

# Annual autumn lecture

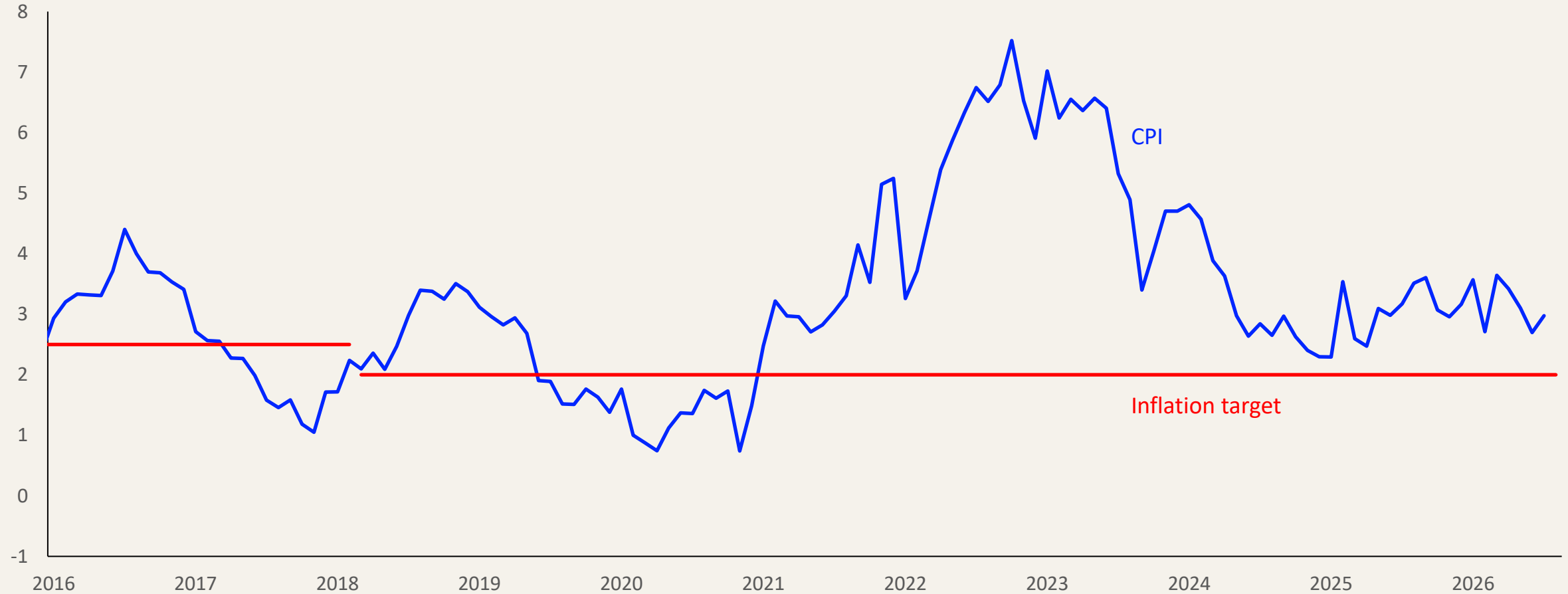
Ida Wolden Bache

October 8, 2026

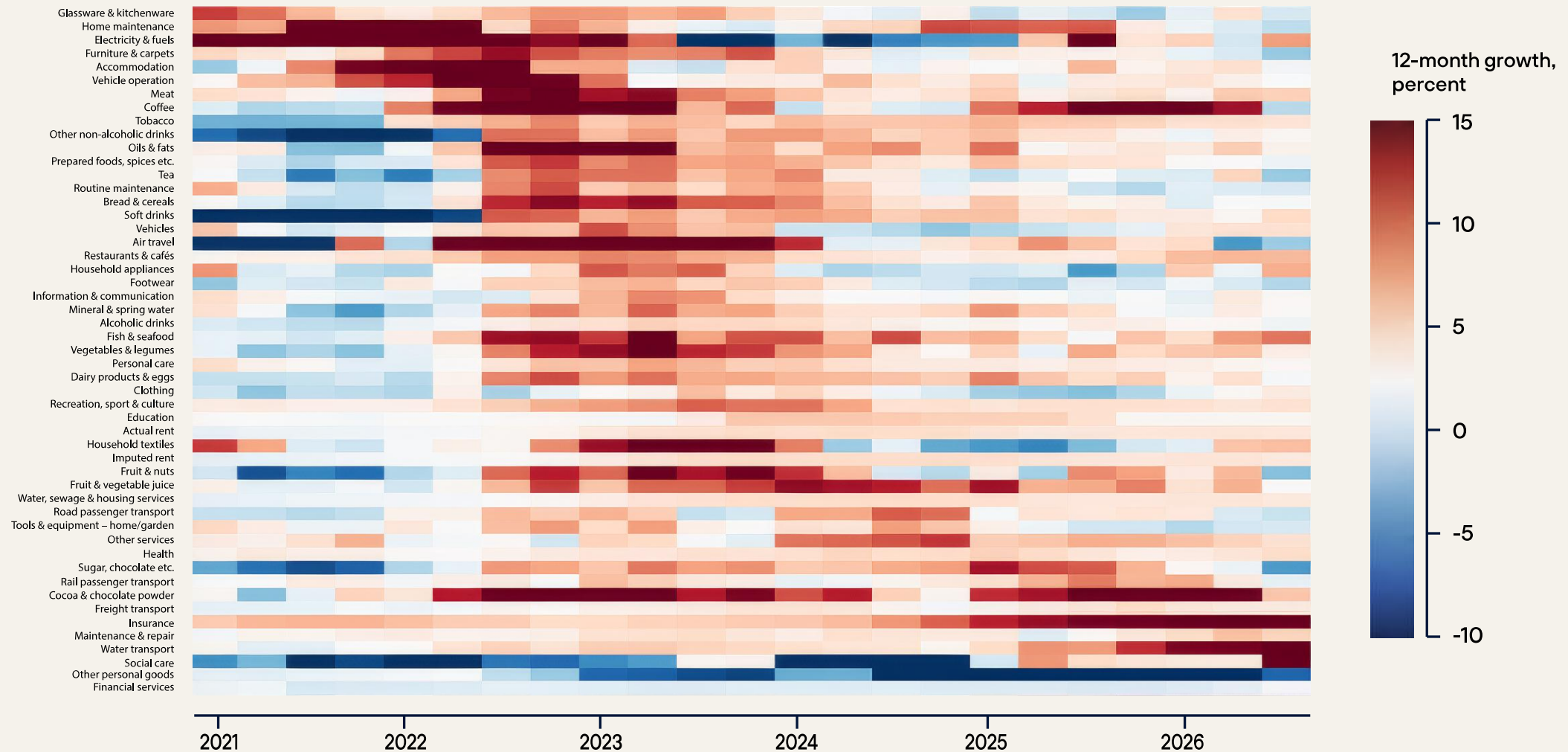
BI Norwegian Business School

# Inflation remains above target

CPI. Year-on-year change. Percent



# Inflation rose and fell at different times across