

THE ECONOMIC OUTLOOK

GOVERNOR ØYSTEIN OLSEN

Oslo, 13 April 2021

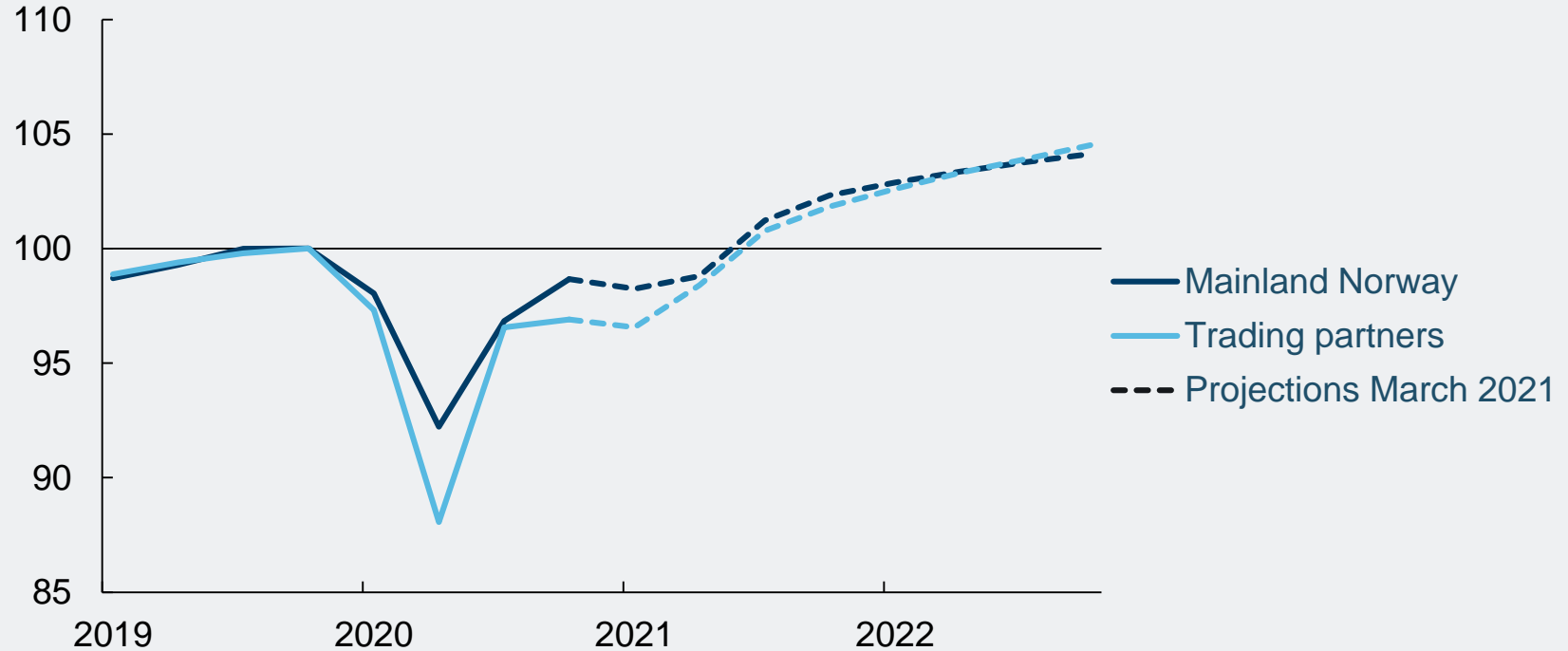
Main points

- Emerging from a deep decline
- Uneven effects of the pandemic
- Households have adjusted their spending and saving
- Policy rate decision



