



THE NORWEGIAN ECONOMY IN THE TIME OF COVID-19

GOVERNOR ØYSTEIN OLSEN

Stavanger, 13 October 2020



NORGES BANK

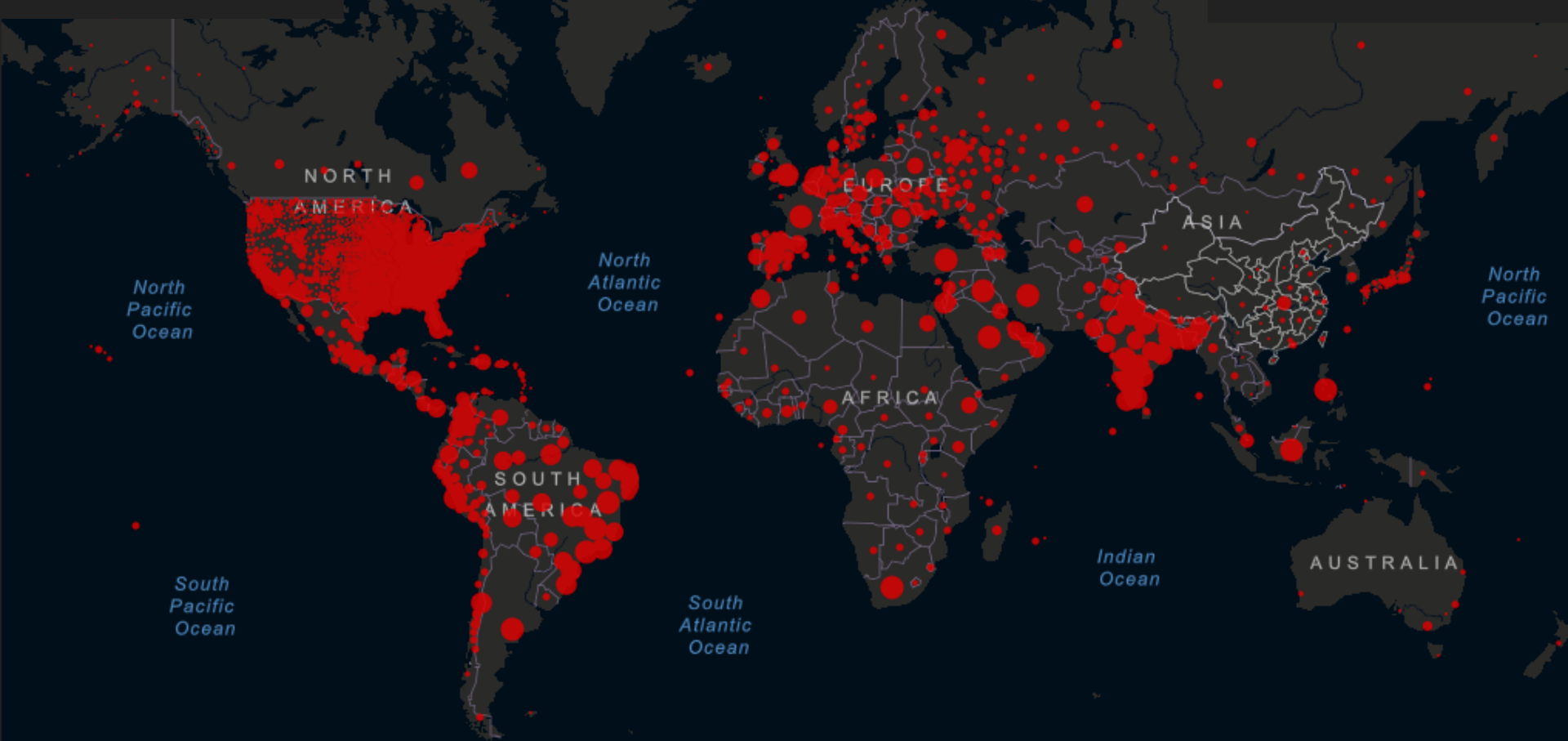
Global Cases

37 554 022

Global Deaths

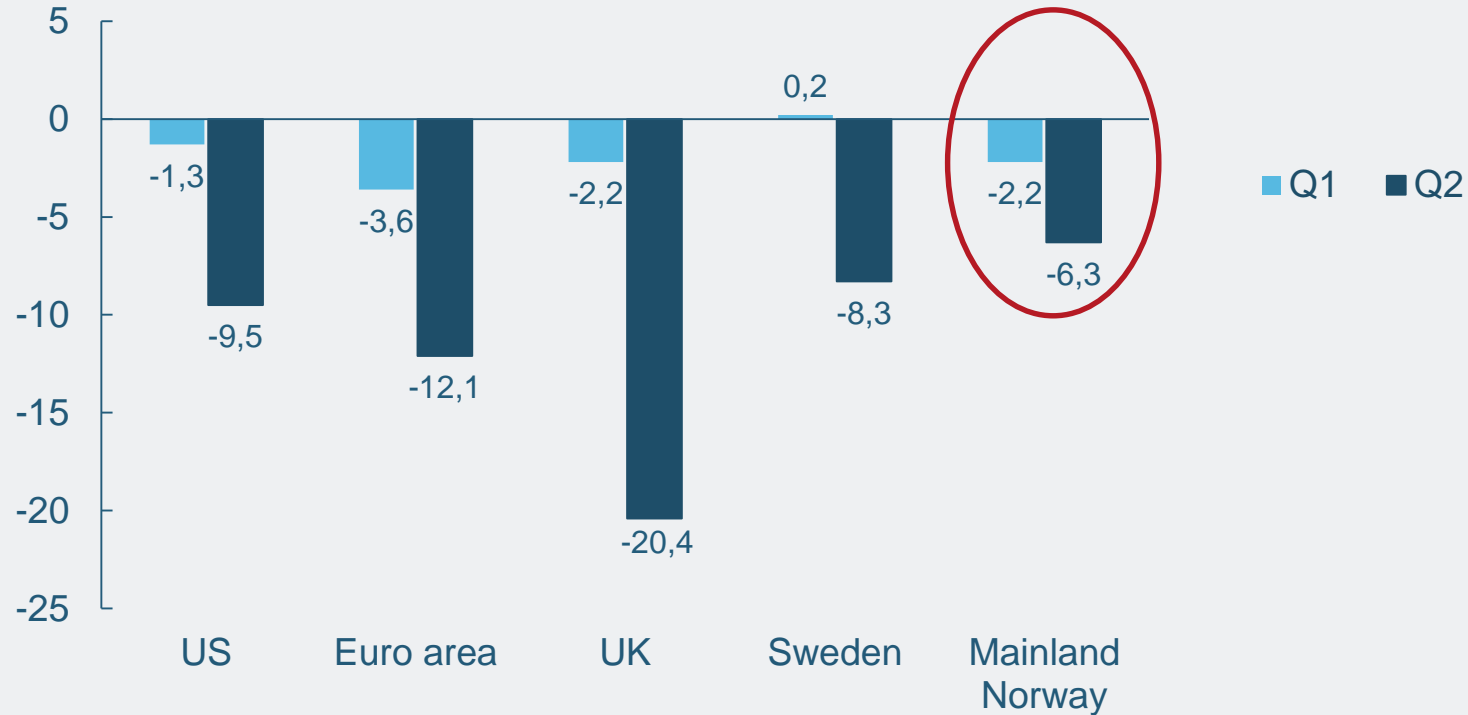
1 077 228

A dramatic six months



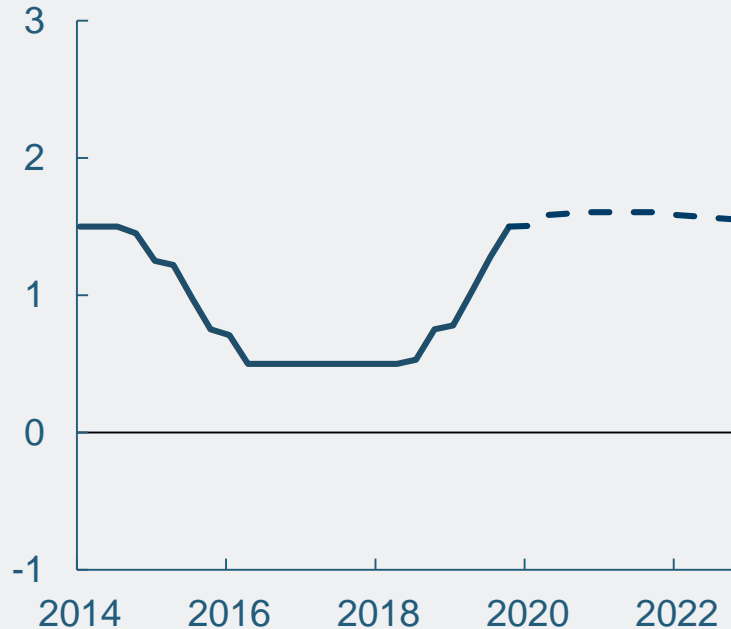
