



OUTLOOK FOR THE NORWEGIAN ECONOMY

DEPUTY GOVERNOR JON NICOLAISEN

Hamar, 29 September 2017

Topics

- The objective of monetary policy
- Outlook for the global economy
- Outlook for the Norwegian economy



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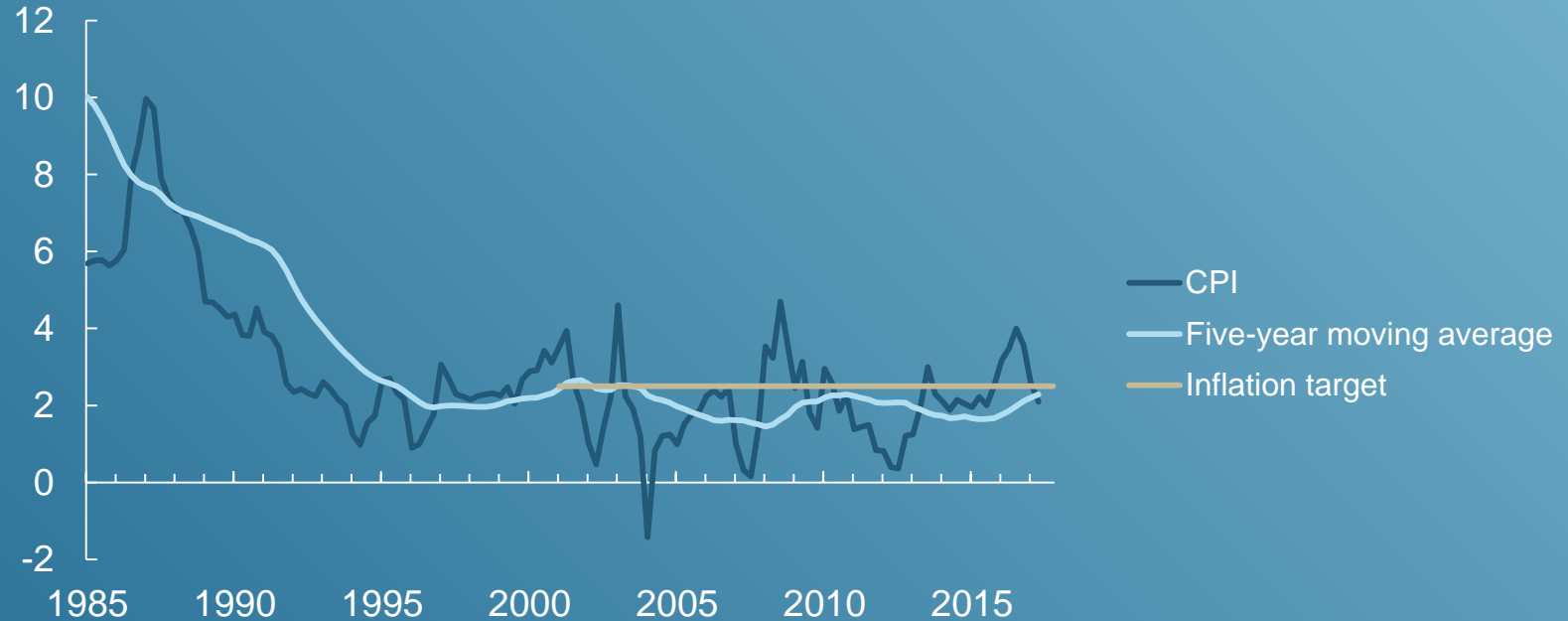


The objective of monetary policy

- Low and stable inflation
- Stable developments in output and employment
- Monetary policy must be robust



Low and stable inflation



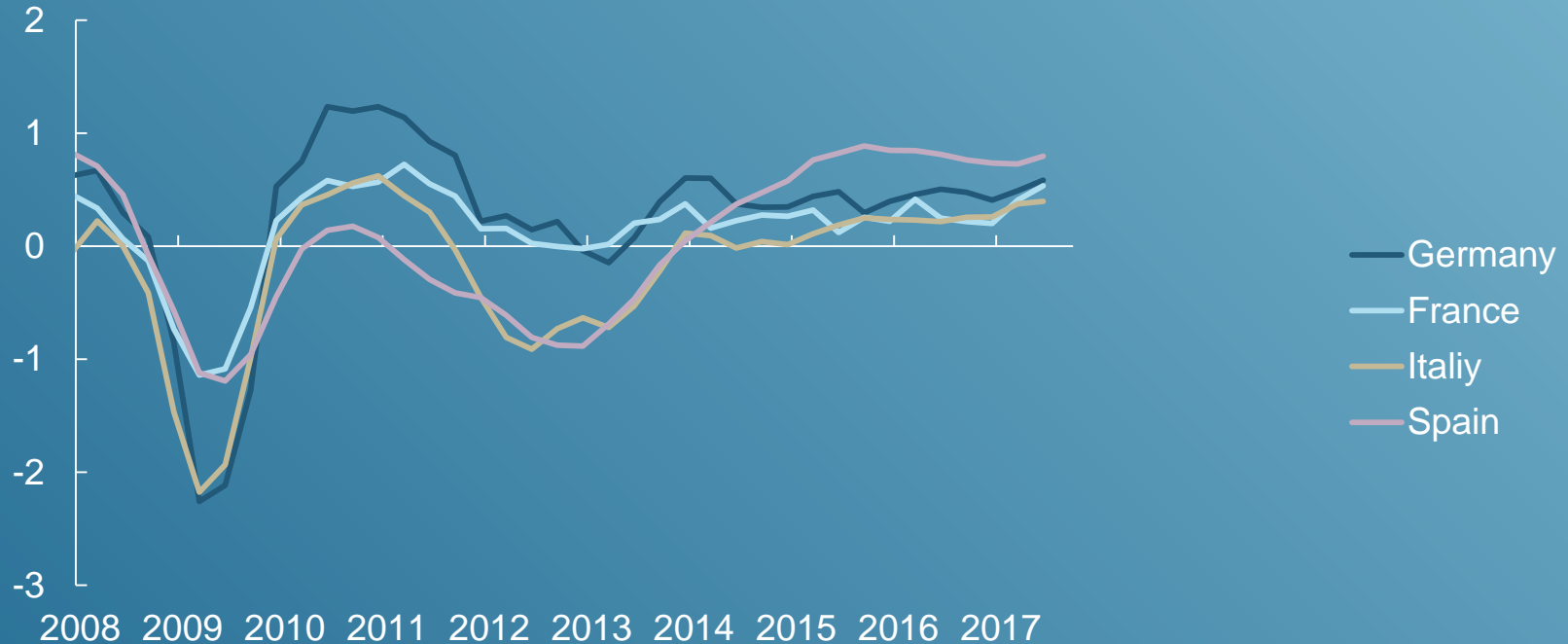
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Upturn in a number of countries

