

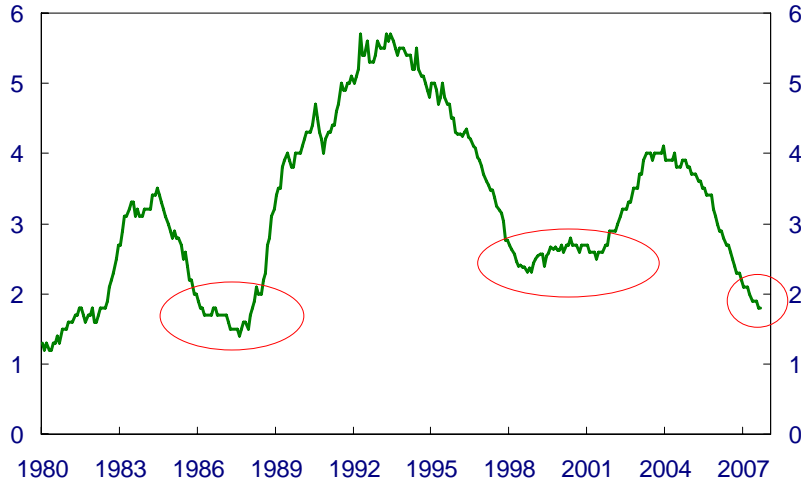
Monetary policy and the labour market

Governor Svein Gjedrem
Conference to mark the 10th anniversary of the Federation of
Norwegian Professional Associations
24 October 2007

Favourable developments in Norwegian economy

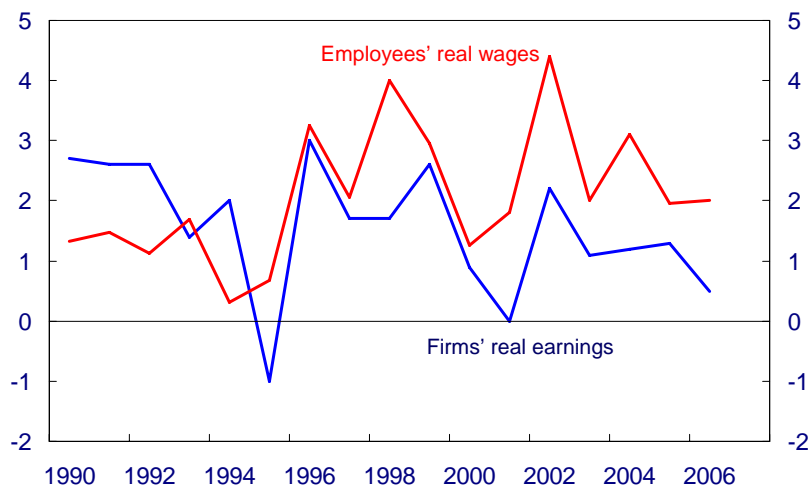
- Improved terms of trade
- High productivity growth
- Increased supply of labour

Tight labour market Registered unemployed. Percentage of labour force



Source: Norwegian Labour and Welfare Organisation (NAV)

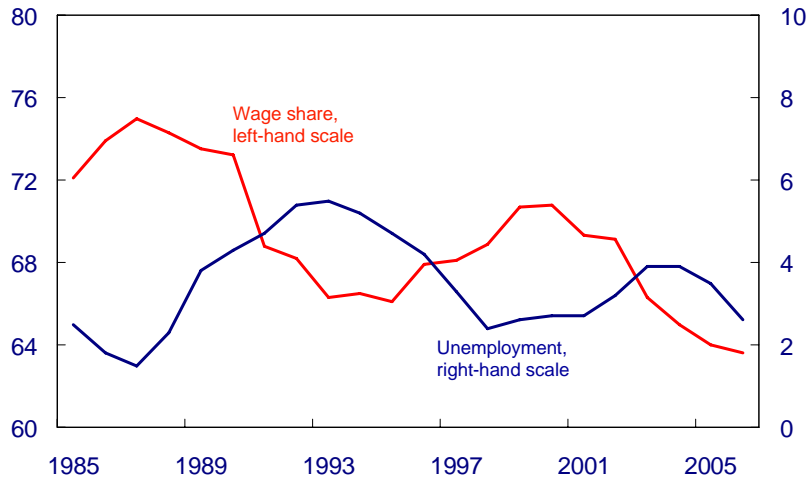
Employees' and firms' real earnings Percentage growth



Sources: Statistics Norway and Norges Bank

Wage share¹⁾ and registered unemployment

Per cent. 1985 – 2006

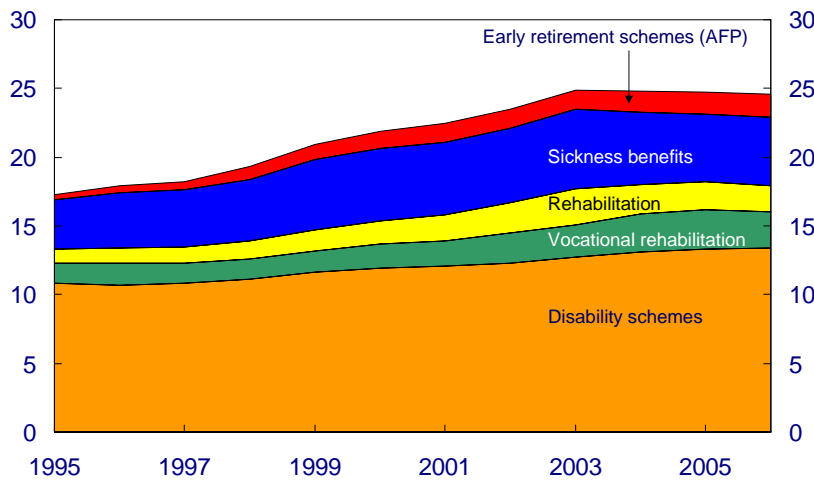


¹⁾ Labour costs as share of factor income. Market-oriented enterprises in mainland Norway.