A historic economic downturn

Fall in GDP. Percent



Norges Bank's policy rate path – December 2019

Percent



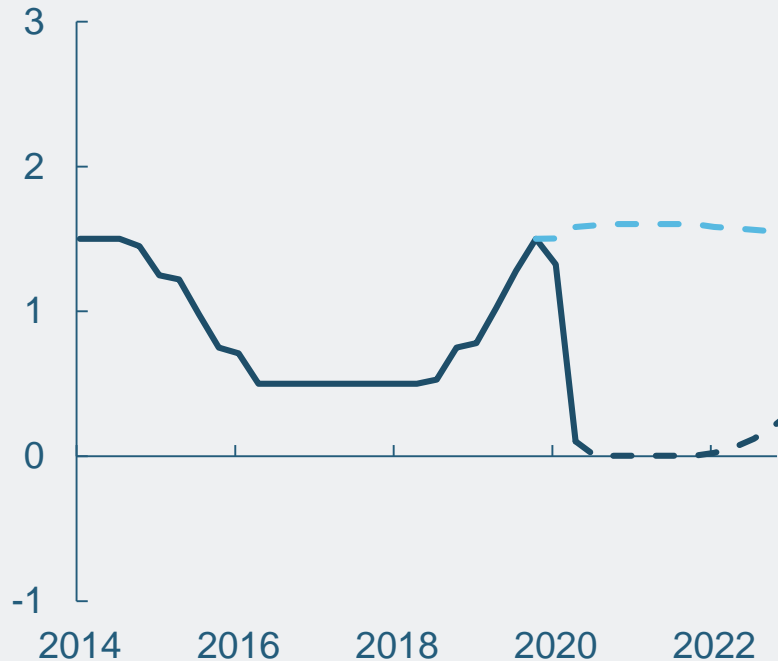
The Monetary Policy and Financial Stability Committee has decided to keep the policy rate unchanged at 1.50 percent.

The Committee's current assessment of the outlook and balance