Quarterly GDP growth in selected euro area countries¹⁾

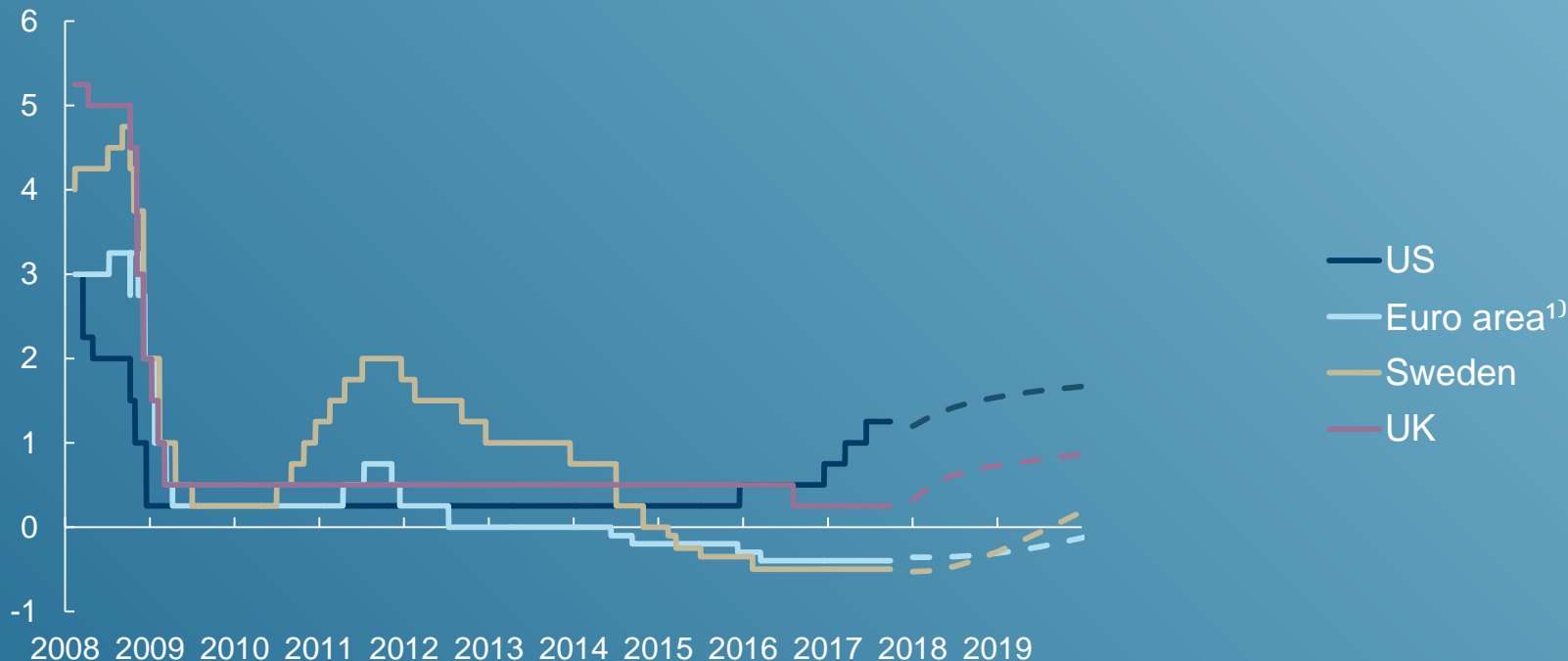


¹⁾ Three-quarter moving average.
Source: Thomson Reuters



Policy rates abroad have bottomed out

Policy rates and forward rates at 26 September