Emerging from a deep decline

GDP. Index¹⁾

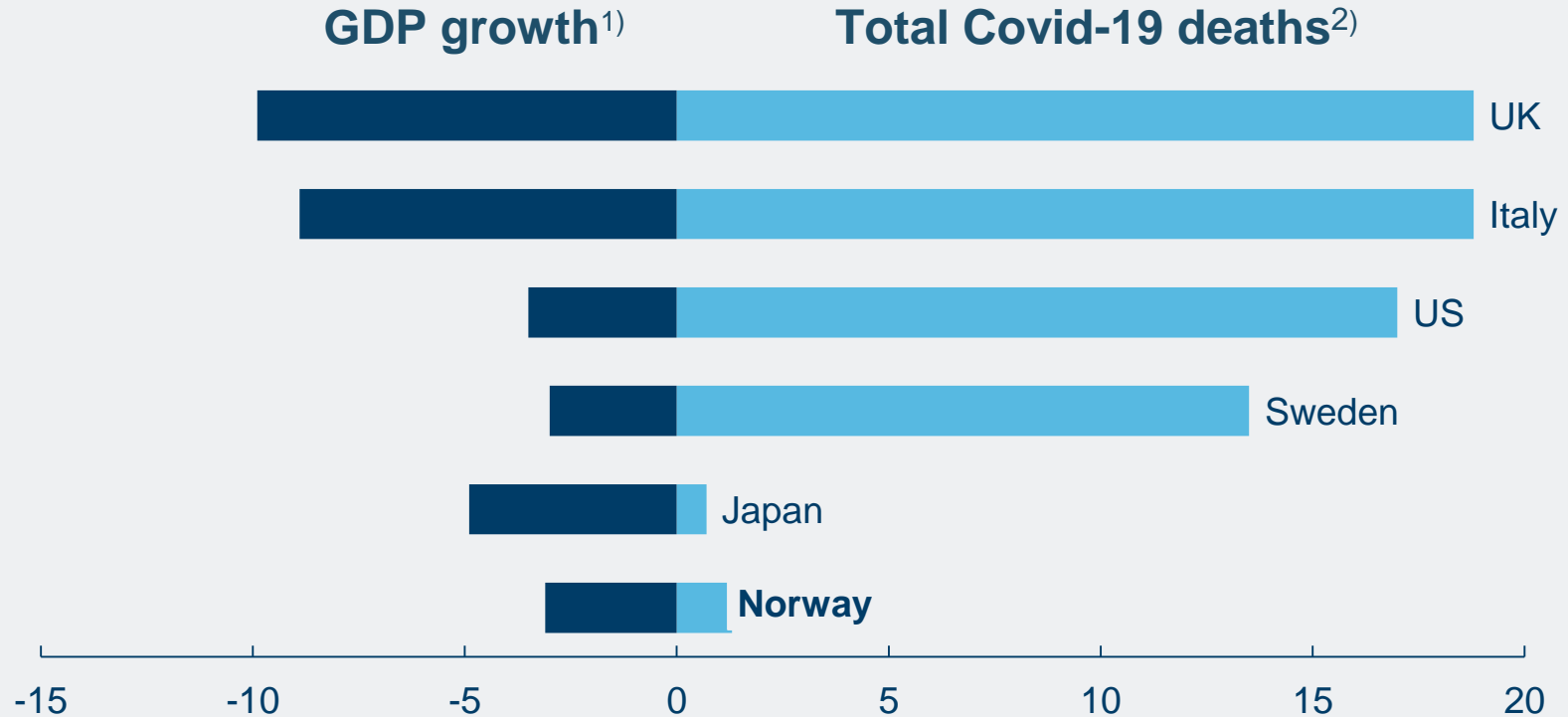


1) 2019 Q4 = 100.