categories

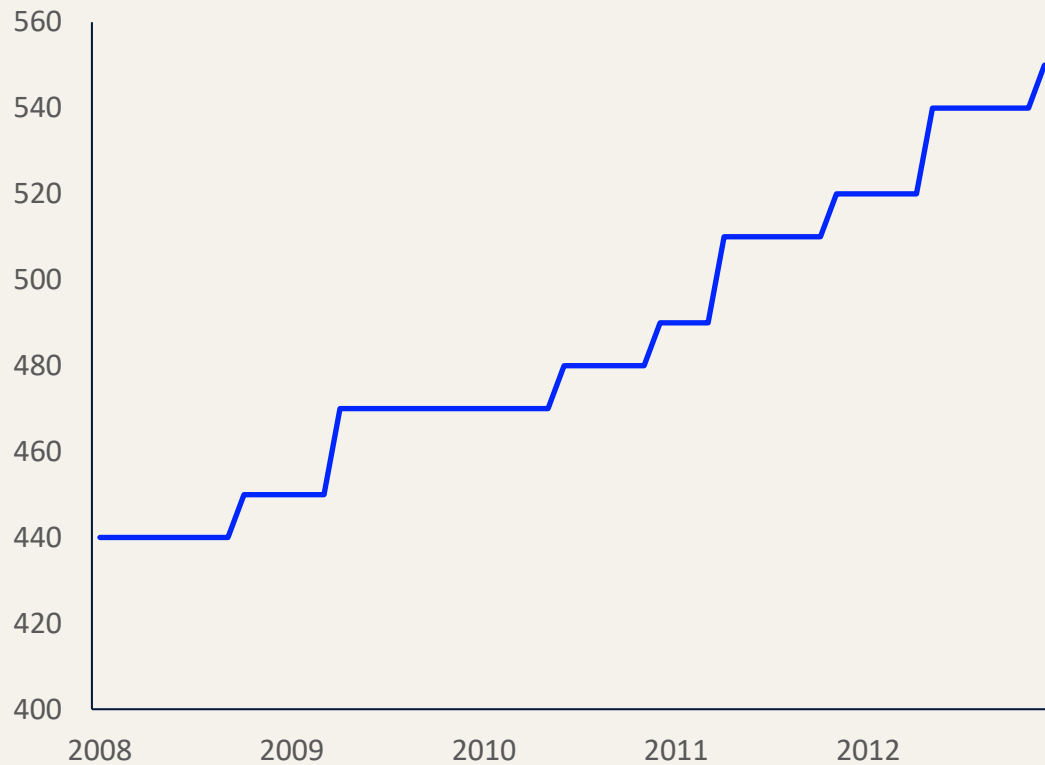


Source: Statistics Norway

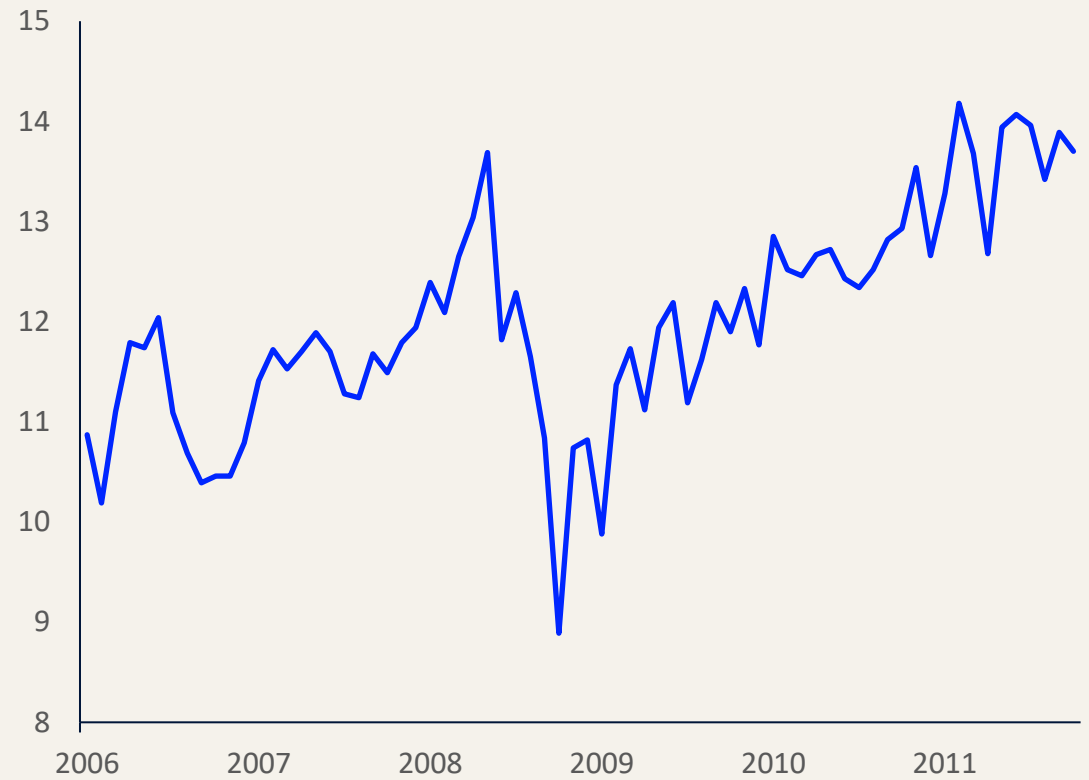
# Petrol prices change more frequently than haircut prices

Kroner

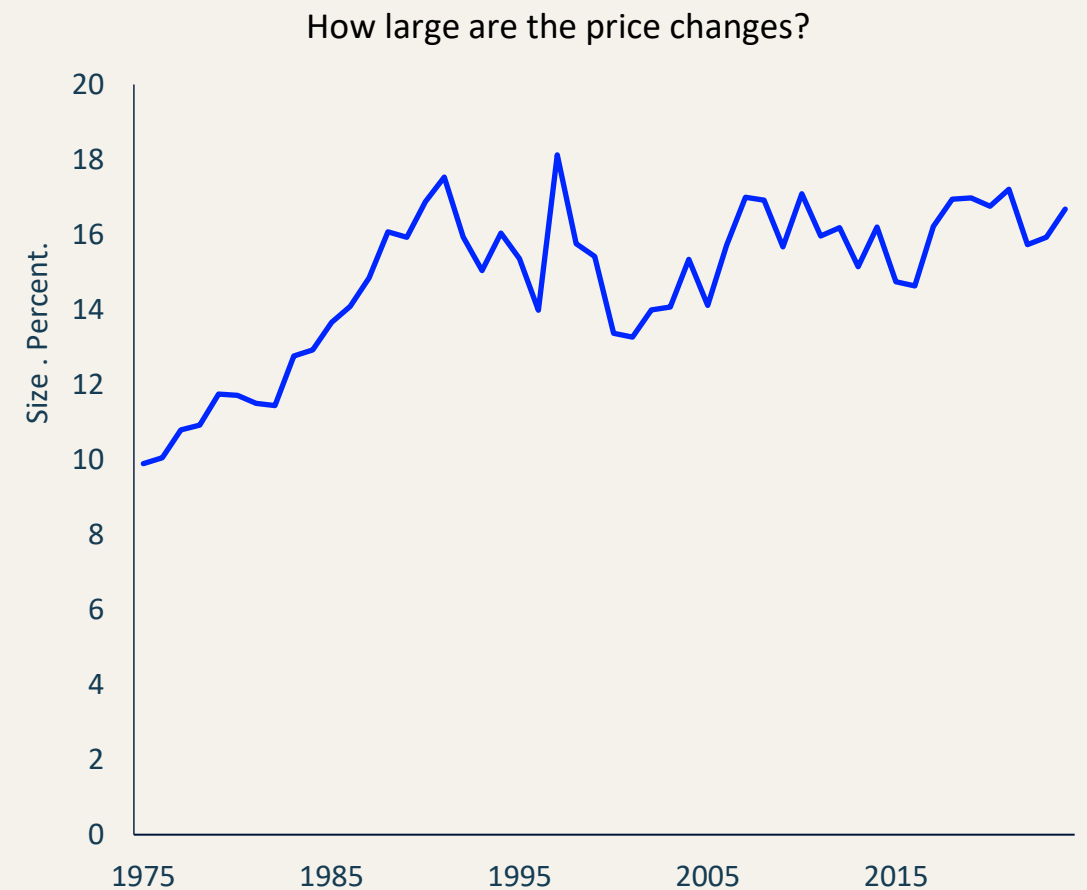
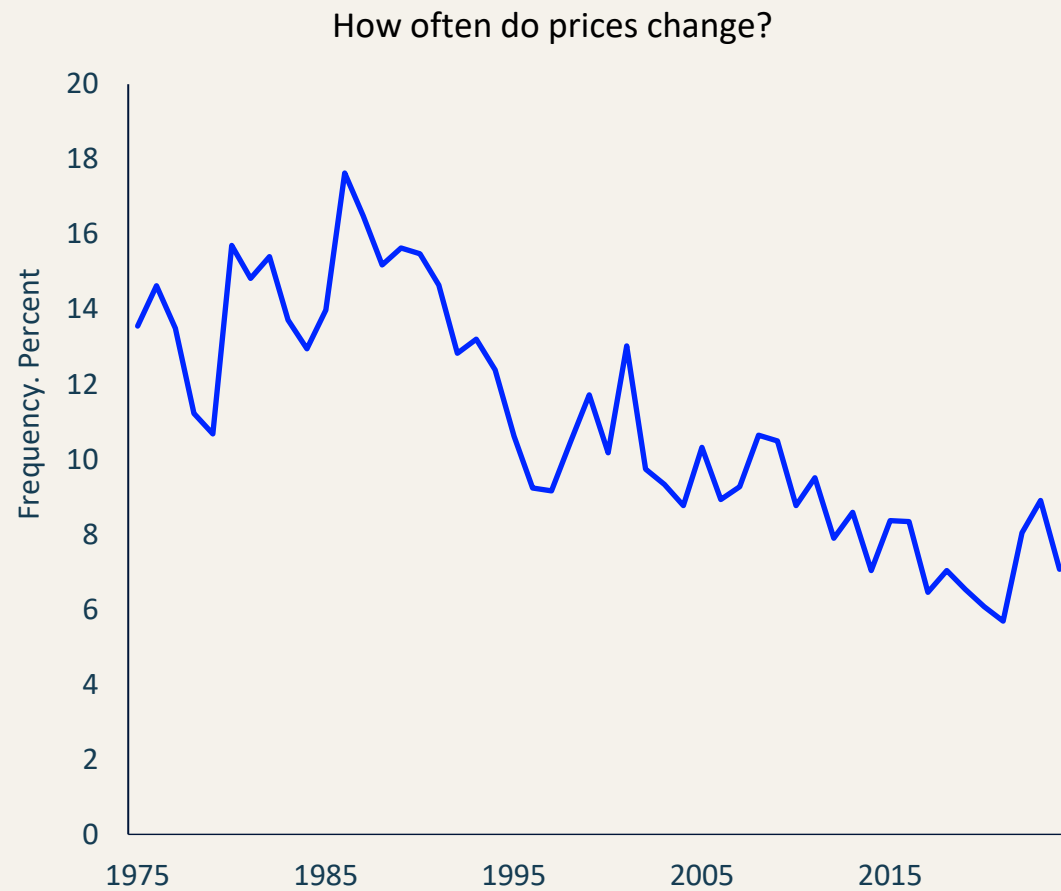
Women's wash, cut and blow-dry