of risks suggests that the policy rate will remain at the present level in the coming period.



Norges Bank's policy rate path – September 2020

Percent



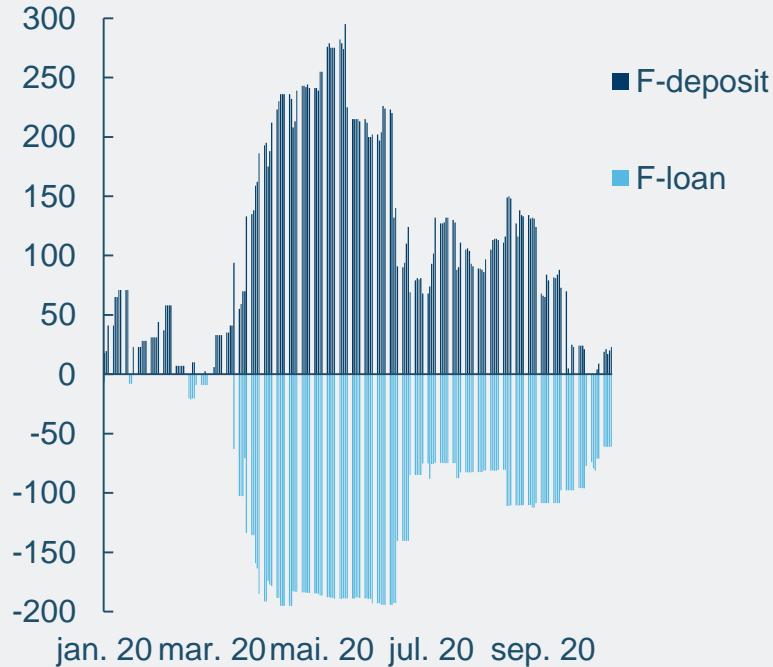
The Monetary Policy and Financial Stability Committee decided unanimously to keep the policy rate unchanged at zero percent.

