

## Executive Board meeting

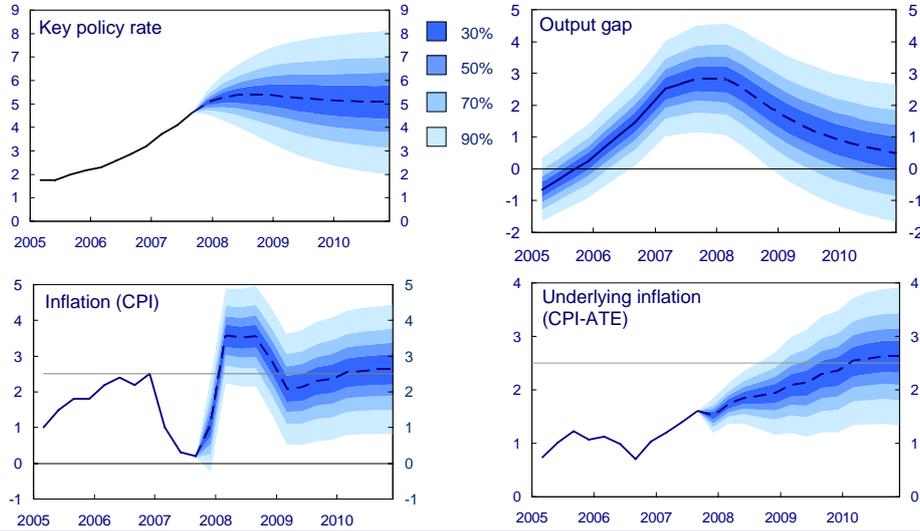
12 December 2007

### The Executive Board's strategy

- The key policy rate should be in the interval  $4\frac{3}{4}$  -  $5\frac{3}{4}$ % 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 scenario in *Monetary Policy Report 3/07*