Sources: Refinitiv Datastream, Statistics Norway and Norges Bank



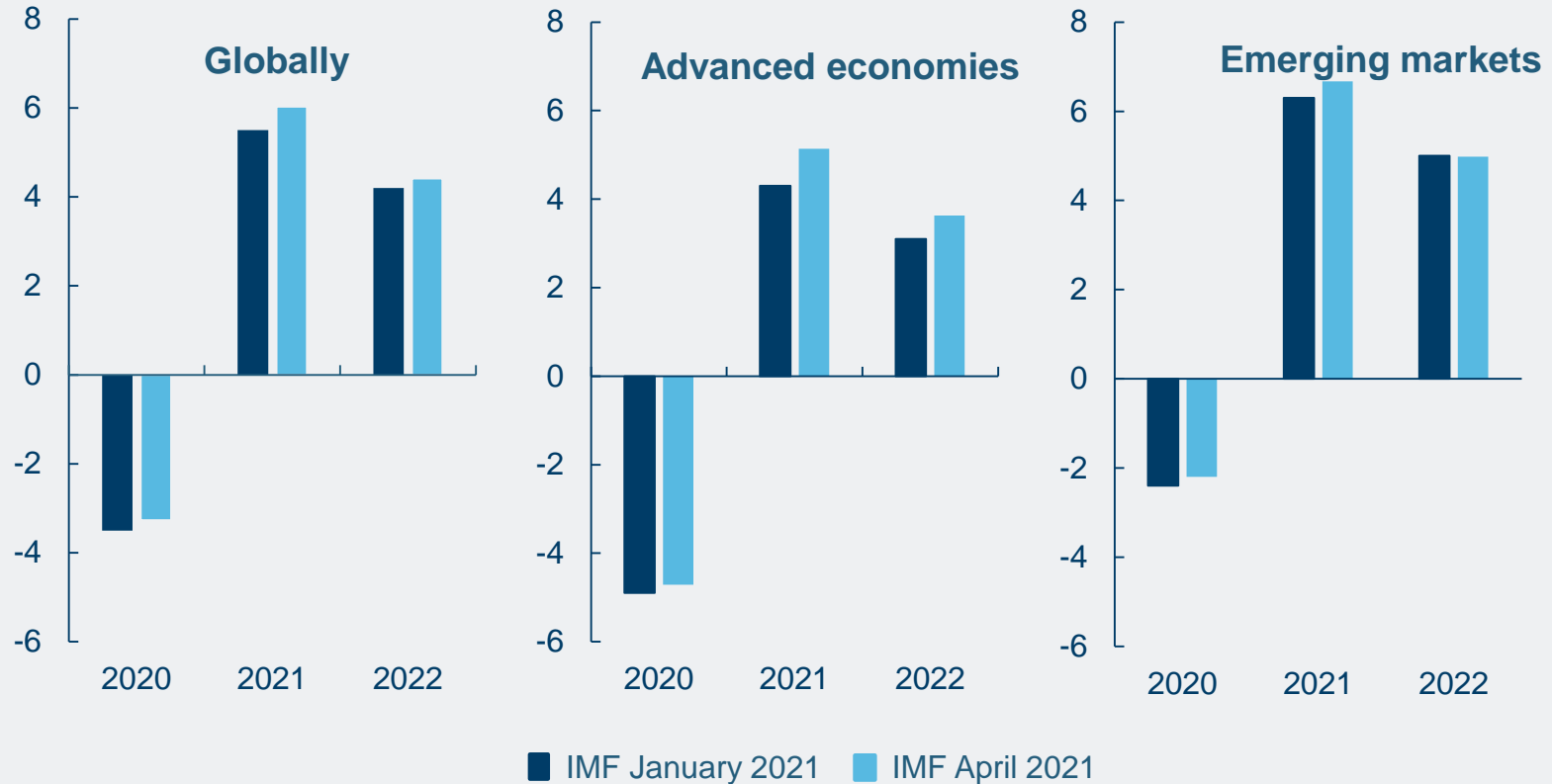
Many countries have been harder hit



1) 2020. Percent. 2) Number of deaths per 10 000 population.
Sources: IMF, Ourworldindata.org, Statistics Norway and Norges Bank



