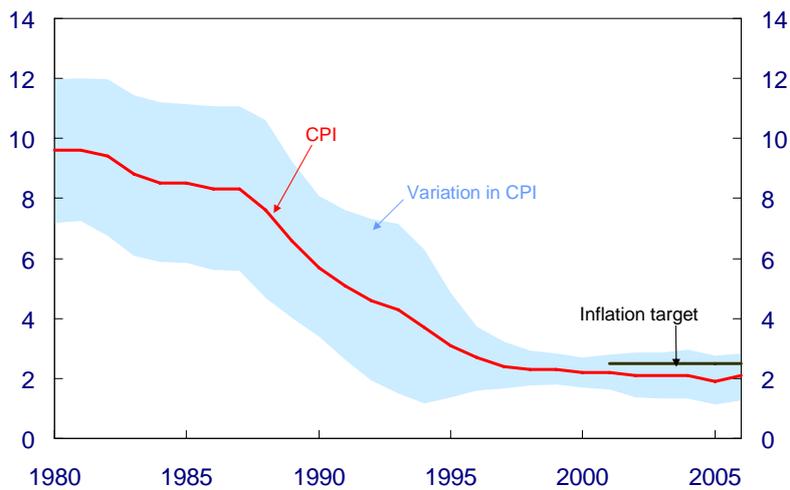


# Interest rates, the exchange rate and the outlook for the Norwegian economy

Governor Svein Gjedrem  
 Mid-Norway Chamber of Commerce and Industry  
 28 November 2007

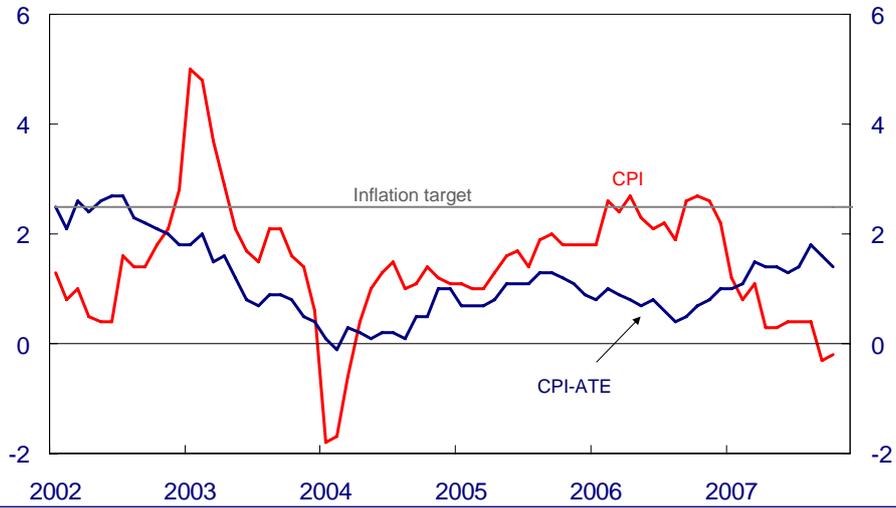
## Inflation

Moving 10 year-average and variation in CPI. Per cent



### Low inflation

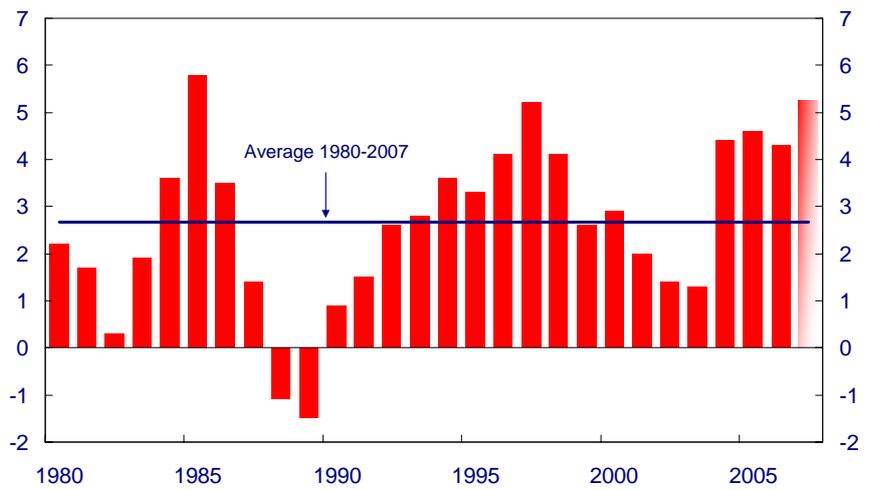
CPI and CPI-ATE. 12-month change. Per cent