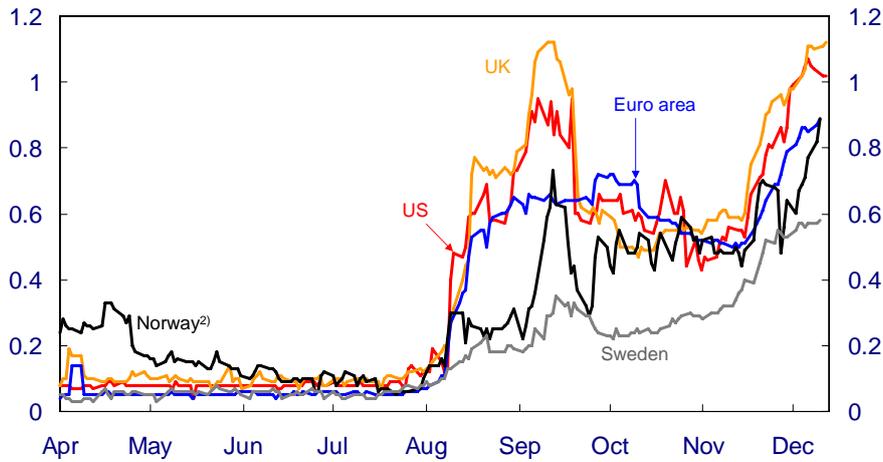
Per cent. 2005 Q1 – 2010 Q4



Sources: Statistics Norway and Norges Bank 3

### Difference between money market rate and expected key policy rate<sup>1)</sup>

3-month maturity. Percentage points. 1 April – 11 December 2007

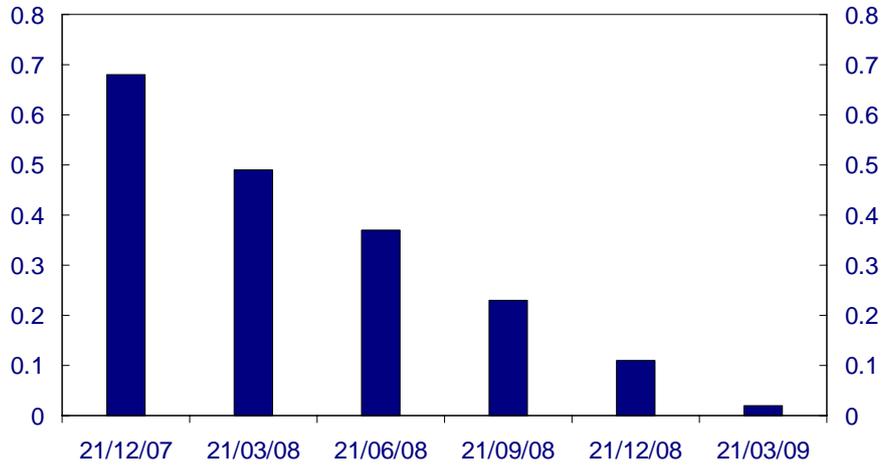


<sup>1)</sup> The expected key rate is measured by the Overnight Indexed Swap (OIS)

<sup>2)</sup> Norges Bank's projections

Sources: Bloomberg, Reuters (EcoWin) and Norges Bank 4

### Risk premia<sup>1)</sup> on Norwegian 3-month money market rates On IMM dates. Percentage points. Normal = 0.1



<sup>1)</sup> Difference between forward 3-month money market rates and forward overnight indexed swaps OIS (Overnight indexed swap)

### Credit premia on loans

secured on sub-prime mortgages<sup>1)</sup>, commercial property loans<sup>2)</sup> and conventional mortgages<sup>3)</sup>. Basis points. 1 January 2006 – 11 December 2007



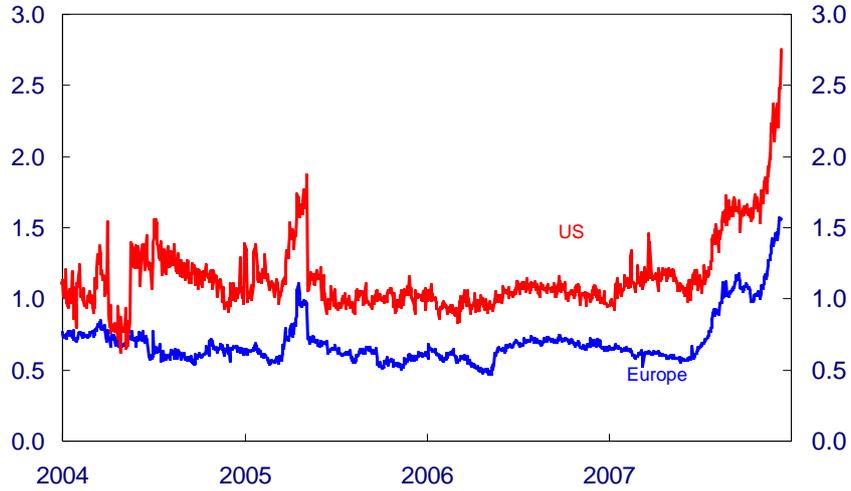
<sup>1)</sup> Credit rating BBB-, issued in second half of 2006

<sup>2)</sup> Credit rating BBB-

<sup>3)</sup> Agency mortgage (prime) with 30-year maturity

### Credit premium on regular corporate bonds<sup>1)</sup>

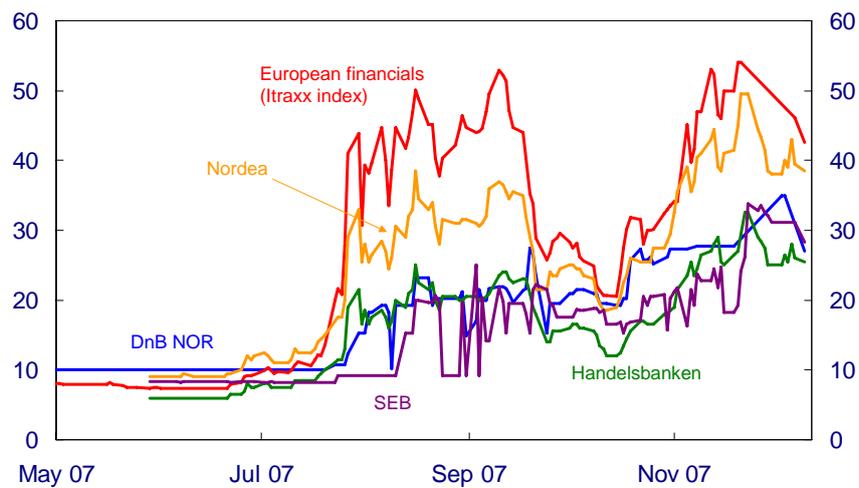
5-year CDS prices. Basis points. 1 May 2007 – 11 December 2007