The IMF now expects higher growth¹⁾

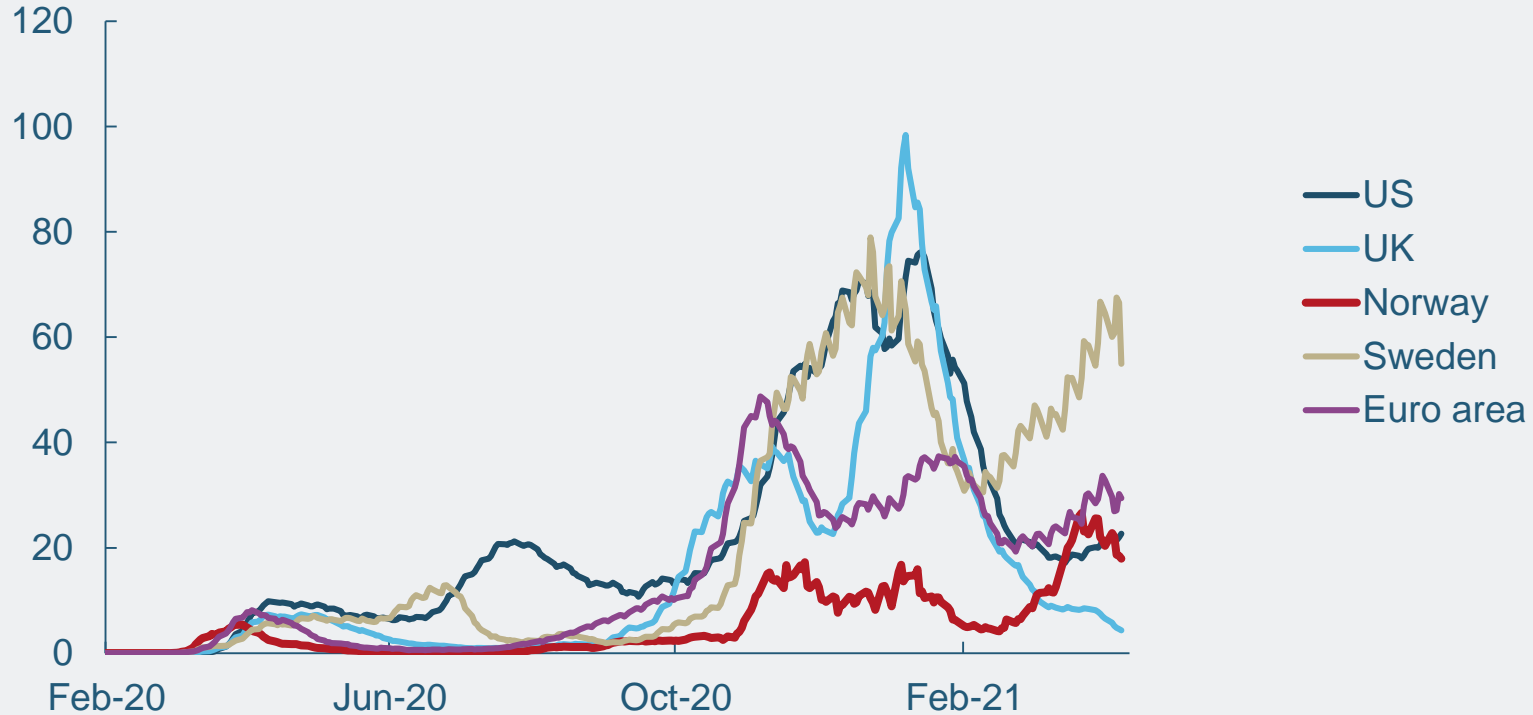


1) GDP. Annual growth. Percent.
Source: IMF



Infection rates a cause for concern...

New cases¹⁾



1) Per 100 000 population. Seven-day moving average.
Sources: Refinitiv Datastream and Norges Bank



