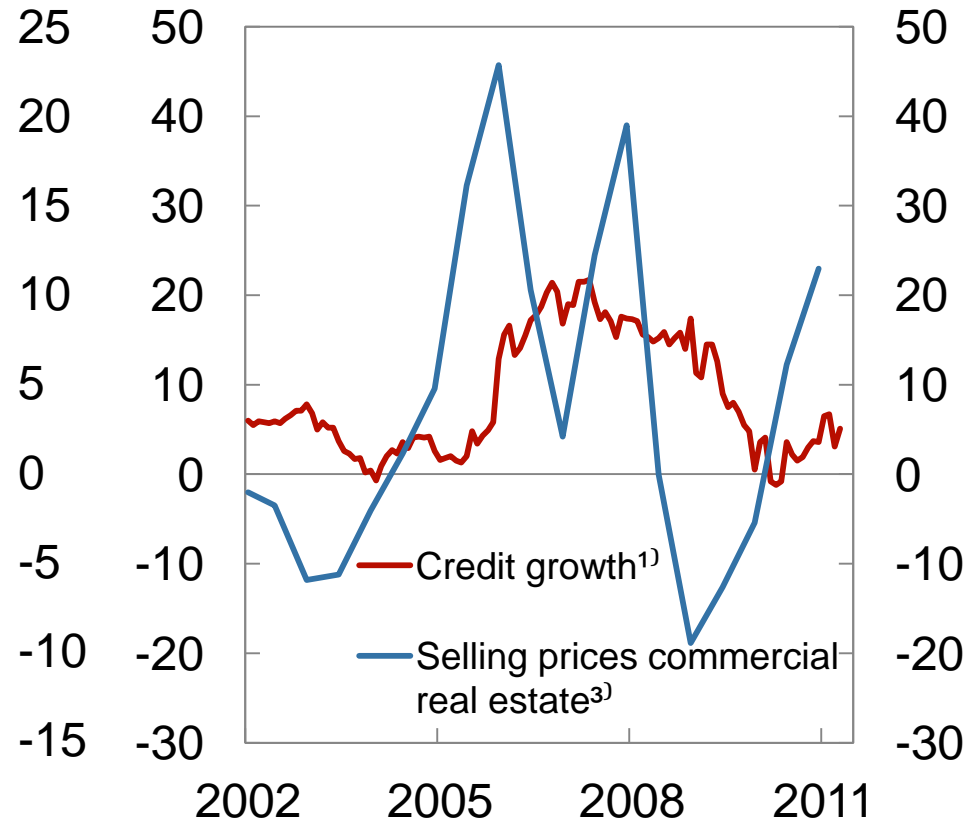
12-month change. Per cent. January 2002 – June 2011

## Households



- 1) Households; C2, Enterprises; C3 Mainland Norway
- 2) House prices to July. Credit growth to June.
- 3) Semi-annual figures to end-2010. Credit growth to April