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

Persons on benefit and early retirement schemes

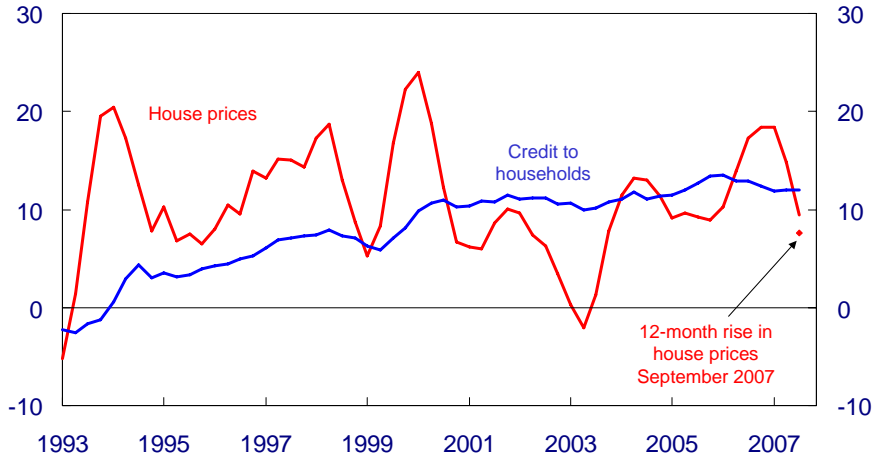
Per cent of labour force. 1995 – 2006



Source: Norwegian Labour and Welfare Organisation (NAV)

Rise in house prices and credit to households

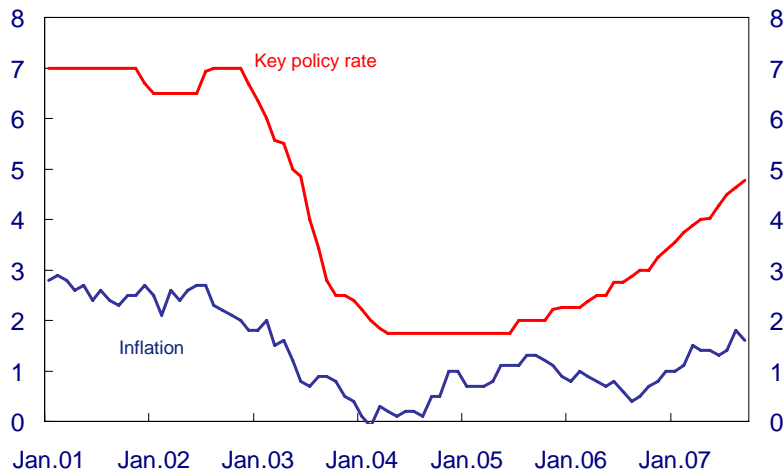
4-quarter rise



Sources: Association of Real Estate Agents, ECON, Finn.no and Association of Real Estate Agency Firms and Statistics Norway

Key policy rate and inflation measured by CPI-ATE

Per cent



Source: Norges Bank

Interplay in economic policy

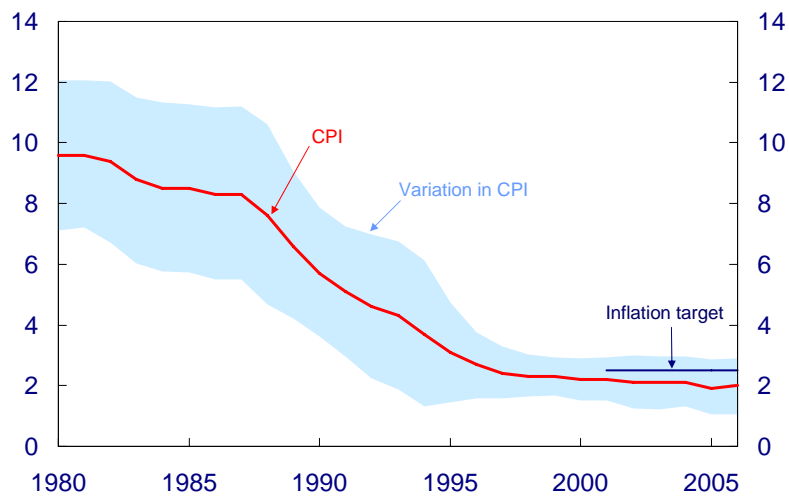
- Norges Bank’s response pattern is consistent with the inflation target set by Government and Storting

- Social partners: “Leader”
 - take Norges Bank’s response to their actions into account

- Norges Bank: “Follower”
 - sets the interest rate depending on the effects of wage developments on inflation

Low inflation

10-year moving average and variation in CPI. Per cent. 1980 – 2006



Sources: Statistics Norway and Norges Bank