<sup>1)</sup> Bonds with a BBB-rating

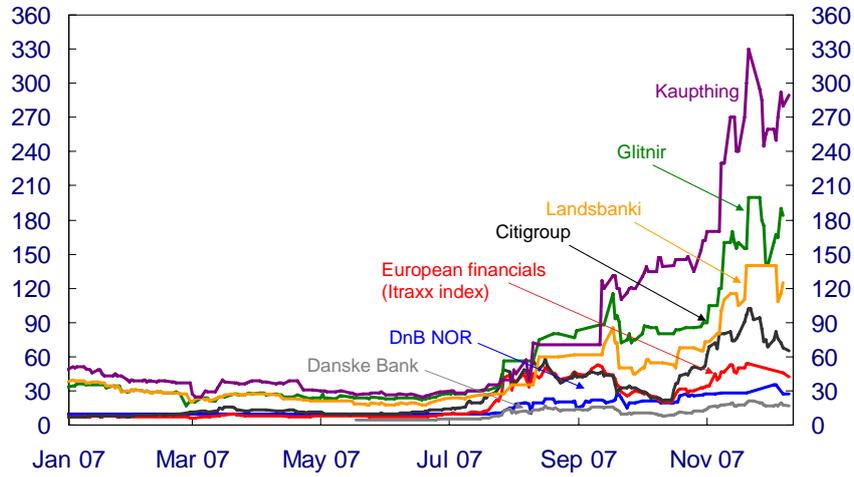
### Price for hedging against credit risk.

