



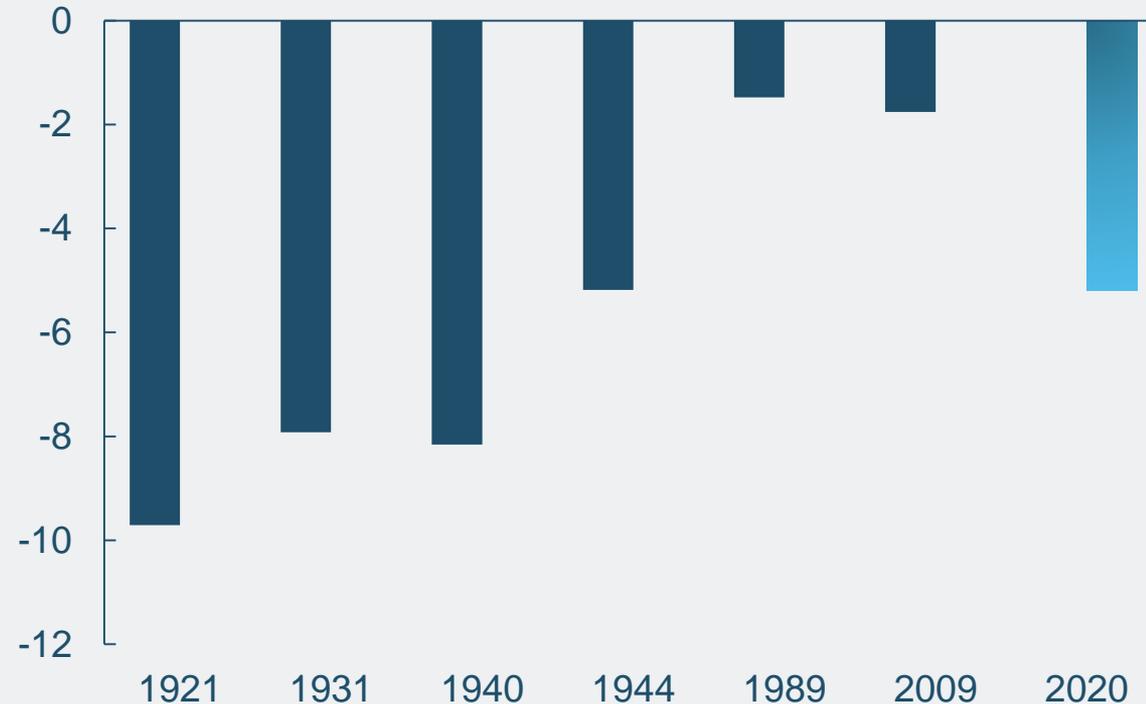
A HISTORICALLY DEEP DECLINE

GOVERNOR ØYSTEIN OLSEN

12 May 2020

A historically deep decline

Growth in mainland GDP.¹⁾ Percent



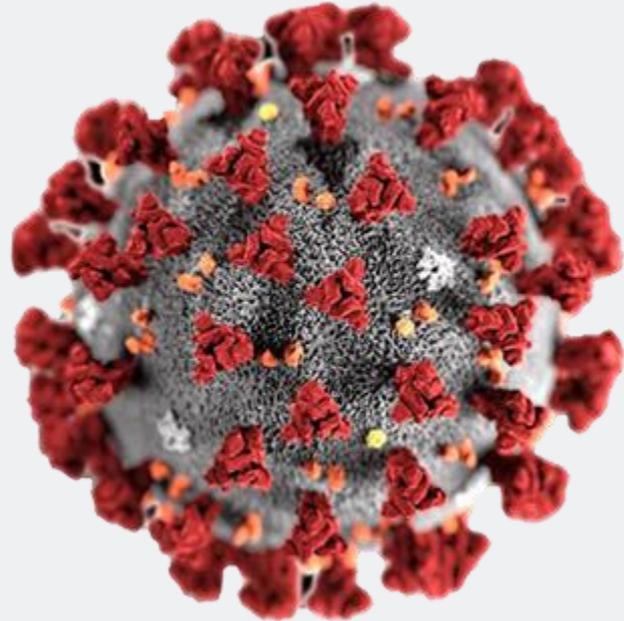
1) Projections for 2020 from *Monetary Policy Update, May 2020*.