... but vaccination is underway

COVID-19
Vaccine

injection only



Uneven effects of the pandemic

Output growth over the past three months¹⁾



1) Annualised. Percent
Source: Norges Bank's Regional Network



Unemployment remains high

Registered unemployment¹⁾

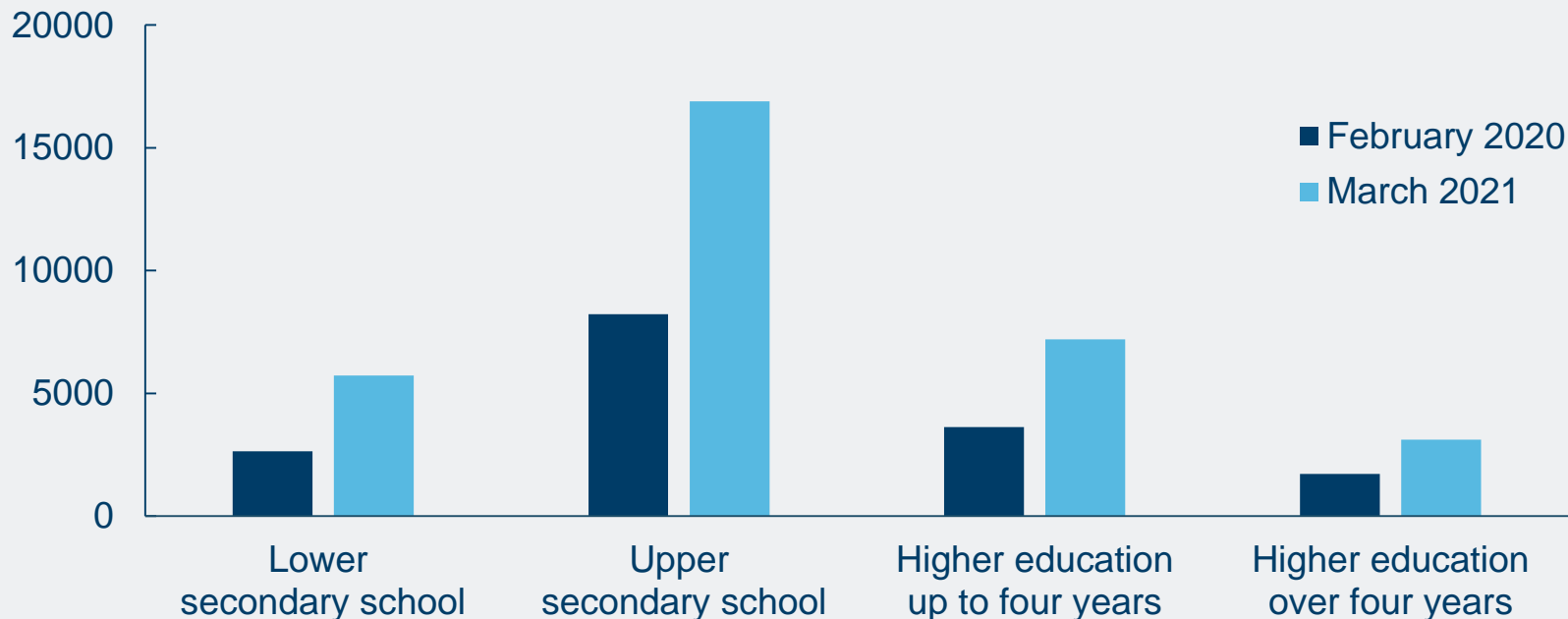


1) As a percentage of the labour force.
Source: Norwegian Labour and Welfare Administration (NAV)