5-year CDS prices. Basis points. 1 May 2007 – 10 December 2007



### Price for hedging against credit risk

5-year CDS prices. Basis points. 1 January 2007 – 10 December 2007



Sources: Bloomberg and Reuters (EcoWin) 9

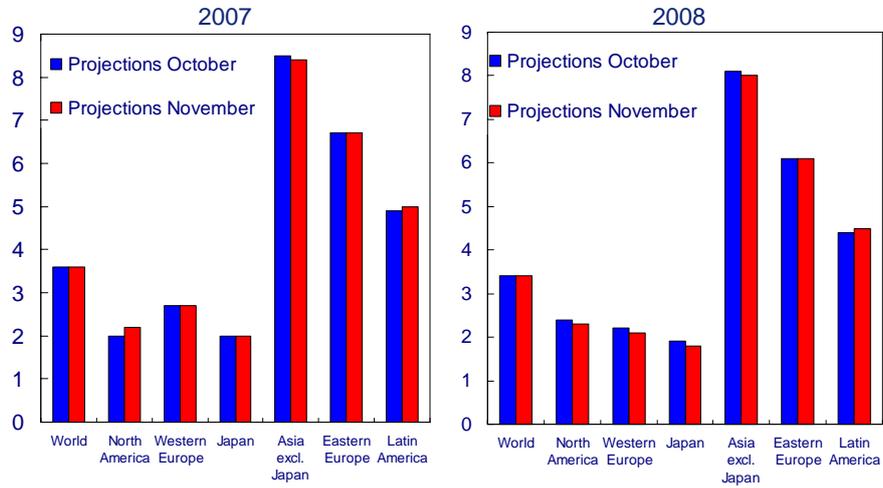
### Equities

Indices, 1 January 2007 = 100. 1 January 2007 – 11 December 2007



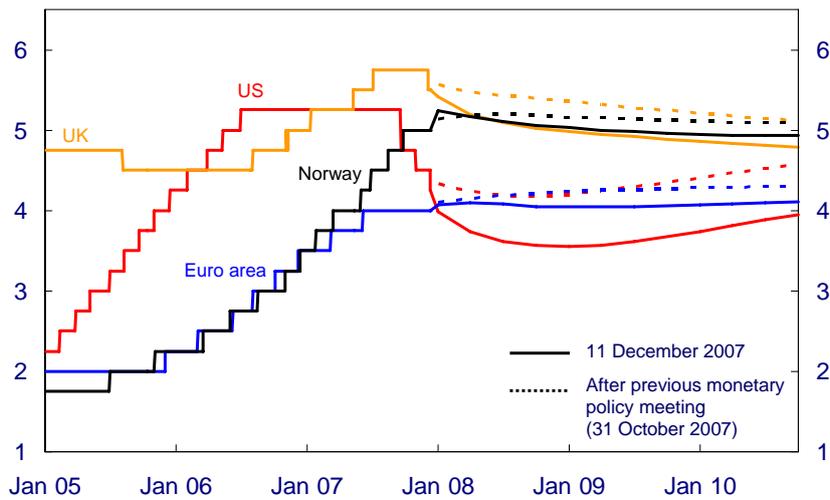
Source: Reuters (EcoWin) 10

### Growth forecasts Consensus Forecasts GDP. Percentage change on previous year



Source: Consensus Forecasts 11

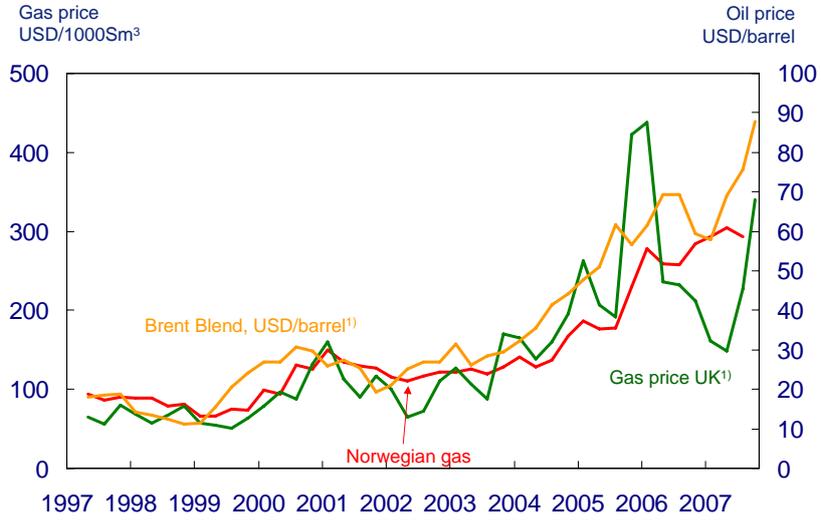
### Key rates and forward rates 31 October and 11 December 2007