In the Committee's current assessment of the outlook and balance of risks, the policy rate will most likely remain at today's level for some time ahead.

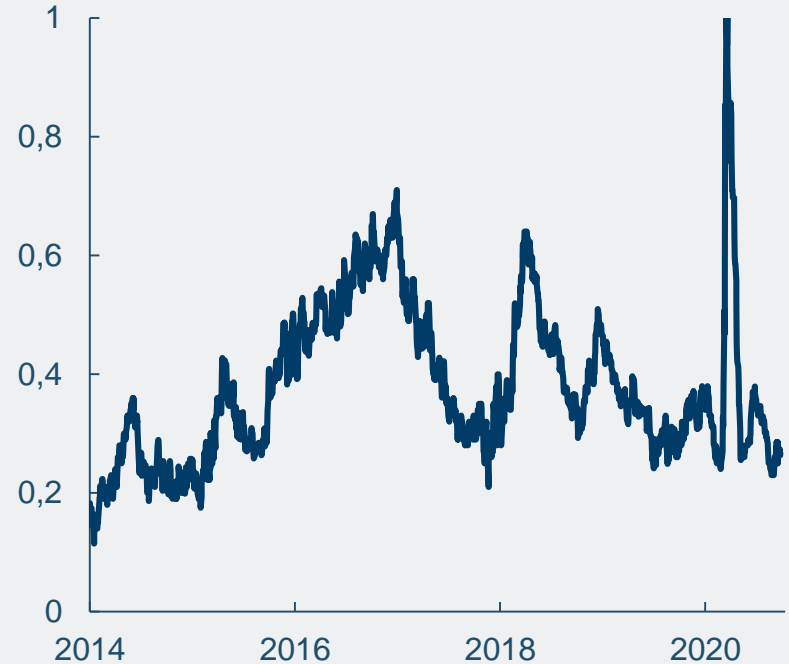


Extraordinary loans to banks

Banks F-loans and F-deposits. In billions of NOK



Money market risk premium. Percentage points



Large movements in the NOK market

Import-weighted exchange rate index (I-44)