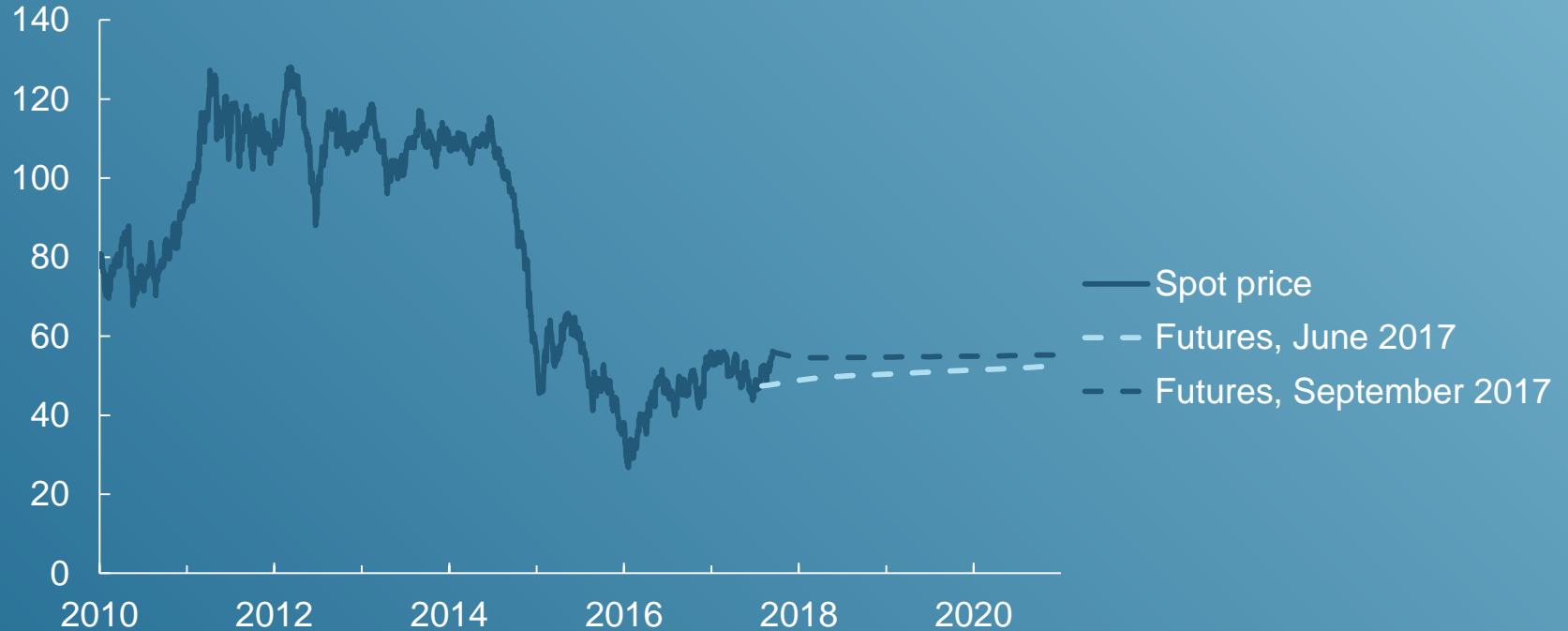
¹⁾ ECB's deposit rate. Eonia from 2017 Q3.

Sources: Bloomberg, Thomson Reuters and Norges Bank



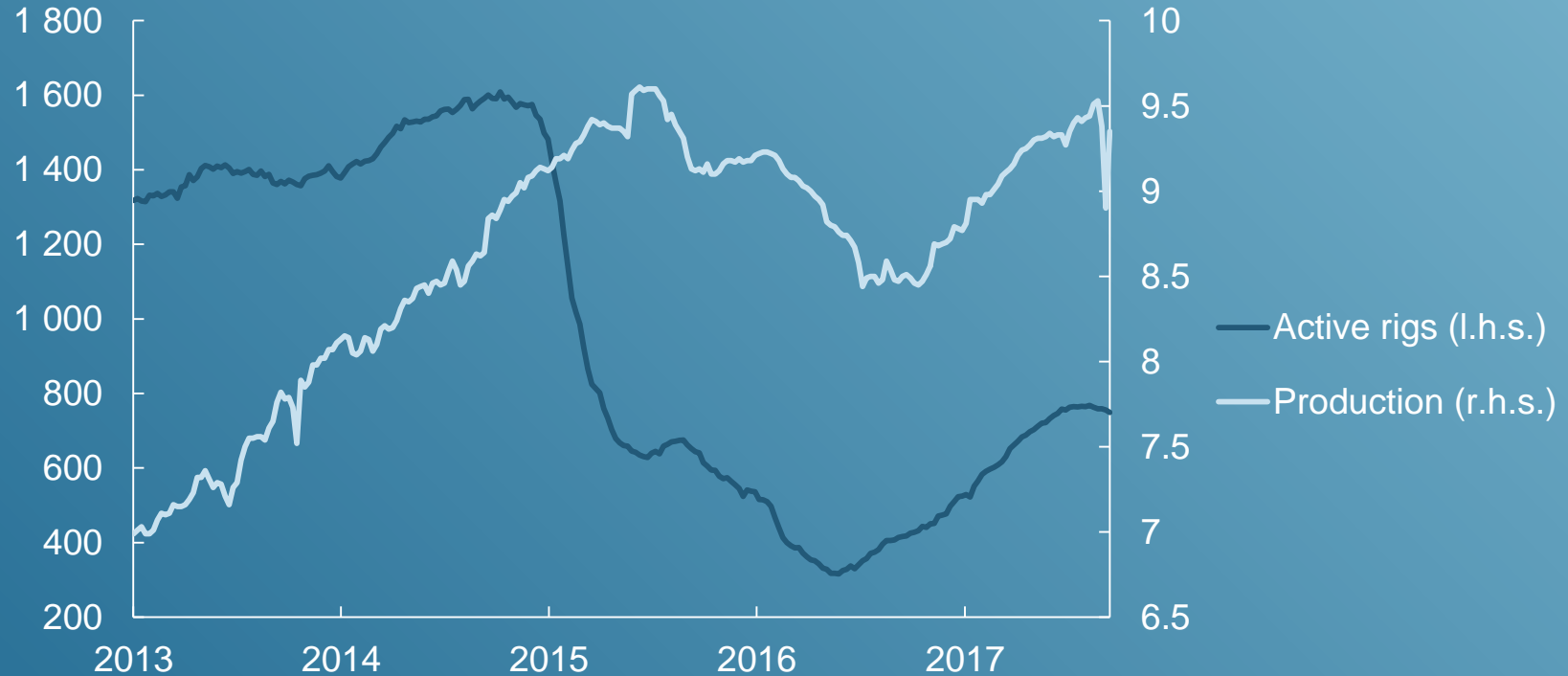
New path for oil prices?

