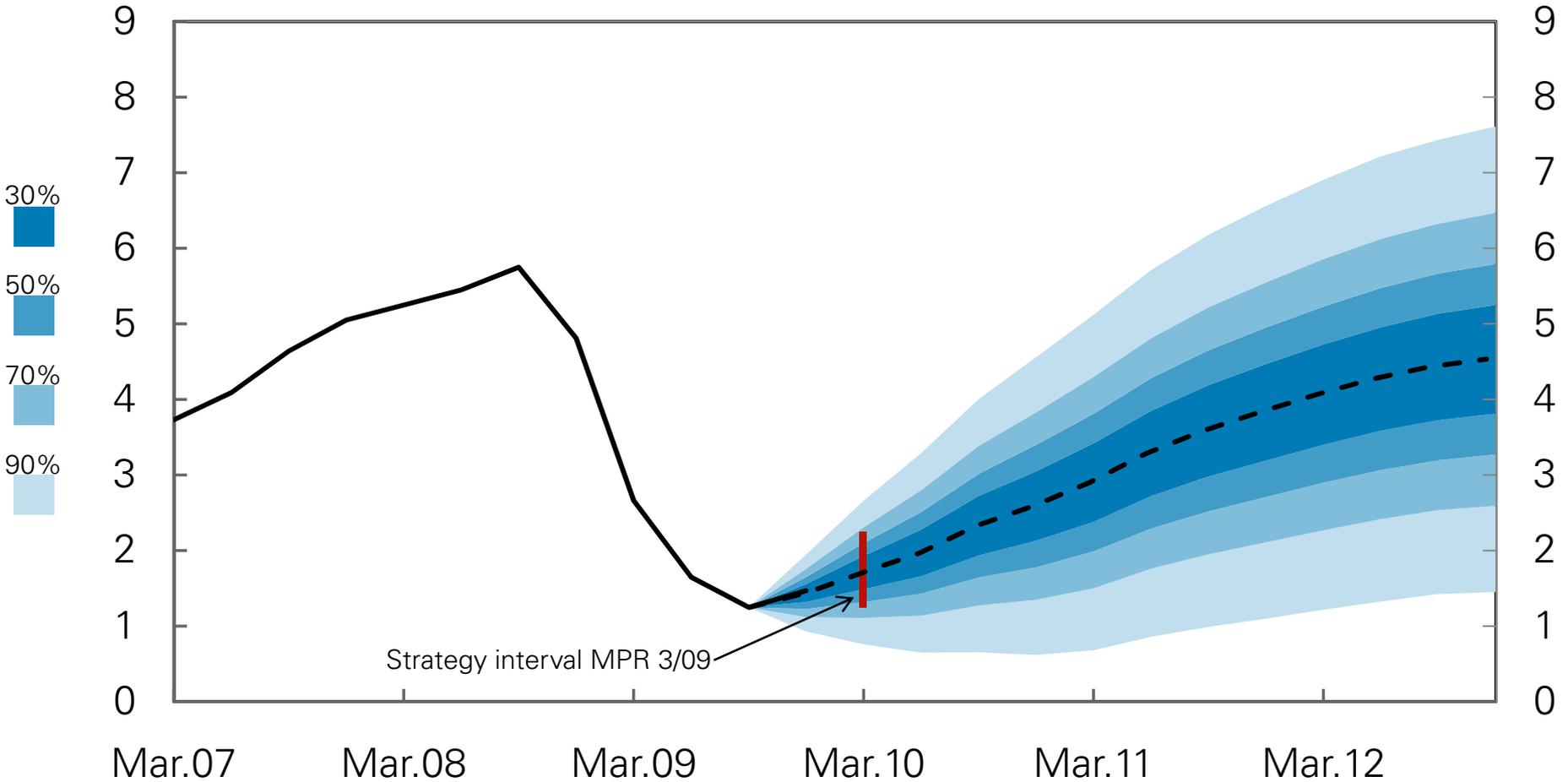


# Executive Board Meeting

*3 February 2010*

# Projected key policy rate in the baseline scenario with fan chart from MPR 3/09

With average key policy rate for 2009 Q4 and strategy interval

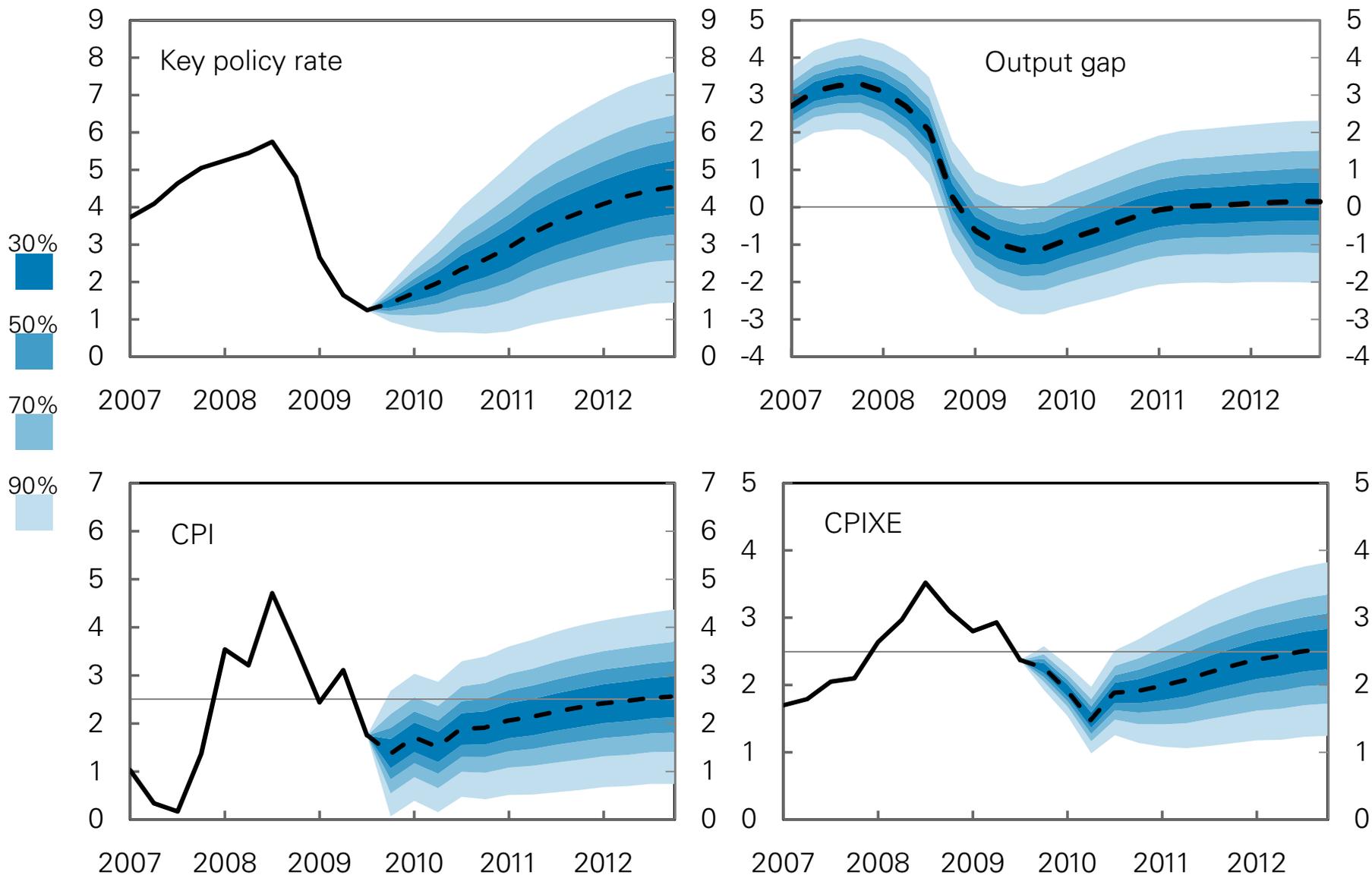


Source: Norges Bank

# Criteria for a good interest rate path

1. Inflation close to target in the medium term
2. Reasonable balance between the path for inflation and the path for capacity utilisation  
*The assessment incorporates potential effects of asset prices on inflation and capacity utilisation*
3. Robustness
4. Gradualism and consistency
5. Cross-checks against simple monetary policy rules