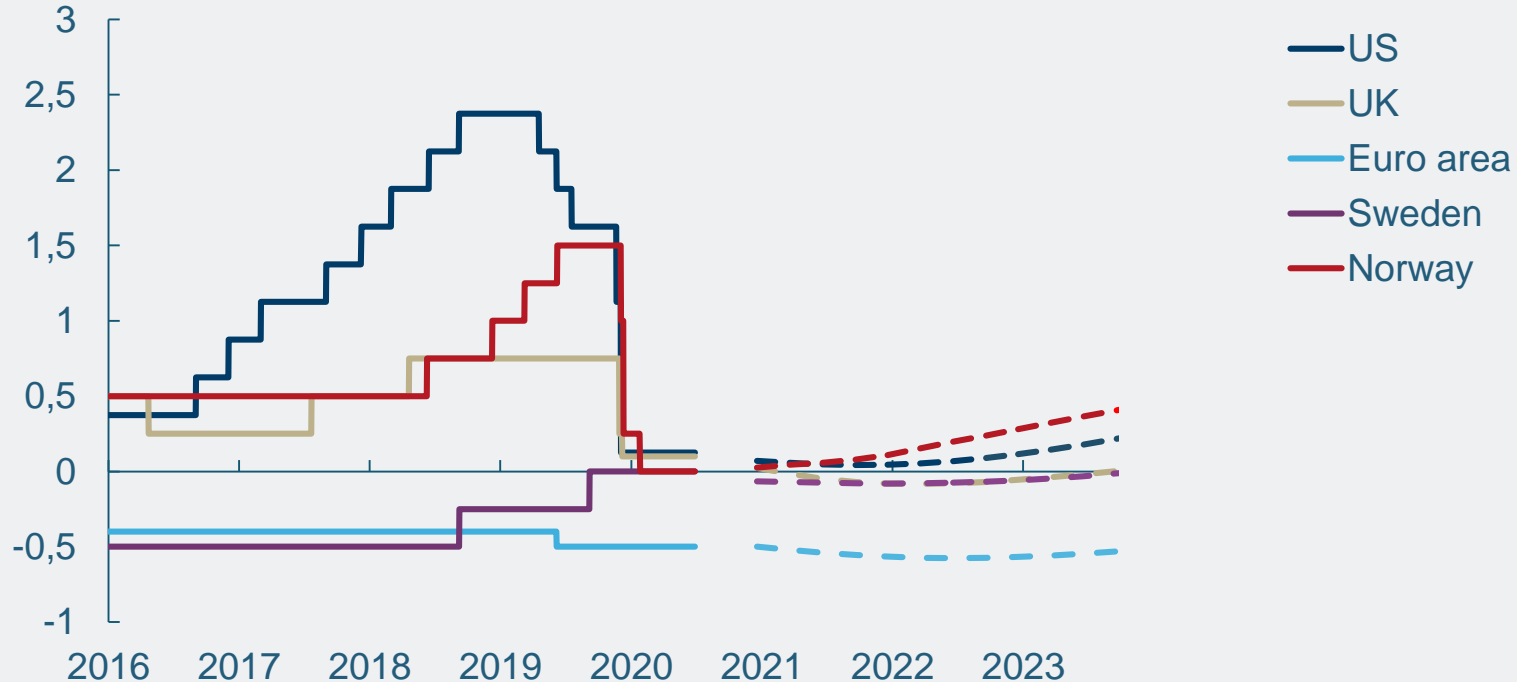
*“Almost no turnover so far.
The market is mostly shocked.”*

Market participant, 19 March



Low interest rates for a long time

Actual and expected policy rates. Percent



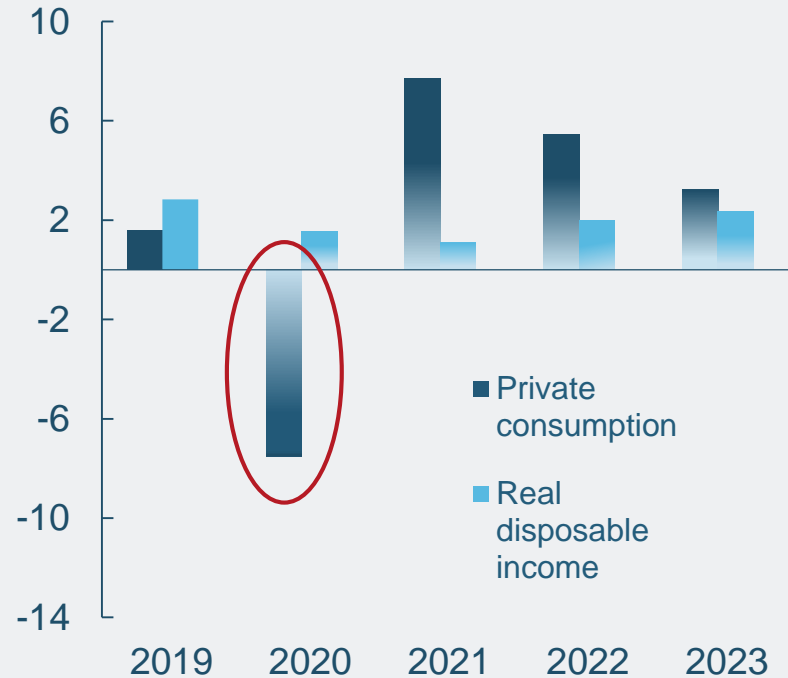
The way forward – some key questions

Is consumption behaviour returning to normal?