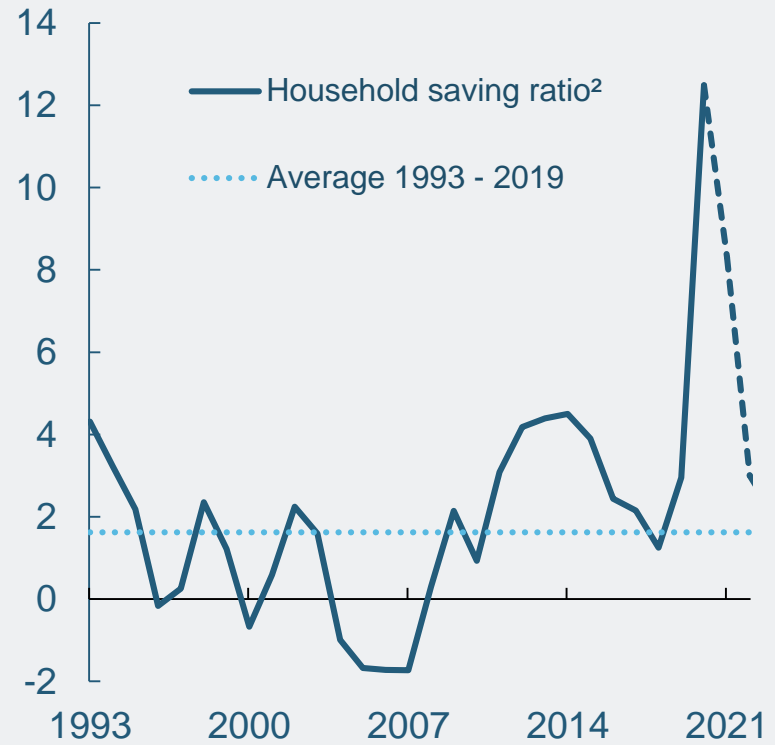
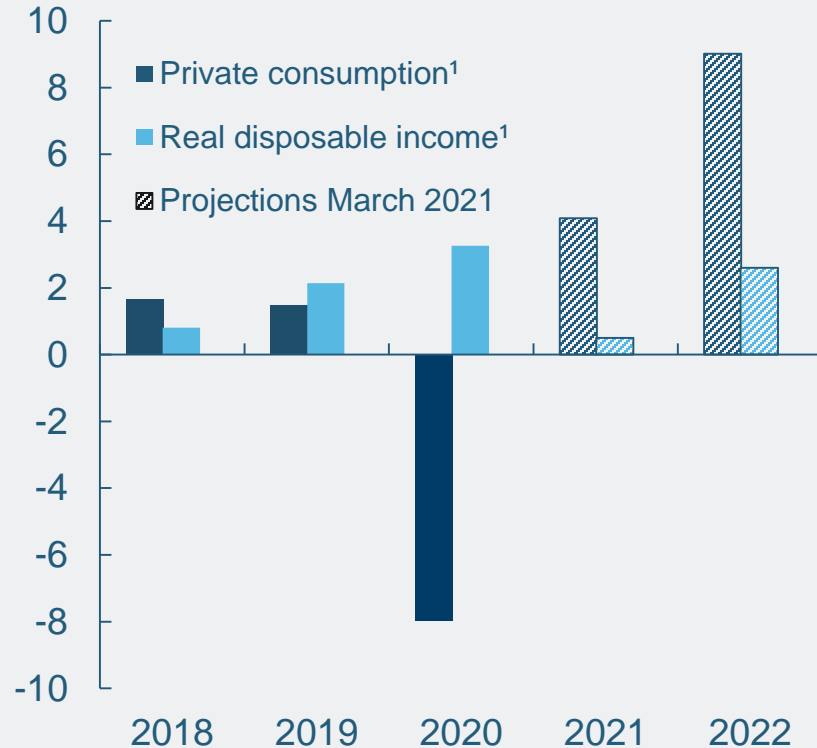