Unleaded petrol (95 octane)

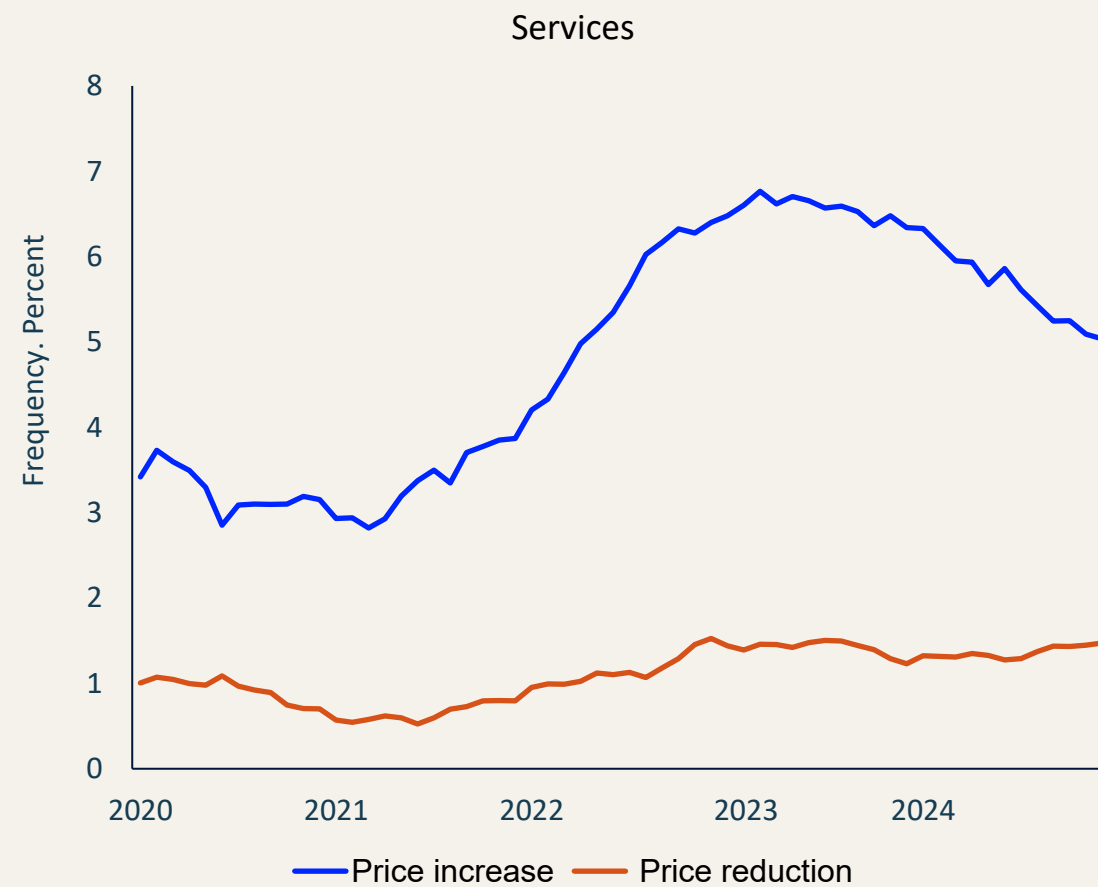
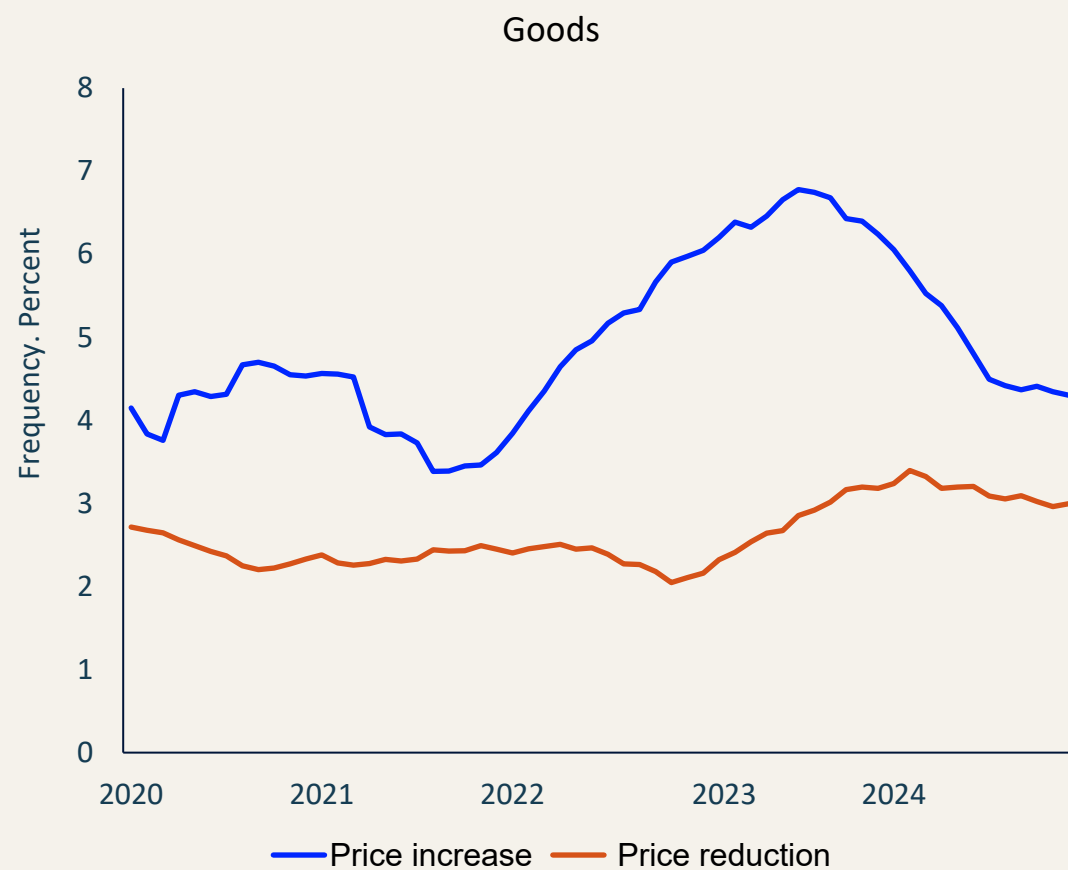