Sources: Reuters and Norges Bank 12

### Average prices for crude oil and natural gas

1997 Q1 – 2007 Q4<sup>1)</sup>

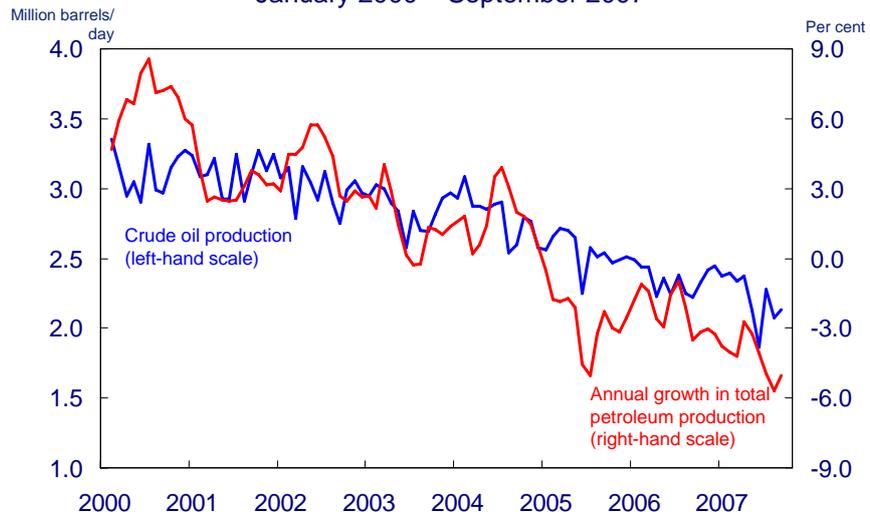


<sup>1)</sup> Average so far in the fourth quarter

Source: Statistics Norway and Norges Bank 13

### Petroleum production in Norway

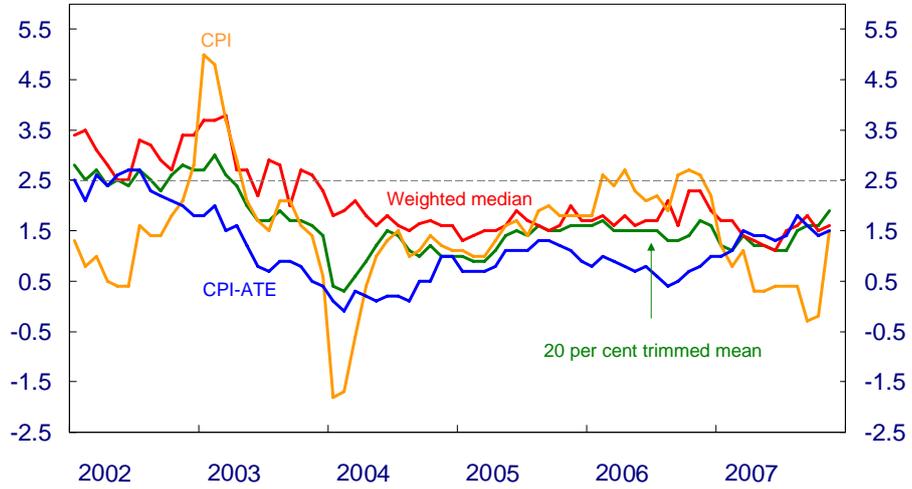
January 2000 – September 2007



Source: Norwegian Petroleum Directorate 14

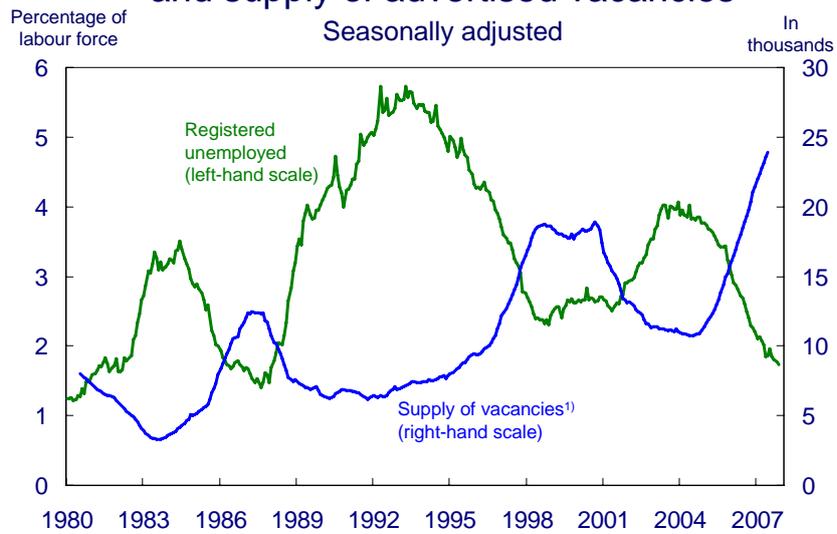
### Different indicators of inflation

12-month change. Per cent. January 2002 – November 2007



Source: Statistics Norway 15

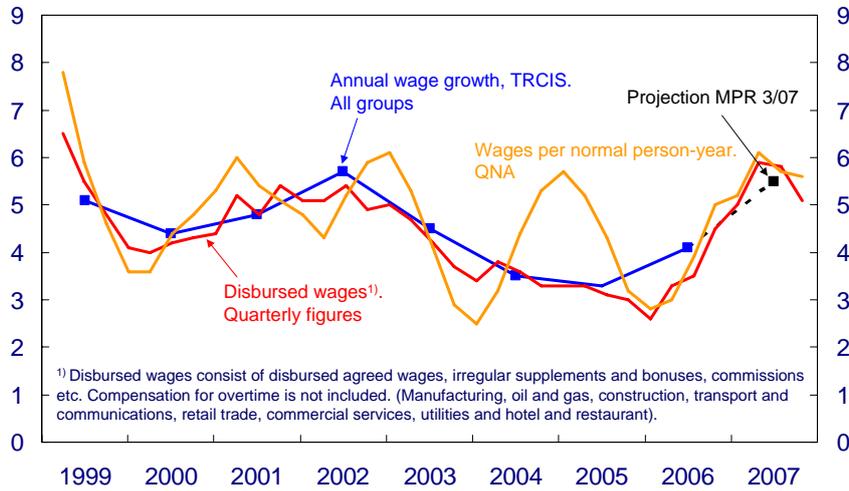
### Registered unemployed and supply of advertised vacancies



<sup>1)</sup> 12-month moving average.