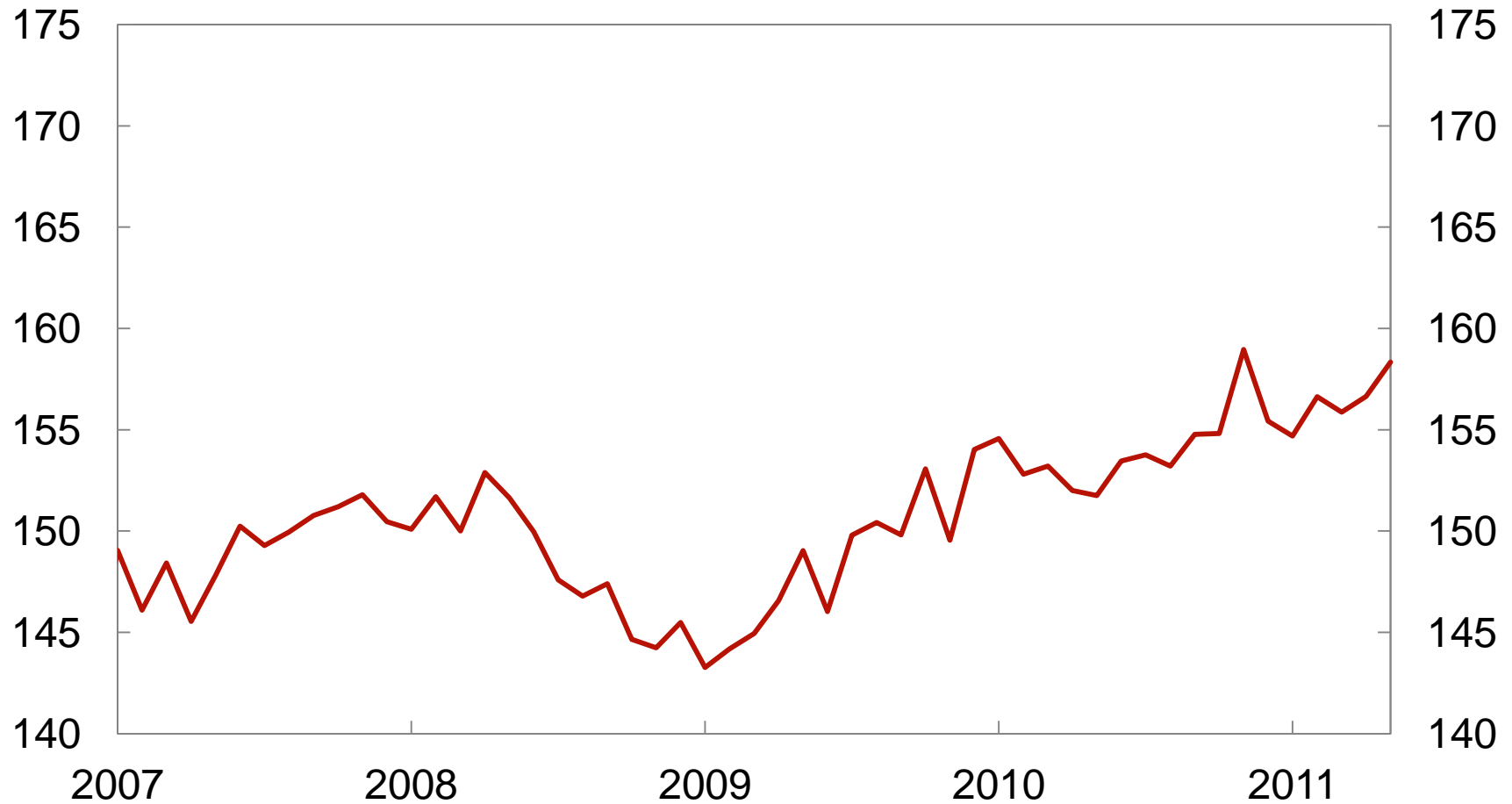
## Non-financial corporations



Sources: Statistics Norway, OPAK, real estate sector (NEF, EFF, FINN.no og ECON Pöyry), OBOS and Norges Bank