# Price changes became less frequent, but no smaller



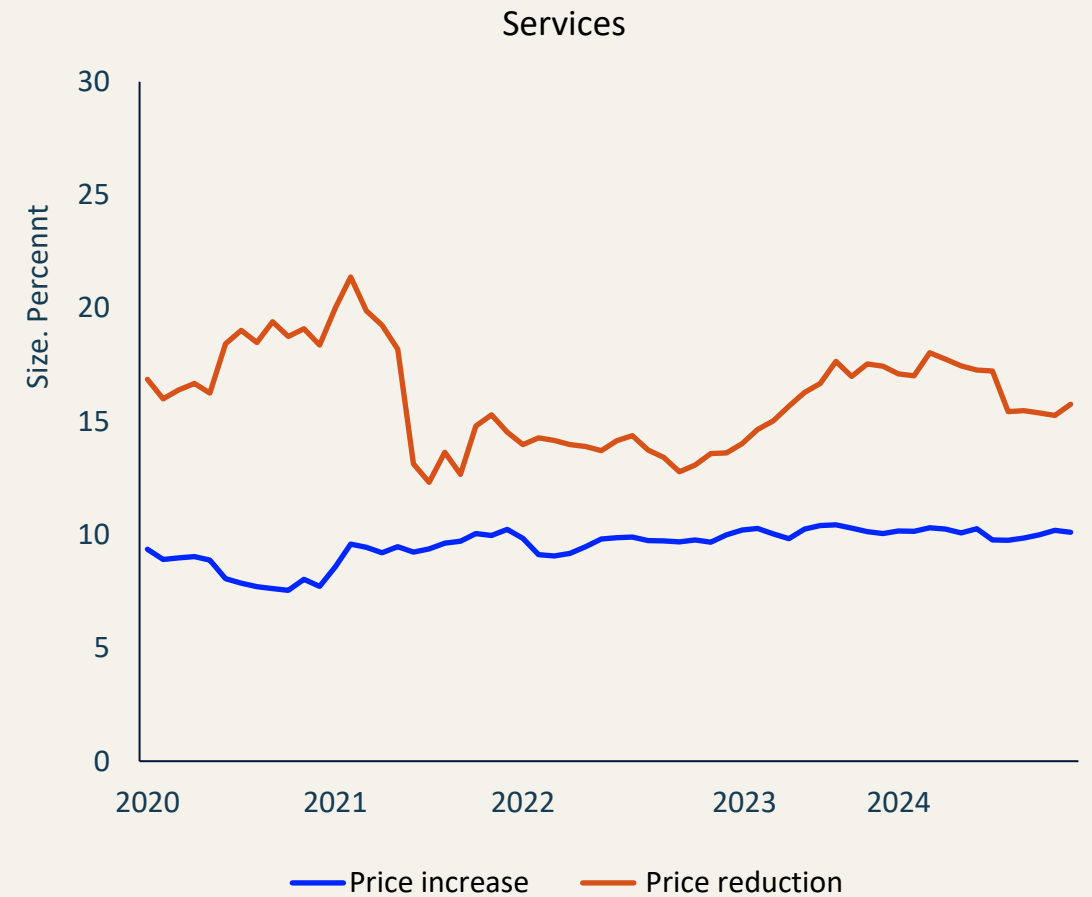
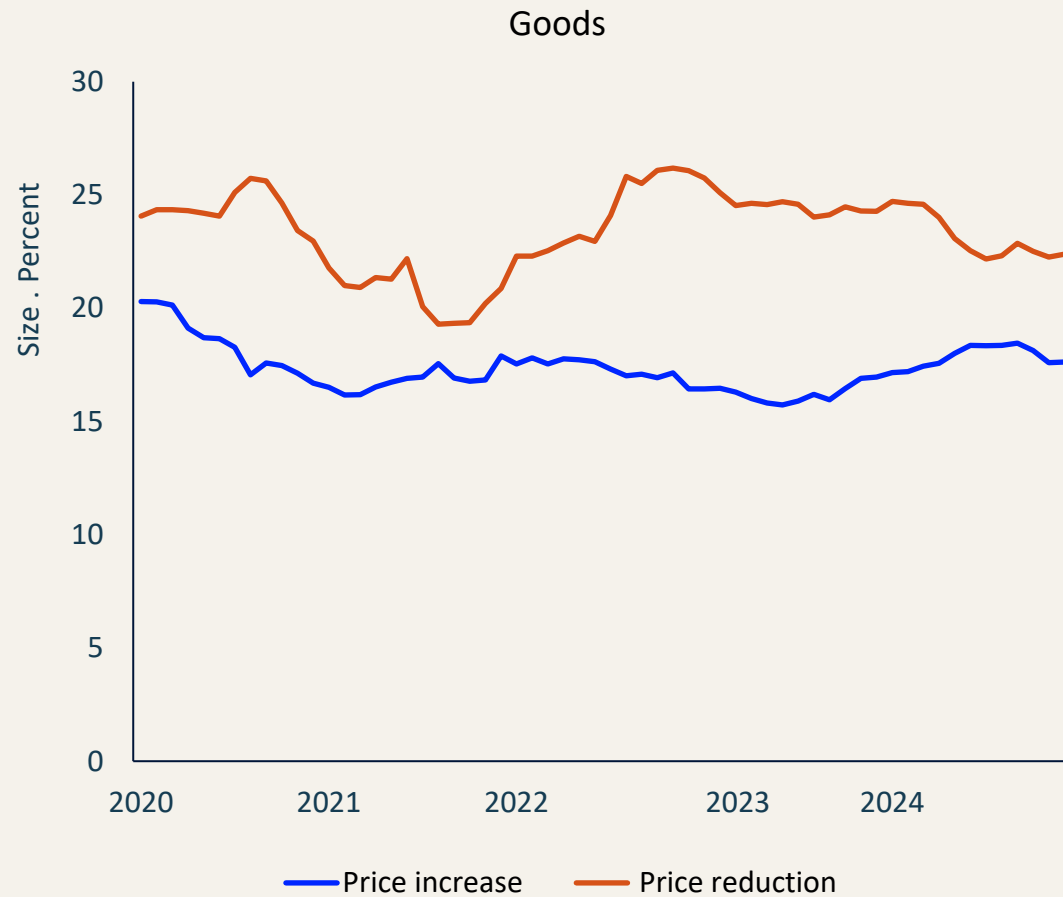
Sources: Statistics Norway  
and Norges Bank