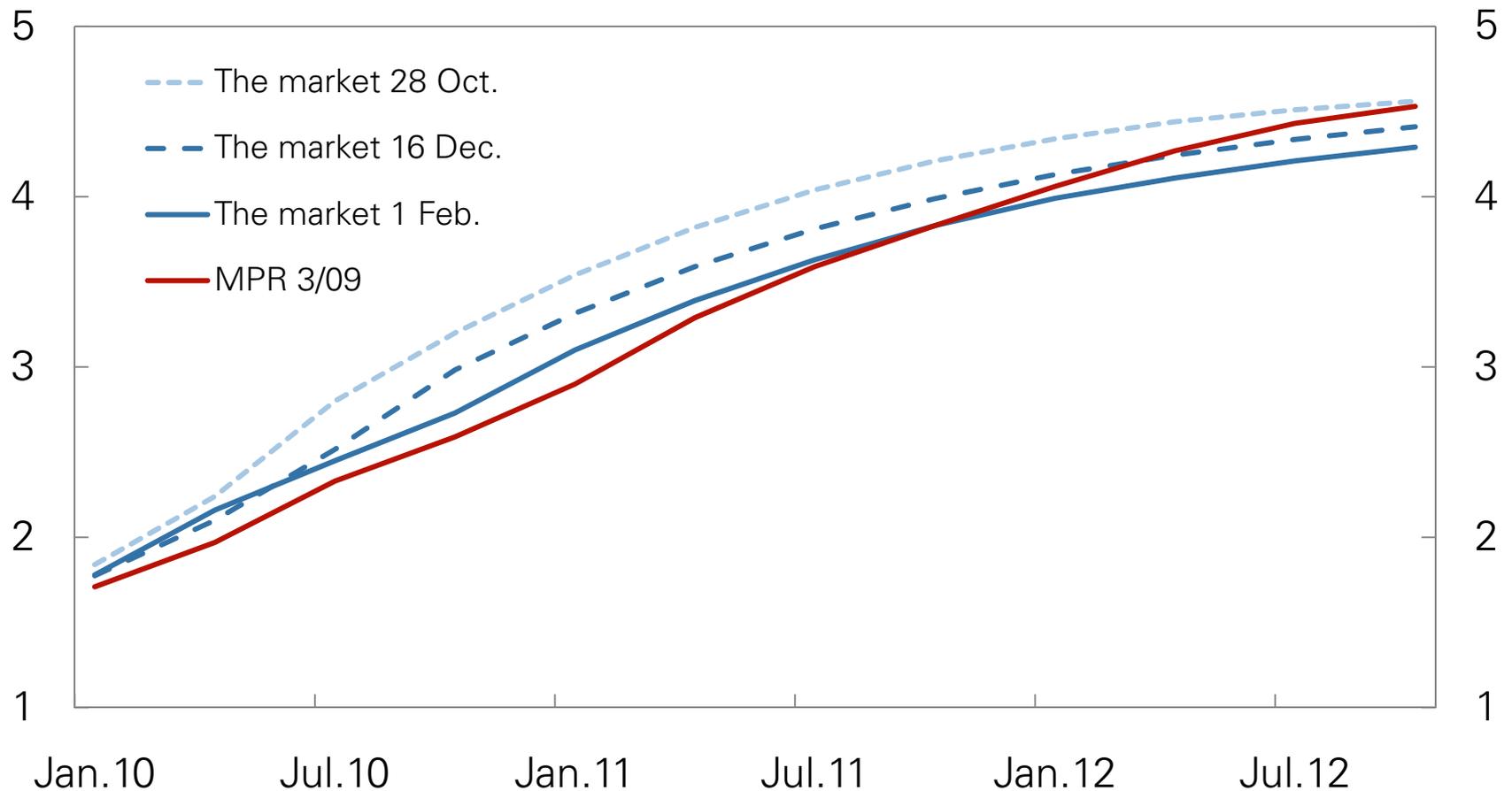
# Baseline scenario MPR 3/09



Sources: Statistics Norway and Norges Bank

# Norges Bank's and the market's interest rate path

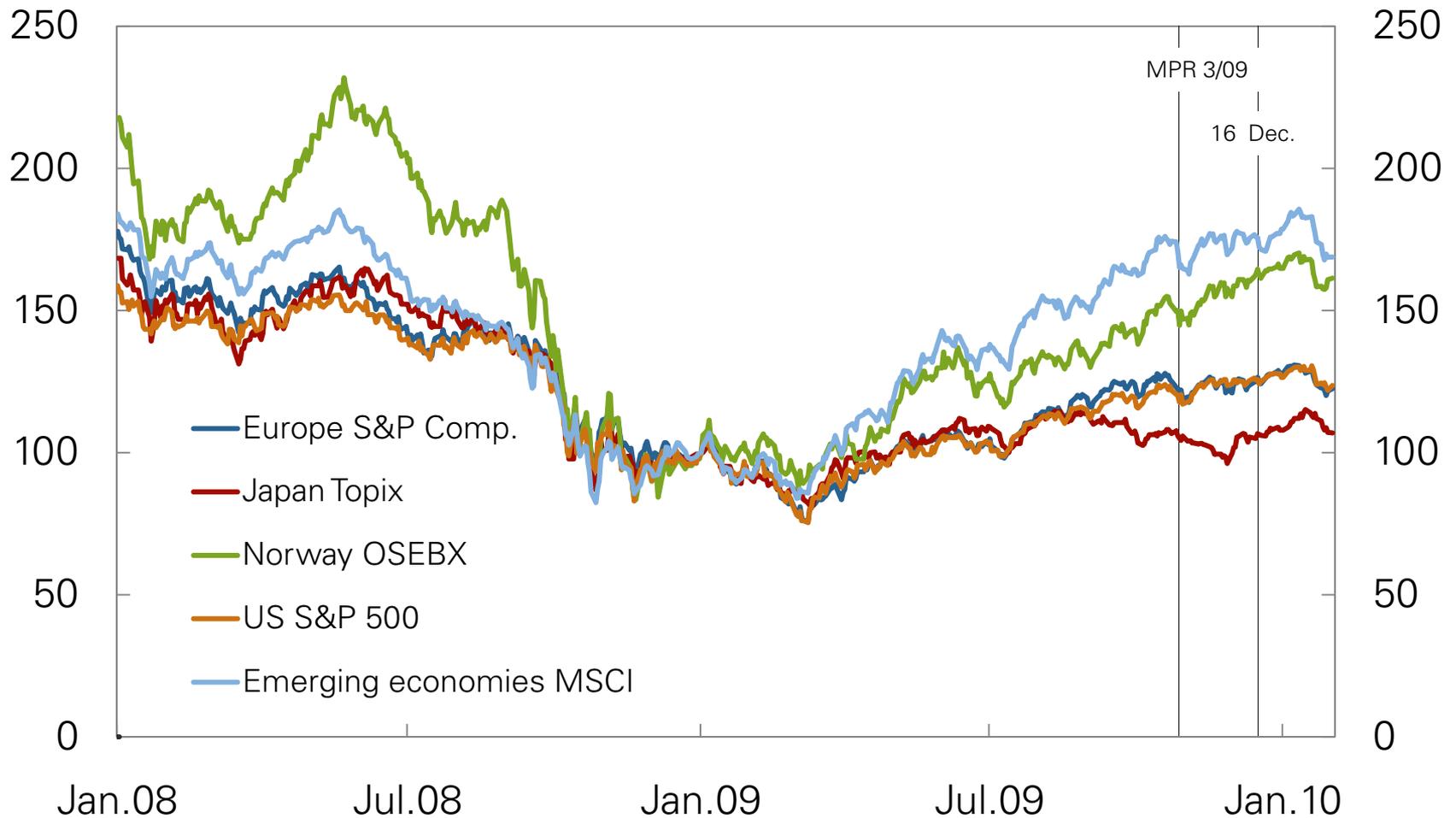
The key policy rate. Per cent



Sources: Bloomberg, Thomson Reuters and Norges Bank

# International stock prices

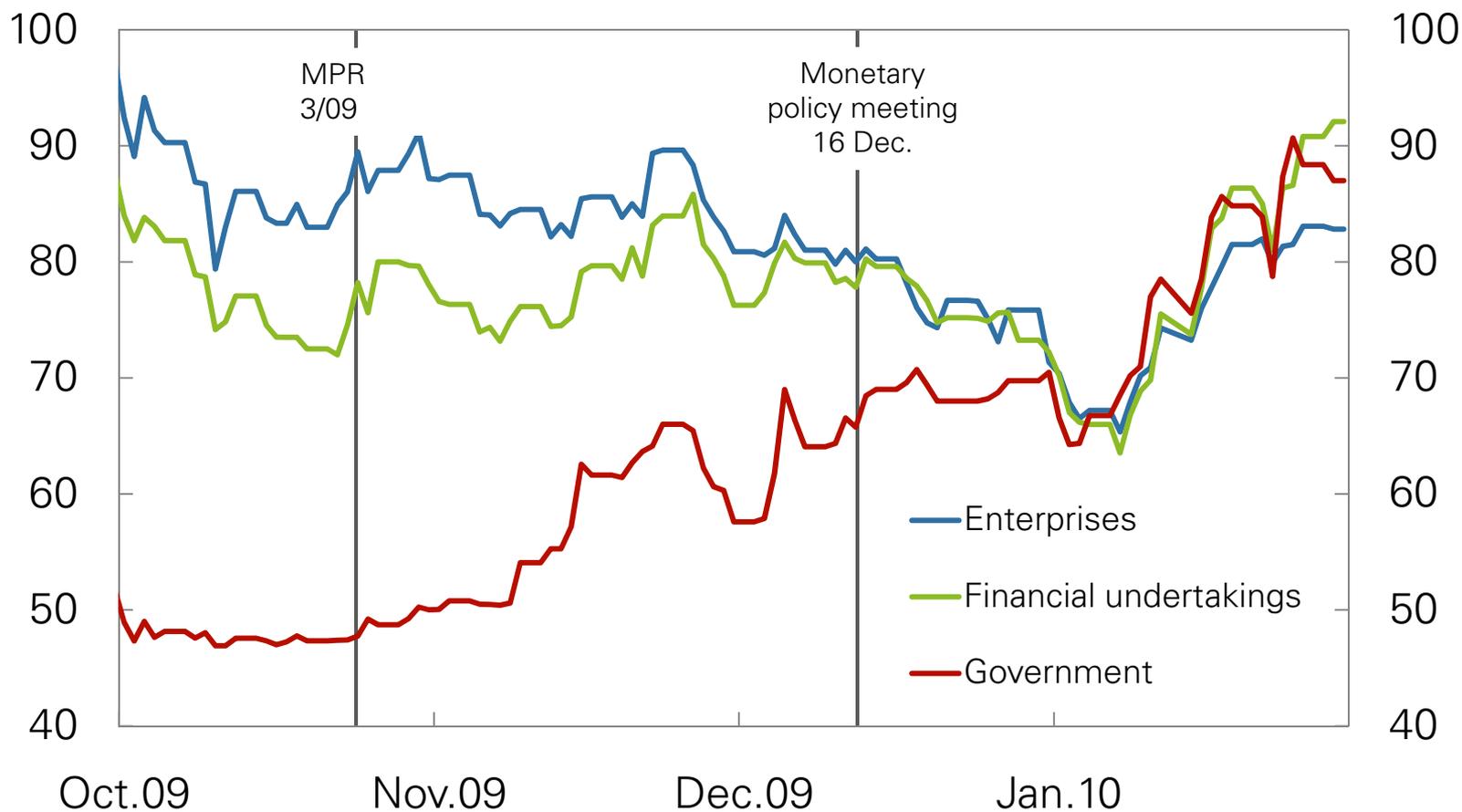
Total yield. Index, 1 Jan. 2009=100. 1 Jan. 2008 – 1 Feb. 2010



Source: Thomson Reuters

# Credit risk

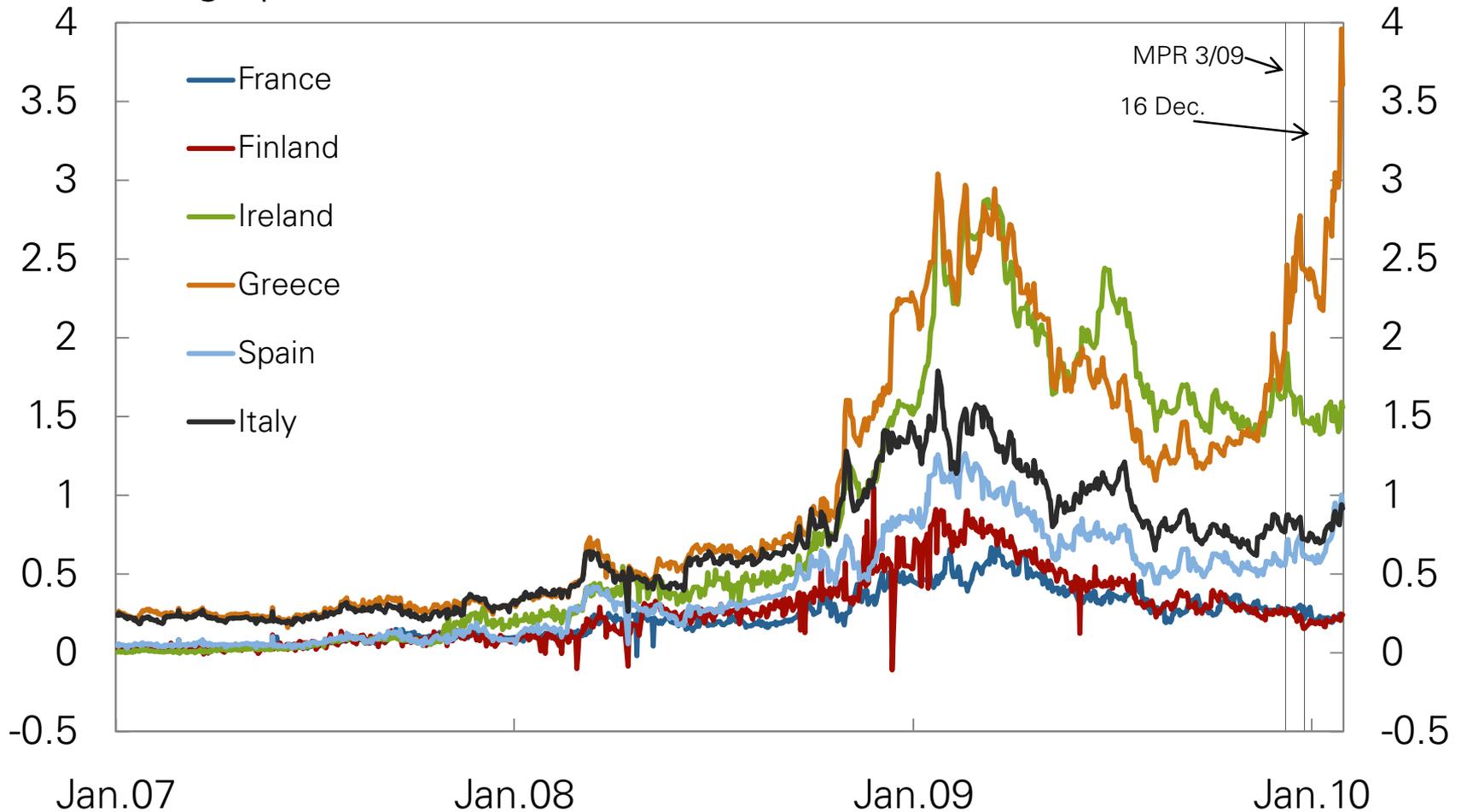
Europe. 5-year CDSs on enterprises, financial undertakings and government. Basis points. 5 Oct. 2009 – 1 Feb. 2010