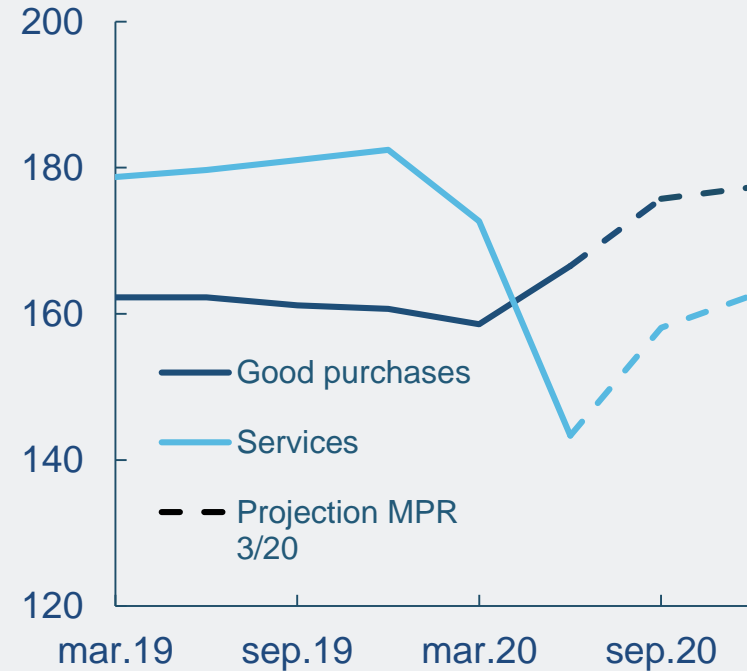


Private consumption during the pandemic

Decline in consumption¹⁾



More goods, fewer services²⁾



1) Annual change. Percent. 2) Constant prices. In billions of NOK.
Sources: Statistics Norway and Norges Bank



The way forward – some key questions

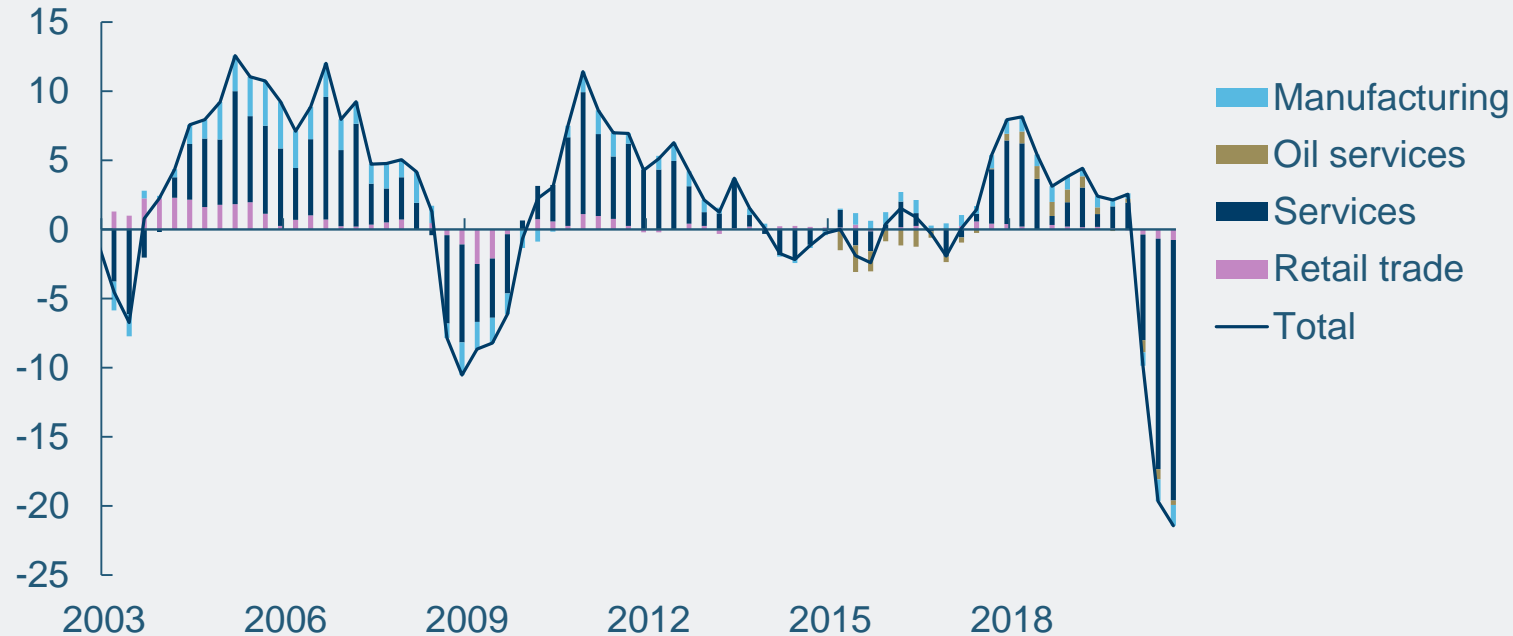
Is consumption behaviour returning to normal?