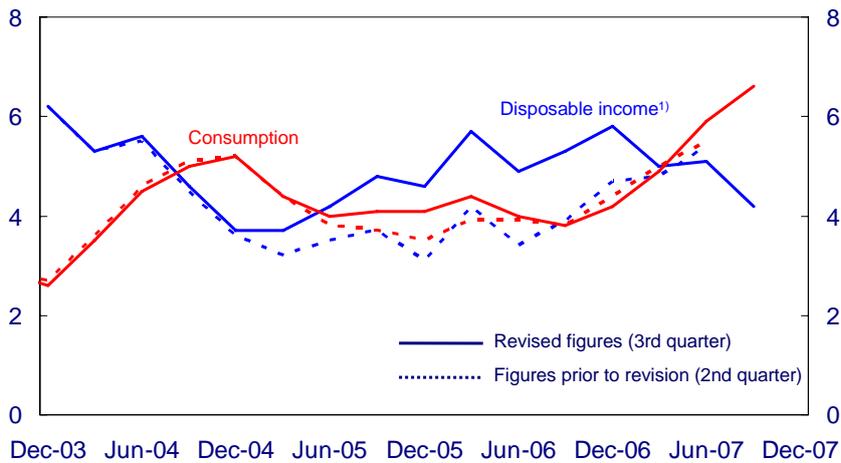
Sources: Norwegian Labour and Welfare Organisation (NAV) and Norges Bank 16

### Wage growth Per cent



Sources: Statistics Norway, Technical Reporting Committee on Income Settlements and Norges Bank 17

### Disposable income¹) and consumption Last four quarters. Growth on same period previous year. Per cent. 2003 Q4 - 2007 Q3

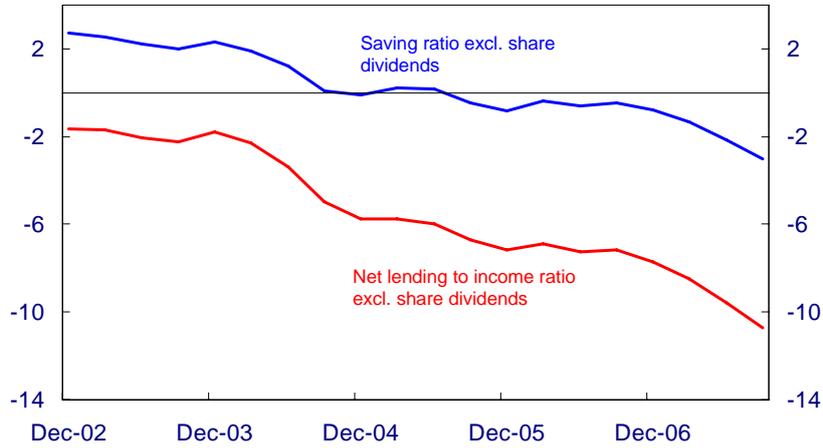


¹) Excluding share dividends.

Sources: Statistics Norway and Norges Bank 18

### Household saving and net lending as a share of disposable income

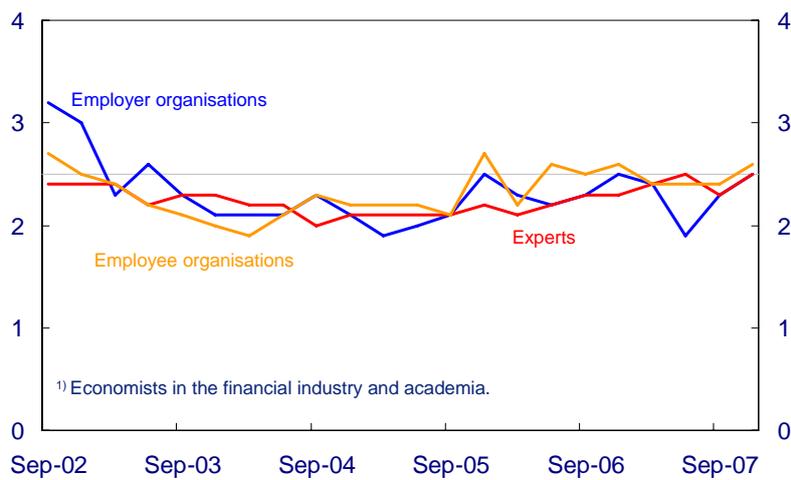
Excluding share dividends. Last 4 quarters. Per cent.  
2002 Q4 – 2007 Q3