# Services prices are rarely cut



Sources: Statistics Norway  
and Norges Bank

# Goods prices change in larger steps, both up and down



Source: Statistics Norway  
and Norges Bank

Both the frequency and size of price changes determine inflation

$$\overline{\Delta p} = f^+ s^+ - f^- s^-$$

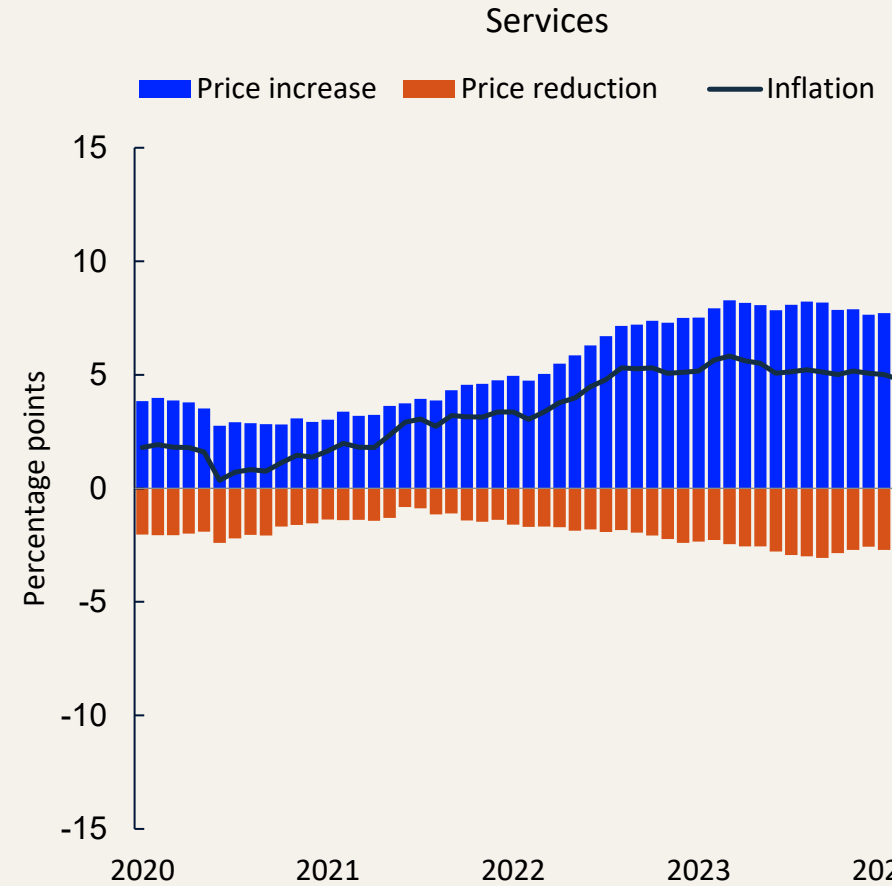
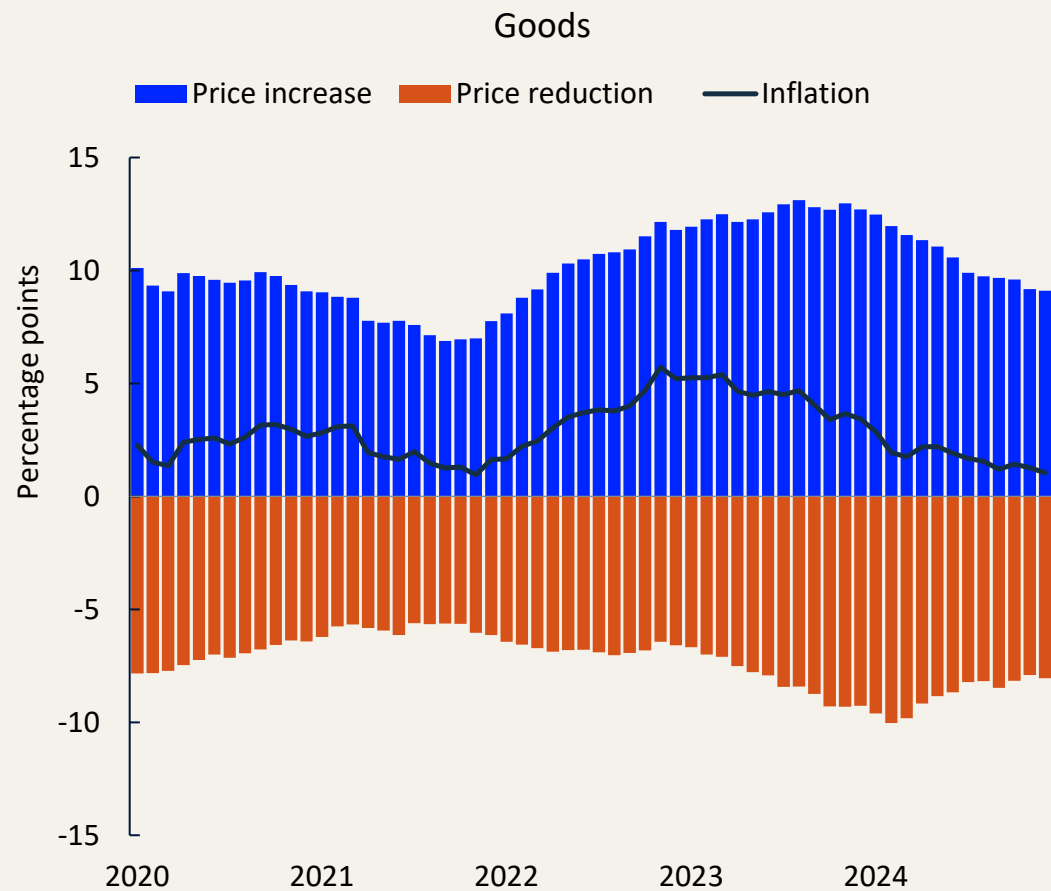
Price change                      Contribution from price increases                      Contribution from price cuts