Source: Bloomberg

# Effective yield differential against German 10-year government bonds

Percentage points. 1 Jan. 2007 – 29 Jan. 2010

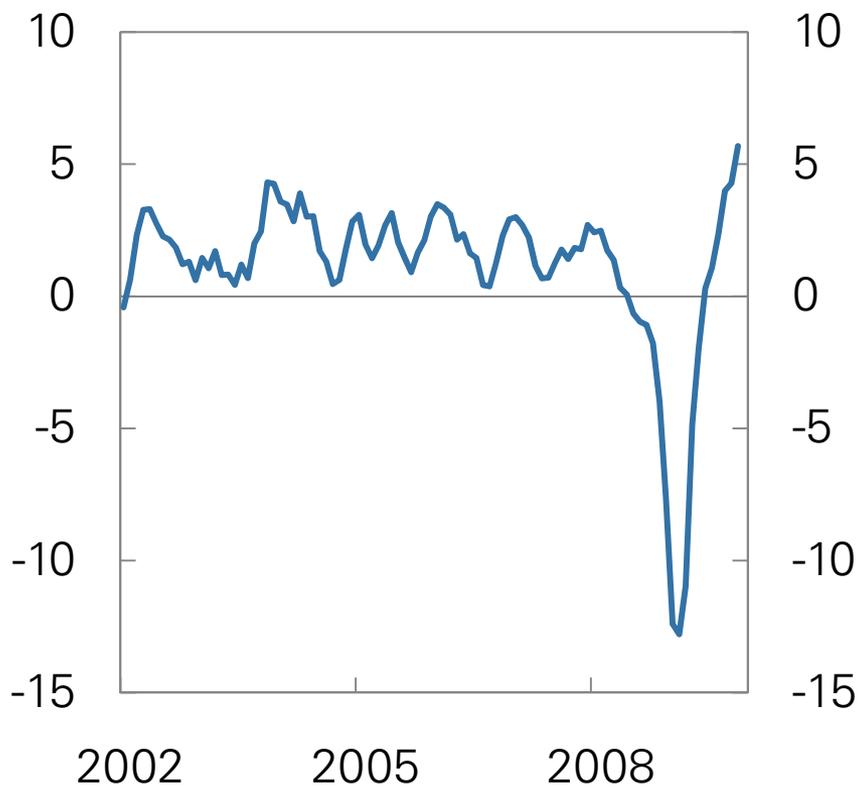


Source: Thomson Reuters

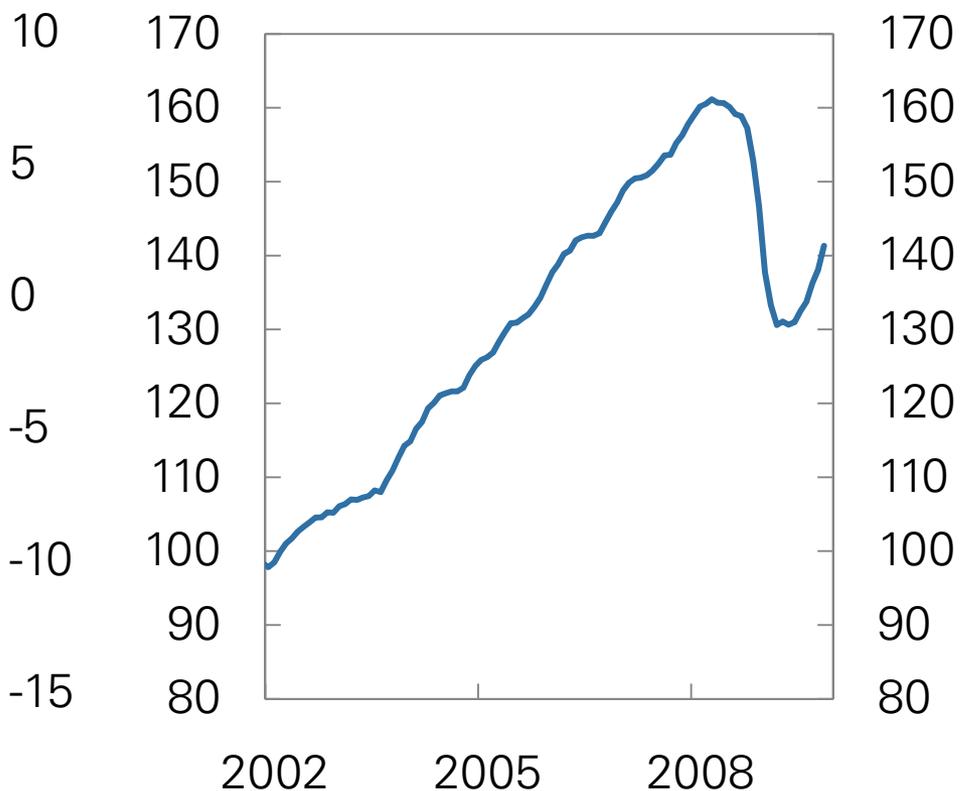
# World trade

Volume. Seasonally adjusted. January 1999 – November 2009

### 3-month growth<sup>1)</sup>



### Index

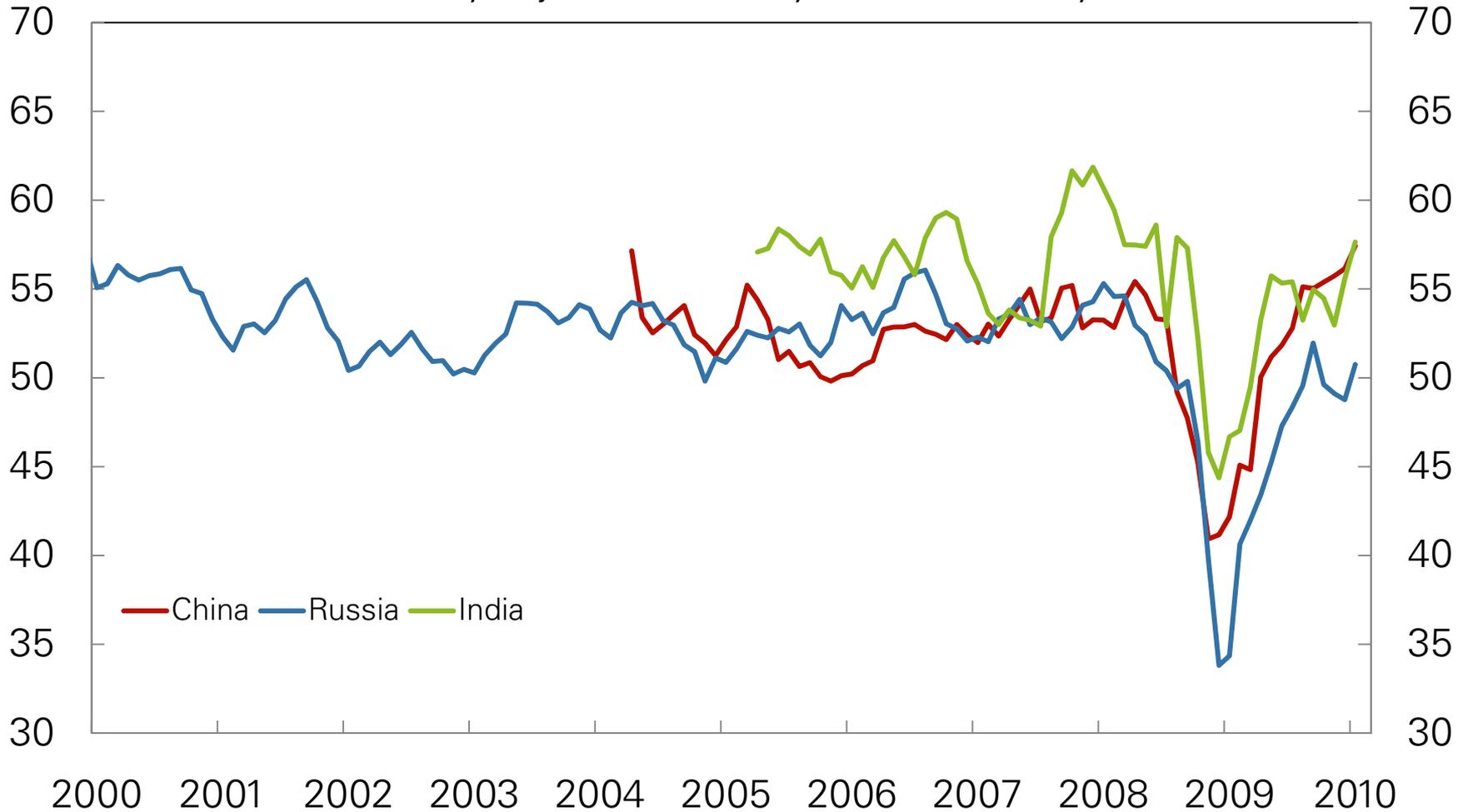


1) Three months moving average

Source: CPB Netherlands Bureau for Economic Policy analysis

# PMI manufacturing in large emerging economies

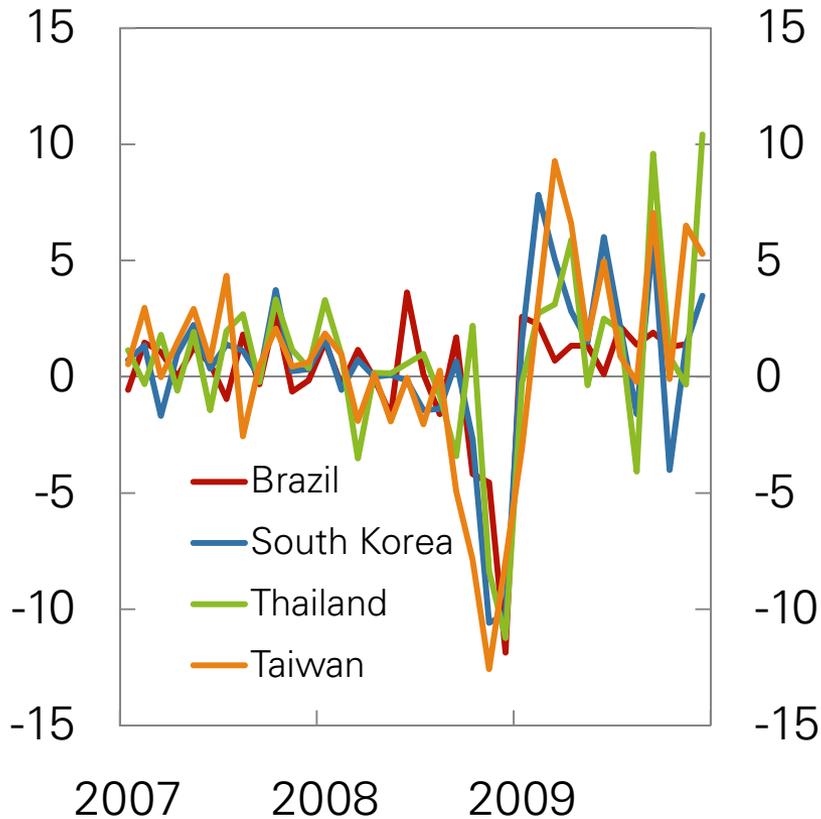
Diffusion index. Seasonally adjusted. January 2000 – January 2010