Sources: Statistics Norway and Norges Bank



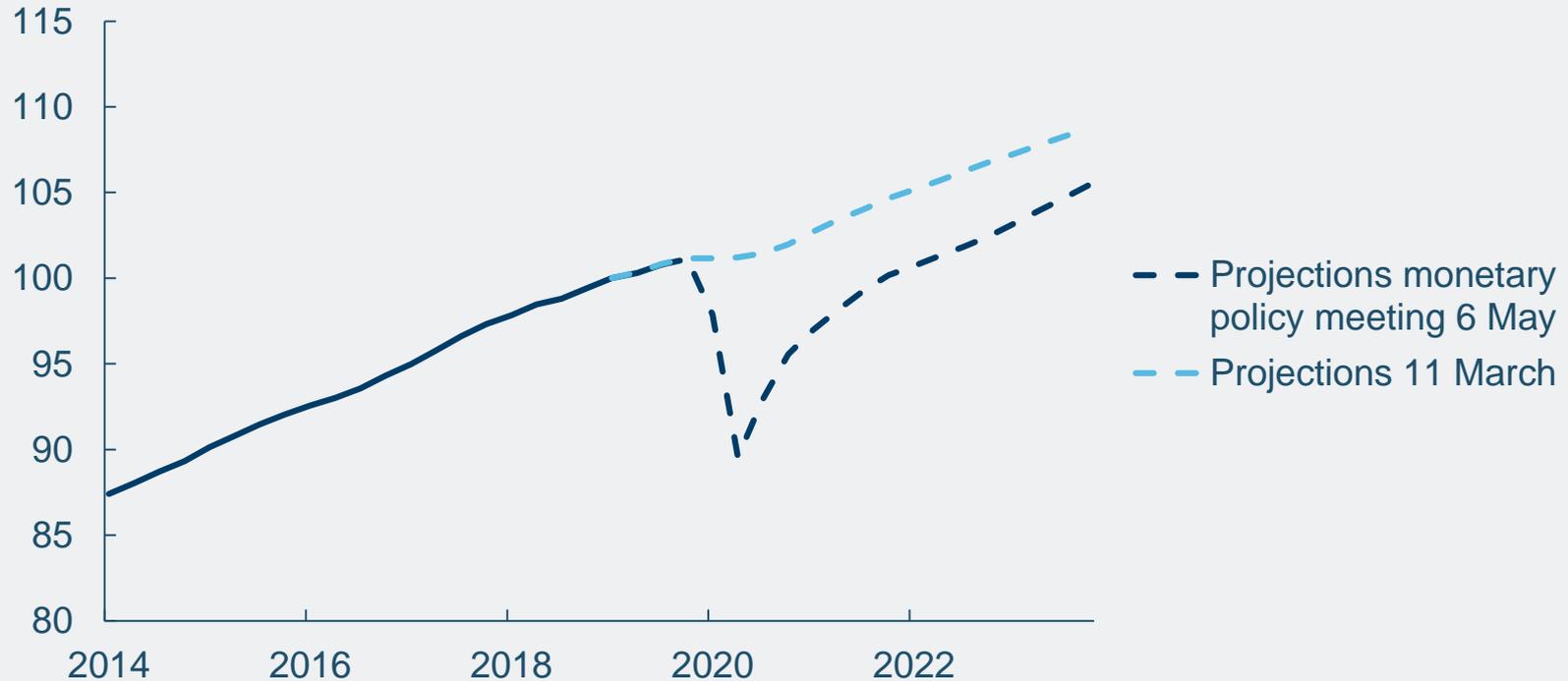
The coronavirus – a global crisis

- Nearly 4 million confirmed infected and over 250,000 dead
- Strict measures to curb the spread of infection
- Uncertainty affects people's behaviour