# Index of commodity consumption with projections from MPR 2/11

Volume. Seasonally adjusted. January 2007 – May 2011

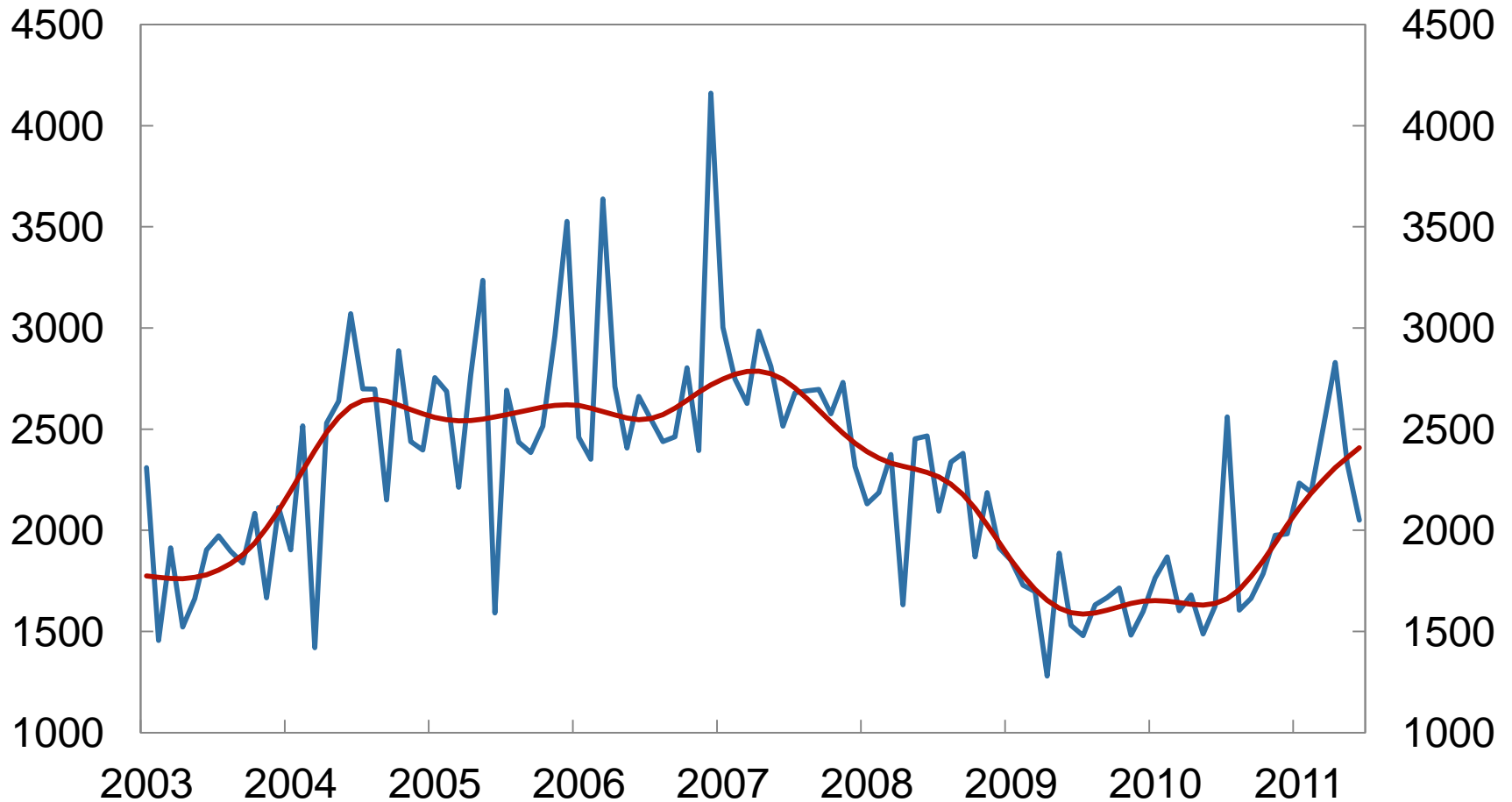


Sources: Statistics Norway and Norges Bank



# Housing starts

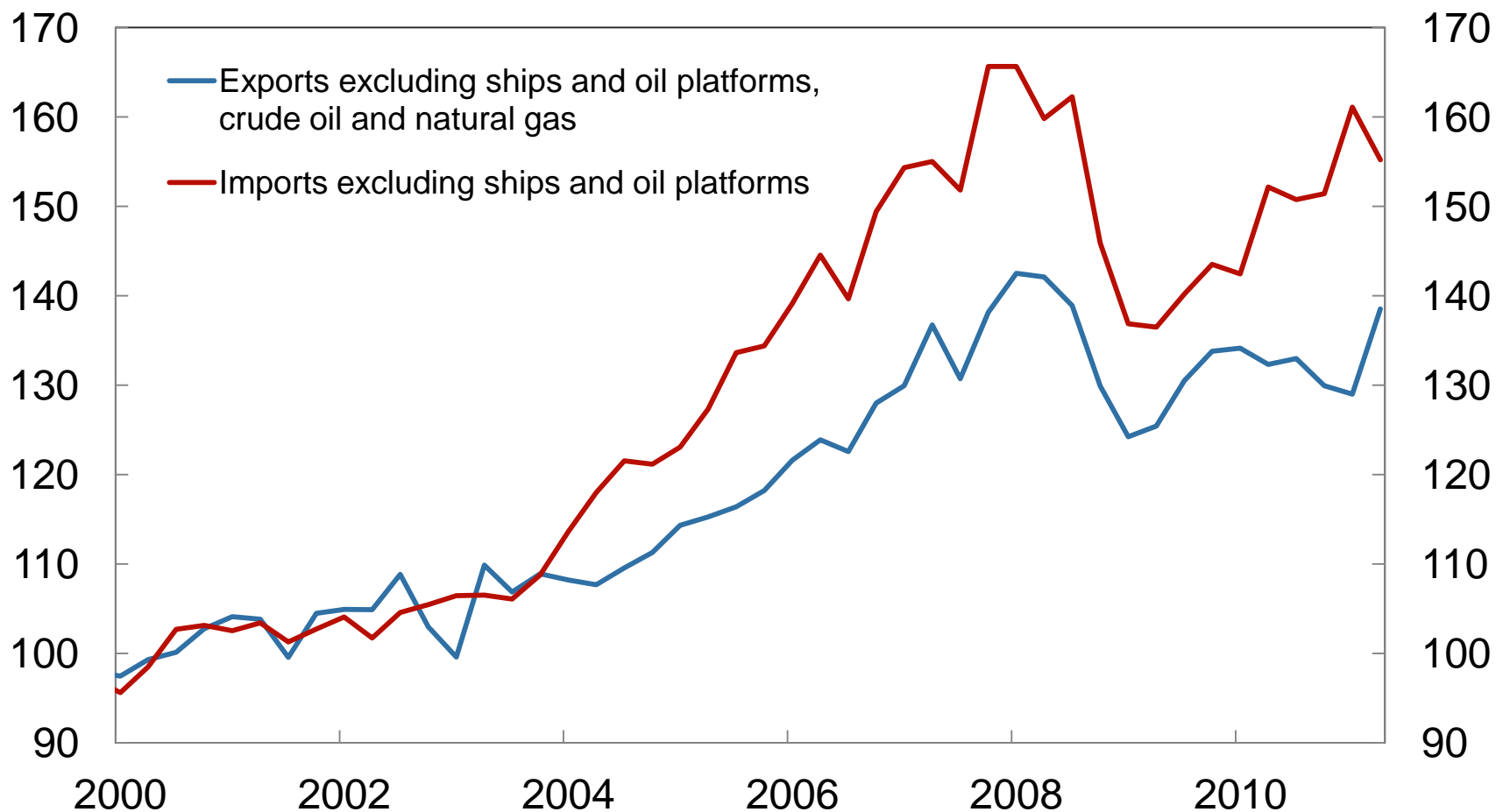
Number. Seasonally adjusted and trended. January 2003 – June 2011