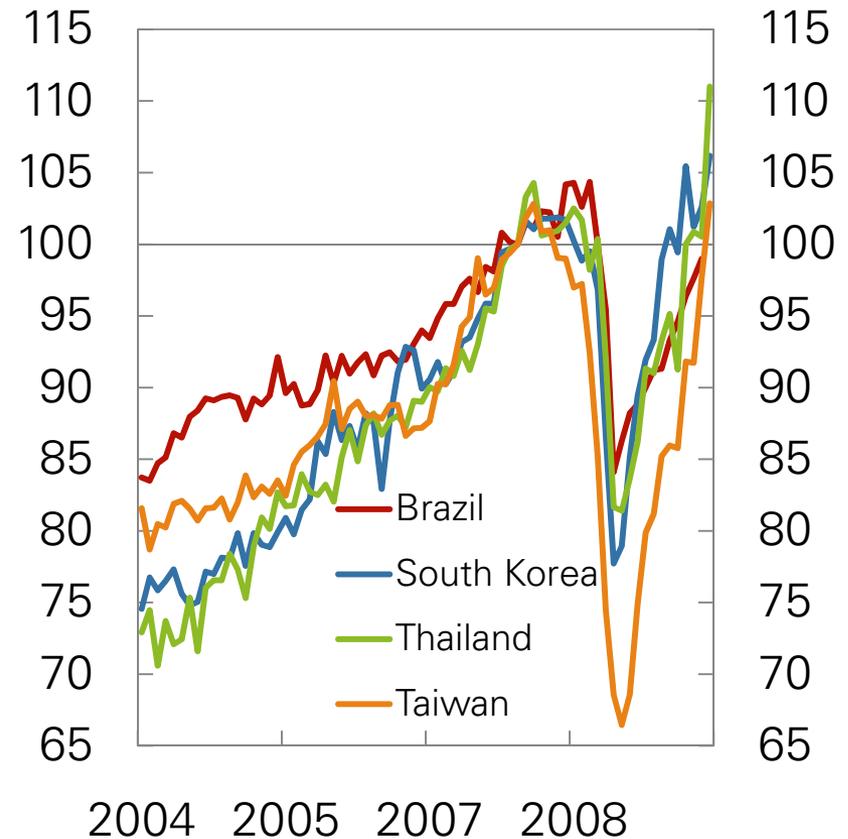
Source: Thomson Reuters

# Manufacturing production in emerging economies

Seasonally adjusted monthly growth



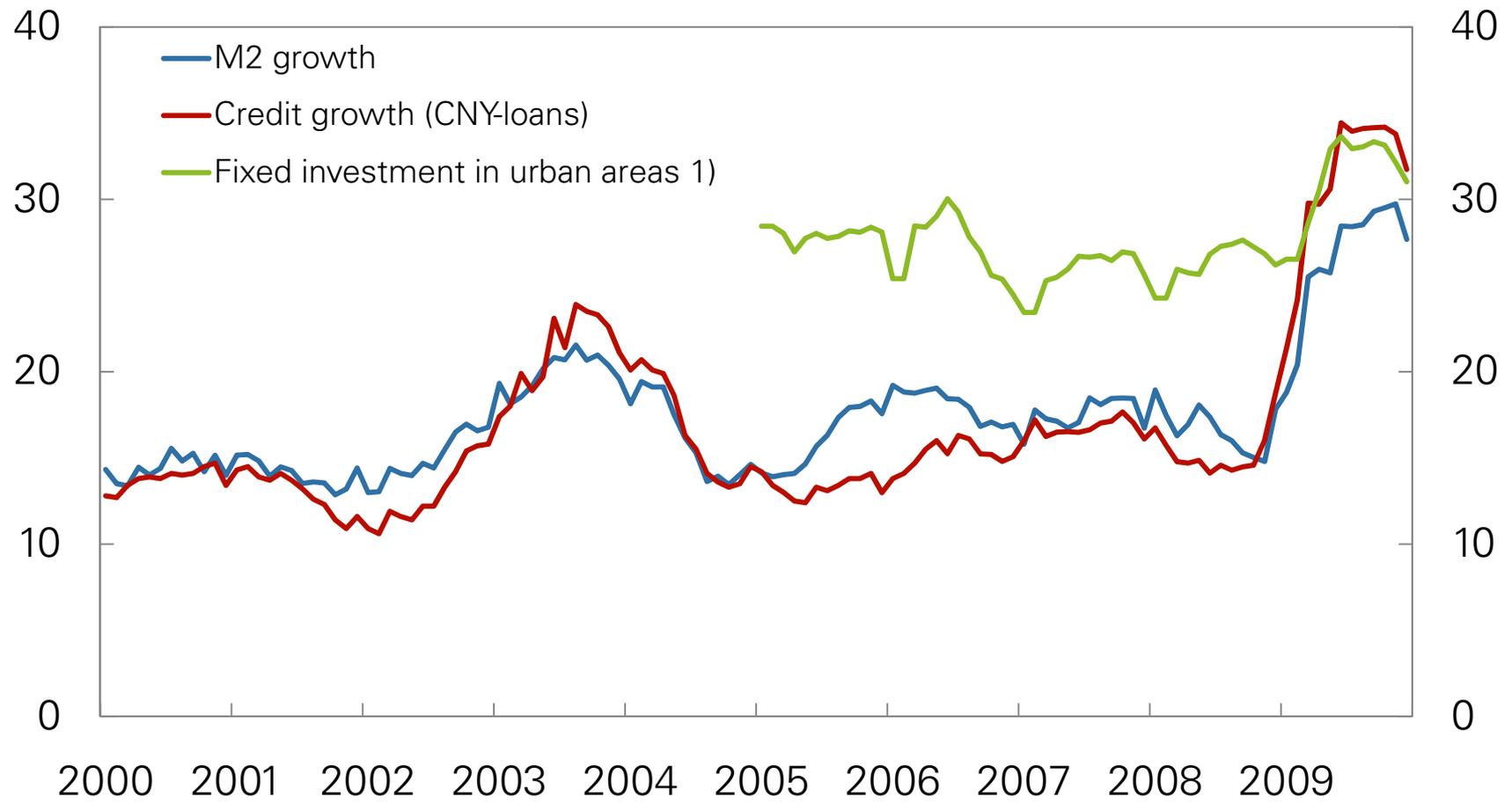
Index, seasonally adjusted.  
Dec. 2007 = 100



Source: Thomson Reuters

# Investment, credit growth and retail sales in China

12-month growth. January 2000 – December 2009



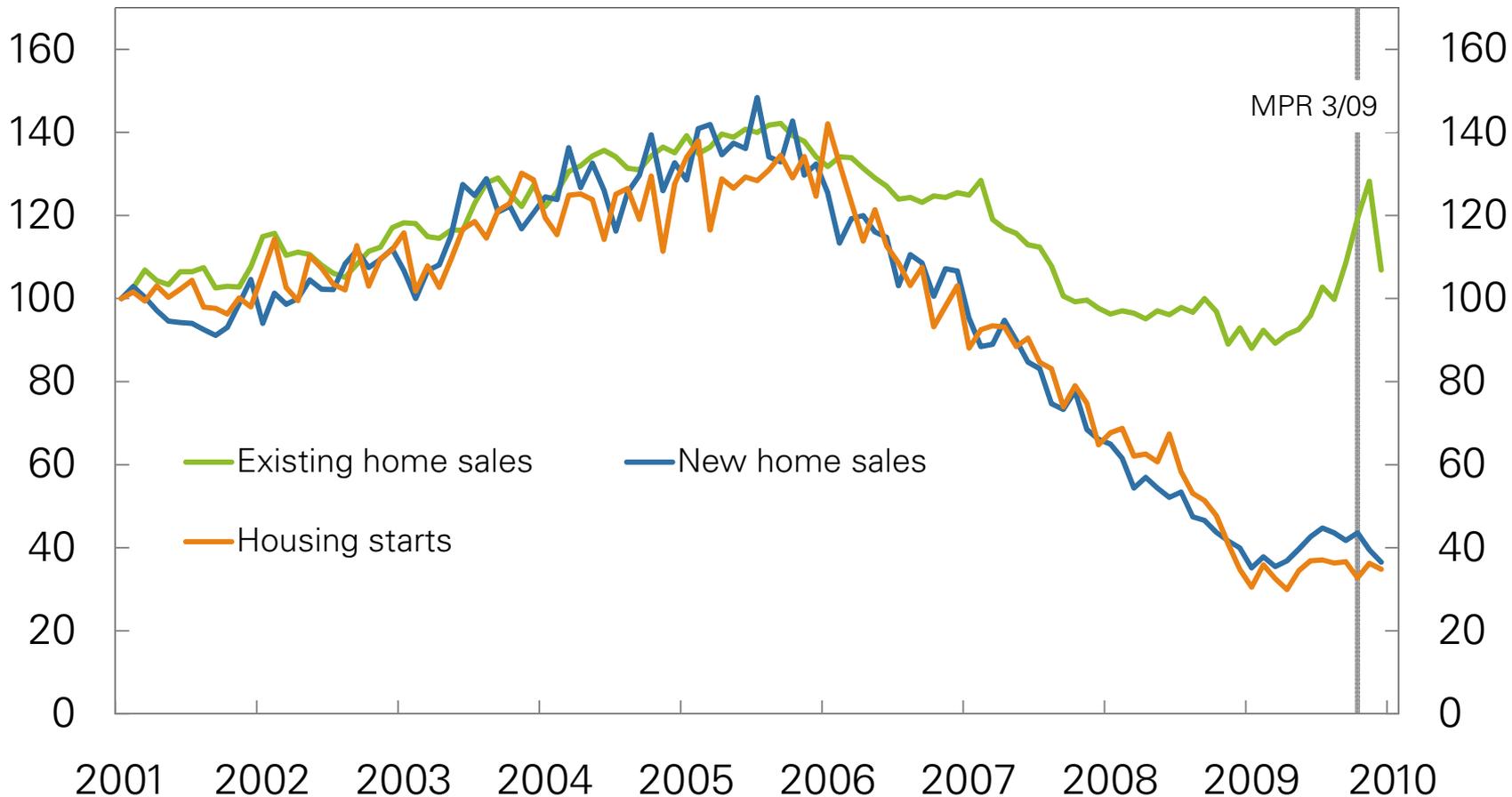
1) Growth so far this year compared with the same period one year earlier

Source: CEIC

# US – housing market

Index, seasonally adjusted. January 2001 = 100.

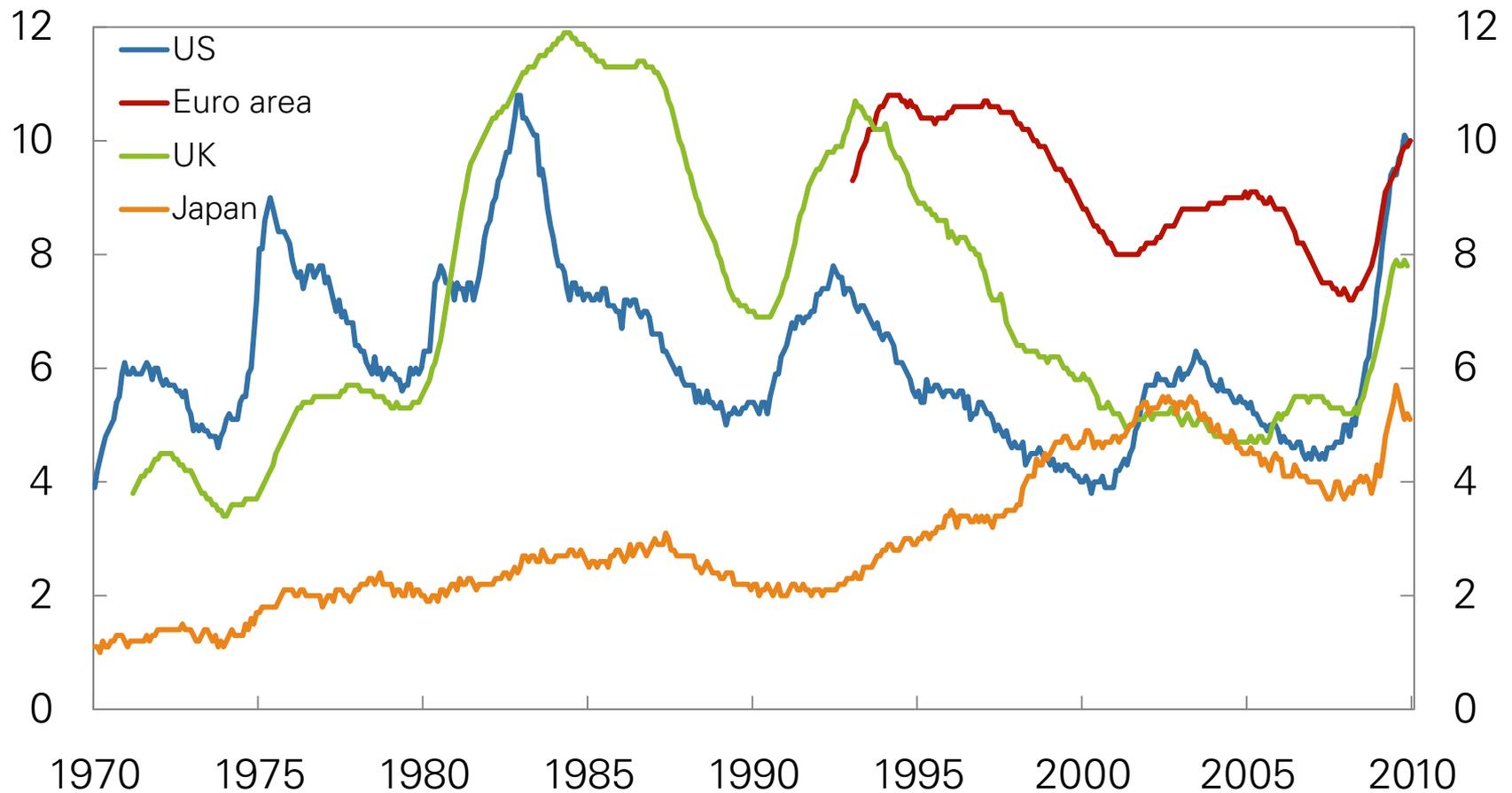
January 2001– December 2009



Source: Thomson Reuters

# Unemployment

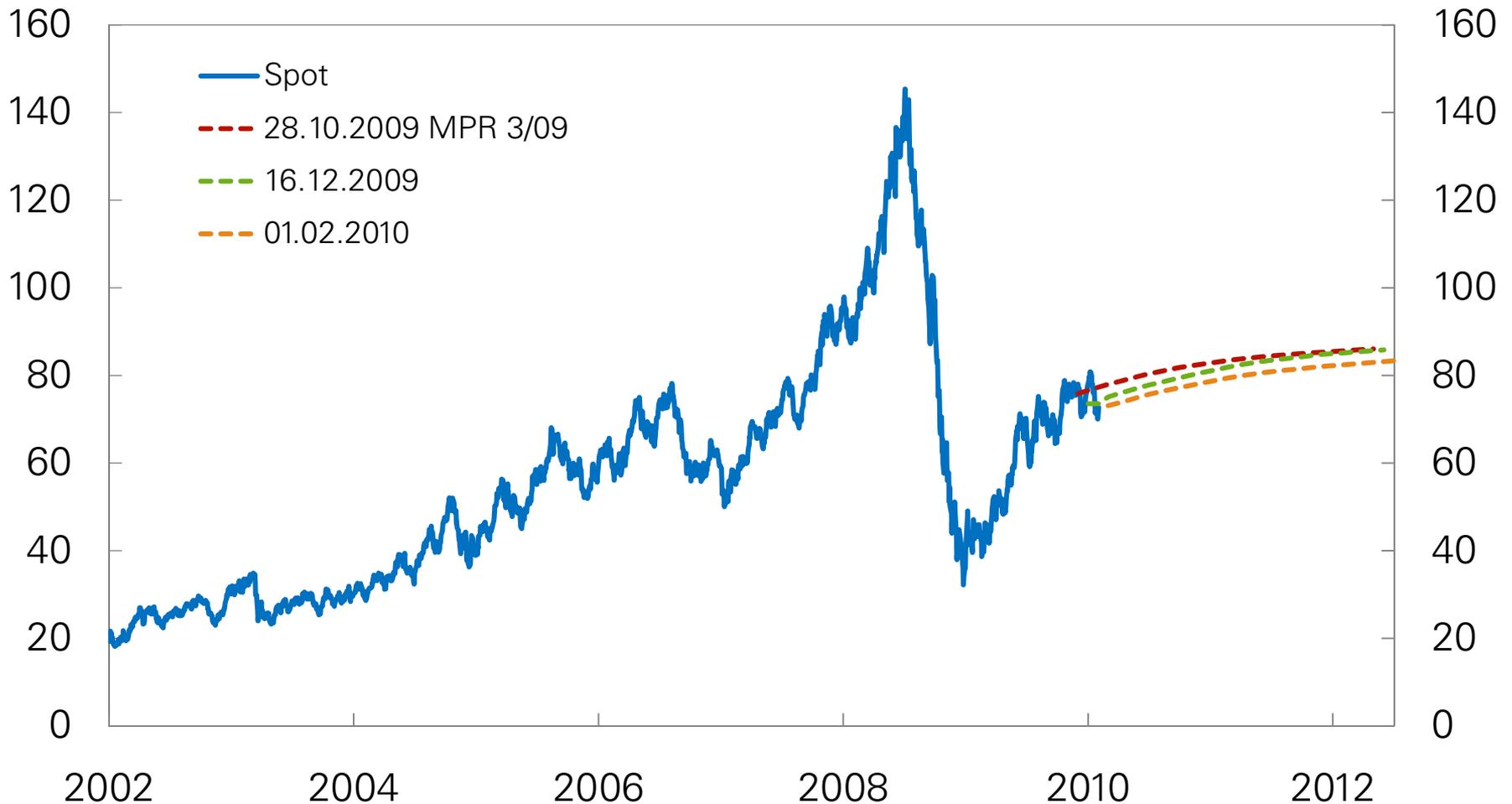
Percentage of labour force. Per cent. Seasonally adjusted.  
January 1970 – December 2009