$f^+$  and  $f^-$ : fractions of prices raised and cut, respectively

$s^+$  and  $s^-$ : average sizes of increases and cuts, in absolute terms

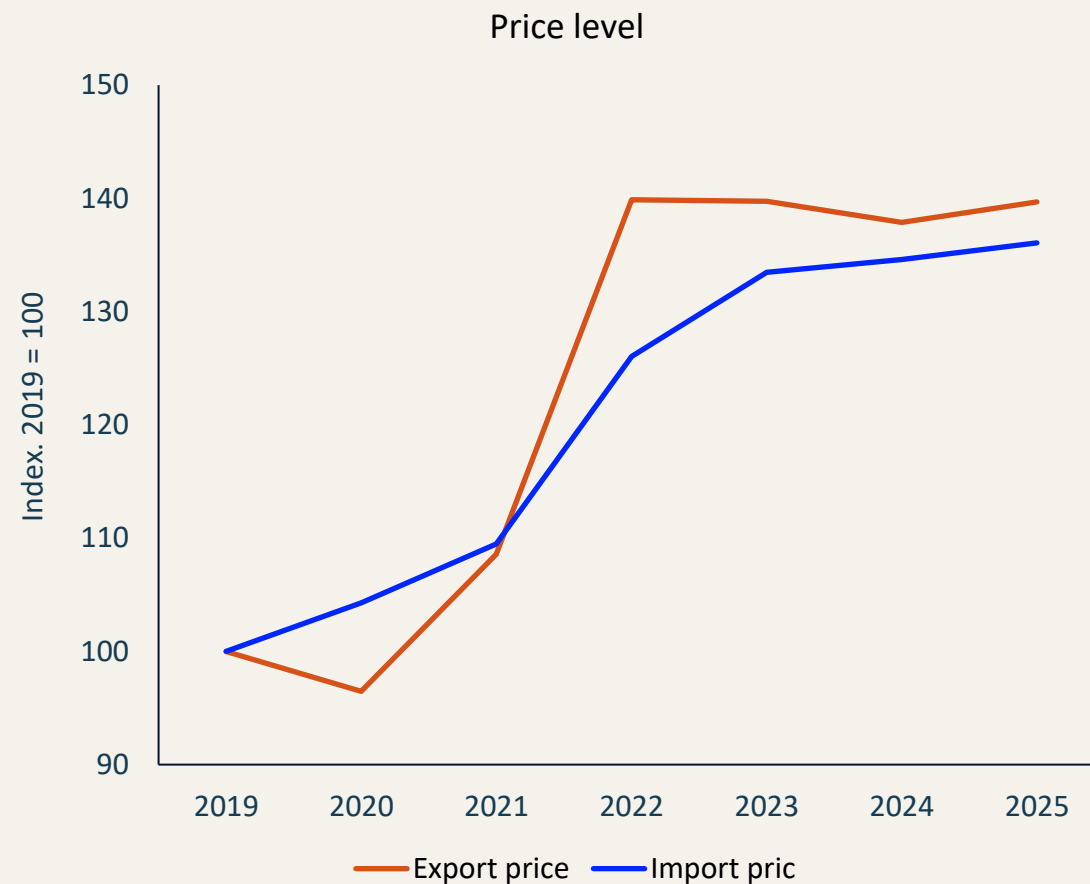
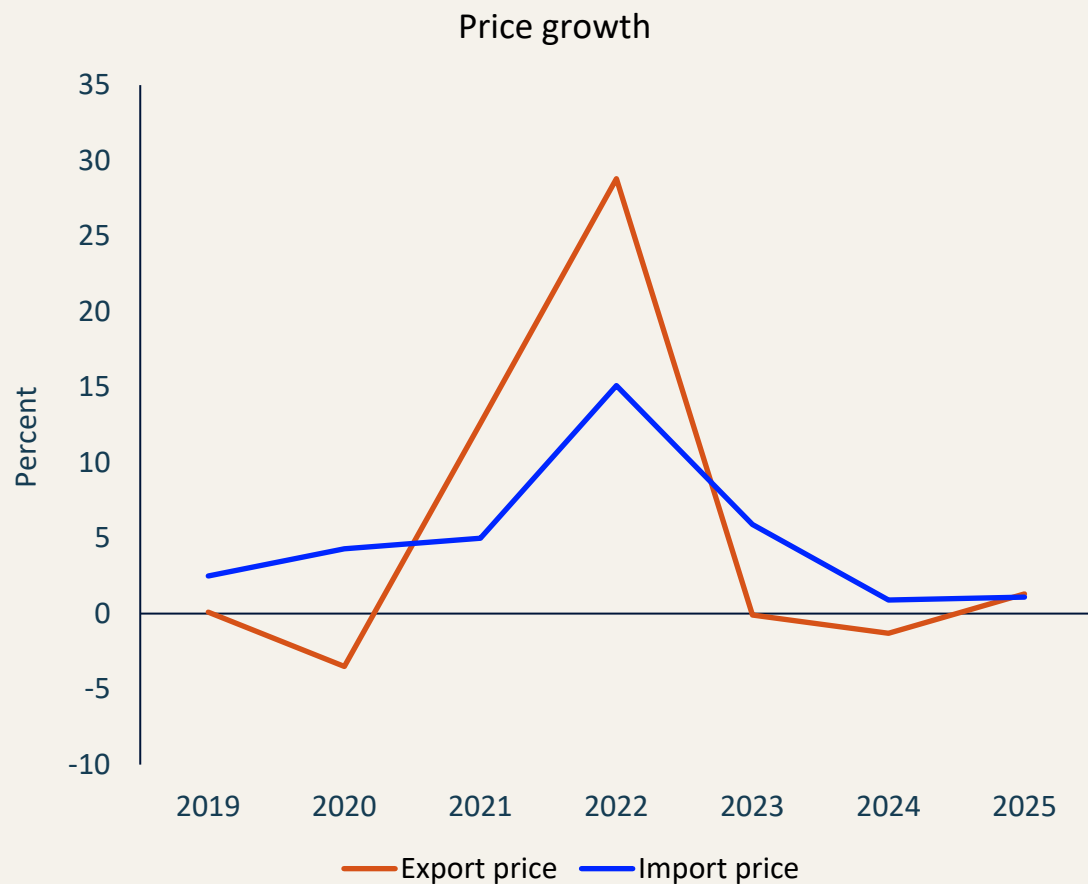
One product group, one month

# Price cuts reduce goods inflation more than services inflation



Sources: Statistics Norway  
and Norges Bank

# Higher prices for Norwegian exports



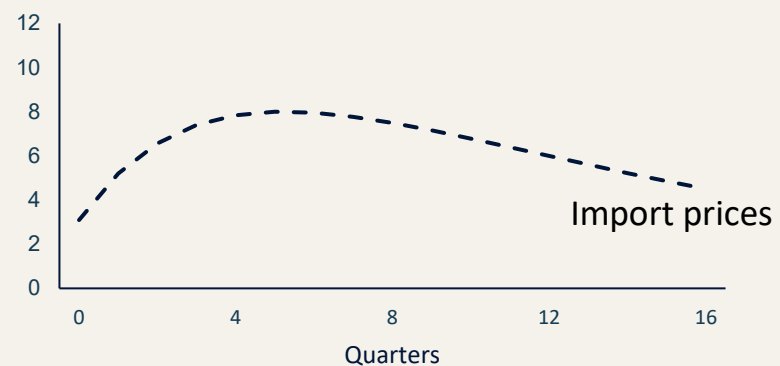
# A simple model of the Norwegian economy

Inspired by the Aukrust model

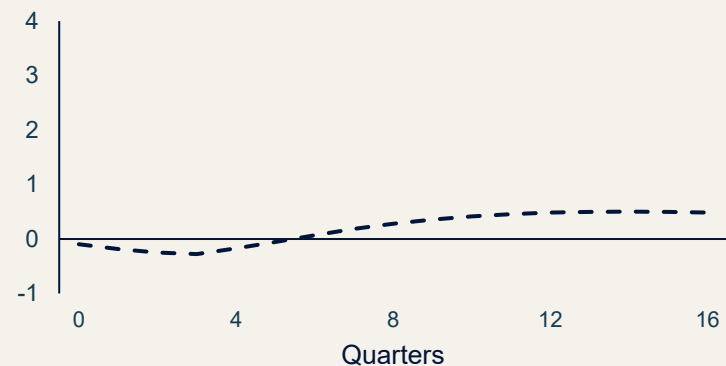
- Two sectors: a tradable sector (T) and a non-tradable sector (N).
- Both sectors use imported inputs and labour in production
- The tradable sector sets the wage benchmark for both sectors
- The central bank sets the policy rate according to a Taylor rule that responds to inflation and unemployment
- Export prices are determined in global markets

# Higher import prices raise inflationary pressure and weaken firm's capacity to pay wages

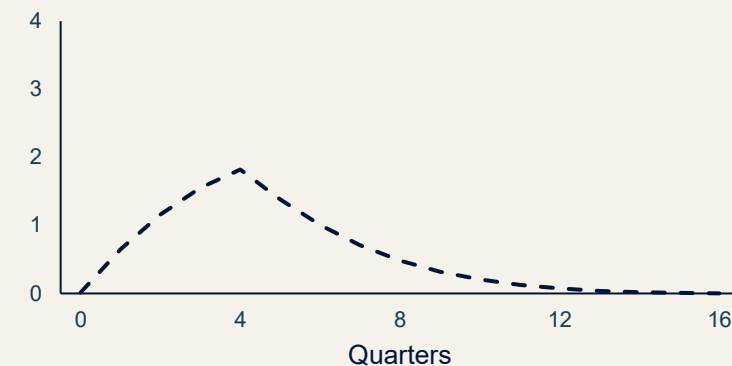
International prices (%)