Sources: Statistics Norway and Norges Bank 19

### Expected consumer price inflation in 2 years

Employee/employer organisations and experts<sup>1)</sup>. Per cent.  
2002 Q3 – 2007 Q4

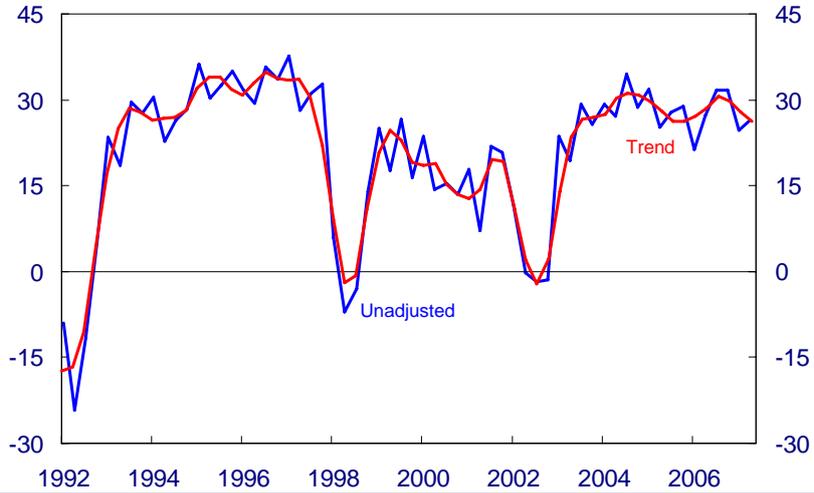


<sup>1)</sup> Economists in the financial industry and academia.