USD per barrel Brent Blend



Flexible oil production in the US

Oil production in millions of barrels per day



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Growth has picked up

Four-quarter percentage change¹⁾

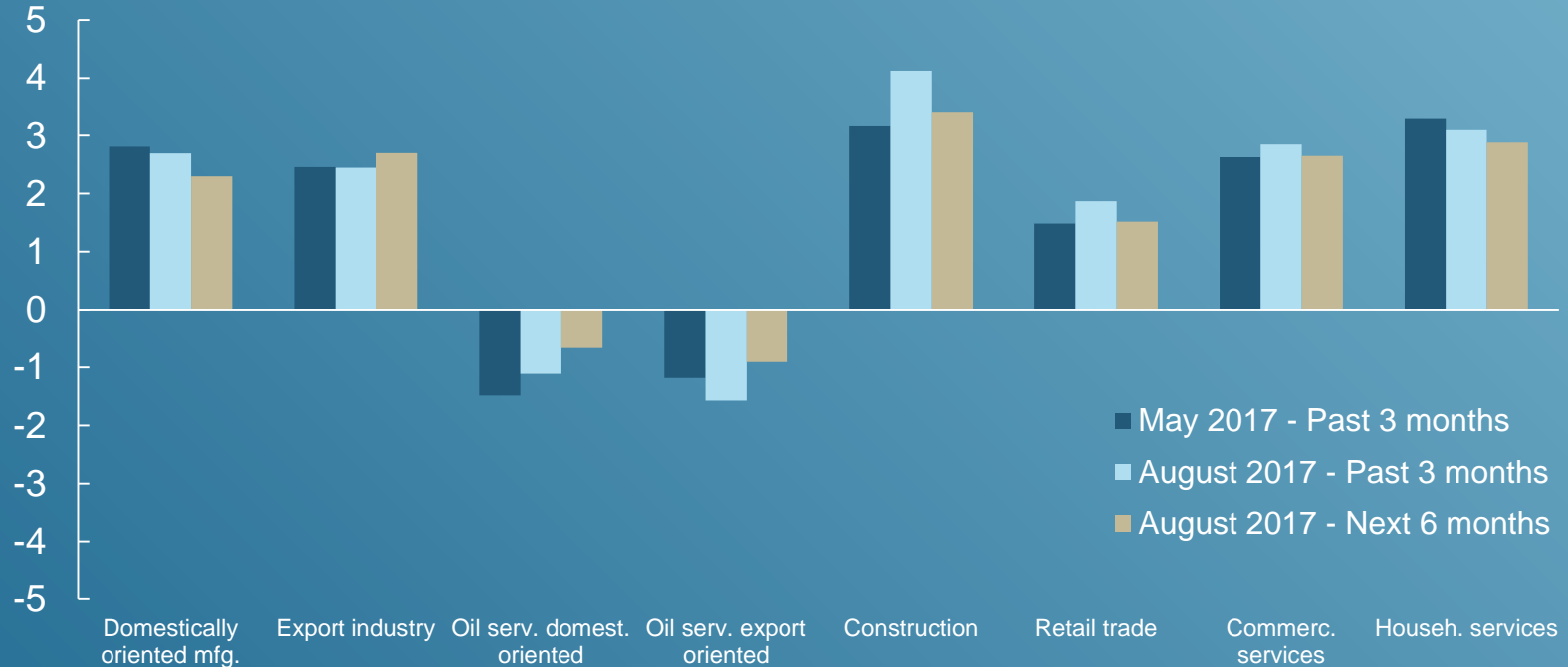


¹⁾ GDP projection for 2017 Q2 and 2017 Q3 from MPR 3/17.
Sources: Statistics Norway and Norges Bank



Regional network confirms upturn

Reported and expected growth. Annualised. Percent



Has petroleum investment bottomed out?