Source : Statistics Norway

# Exports and imports of traditional goods

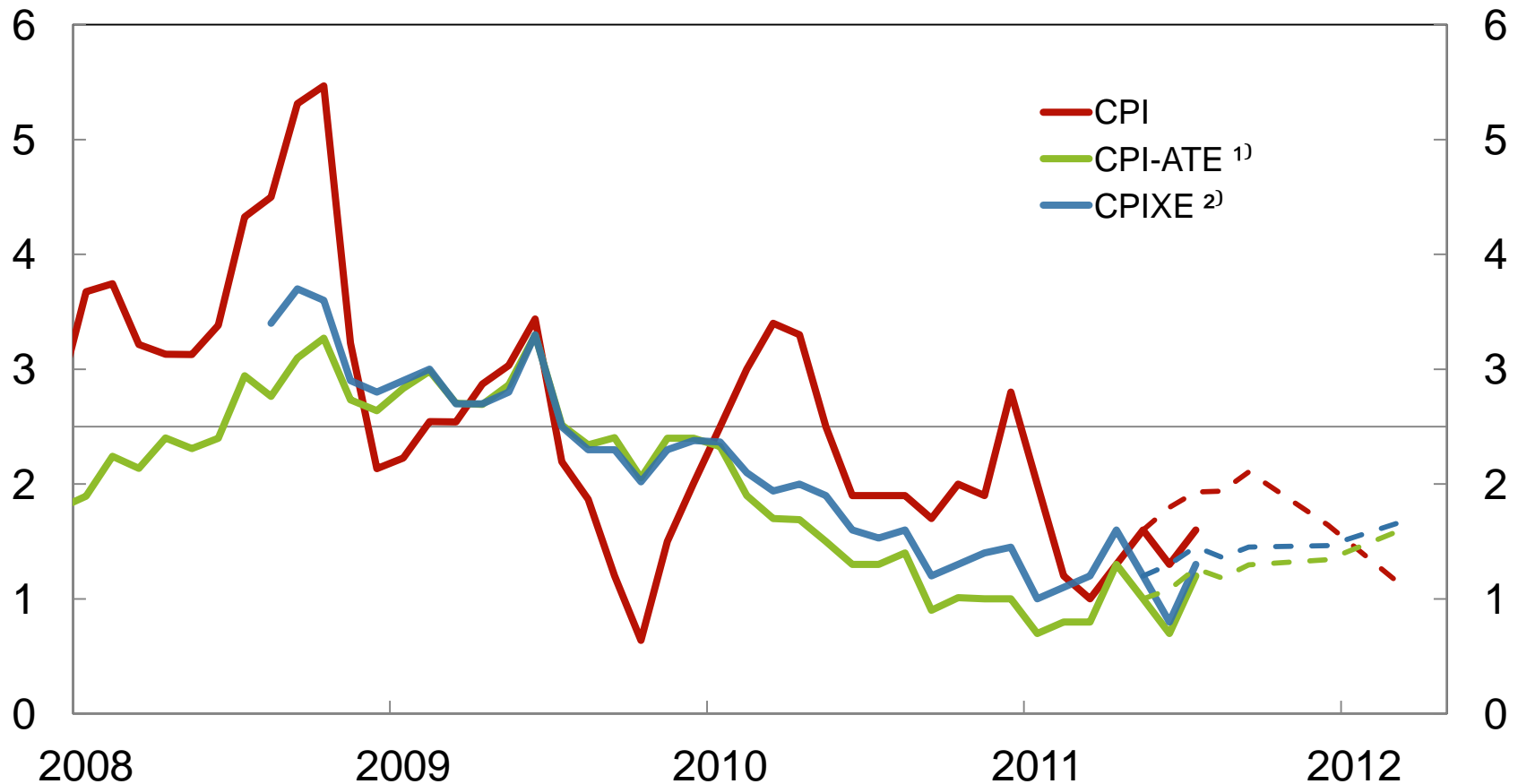
Volume index. Seasonally adjusted. 2000 = 100. 2000 Q1 – 2011 Q2