Source: Statistics Norway 3

### Strong economic growth

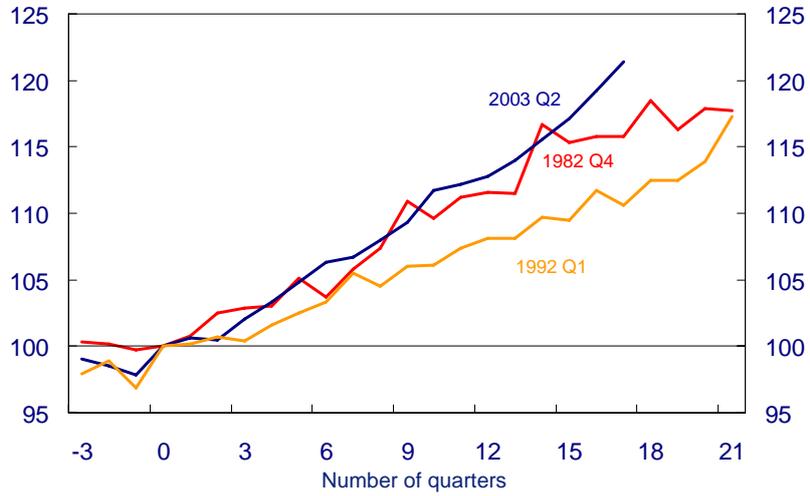
GDP mainland Norway. Annual growth. Per cent



Sources: Statistics Norway and Norges Bank 4

### Prolonged cyclical upswing

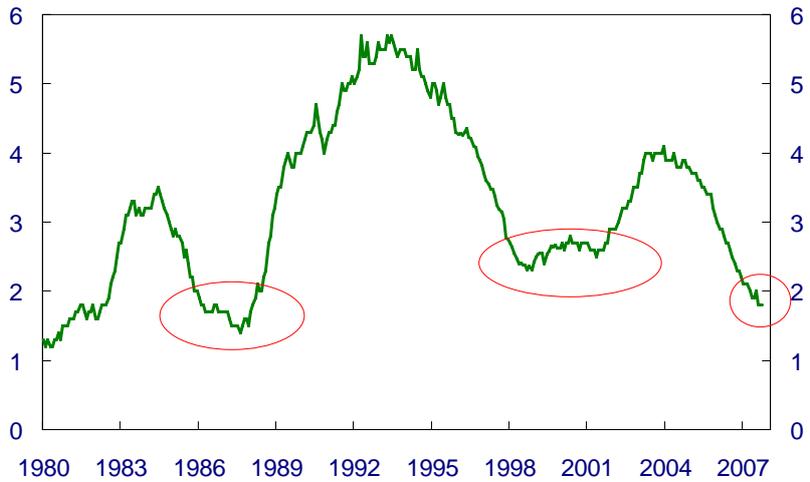
GDP mainland Norway. Index. Quarter 0 = 100. Seasonally adjusted



Sources: Statistics Norway and Norges Bank 5

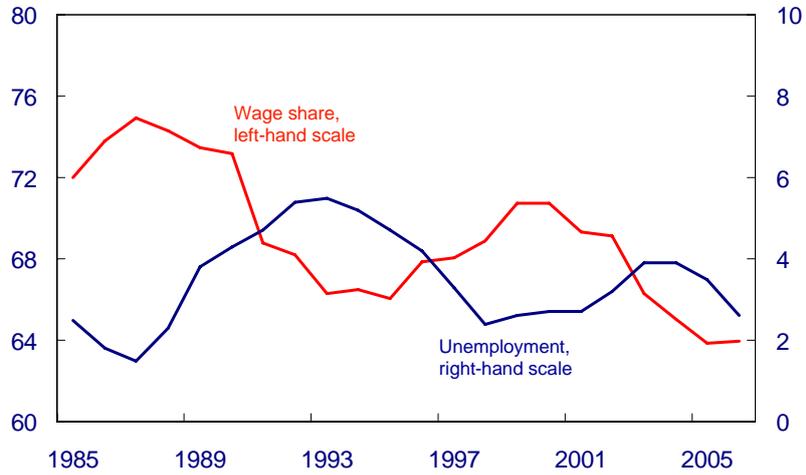
### Tight labour market

Registered unemployed. Percentage of labour force



Source: Norwegian Labour and Welfare Organisation (NAV) 6

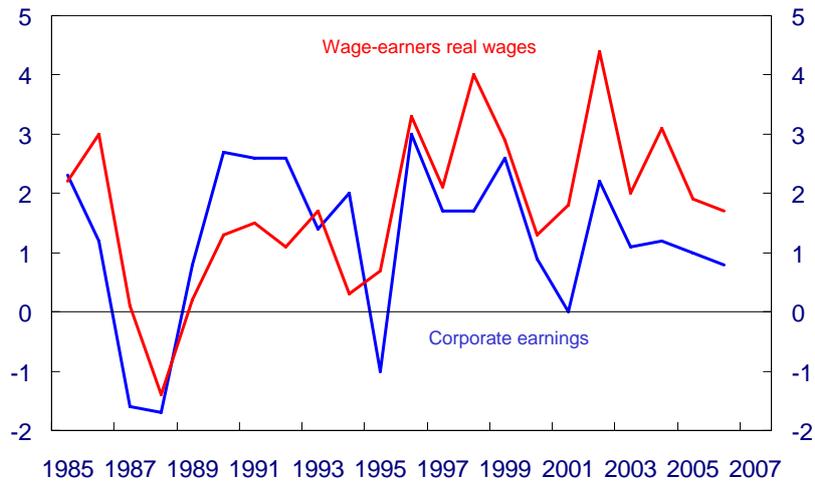
### Wage share<sup>1)</sup> and registered unemployment Per cent



<sup>1)</sup> Labour costs as share of factor income. Market-oriented enterprises in mainland Norway.