Source: Thomson Reuters

# Oil price (Brent Blend)

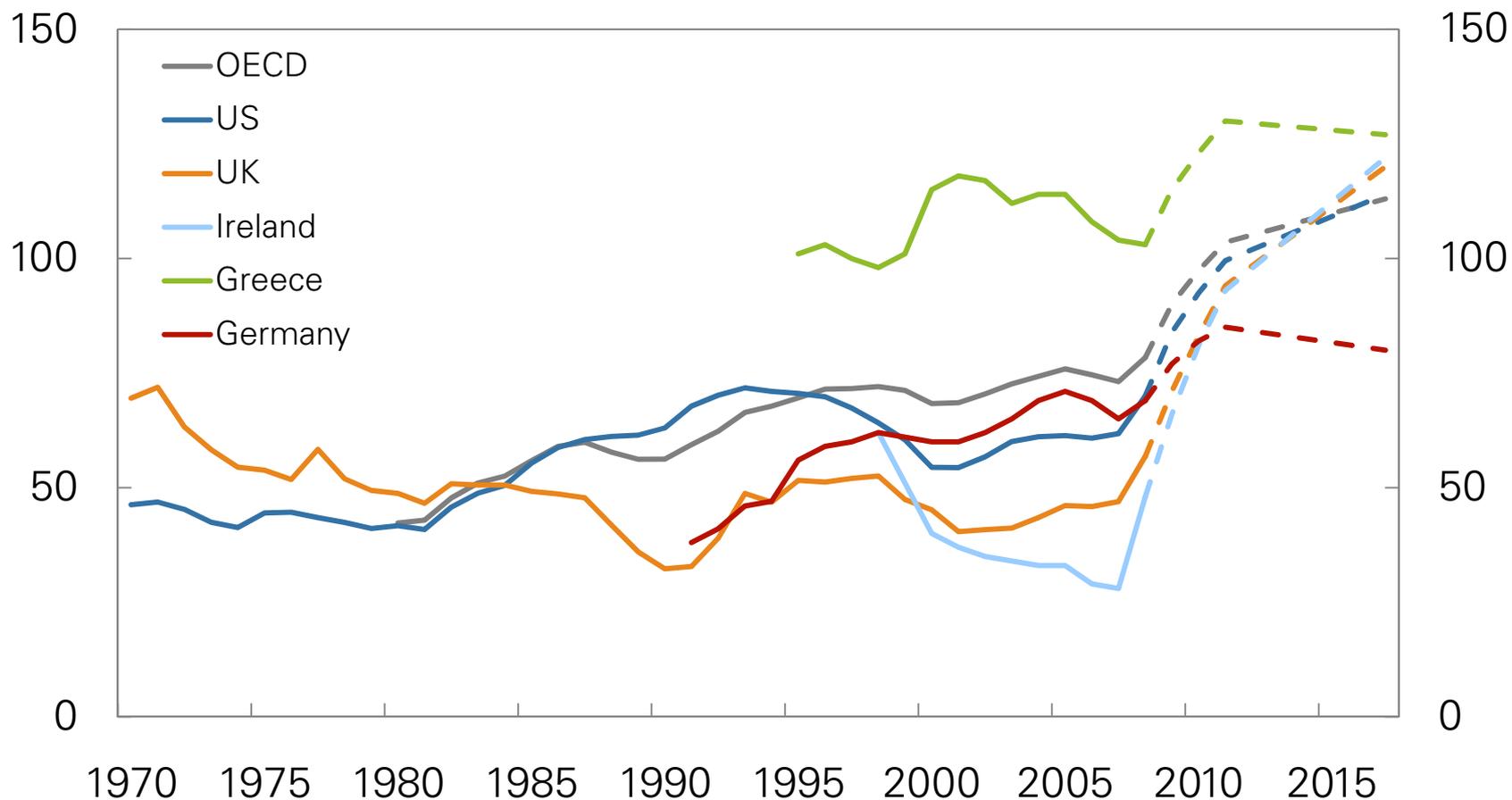
USD per barrel. Daily figures. January 2002 – July 2012



Sources: Thomson Reuters and Norges Bank

# Public gross debt

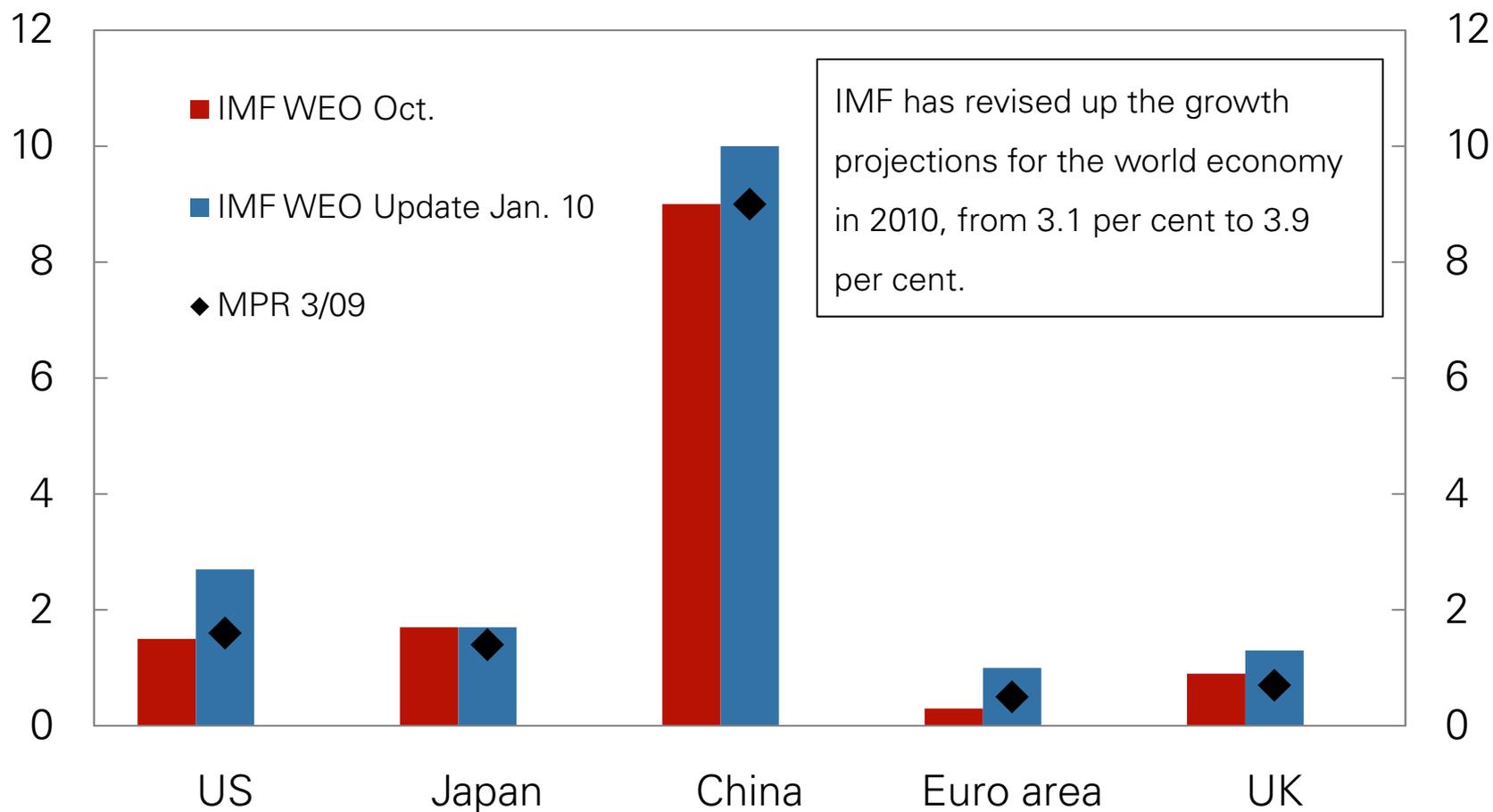
Per cent of GDP. 1970 – 2017. Projections for 2009 – 2011 and 2017



Source: OECD Economic Outlook 86

# Growth projections for 2010

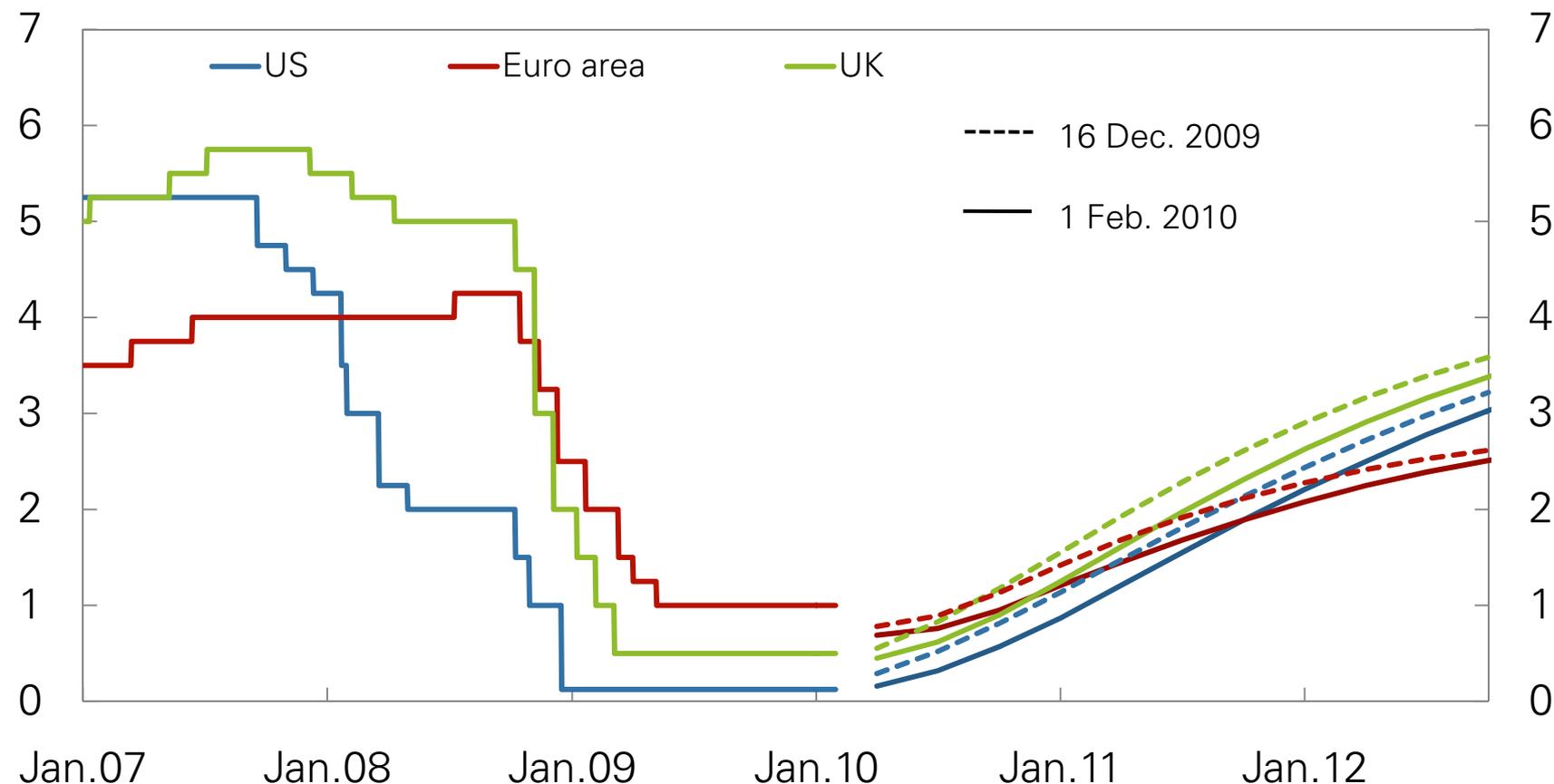
Projections by IMF at different points in time