Source: Statistics Norway

# Consumer prices

Projections from MPR 2/11 (broken lines). 12-month change. Per cent.  
January 2008 – March 2012



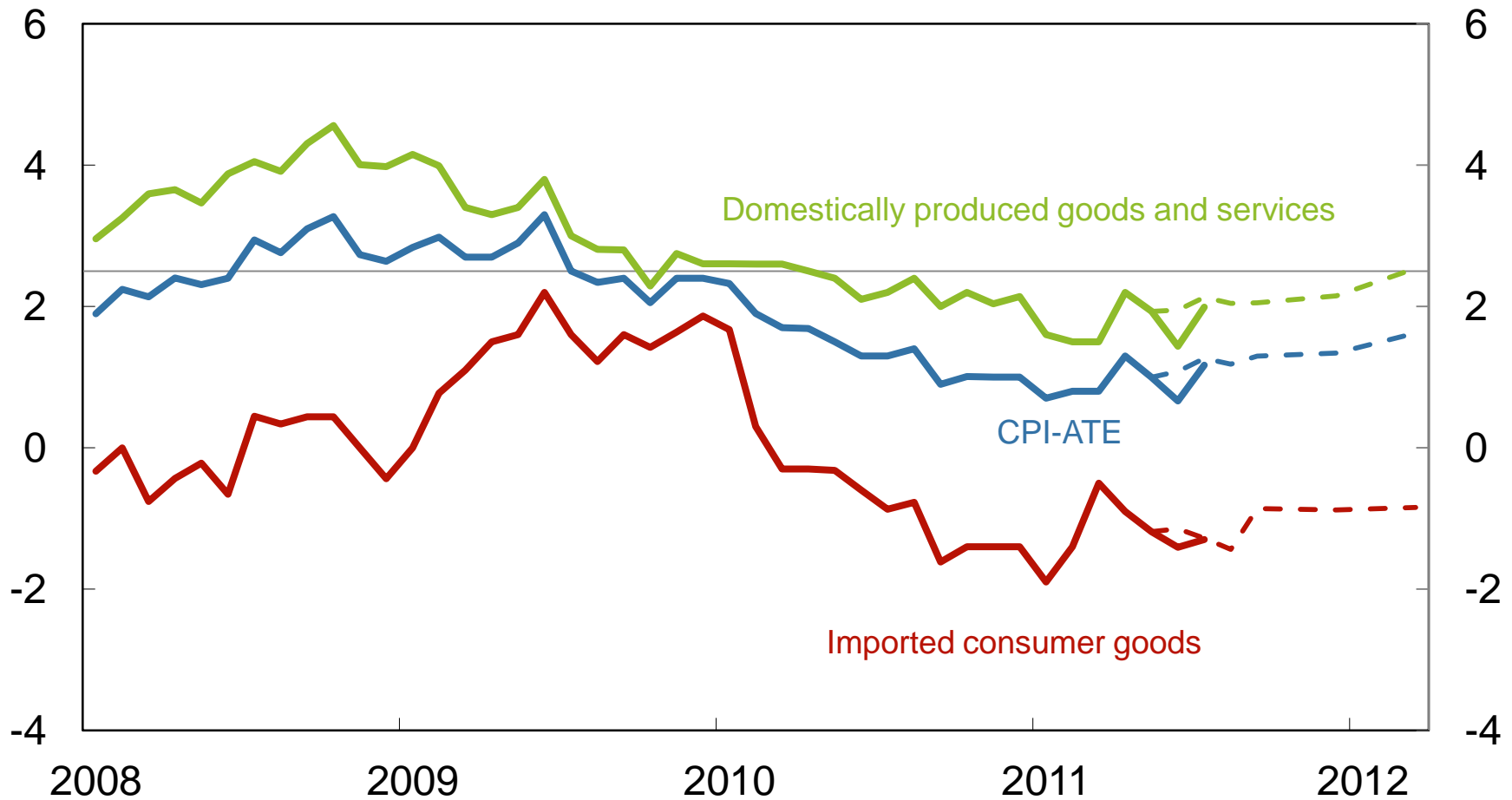
1) CPI adjusted for tax changes and excluding energy products