Abrupt and deep decline in the global economy

GDP trading partners.¹⁾ Index. Q1 2019 = 100

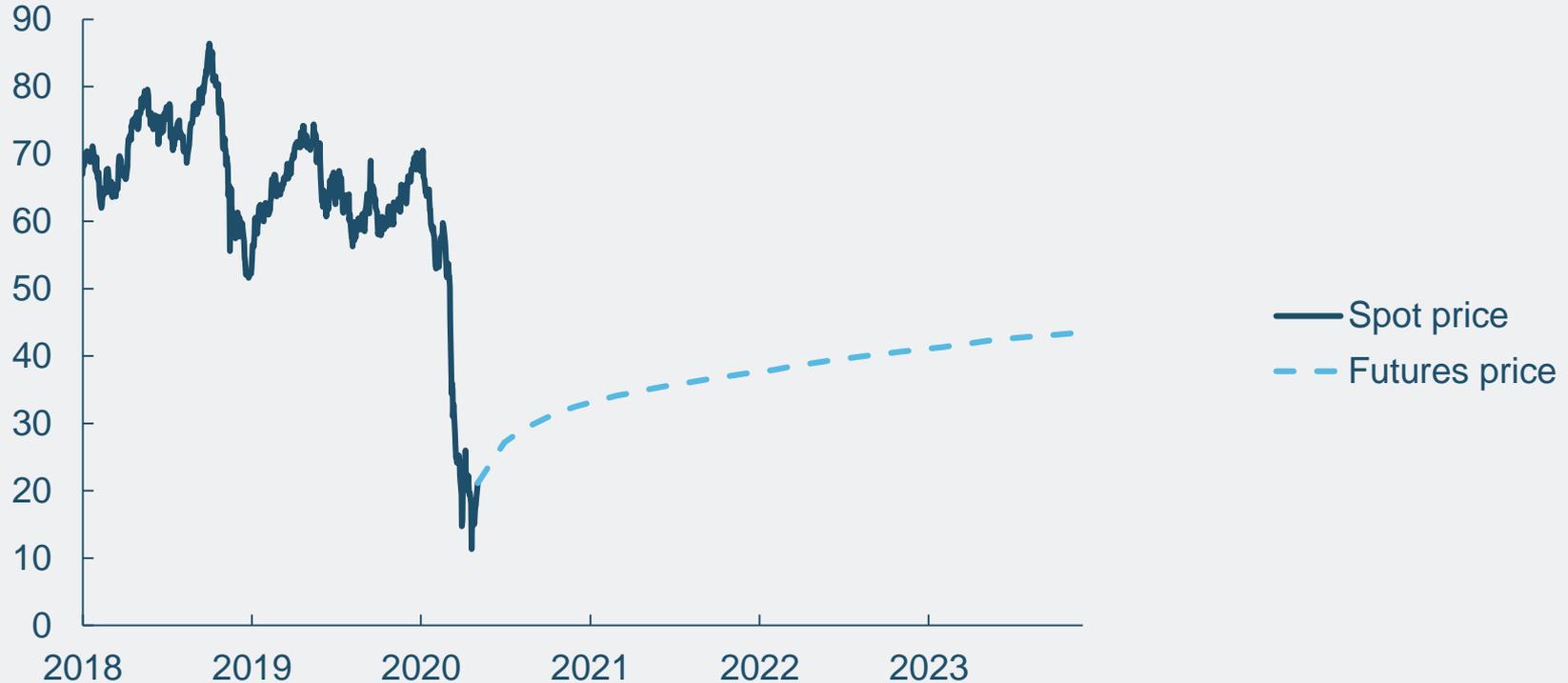


1) Projections from *Monetary Policy Report 1/20* and *Monetary Policy Update*, May 2020.
Sources: Refinitiv Datastream and Norges Bank



Marked fall in oil prices

USD per barrel



Substantial krone depreciation

Import-weighted exchange rate index (I-44)

