Executive Board meeting
23 January 2008

The Executive Board’s strategy

- The key policy rate should be in the interval 4¾ - 5¾% in the period to the publication of the next Monetary Policy Report on 13 March 2008, unless the Norwegian economy is exposed to major shocks. Given the inflation target, we will be mindful of the effects of higher interest rates on the krone exchange rate when inflation is low.
Baseline scenarios in Monetary Policy Report 3/07

Key policy rate

Inflation (CPI)

Output gap

Underlying inflation (CPI-ATE)

Sources: Statistics Norway and Norges Bank

CPI-ATE¹)

Total and by imported and domestically produced goods and services²).
Projections in MPR 3/07 (broken line). 12-month change. In per cent

¹) CPI adjusted for tax changes and excluding energy products
²) Norges Bank’s calculations

Sources: Statistics Norway and Norges Bank
Inflation indicators

Source: Statistics Norway

CPI-ATE
Highest and lowest monthly change in the period 1999 – 2006 and monthly change in 2006\(^1\) and 2007. In per cent

\(^1\) January 2006 has been adjusted for lower maximum day-care rates

Sources: Statistics Norway and Norges Bank
Domestic supplier sectors in the CPI-ATE

Services where wages are the dominant factor (7 %)
Rent (20 %)
Domestically produced consumer goods (24 %)
Other services (18 %)

Sources: Statistics Norway and Norges Bank

Labour market

Employment
In 1000s

Unemployment
In per cent. Seasonally adjusted

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

1) The changes to the LFS have resulted in a break in the time series between 2005 and 2006.
Population growth and net inward migration in Norway

In thousands

Sources: Statistics Norway and the Central Office – Foreign Tax Affairs

Registered employed from new EU countries

In thousands. Jan - Dec 2007

Sources: Statistics Norway and the Central Office – Foreign Tax Affairs

Population growth and net inward migration in Ireland

In thousands

Sources: Central Statistics Office Ireland and Department of Social and Family Affairs

Issued social security numbers to persons from new EU countries

In thousands. Jan - Oct 2007

Sources: Central Statistics Office Ireland and Department of Social and Family Affairs
Index of commodity consumption

Regional house prices

Sources: Norwegian Association of Real Estate Agents, Association of Real Estate Agency Firms, FINN.no, ECON Pöyry, Statistics Norway and Norges Bank
Key policy rate, money market rate\(^1\) and banks’ lending rate on new loans\(^2\)
In per cent. 2 Jul 2007 – 21 Jan 2008

\(^1\) 3-month NIBOR
\(^2\) Interest rates on new mortgage loans for NOK 1 million within 60% of purchase price with floating interest rate. Figures for the 20 largest banks, weighted according to market share.

Sources: Norsk familieøkonomi AS and Norges Bank

Projections for GDP growth in the US in 2008
In per cent. Aug 2007 – Jan 2008

\(^1\) OECD projections from EO 81, May 2007 and EO 82, December 2007, indicated by grey dots.

Sources: Consensus Economics, IMF and OECD
The US housing market
Jan 1959 – Dec 2007

- Housing starts\(^1\)
  (left-hand axis)
- Building permits\(^1\)
  (left-hand axis)
- Case-Shiller home price
  index\(^2\)
  (right-hand axis)

1\) 3-month moving average. In millions.
2\) Composite 10 Index, 12-month change. Per cent.

Unemployment and employment growth in the US
Seasonally adjusted unemployment.

Source: Reuters (EcoWin)
Equities
Indices 1 Jan 2007 = 100. 1 Jan 2007 – 22 Jan 2008

Oil price (Brent Blend). Spot and futures prices
In USD per barrel. 1 Jan 2003 – 1 Dec 2009

Source: Reuters (EcoWin) and Norges Bank
Commodity prices, metals
In SDRs. Indices. 3 Jan 2005 = 100. 3 Jan 2005 – 22 Jan 2008

Sources: Reuters (EcoWin), The Economist and Norges Bank

Commodity prices, food
In SDRs. Indices. 1 Jan 2005 = 100. 3 Jan 2005 – 22 Jan 2008

Sources: Reuters (EcoWin), The Economist and Norges Bank
Key rates and forward rates
In per cent. 12 Dec 2007 and 22 Jan 2008

Sources: Reuters and Norges Bank

Difference between three-month money market rates and expected key rates1)

1) The expected key rate is measured by the Overnight Indexed Swap (OIS).
2) Norges Bank’s projections.

Sources: Bloomberg, Reuters (EcoWin), Morgan Stanley and Norges Bank
Credit premiums on corporate bonds\(^1\)

Five-year maturity. In percentage points. 1 Jan 2004 – 22 Jan 2008

Source: Reuters (EcoWin)

1) Bonds with a BBB rating.

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Key policy rate in the baseline scenario and estimated forward rates\(^1\)

In per cent. At 22 Jan 2008

\(^1\) A credit risk premium and a technical difference of 0.20 percentage point have been deducted to make the forward rates comparable with the key policy rate.

Sources: Reuters and Norges Bank
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