2) CPI adjusted for tax changes and excluding temporary changes in energy prices. Real time figures. See Norges Bank Staff memo 7/2008 and 3/2009

Source: Statistics Norway and Norges Bank

# CPI-ATE by supplier sector

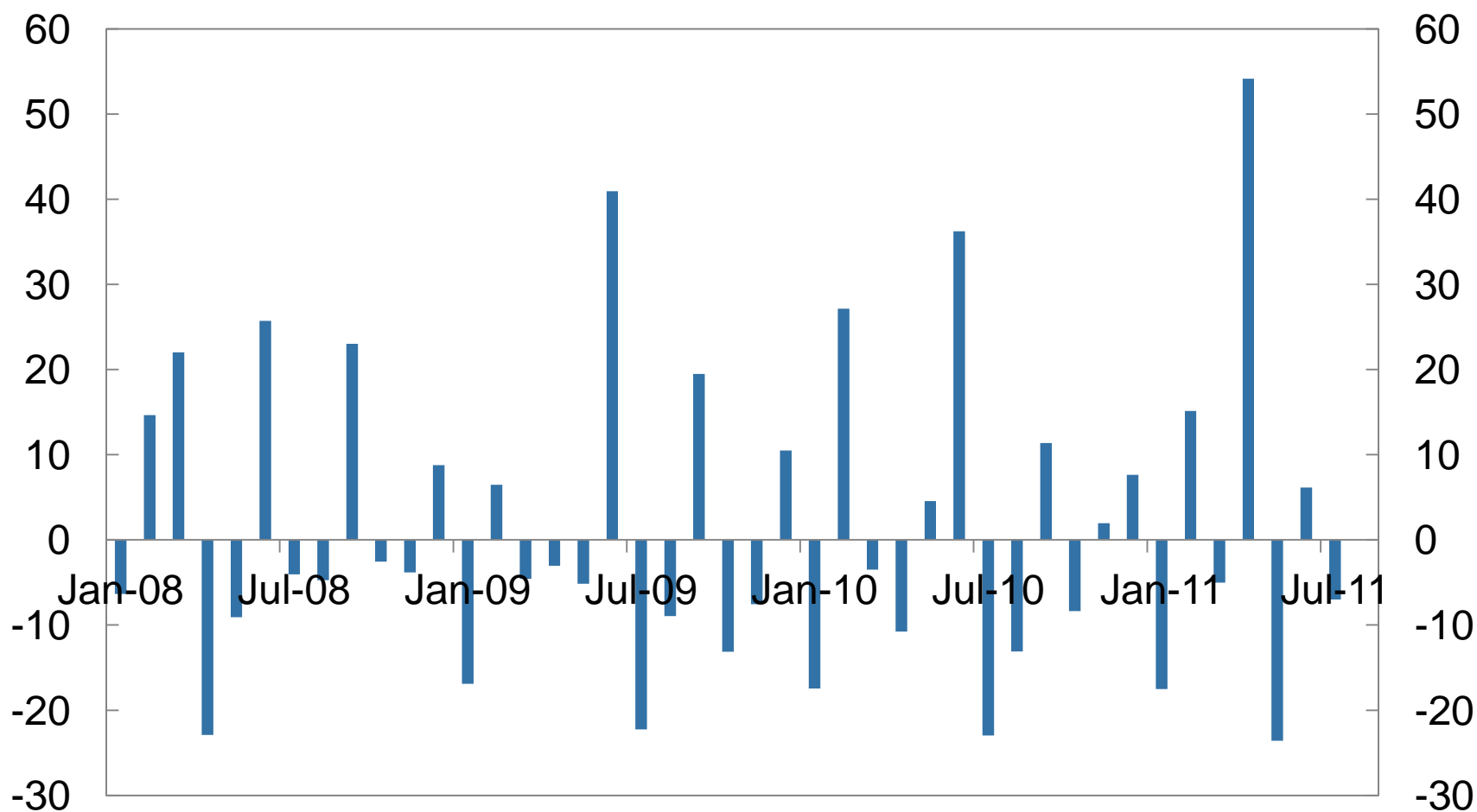
Projections from MPR 2/11 (broken lines). Per cent. January 2008 – March 2012