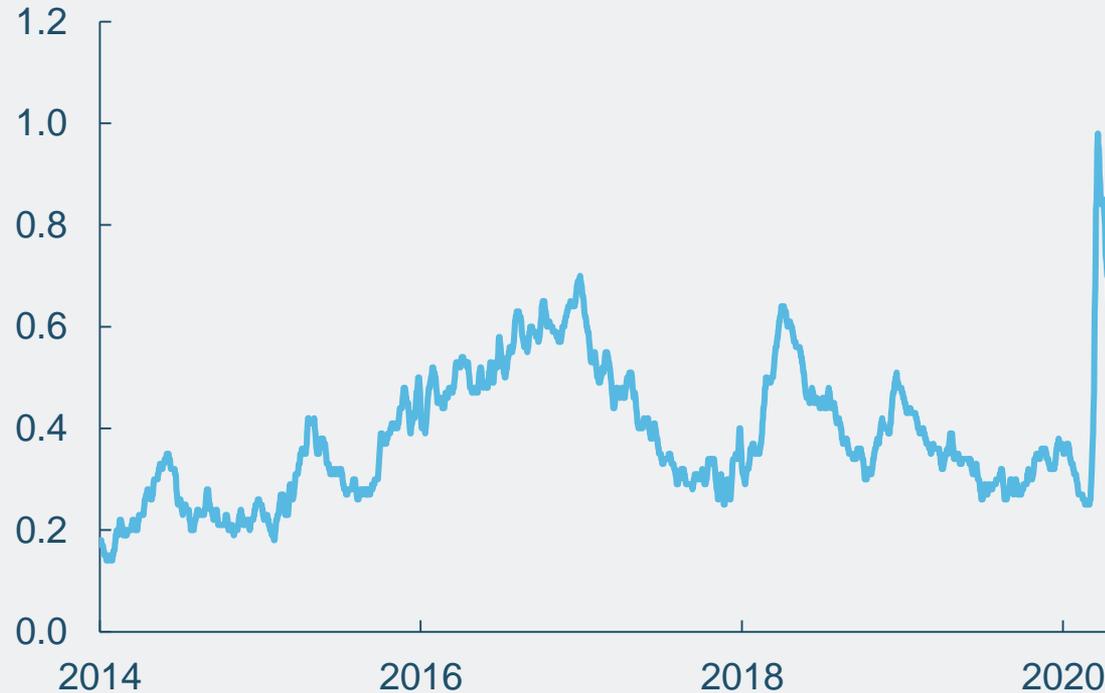


Source: Norges Bank



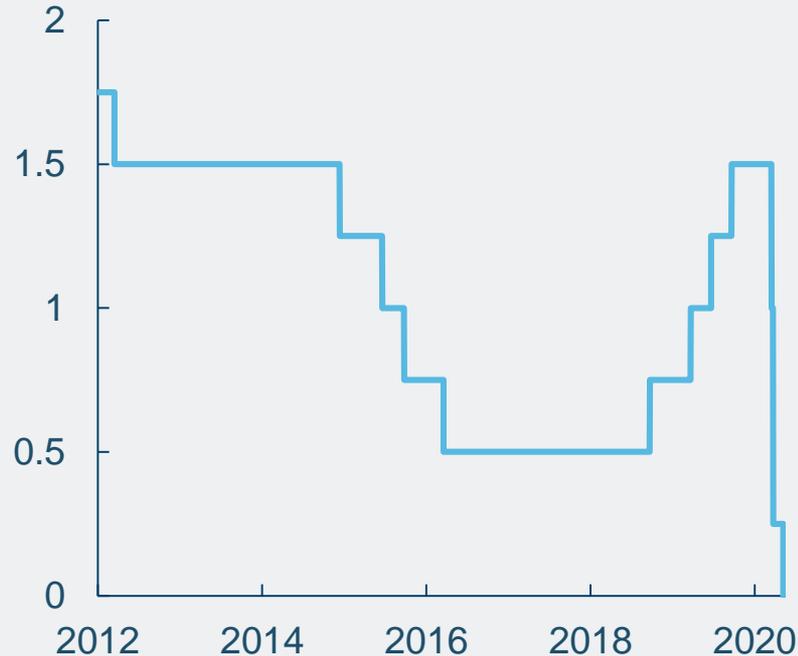
Market turbulence led to spike in money market premiums