Annual percentage change

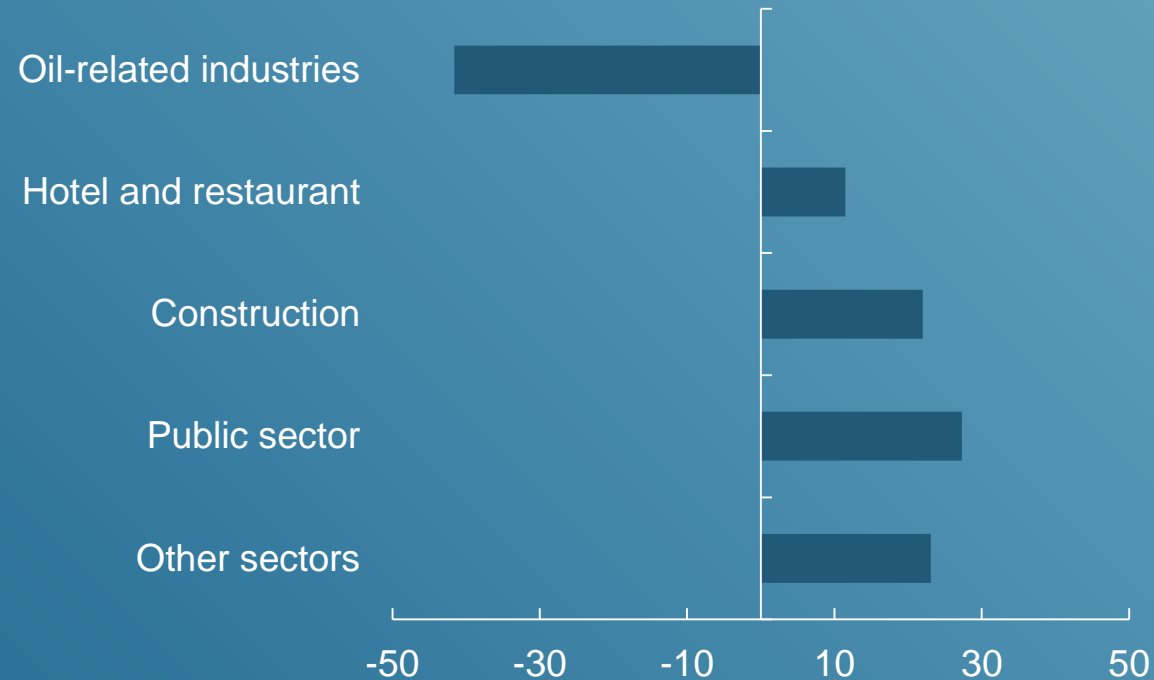


Sources: Statistics Norway and Norges Bank



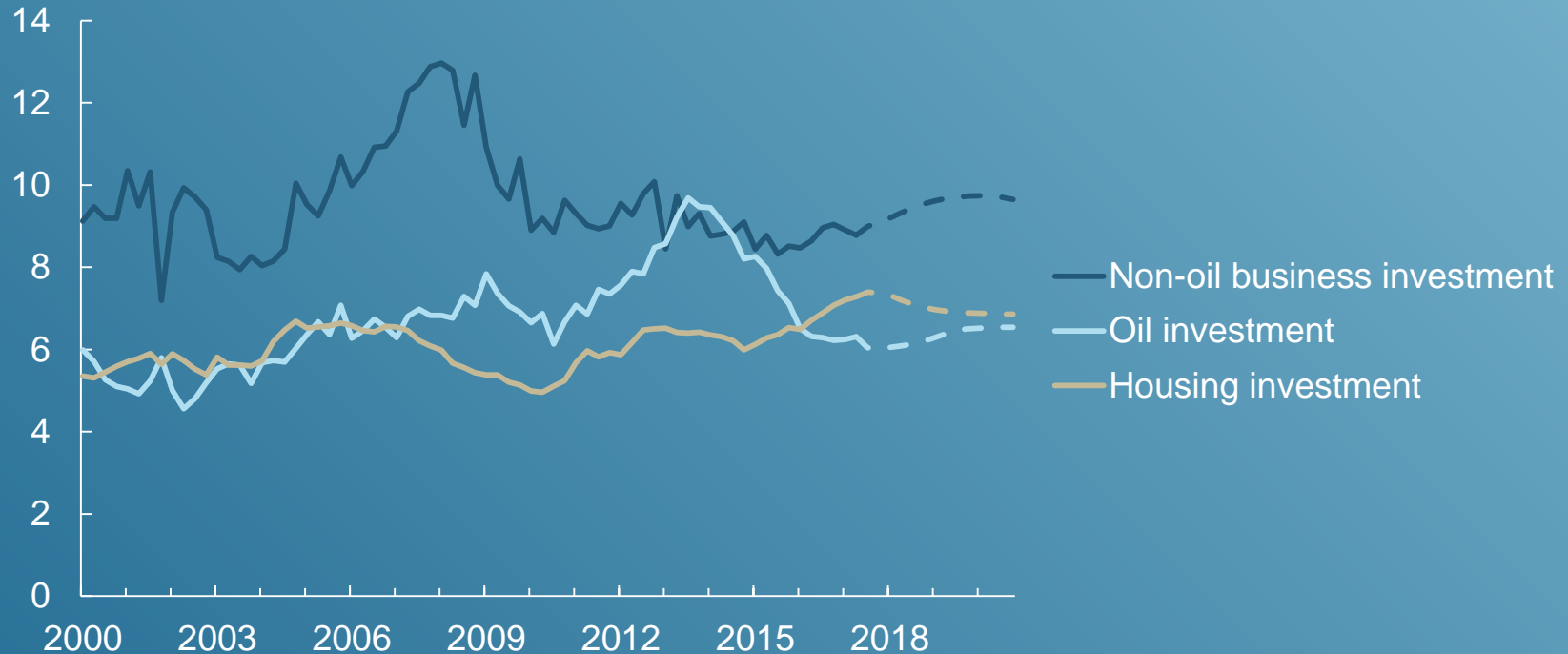
An economy undergoing structural changes?

Changes in employment between 2014 Q3 and 2017 Q2. In thousands of persons



Shift in driving forces

Share of mainland GDP¹⁾

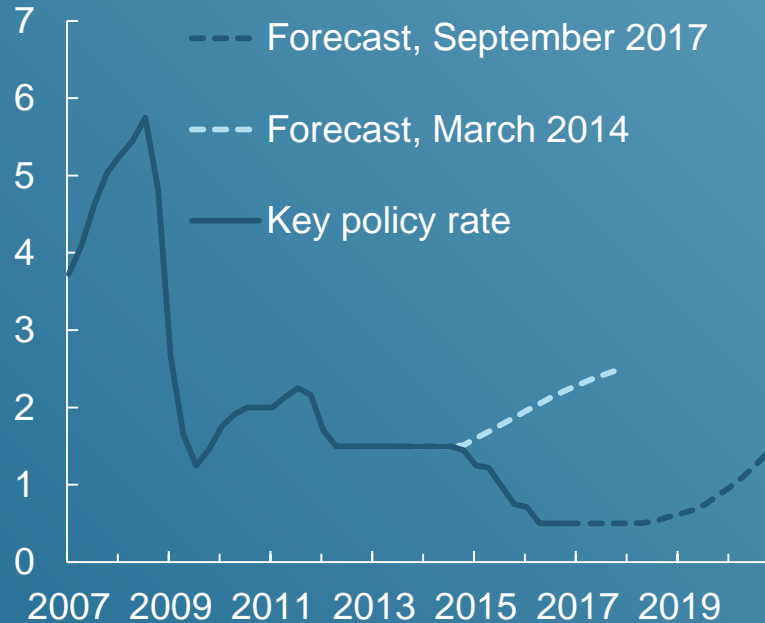


¹⁾ Projections for 2017–2020 from MPR 3/17.
Sources: Statistics Norway and Norges Bank