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

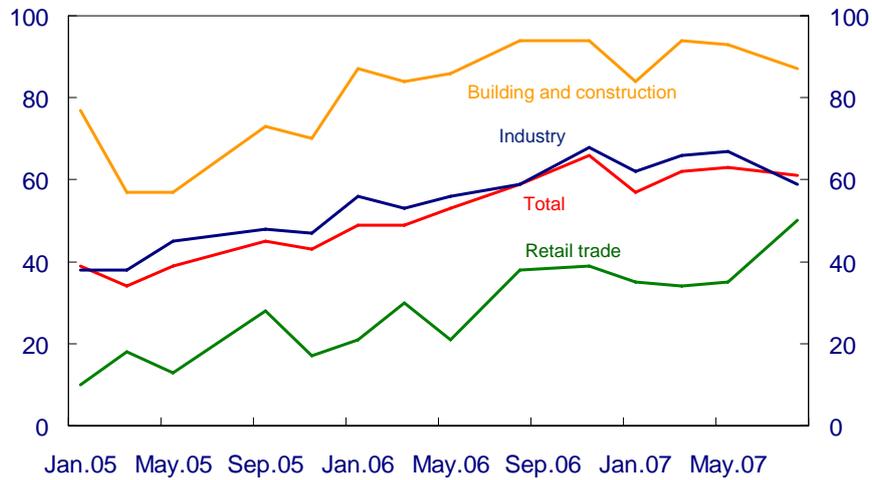
### Wage-earners real wages and corporate earnings Annual growth. Per cent



Sources: Statistics Norway and Norges Bank

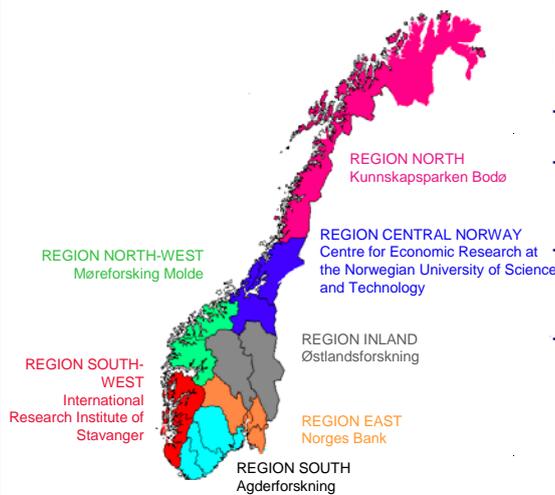
### Capacity utilisation

Regional network. Share of respondents that report they will have problems accommodating an increase in demand. Per cent



Source: Norges Bank 9

### Norges Bank's regional network



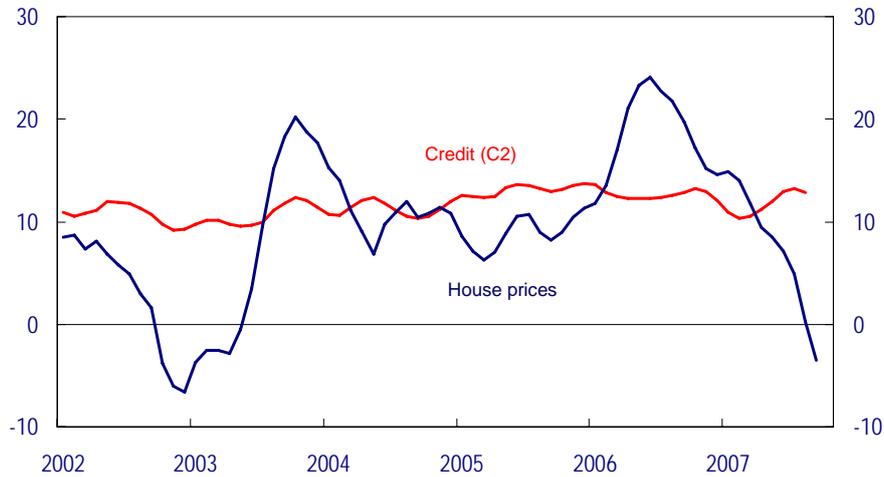
#### Region Central Norway:

- Moderate to solid growth
- Growth is expected to continue
- Investments are expected to increase
- Employment is expected to increase

Source: Norges Bank 10

### House prices and credit to households

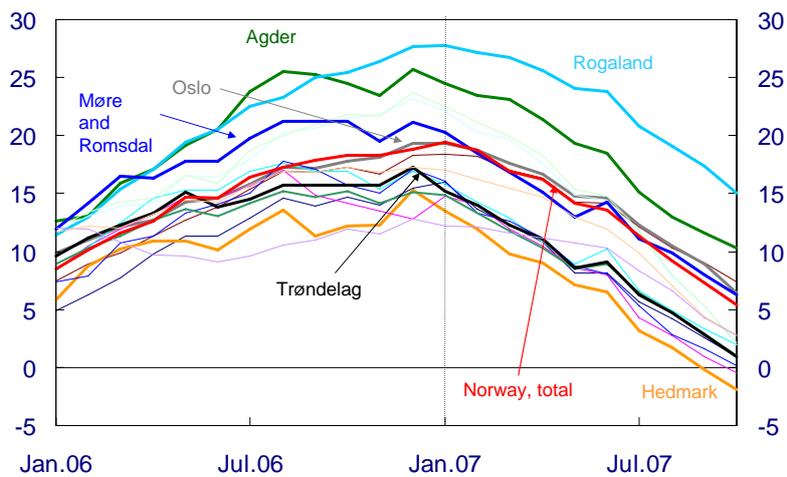
Change in 3-month moving average. Annual rate. Per cent