Will increased uncertainty permanently weaken investment?



Enterprises plan lower investment

Regional Network. Expected change in investment the next 12 months¹⁾



1) Percent.

Source: Norges Bank's Regional Network



The way forward – some key questions

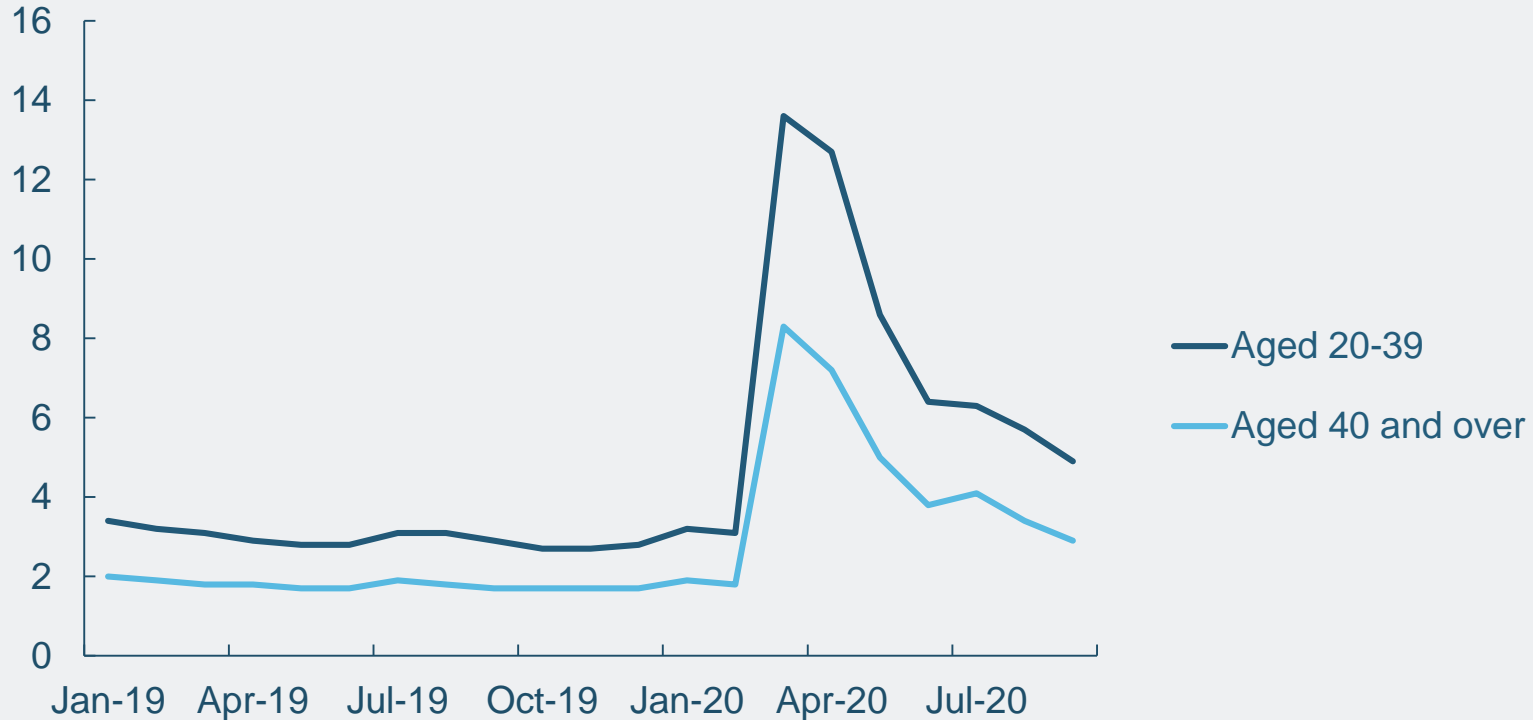
Is consumption behaviour returning to normal?