Premium in three-month Nibor. Percentage points



Low interest rates can help dampen the downturn

Norges Bank policy rate



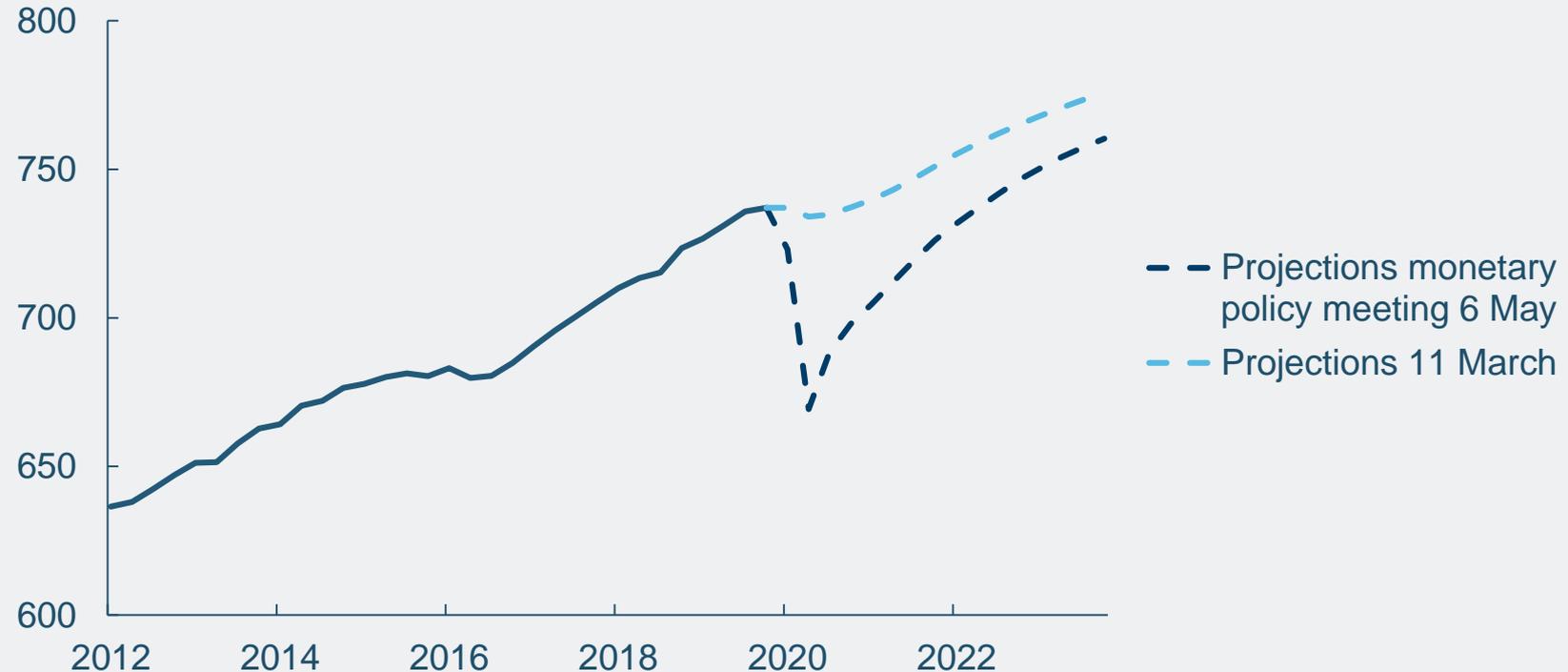
Monetary policy meeting, 6 May

- The outlook and the balance of risks imply a very expansionary monetary policy stance
- Policy rate is reduced to zero percent and will most likely remain at today's level for some time ahead
- The Committee does not envisage making further policy rate cuts