Sources: Norwegian Association of Real Estate Agents, Association of Real Estate Agency Firms, FINN.no, Econ Pöyry, Statistics Norway and Norges Bank 11

### Regional house prices

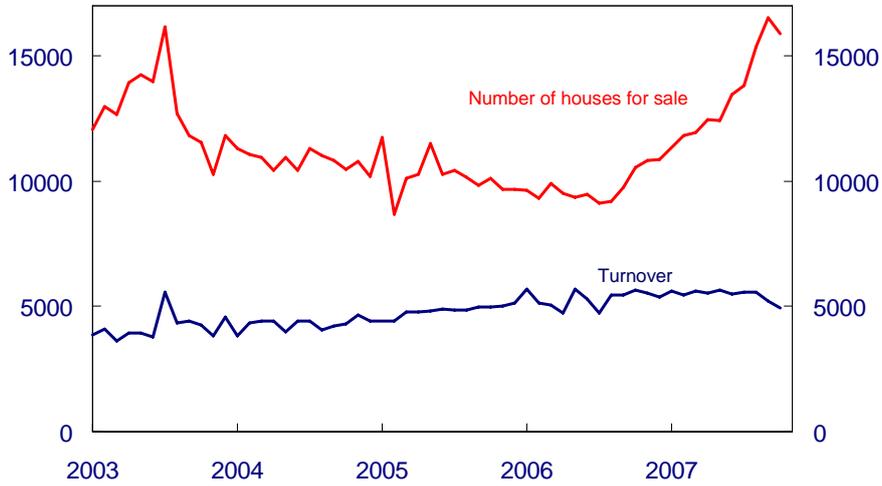
12-month change. Per cent. January 2006 – October 2007



Sources: Norwegian Association of Real Estate Agents, Association of Real Estate Agency Firms, FINN.no, Econ Pöyry, Statistics Norway and Norges Bank 12

### Turnover and number of houses for sale

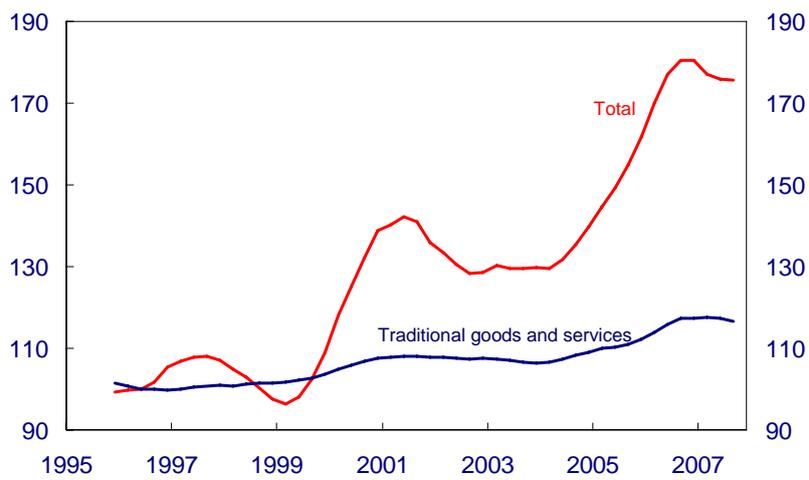
Seasonally adjusted. January 2003 – October 2007



Sources: Norwegian Association of Real Estate Agents, Association of Real Estate Agency Firms, FINN.no and Econ Pöyry 13

### Terms of trade

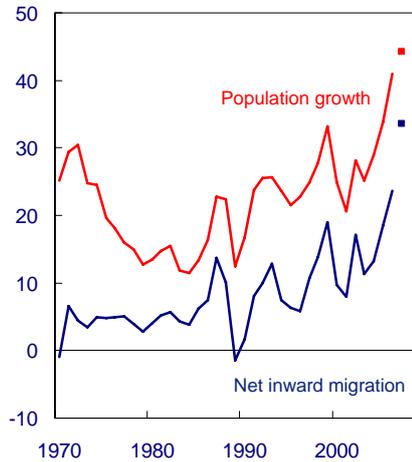
Index, 95 Q4 = 100. 4-quarter moving average



Sources: Statistics Norway and Norges Bank 14

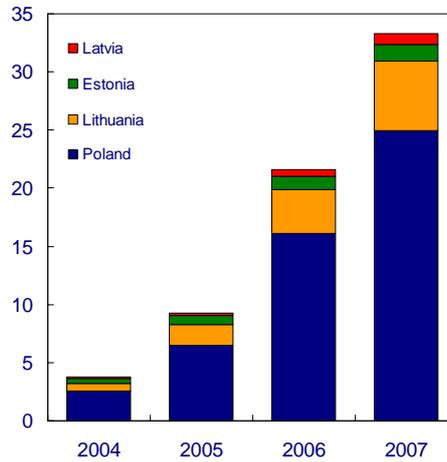
### Population growth and net inward migration

In thousands. 1970-2007<sup>1)</sup>



### Registered employees from new EU countries

1000s of persons in the period Jan.-Oct.