Will increased uncertainty permanently weaken investment?

How can exclusion from the labour market be avoided?



Higher unemployment among young people¹⁾



1) Registered unemployment. Percentage of labour force in age group.
Sources: Norwegian Labour and Welfare Administration (NAV) and Norges Bank



The way forward – some key questions

Is consumption behaviour returning to normal?

Will increased uncertainty permanently weaken investment?

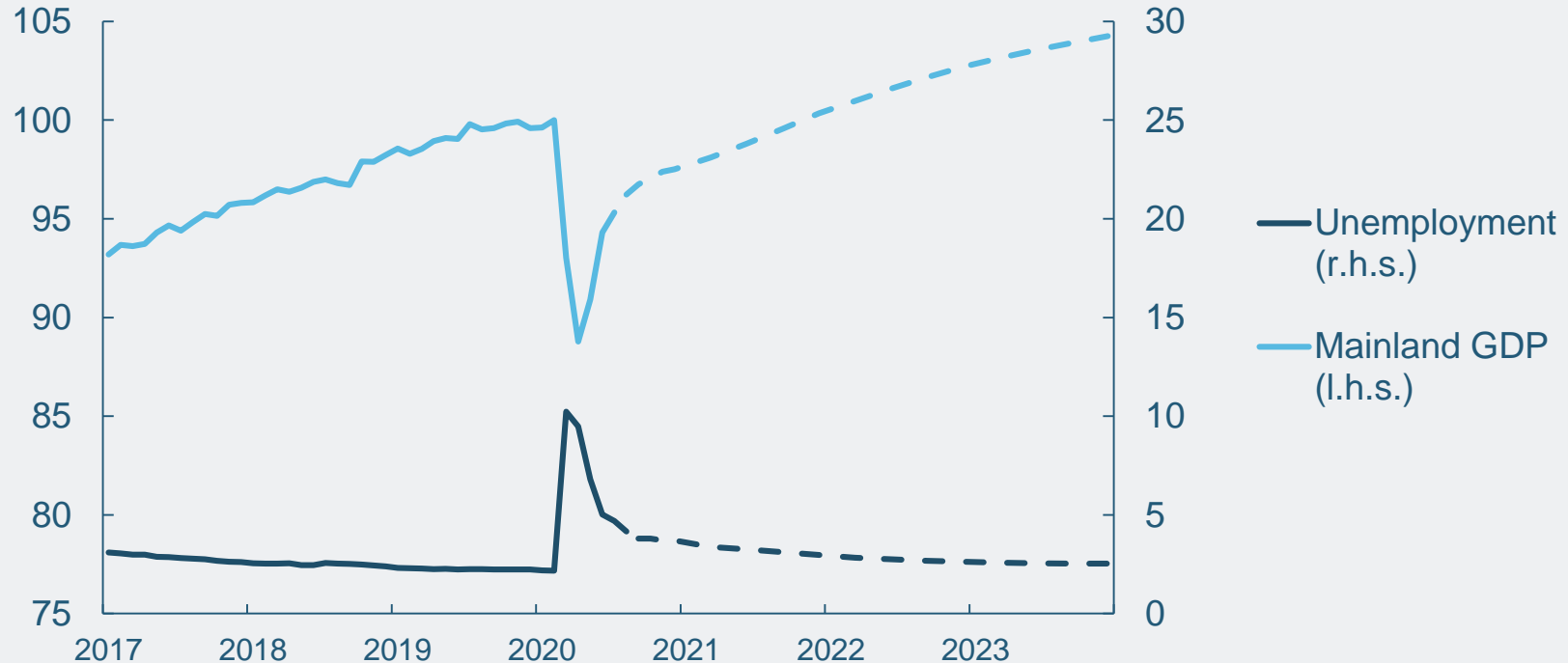
How can exclusion from the labour market be avoided?

Recovery and restructuring of the economy?



Gradual improvement

Mainland GDP¹⁾ and registered unemployment²⁾



1) Index. February 2020 = 100.

2) Share of labour force.

Sources: Norwegian Labour and Welfare Administration (NAV), Statistics Norway and Norges Bank





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