Source: TNS Gallup 20

### TNS Gallup's household trend indicator

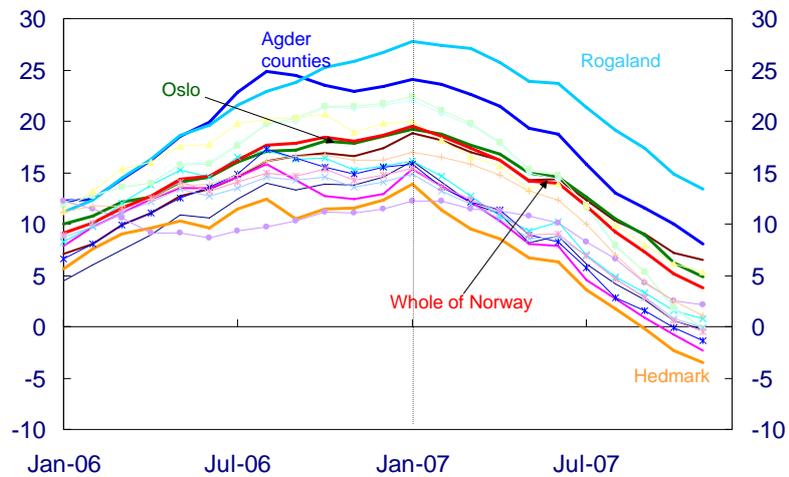
Unadjusted and trend. 1992 Q3 – 2007 Q4



Source: TNS Gallup 21

### 12-month change in house prices

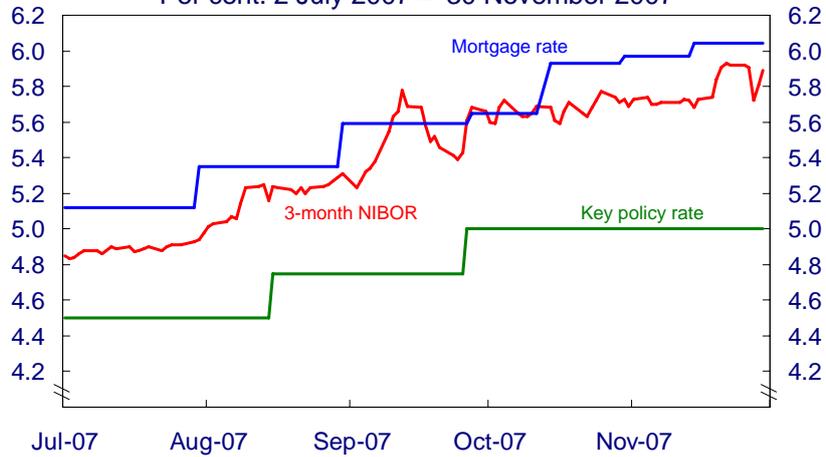
By county and region. Per cent. January 2006 – November 2007



Sources: Norwegian Association of Real Estate Agents, Association of Real Estate Agency Firms, FINN.no, ECON Pöry, Statistics Norway and Norges Bank 22

### Key policy rate, money market rates and banks' lending rates on new loans<sup>1)</sup>

Per cent. 2 July 2007 – 30 November 2007

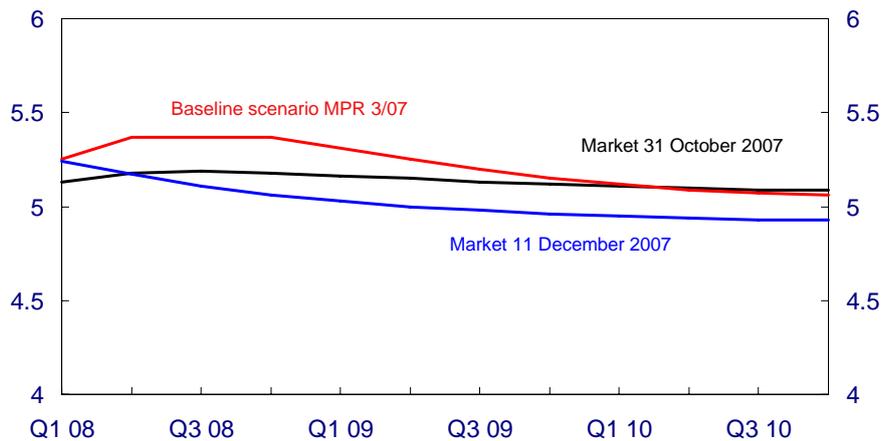


<sup>1)</sup> Interest rates on new mortgage loans for NOK 1 million within 60% of purchase price with floating interest rate. Figures for the 20 largest banks, weighted according to market share.

Sources: Norsk familieøkonomi AS and Norges Bank 23

### Key policy rate in baseline scenario and estimated forward rates<sup>1)</sup>

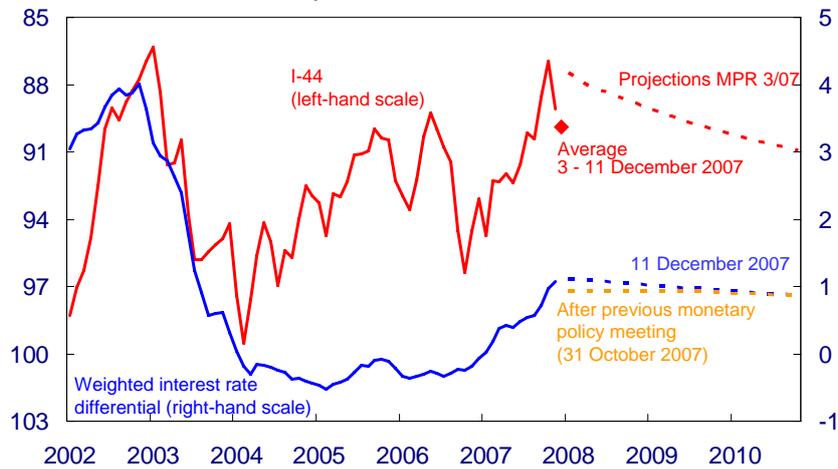
Per cent. At 11 December 2007



<sup>1)</sup> 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 24

### 3-month interest rate differential and import-weighted exchange rate (I-44) <sup>1)</sup> January 2002 – December 2010



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

Sources: Bloomberg, Reuters (EcoWin) and Norges Bank 25

### The Executive Board's strategy

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