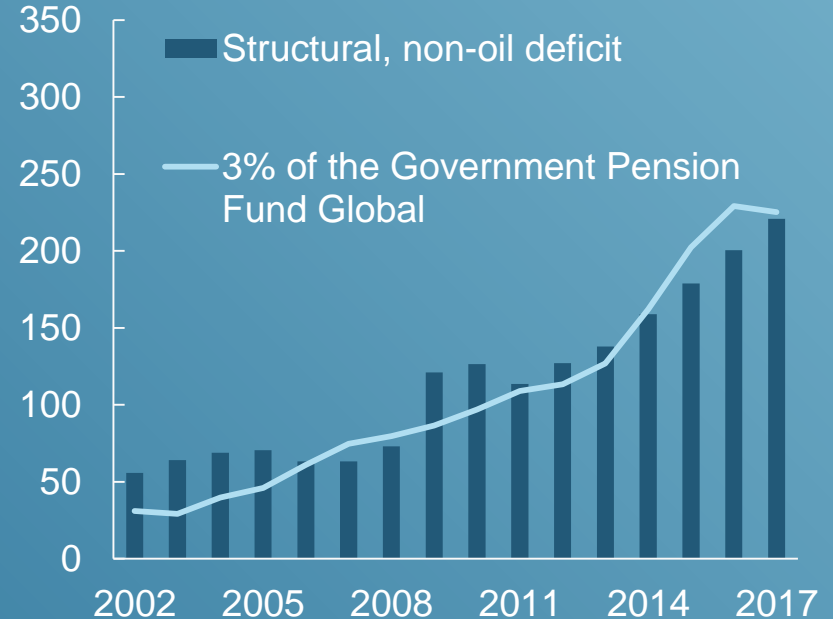
Economic policy has contributed

Key policy rate. Percent



Source: Norges Bank

Budget deficit. In billions of 2017 NOK



Sources: Ministry of Finance and Norges Bank



The krone has tracked the oil price

USD per barrel Brent Blend and import-weighted exchange rate index¹⁾

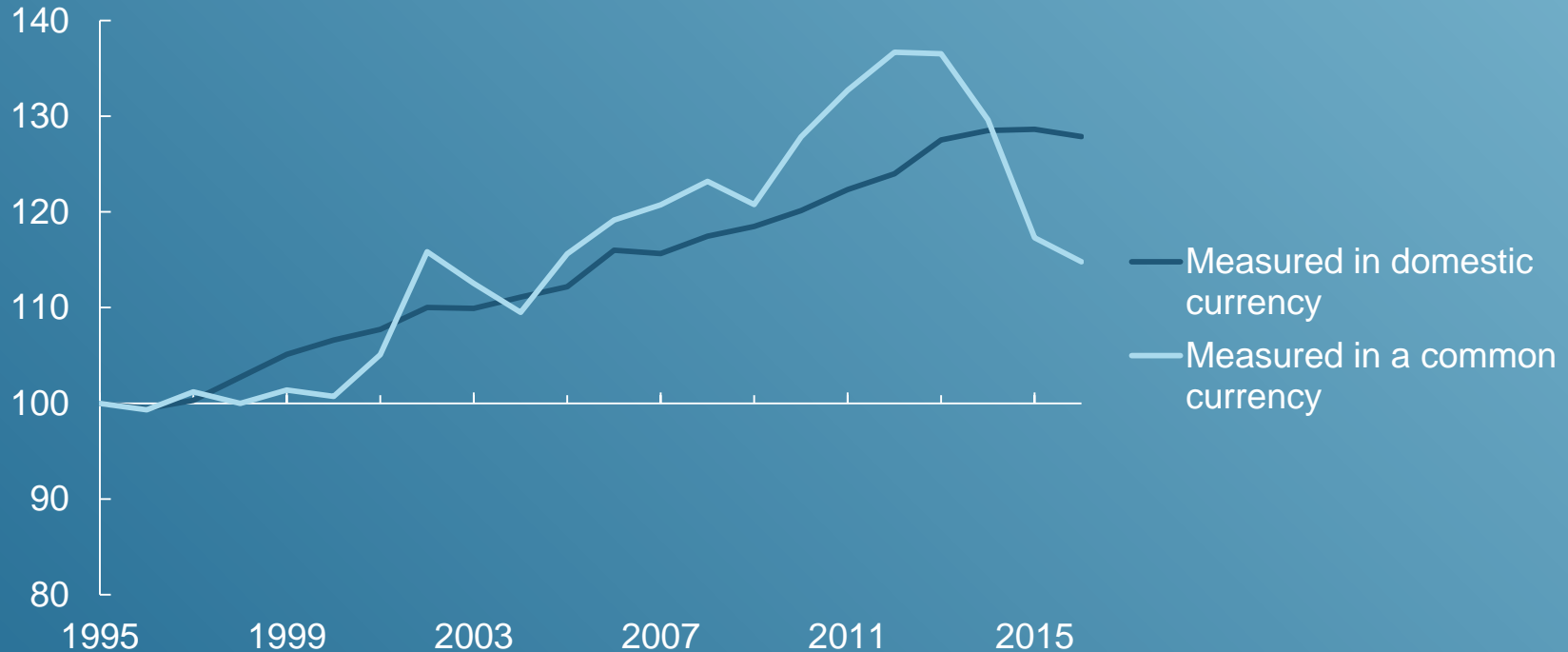


¹⁾ A positive slope denotes a stronger krone exchange rate.
Sources: Thomson Reuters and Norges Bank



Improved competitiveness

Labour costs in Norway relative to trading partners' labour costs¹⁾



¹⁾ Hourly labour costs in manufacturing. Index 1995=100.