Activity will pick up gradually

Quarterly mainland GDP.¹⁾ In billions of NOK

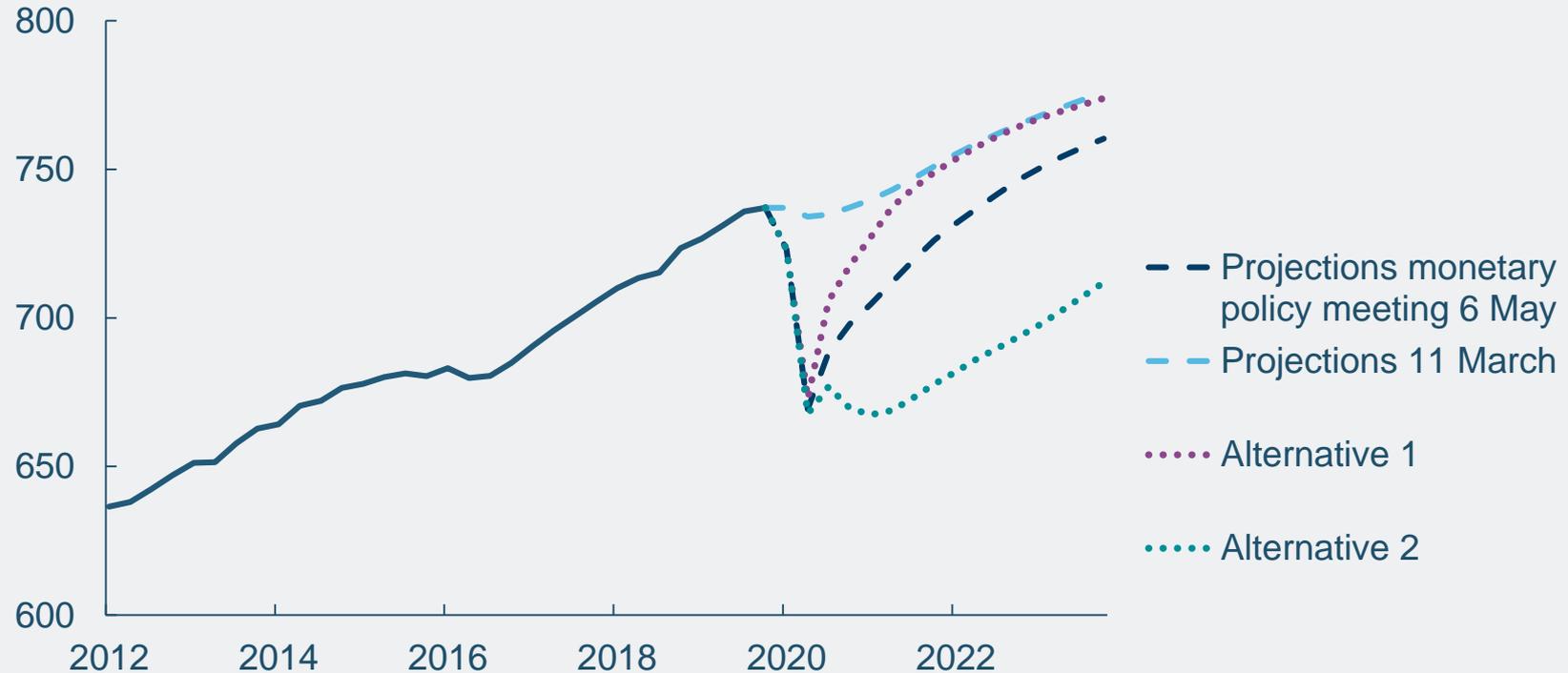


1) Projections from *Monetary Policy Report 1/20* and *Monetary Policy Update*, May 2020.
Sources: Statistics Norway and Norges Bank



Uncertainty unusually high

Quarterly mainland GDP.¹⁾ In billions of NOK



1) Projections from *Monetary Policy Report 1/20* and *Monetary Policy Update*, May 2020.
Sources: Statistics Norway and Norges Bank



Sharp fall in petroleum investment

Annual change.¹⁾ Percent

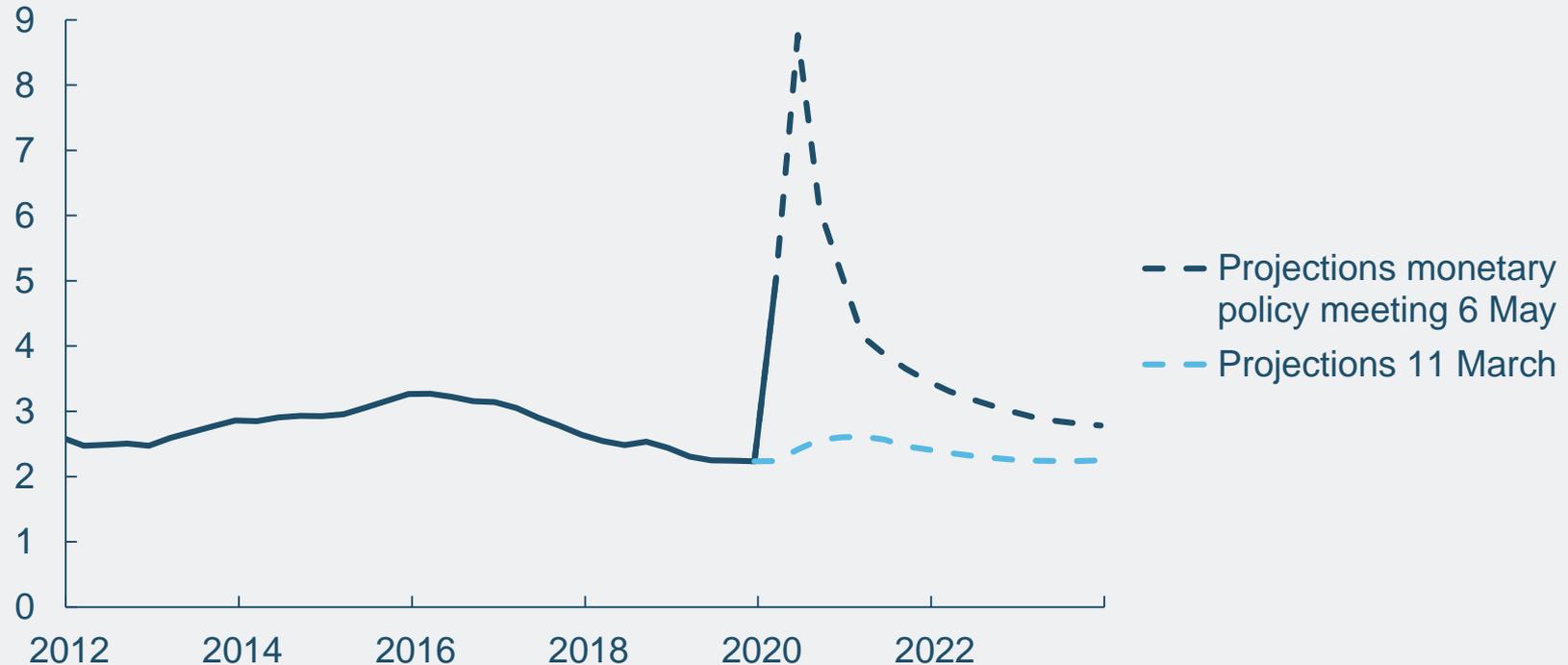


1) Projections from *Monetary Policy Report 1/20* and *Monetary Policy Update*, May 2020.
Sources: Statistics Norway and Norges Bank