More long-term unemployed with low education levels

Long-term unemployed. In number of persons



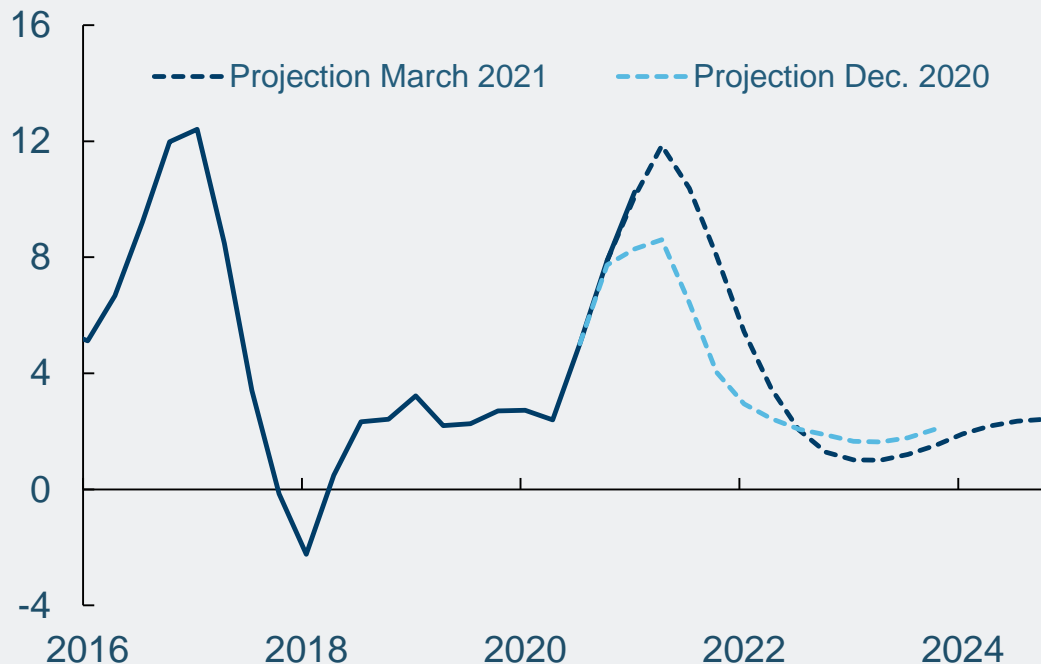
Adjustments in consumption and saving



1) Percentage change 2) Saving ratio excluding dividends. As a percentage of disposable income.
Sources: Statistics Norway and Norges Bank



House price inflation¹⁾ higher than expected



Fundamental drivers

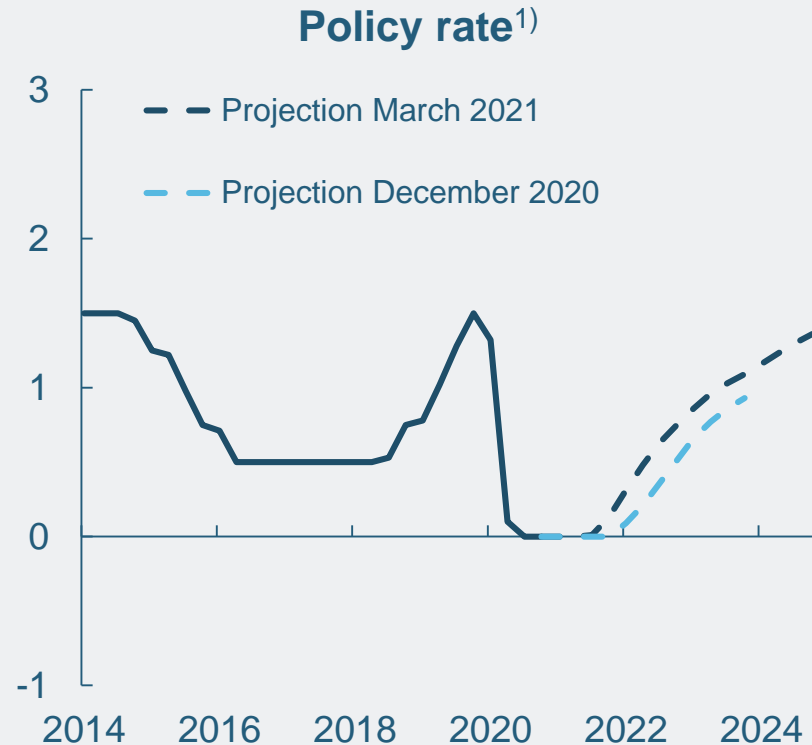
- Low residential mortgage rates
- During the pandemic: Remote working and limited consumption opportunities
- Limited housing supply in central areas

1) Four-quarter change. Percent.

Sources: Eiendomsverdi, Finn.no, Real Estate Norway and Norges Bank



Policy rate decision – March 2021



- Low interest rates contribute to speeding up the return to more normal output and employment levels.
- House prices have risen markedly since spring 2020. A long period of low interest rates increases the risk of a build-up of financial imbalances.
- The overall outlook and balance of risks imply a continued expansionary monetary policy stance.
- When there are clear signs that economic conditions are normalising, it will again be appropriate to raise the policy rate gradually from today's level.



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