Sources: IMF and Norges Bank

# Key rates and estimated forward rates

Per cent. 1 Jan. 2007 – 31. Dec. 2012<sup>1)</sup>

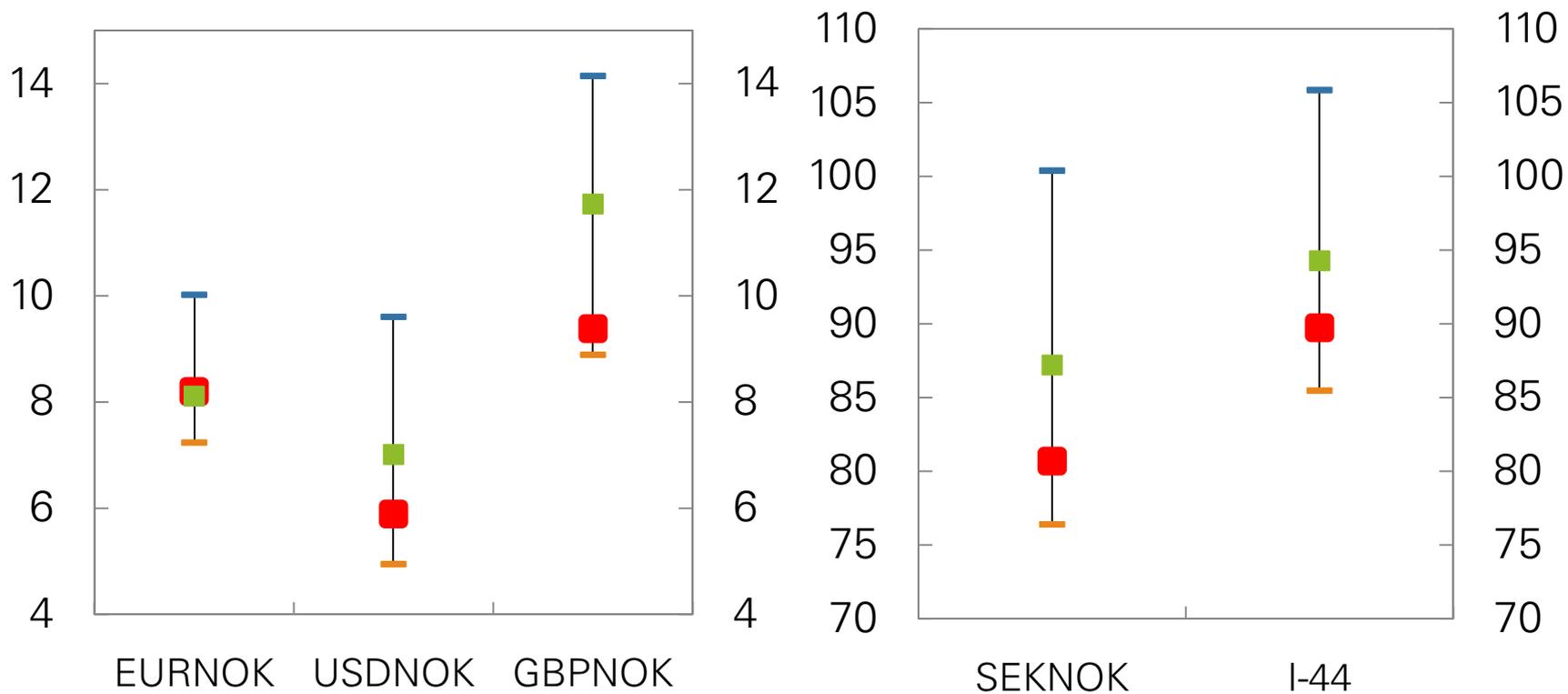


1) Broken lines show estimated forward rates per 16 December 2009. Unbroken lines show estimated forward rates per 1 February 2010. Forward rates are based on Overnight Indexed Swap (OIS) rates. Daily figures from 1 January 2007 and quarterly figures from 1 April 2010.