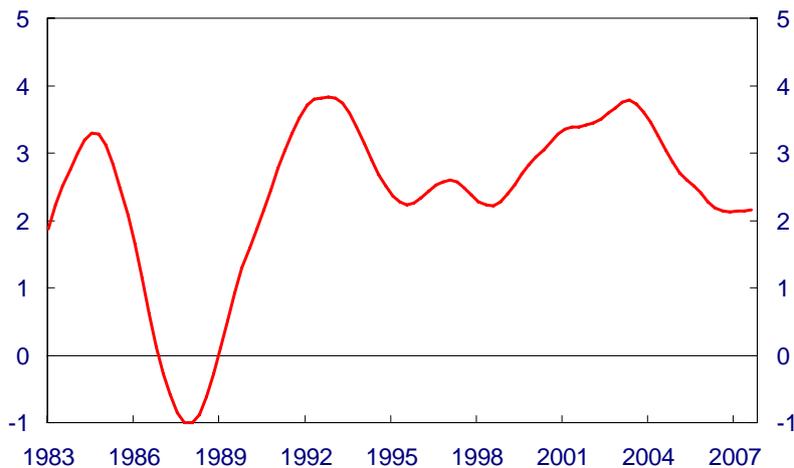


<sup>1)</sup> Estimate 2007 calculated as sum 06 Q4 – 07 Q3.

Sources: Statistics Norway and Central Office - Foreign Tax Affairs 15

### Productivity growth in the business sector<sup>1)</sup>

Trend. Annual growth in per cent

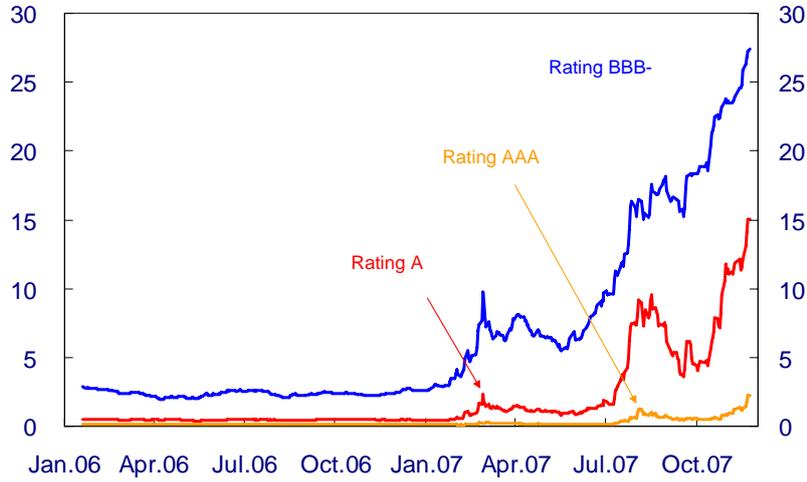


<sup>1)</sup> Mainland Norway excluding public sector, export industry, electricity supply and housing services.

Sources: Statistics Norway and Norges Bank 16

### Credit spreads on US subprime asset-backed securities

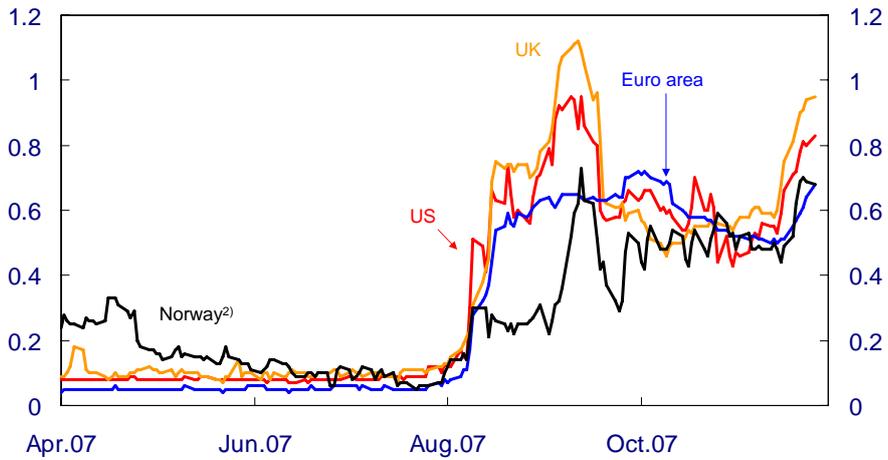
First half of 2006 vintage. Percentage points