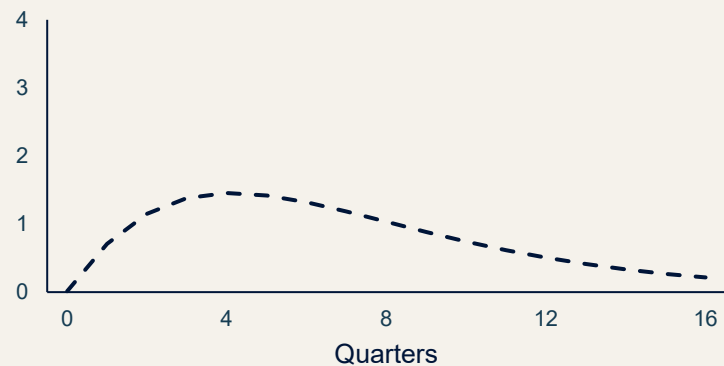
Wage growth (pp)



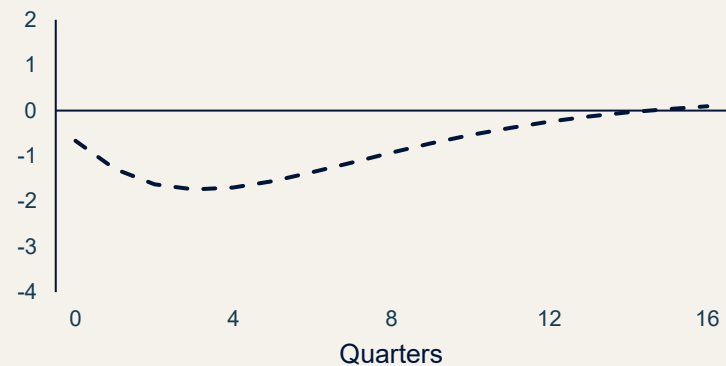
CPI inflation (pp)



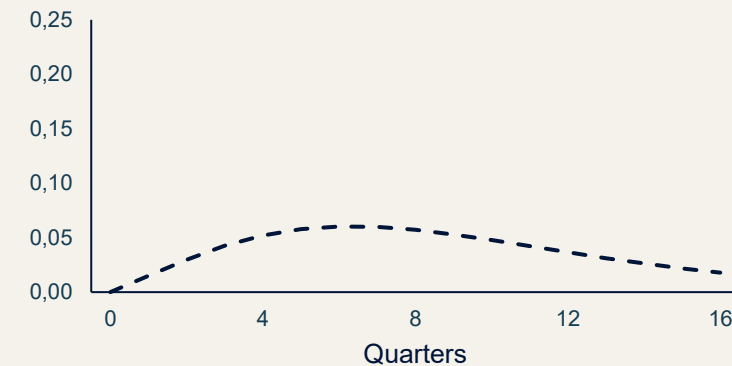
Policy rate (pp)



Exchange rate (%)



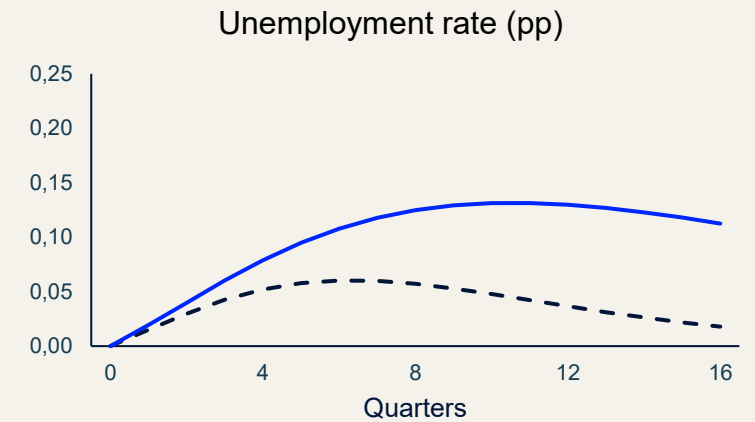
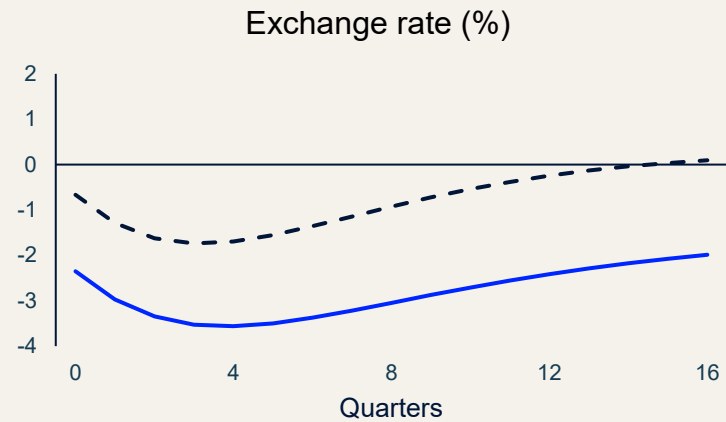
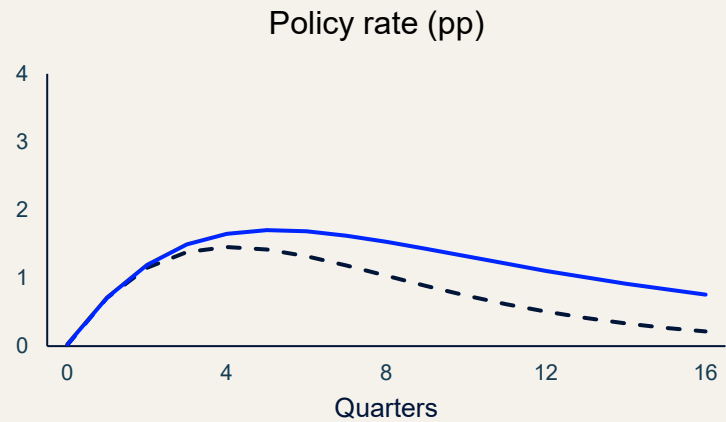
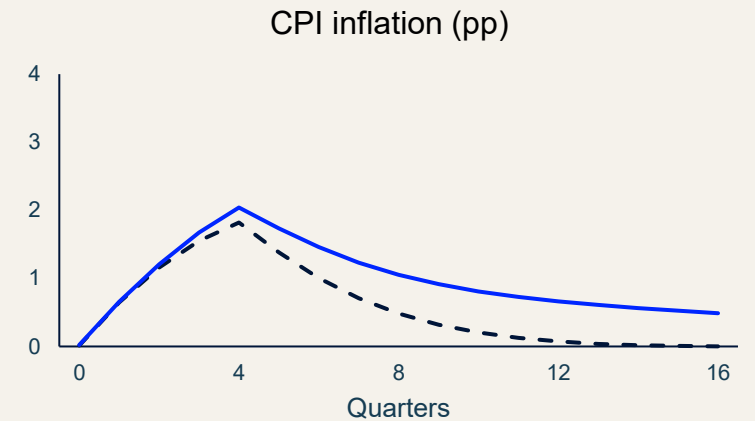
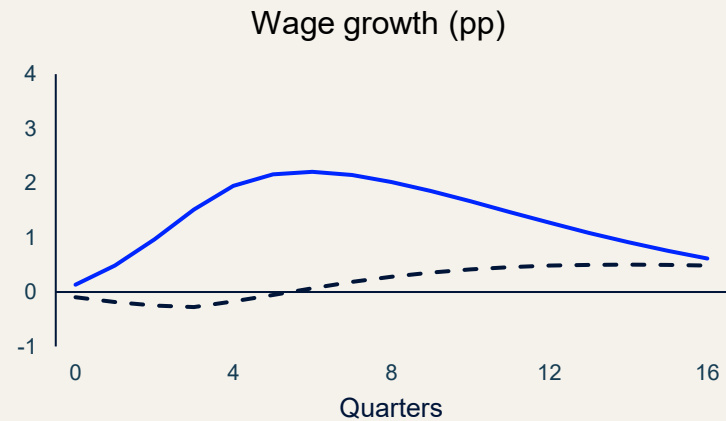
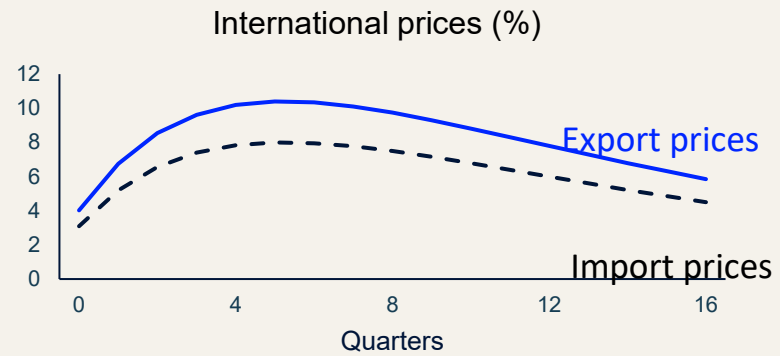
Unemployment rate (pp)