Sources: Thomson Reuters, Bloomberg and Norges Bank

# The exchange rate over the past 10 years

Weakest, strongest and average for I-44 and bilateral exchange rates



— Weakest the past 10 years    — Strongest the past 10 years

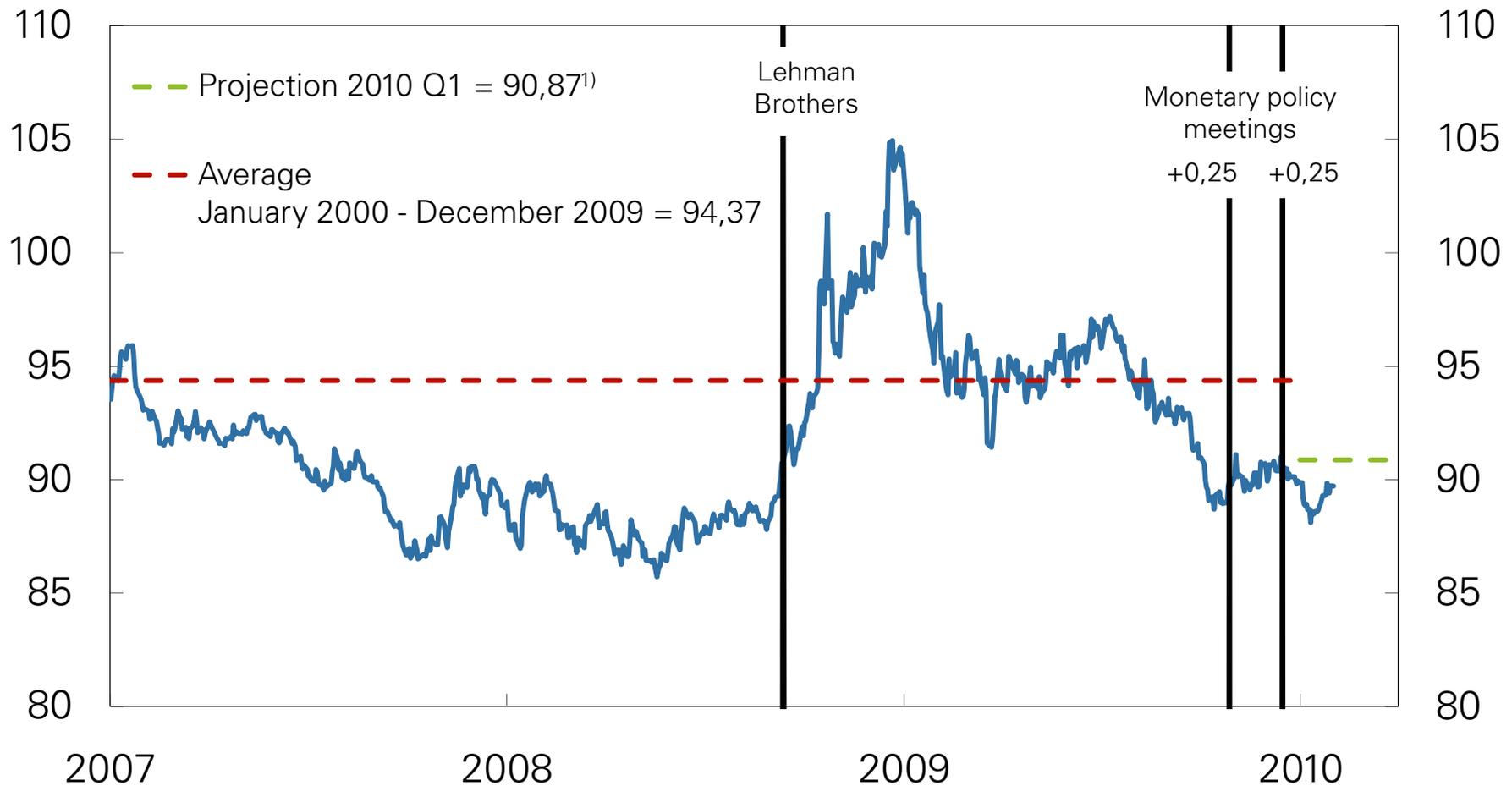
■ 01.02.2010

■ Average the past 10 years

Sources: Bloomberg and Norges Bank

# The development of the exchange rate

I-44 from 1 Jan. 2007 – 1 Feb. 2010

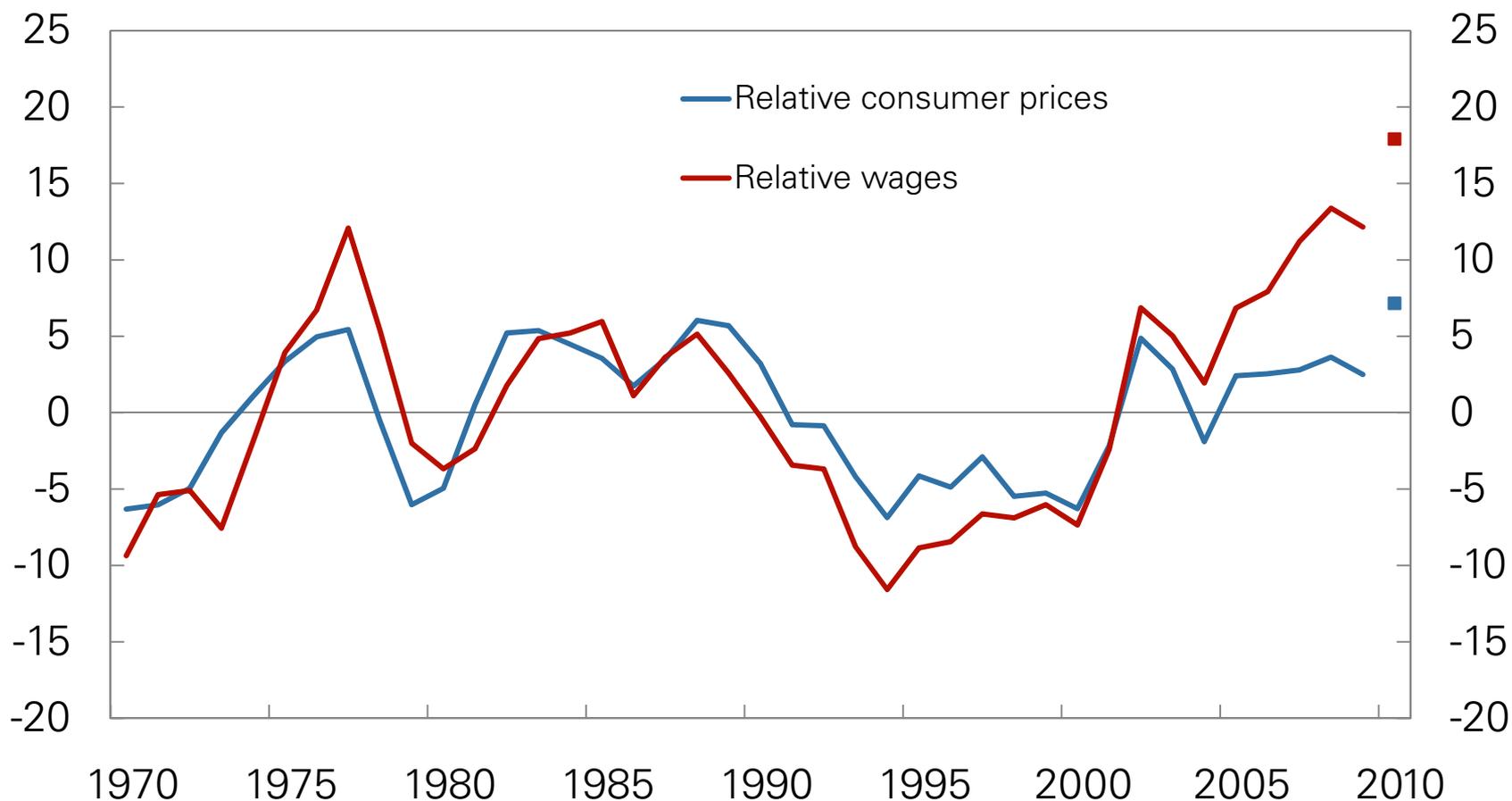


1) Projection from Monetary Policy Report 3/09

Source: Norges Bank

# Real exchange rates

Deviation from average 1970 – 2009. Per cent. 1970 – 2010<sup>1)</sup>

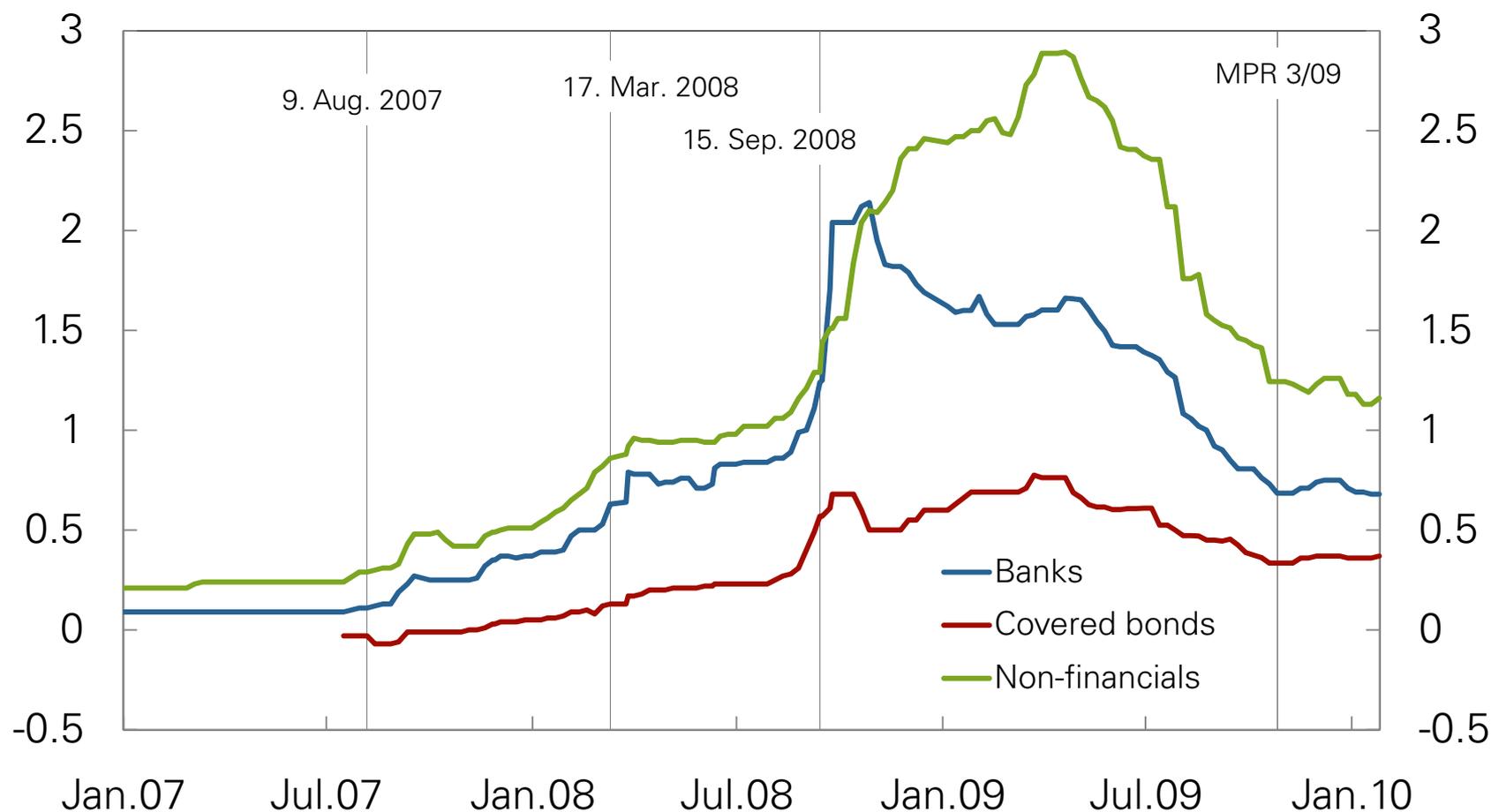


Sources: Statistics Norway, Technical Reporting committee on Income Settlements (TRC), OECD, Ministry of Finance and Norges Bank

1) The squares show the averages for the development so far in 2010. A rising curve indicates weaker competitiveness.

# Bond spreads

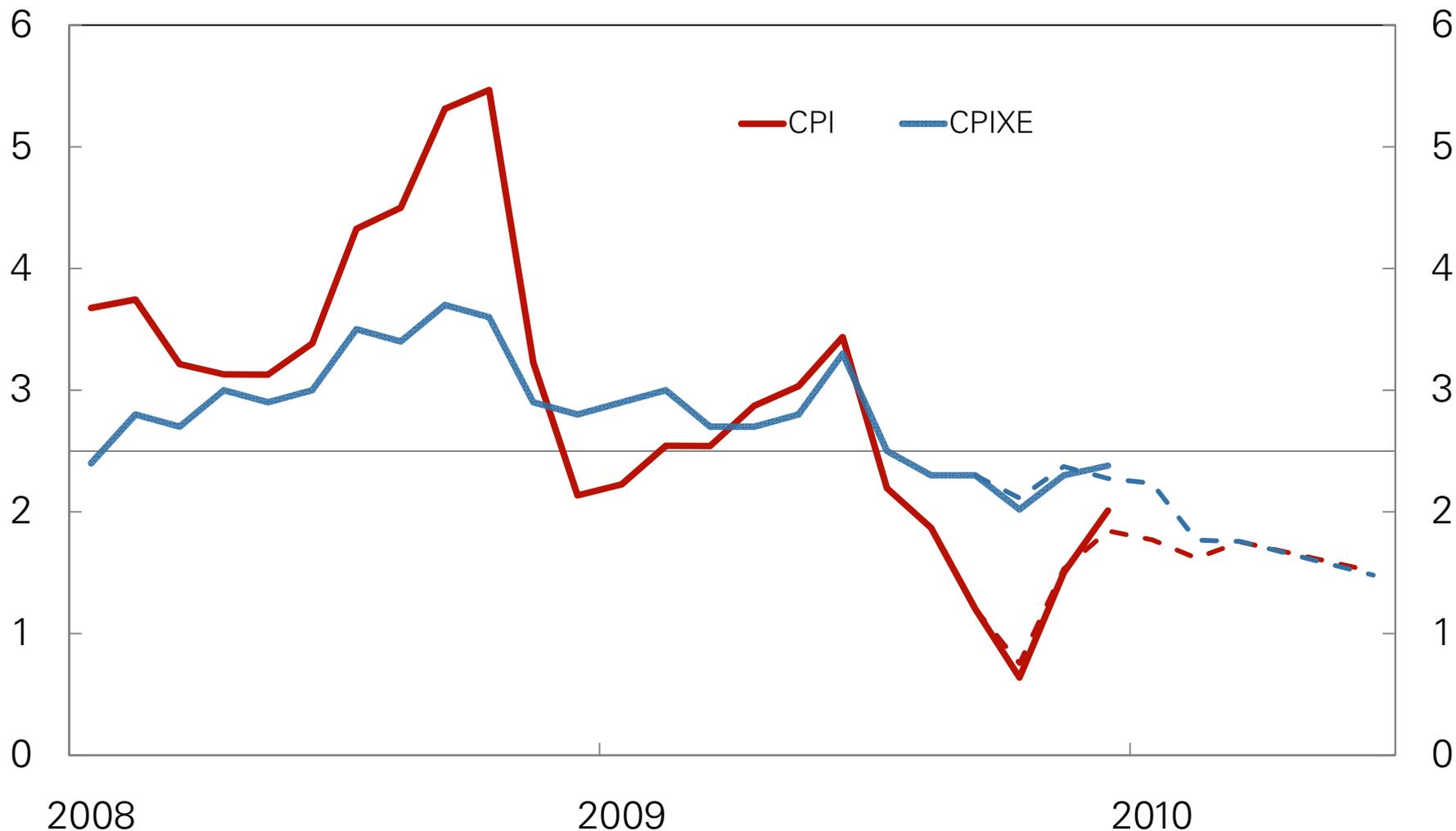
DnB NOR Market's projections for traded prices. 5-year maturity.  
Compared with swap rates. Percentage points. 3. Jan. 2007 – 27. Jan. 2010



Source: DnB NOR Markets

# CPI and CPIXE

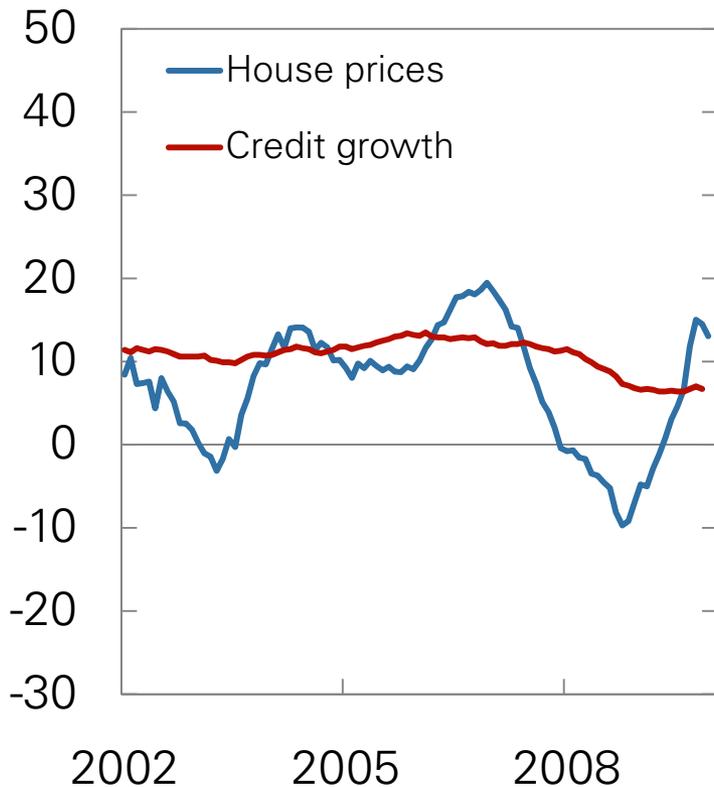
Actual development and projections from MPR 3/09 (dashed). 12-month growth. Per cent. January 2008 – June 2010



Sources: Statistics Norway and Norges Bank

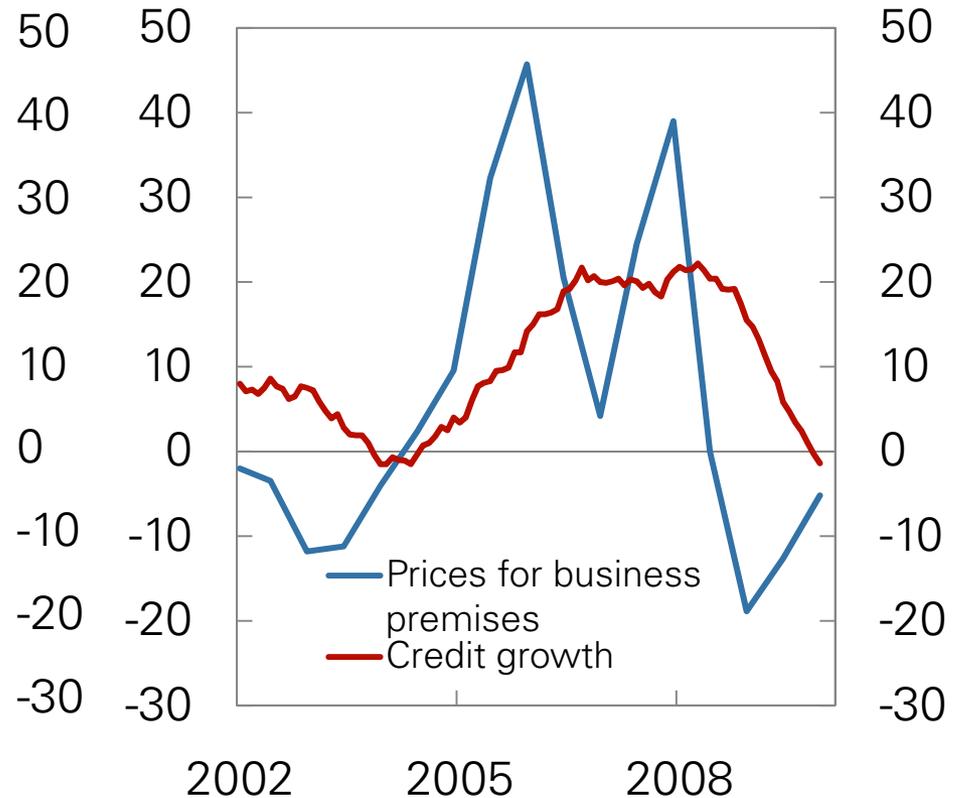
# Credit to households<sup>1)</sup> and house price inflation

12-month growth. Per cent.  
January 2002 – January 2010<sup>2)</sup>



# Credit to enterprises<sup>1)</sup> and rise in prices for business premises<sup>3)</sup>

12-month growth. Per cent. January 2002 – December 2009



- 1) Mainland credit: c2
- 2) House prices for January. Credit growth to December
- 3) Semi annual figures