Unemployment is expected to decline

Registered fully unemployed as share of the labour force.¹⁾ Percent

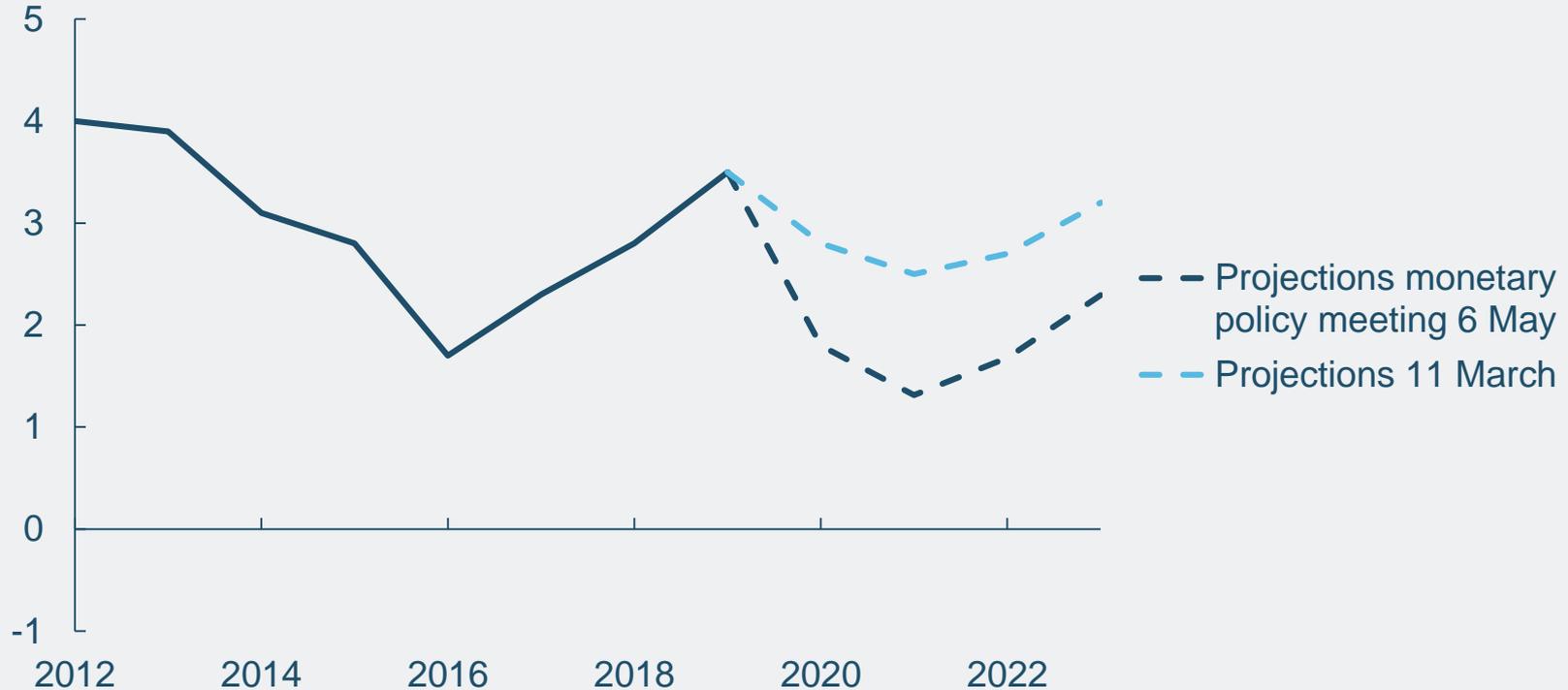


1) Projections from *Monetary Policy Report 1/20* and *Monetary Policy Update*, May 2020.
Sources: Norwegian Labour and Welfare Administration (NAV) and Norges Bank