Sources: Statistics Norway and Norges Bank

# Monthly growth in airline fares in the CPI

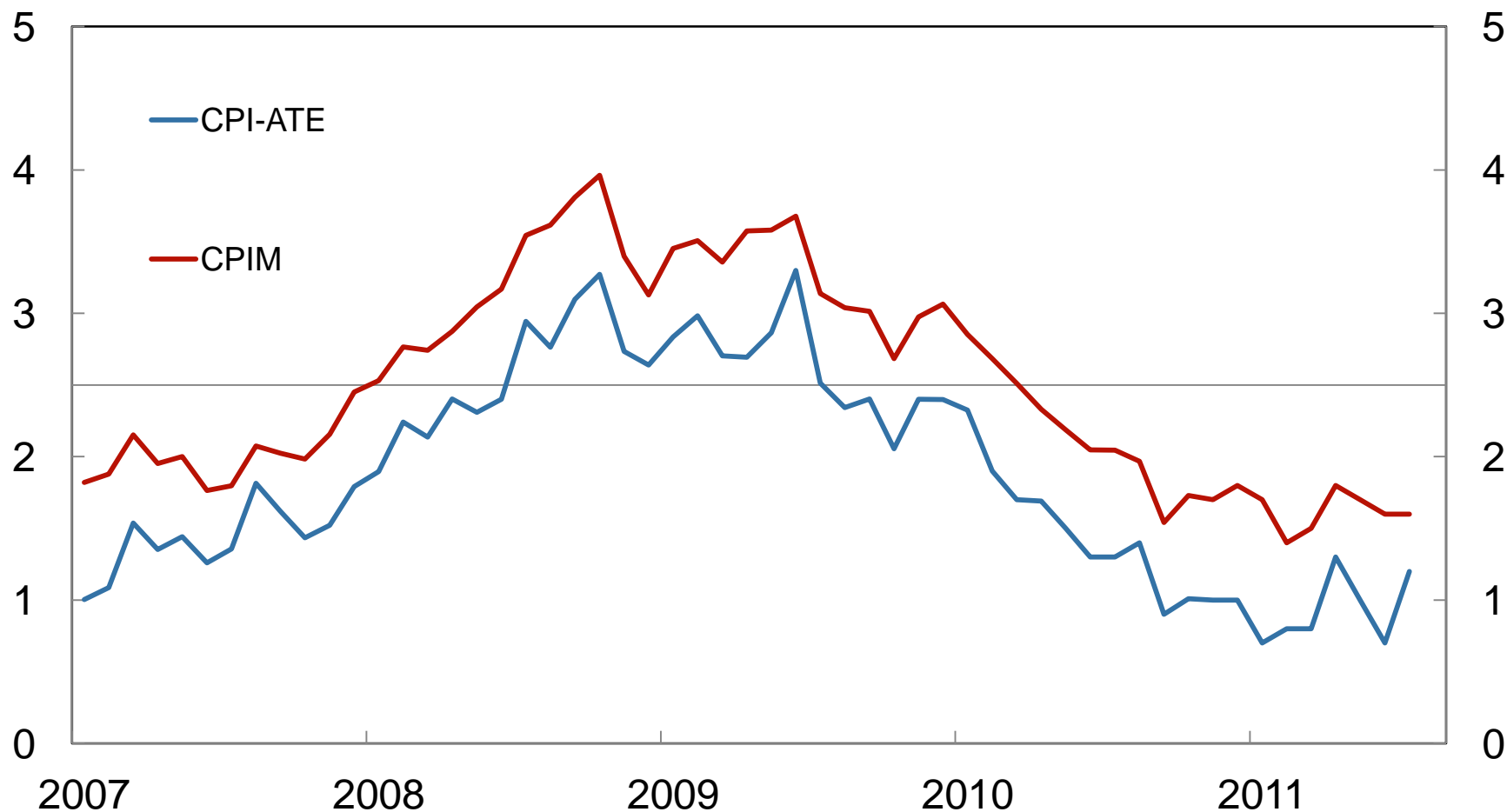
Per cent. January 2008 – July 2011



Source: Statistics Norway

# CPI-ATE og CPIM

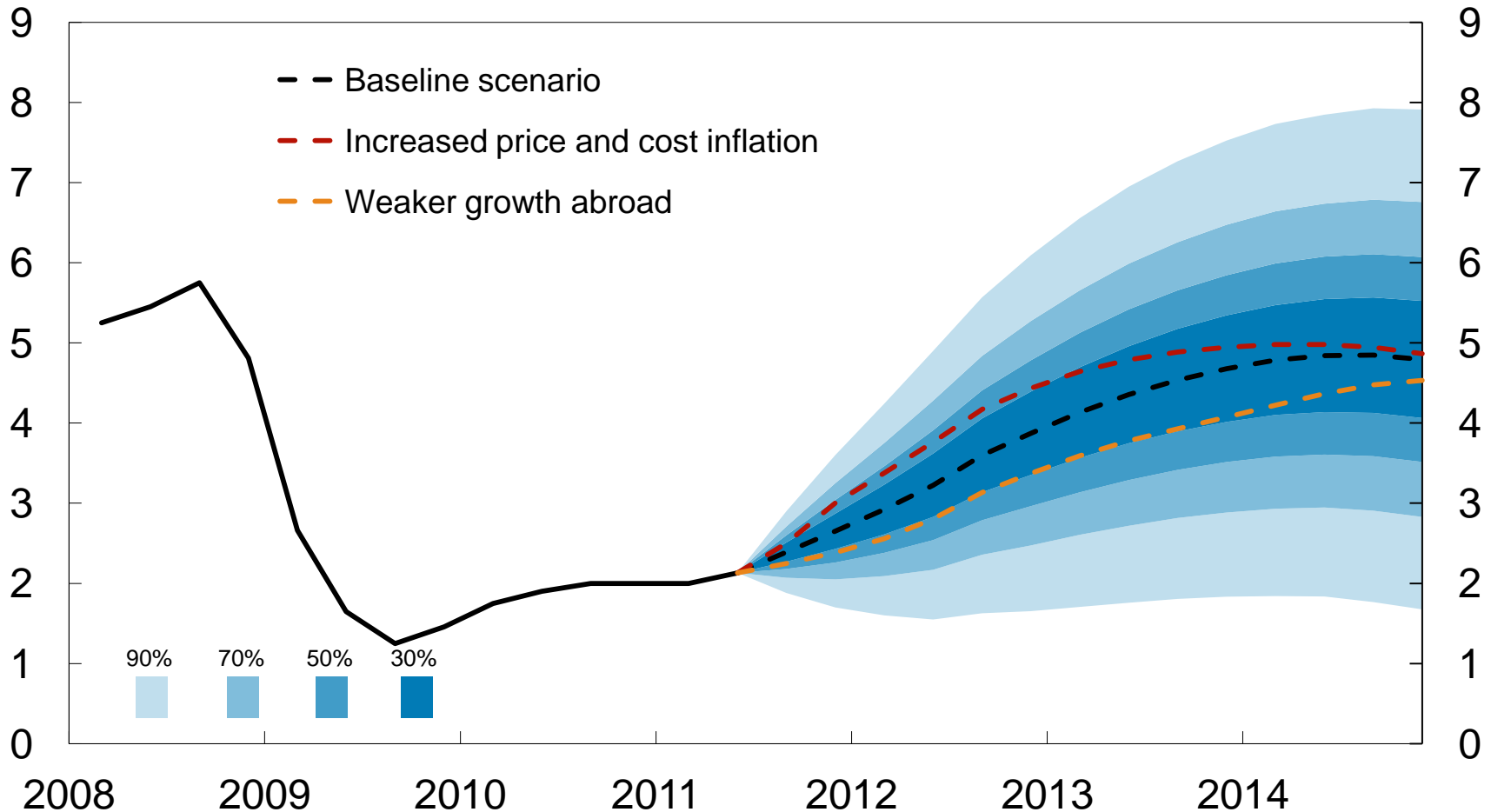
12-month change. Per cent. January 2007 – June 2011



Source: Statistics Norway and Norges Bank

# Norges Bank's key policy rate in the baseline scenario and in the alternative scenarios

Per cent. 2008 Q1 –2014 Q4



Source: Norges Bank

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