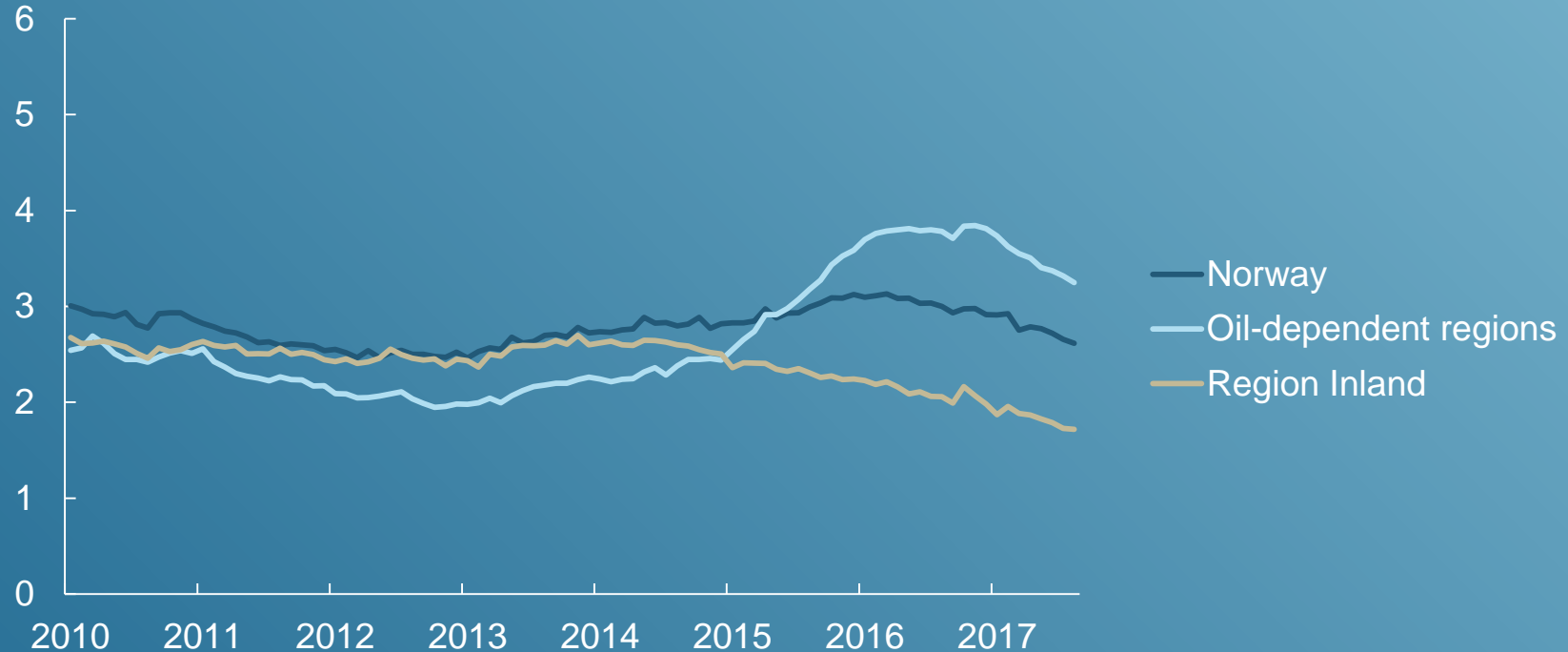
Sources: Statistics Norway, Norwegian Technical Calculation Committee for Wage Settlements (TBU) and Norges Bank