Source: Lehman Brothers 17

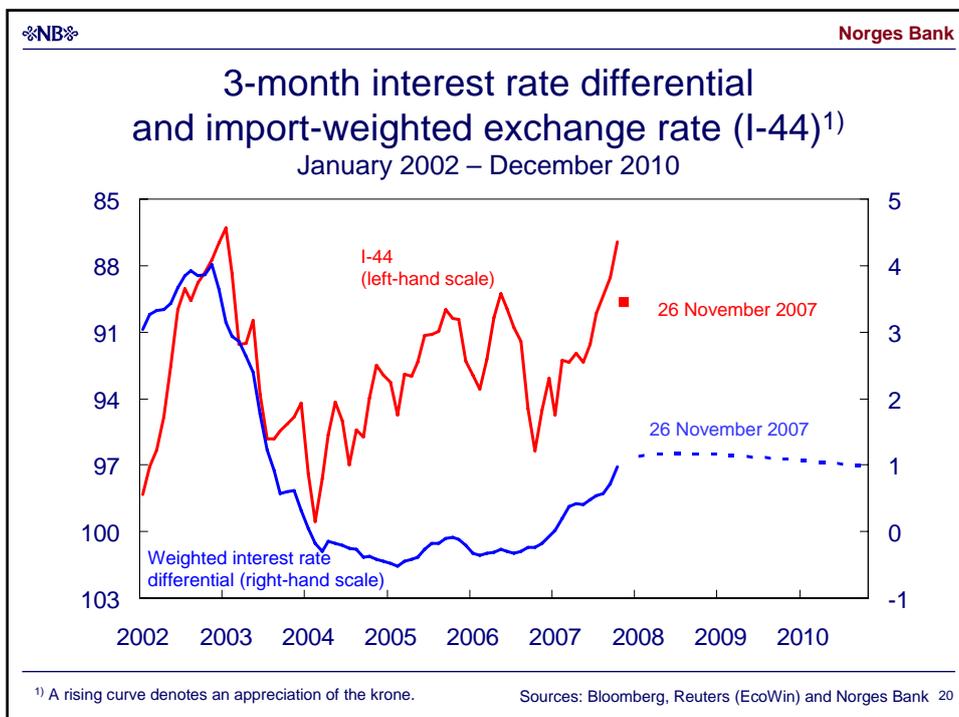
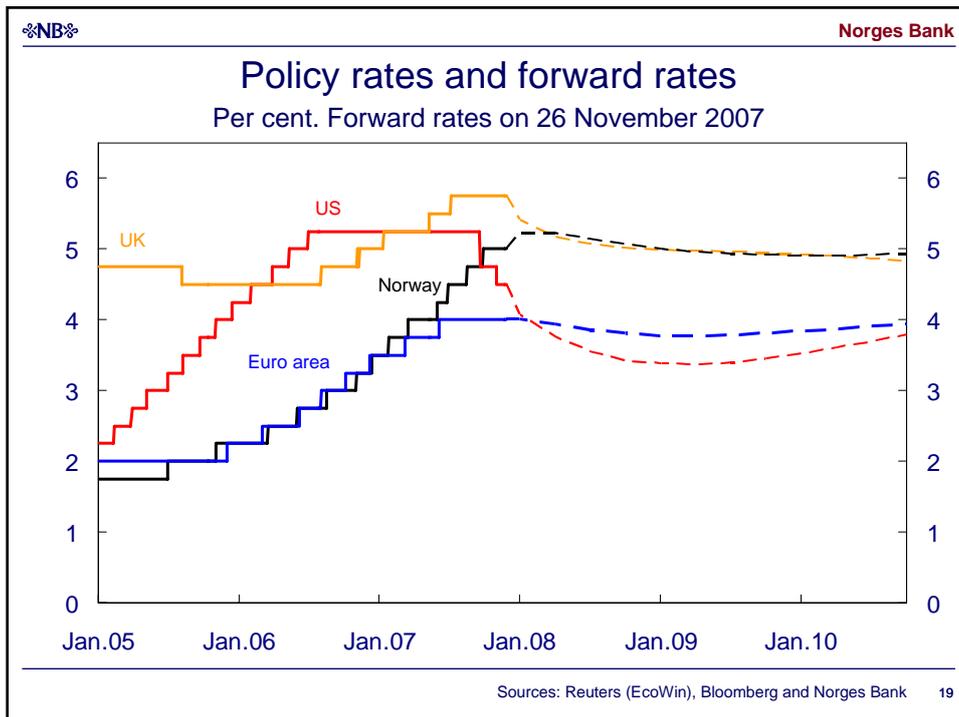
### Spreads between 3-month money market rates and expected key rates<sup>1)</sup>