Prospects for low wage growth

Annual change.¹⁾ Percent

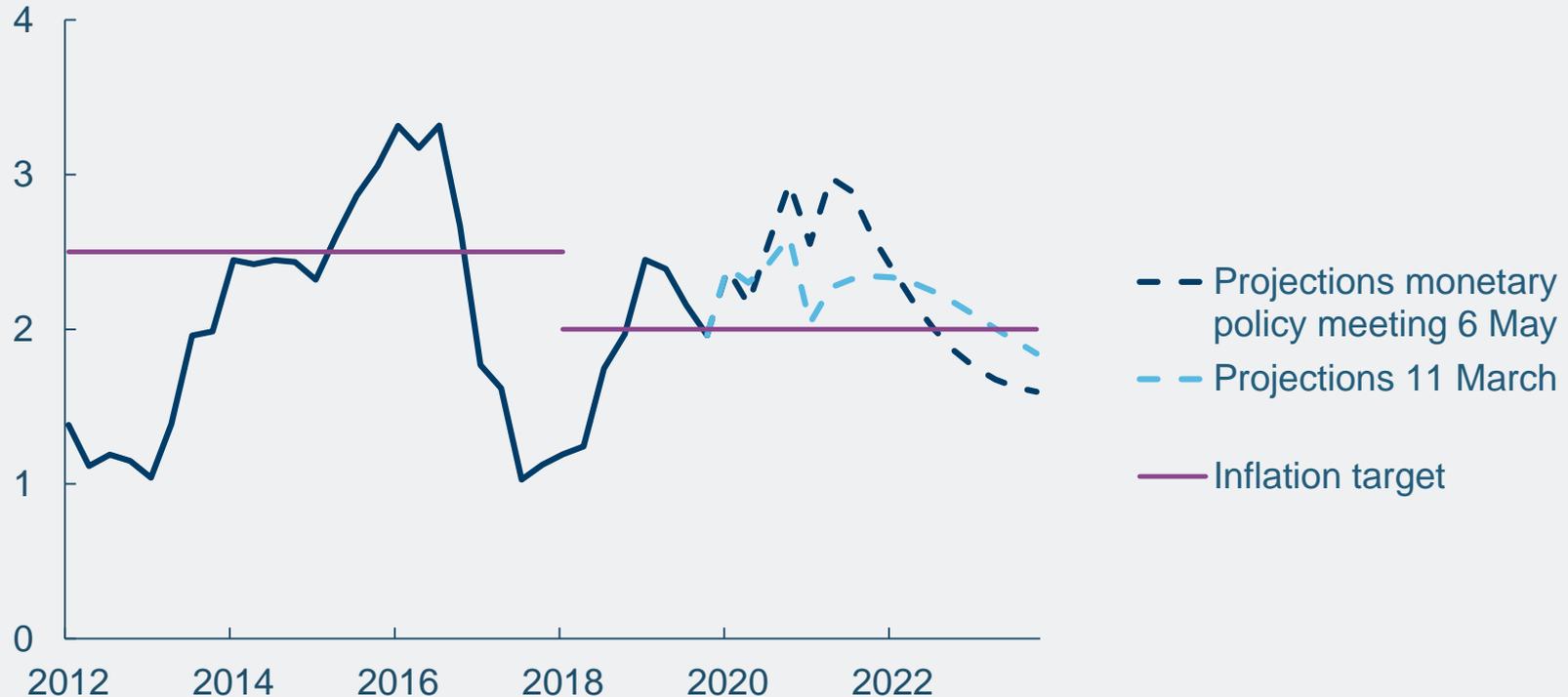


1) Projections from *Monetary Policy Report 1/20* and *Monetary Policy Update*, May 2020.
Sources: Statistics Norway and Norges Bank



Temporarily higher inflation

CPI-ATE.¹⁾ Four-quarter change. Percent



1) Projections from *Monetary Policy Report 1/20* and *Monetary Policy Update*, May 2020.
Sources: Statistics Norway and Norges Bank



Summary

- The Norwegian economy is in a historically deep downturn
- Uncertainty surrounding the economic outlook is unusually high
- The Norwegian economy is well able to deal with the crisis
 - Banks are able to absorb losses and have the capacity to lend
 - There is room for manoeuvre in economic policy
 - Strong fiscal measures have been implemented
 - The policy rate has been reduced
- Relief in a demanding situation for businesses and households
- Can contribute to a faster recovery





A HISTORICALLY DEEP DECLINE

GOVERNOR ØYSTEIN OLSEN

12 May 2020