Unemployment has passed the peak

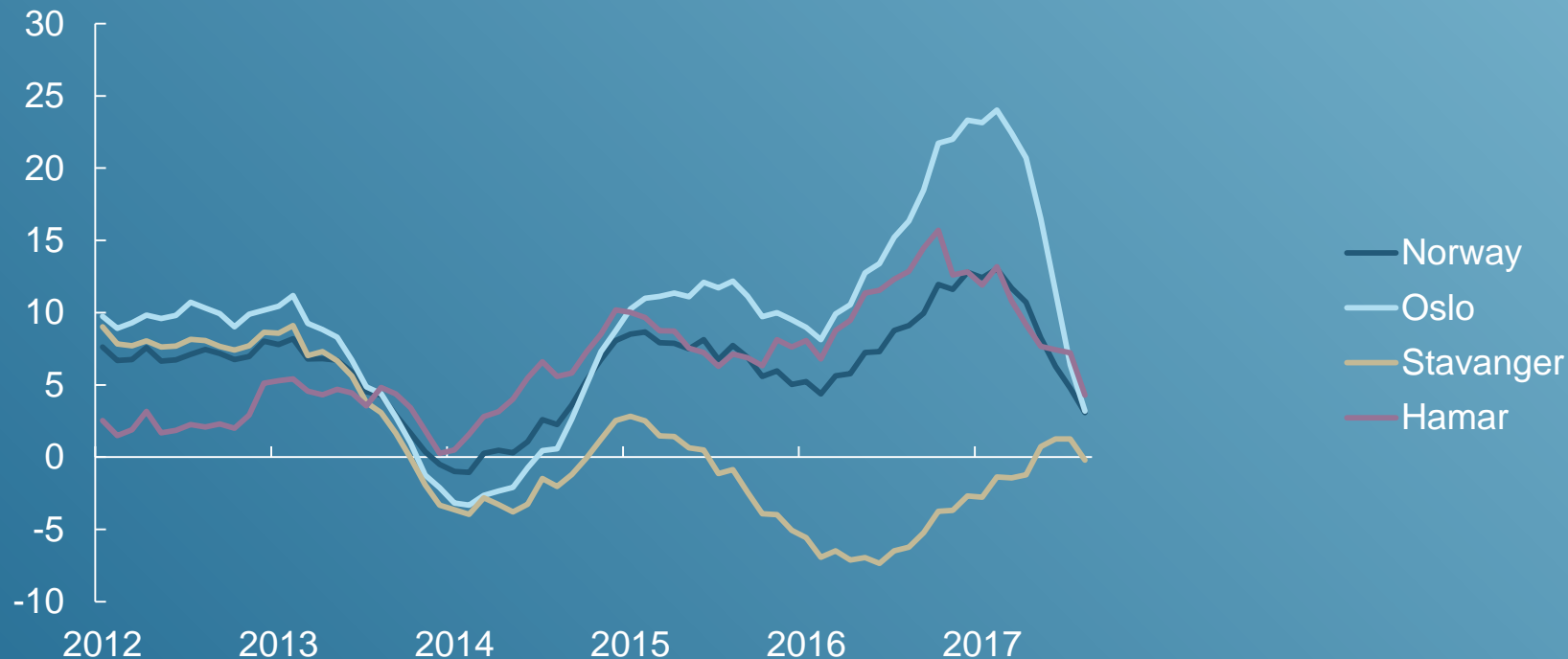
Registered unemployment as a percentage of the labour force.

Seasonally adjusted



Correction in the housing market

Twelve-month percentage change



Inflation outlook

Percent



Sources: Statistics Norway and Norges Bank

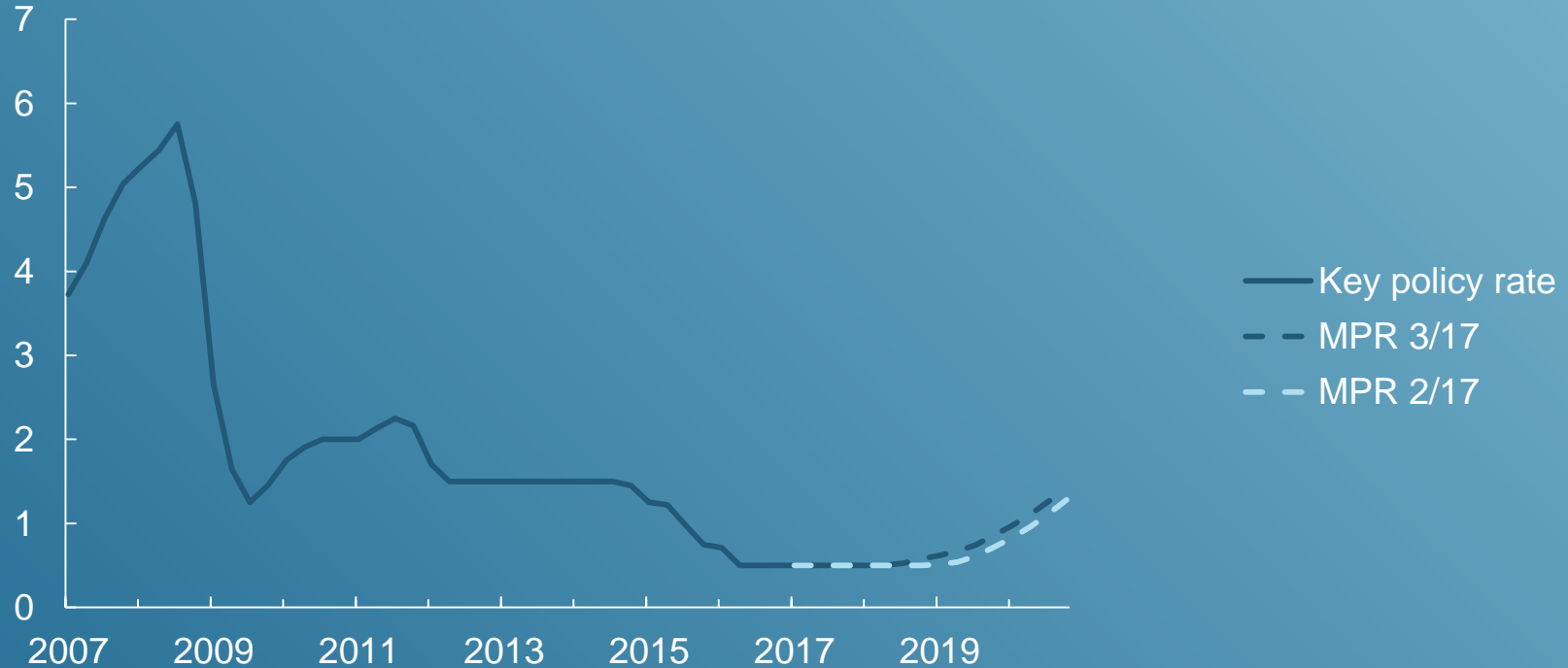


The Executive Board's assessment and interest rate forecast

- On the basis of an overall assessment, the Executive Board decided to keep the key policy rate unchanged at 0.5%.
- The Executive Board's current assessment of the outlook and the balance of risks suggests that the key policy rate will remain at today's level in the period ahead.



The interest rate forecast





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