Percentage points



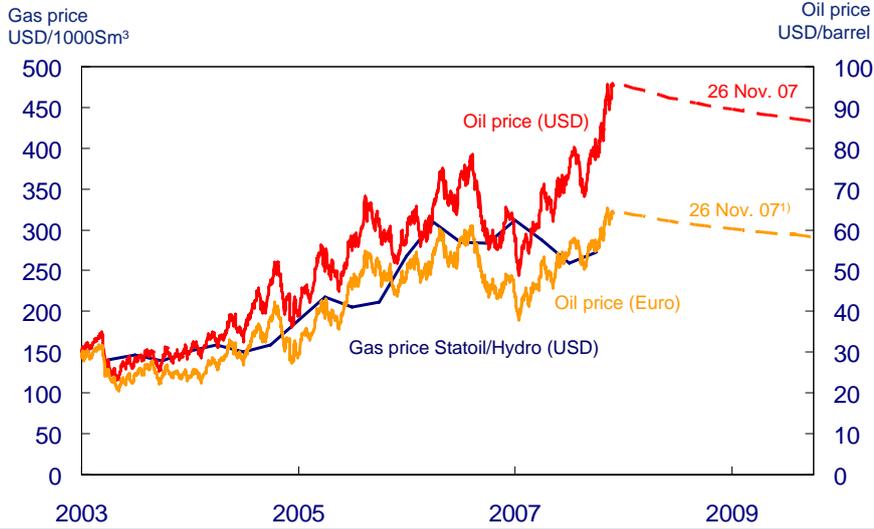
<sup>1)</sup> The expected key rate is measured by Overnight indexed swap (OIS).  
<sup>2)</sup> Estimates.

Sources: Bloomberg and Norges Bank 18



<sup>1)</sup> A rising curve denotes an appreciation of the krone.

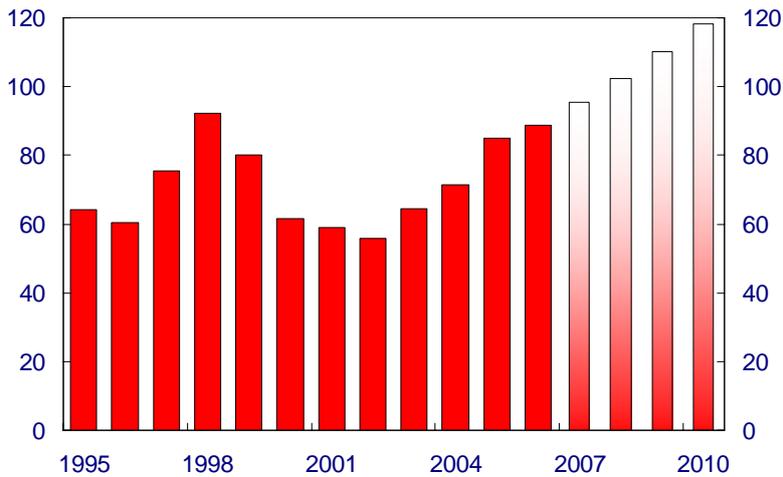
### Oil price (Brent Blend) and gas price Per barrel in USD and euro. 1 Januar 2003 – 1 May 2010



<sup>1)</sup> Futures prices in euros are calculated on the basis of the exchange rate on 26 November 2007.

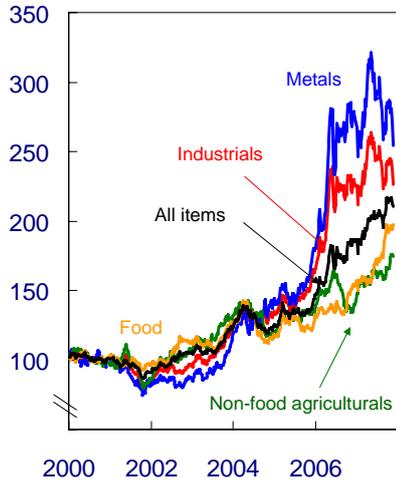
Sources: Reuters (EcoWin), Statoil, Norsk Hydro and Norges Bank

### Investment in oil and gas recovery including pipeline transport Investment level in billions of NOK (constant 2004-prices)