--- Import prices

Source: Norges Bank

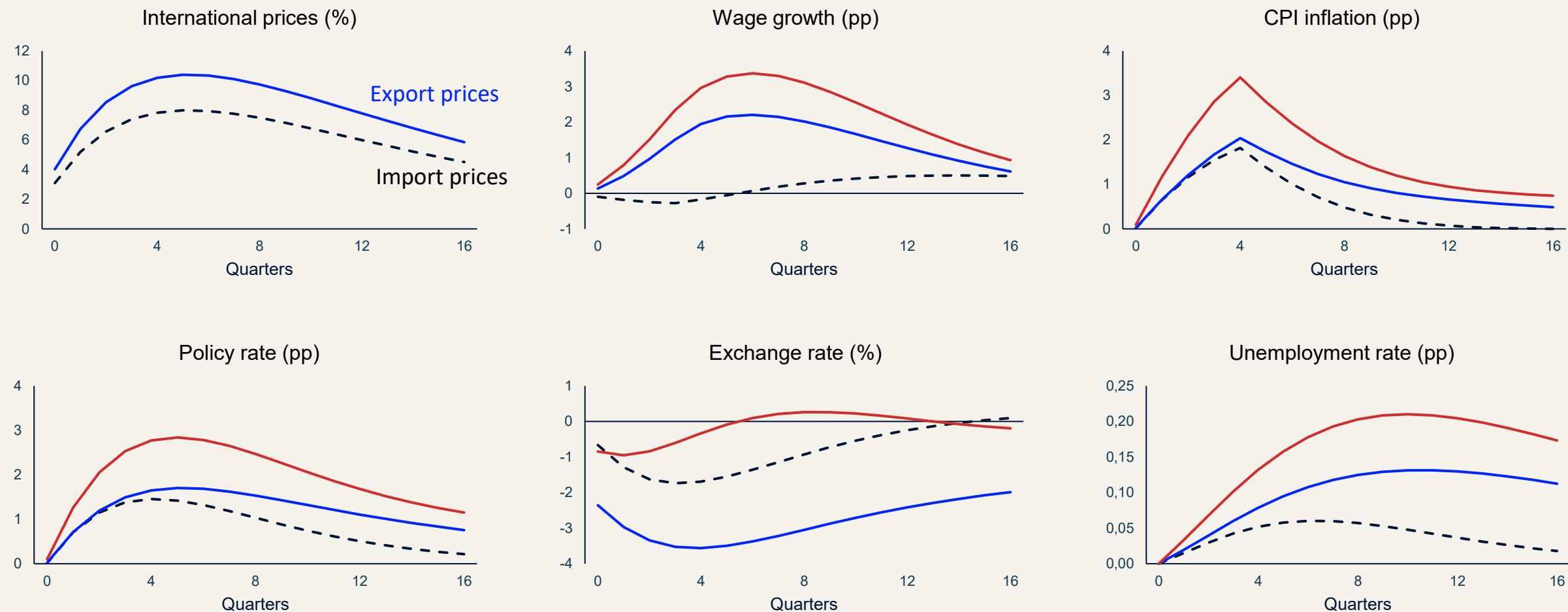
# Higher export prices can prolong the last mile



--- Import prices      — Import prices and export prices

Source: Norges Bank

# Higher foreign interest rates weaken the disinflationary effect on the krone

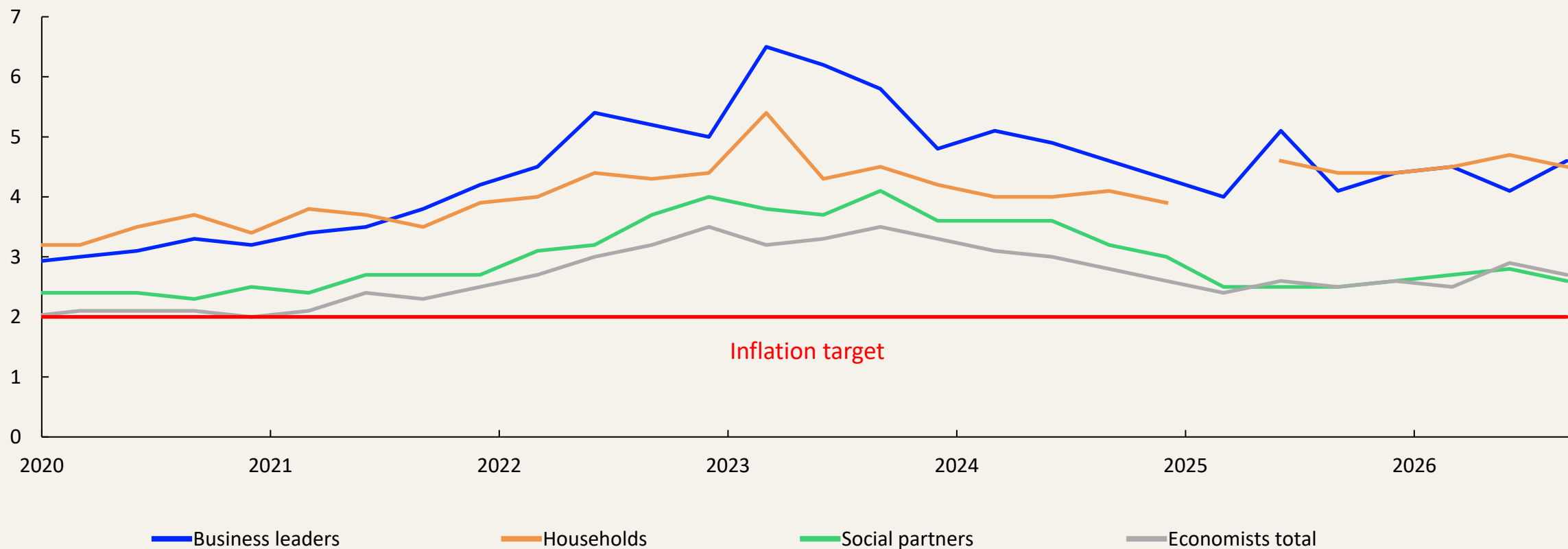


-- Import prices    — Import prices and export prices    — Import prices, export prices, foreign policy rates

Source: Norges Bank

# Inflation expectations have levelled off

Two years ahead. Twelve-month growth. Percent



Sources: Epinion, Ipsos and  
Norges Bank