Sources: Statistics Norway and Norges Bank

International commodity prices in USD  
Index, 2000 = 100

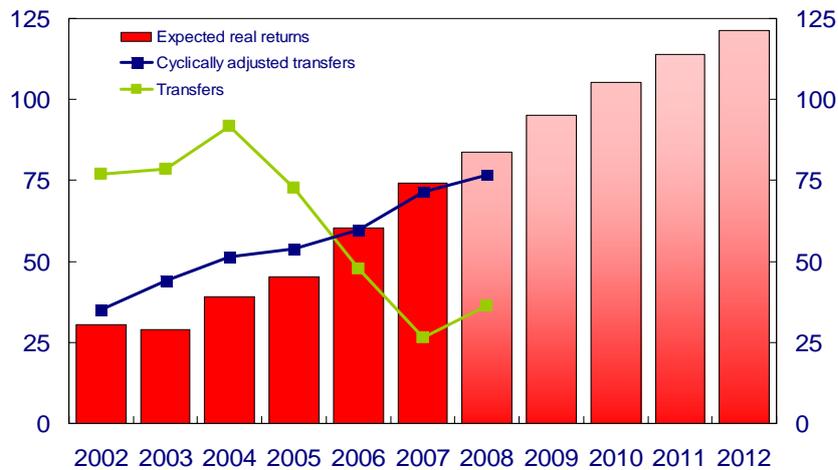


Price of fresh Norwegian salmon  
In NOK



Sources: Reuters (EcoWin), The Economist and Statistics Norway 23

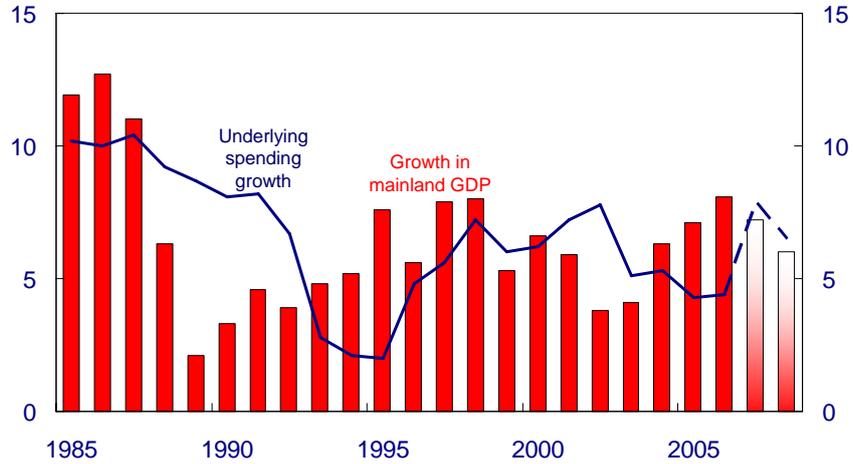
Government Pension Fund - Global  
Transfers to government budget and expected real returns  
In billions of 2008-kroner



Source: Ministry of Finance (National Budget 2008) 24

### Underlying growth in spending over government budget and growth in mainland GDP

Per cent. 1985 – 2008<sup>1)</sup>

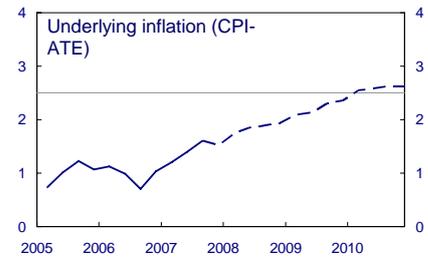
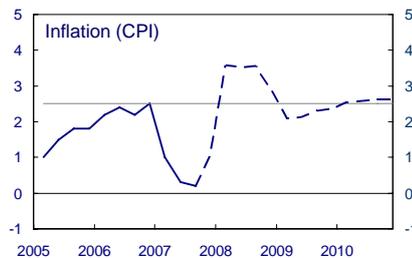
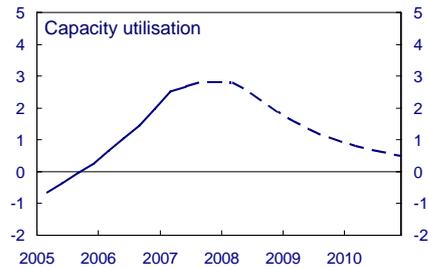
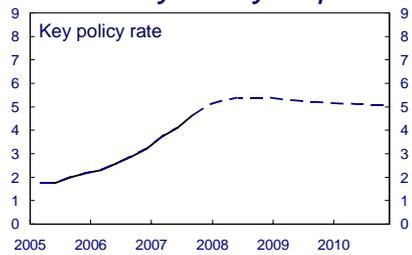


<sup>1)</sup> Estimates for 2007 and 2008 from Ministry of Finance

Sources: Ministry of Finance (National Budget 2008) and Statistics Norway

### Baseline scenario

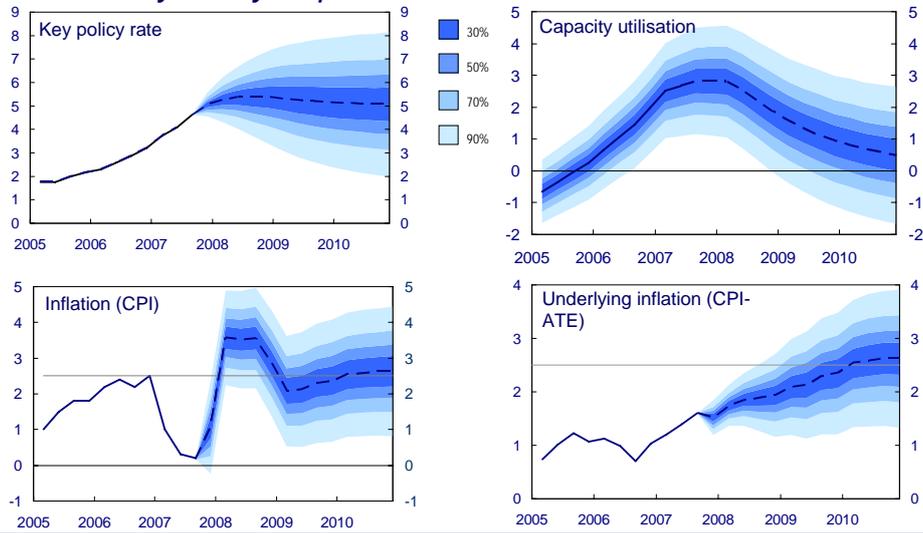
Monetary Policy Report 3/07. Per cent. 2005 Q1 – 2010 Q4



Sources: Statistics Norway and Norges Bank

# Baseline scenario

Monetary Policy Report 3/07. Per cent. 2005 Q1 – 2010 Q4



Sources: Statistics Norway and Norges Bank 27