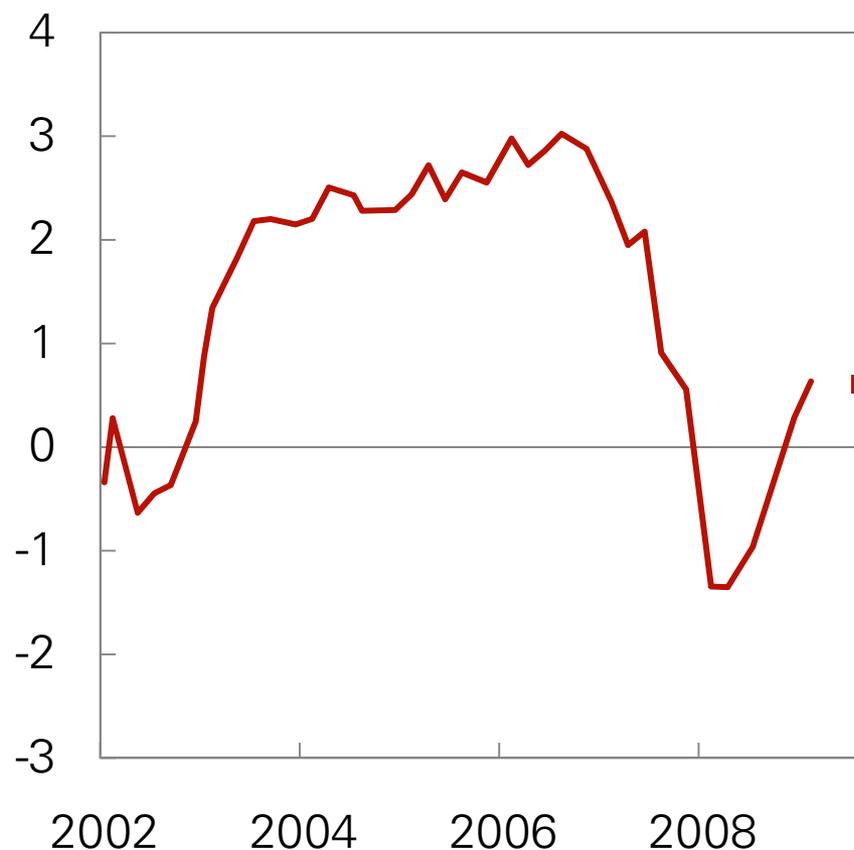
Sources: Statistics Norway, OPAK, the real state sector (NEF, EFF, FINN.no and ECON Pöyry), OBOS and Norges Bank

# Regional Network

- November: the enterprises expected growth in production, but variation between sectors.
- Building and construction and suppliers to the oil industry expected a *fall* in production six months ahead.
- The activity in the traditional manufacturing sector was low, but they expected that the growth in production will remain approximately unchanged.
- This picture was confirmed in a survey by phone in week 3, 2010

## Growth in production

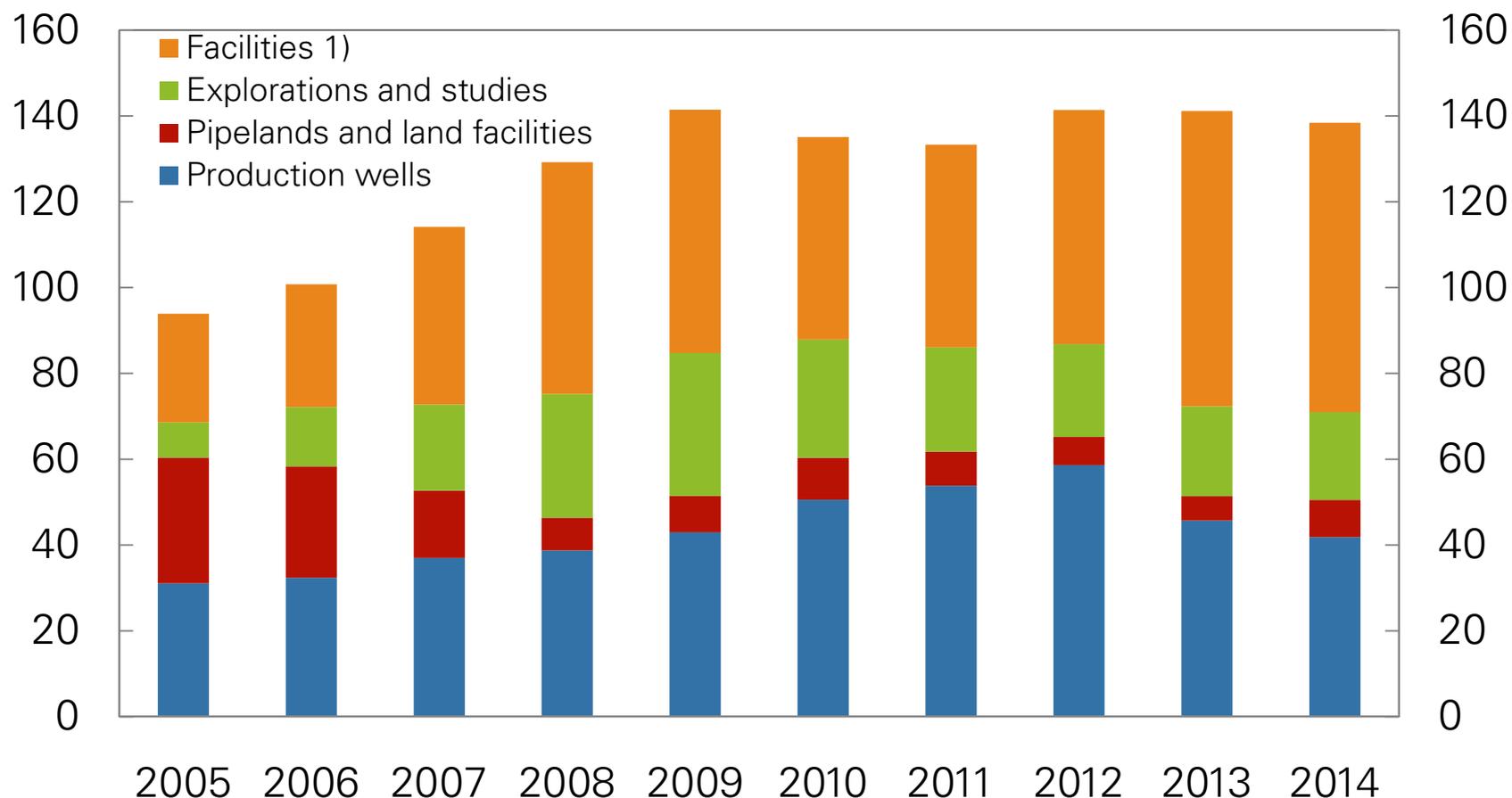
Aggregated. Last 3 months and 6 months ahead. Annualized. Index. Oct. 02 – Nov. 09



Source: Norges Bank's regional network

# Petroleum investments

Actual development and projections from Norwegian Petroleum Directorate. Billions. Fixed 2009-prices. 2005 - 2014



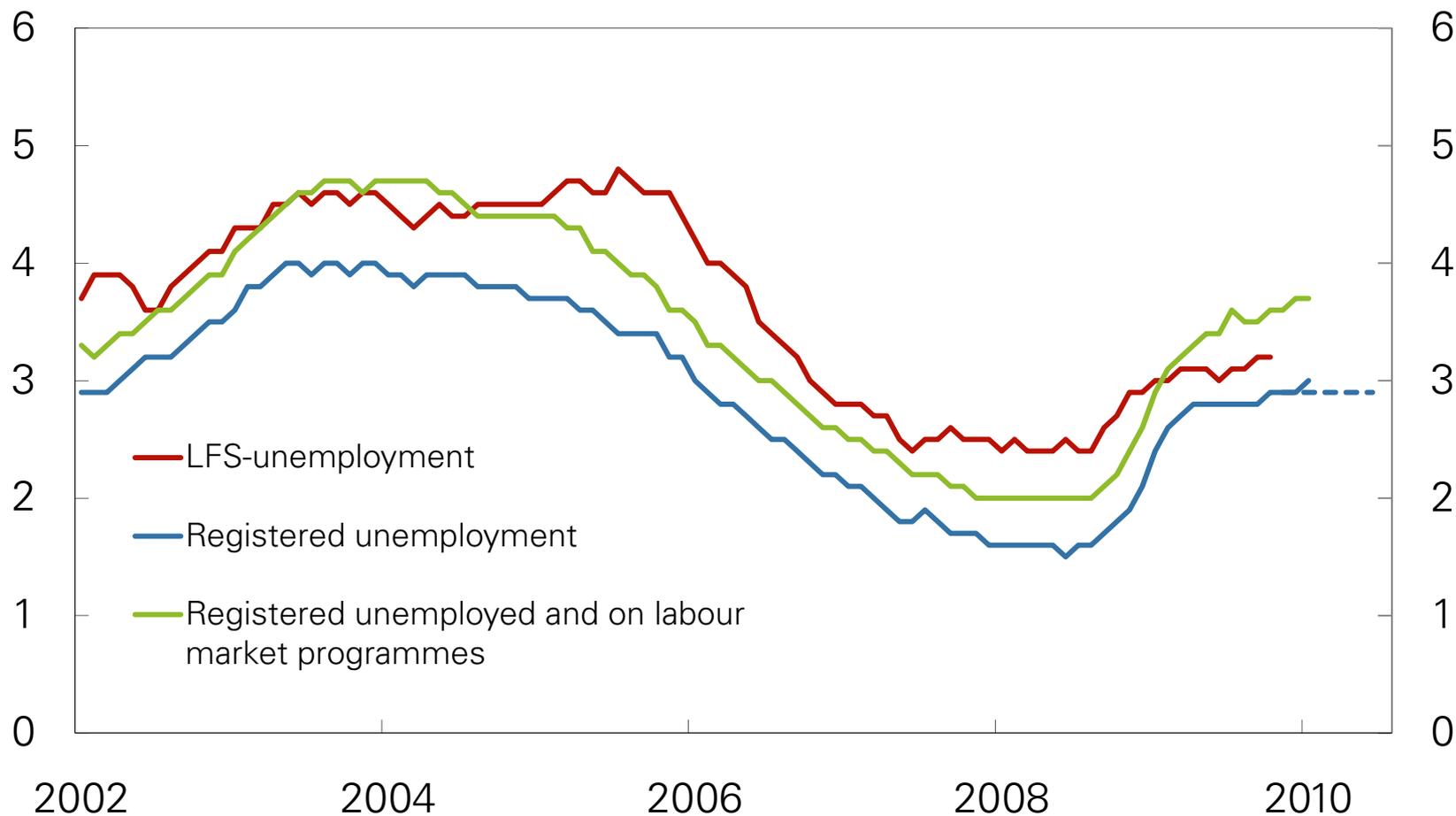
1) Purchases of goods and services to field development and fields in use

Source: Norwegian Petroleum Directorate

# Unemployment

Percentage of labour force. Seasonally adjusted.

Monthly and quarterly numbers. January 2002 – June 2010<sup>1)</sup>

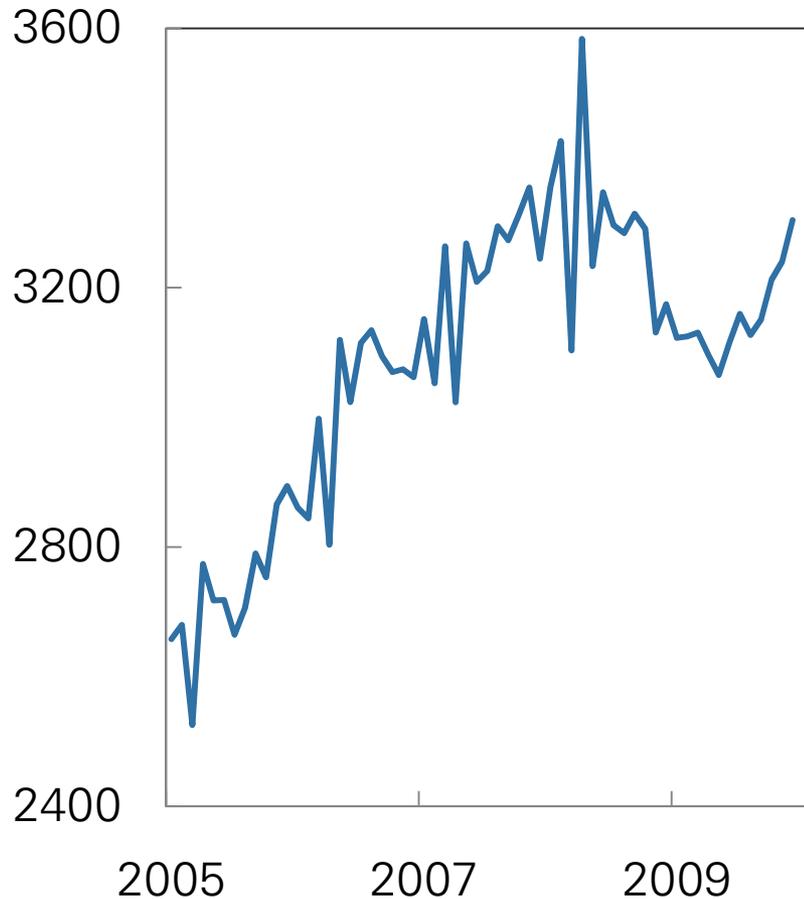


1) LFS-unemployment until October 2009. Registered unemployment until January 2010. Norges Bank's projections from 2009 Q4 –2010 2Q (dashed).

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

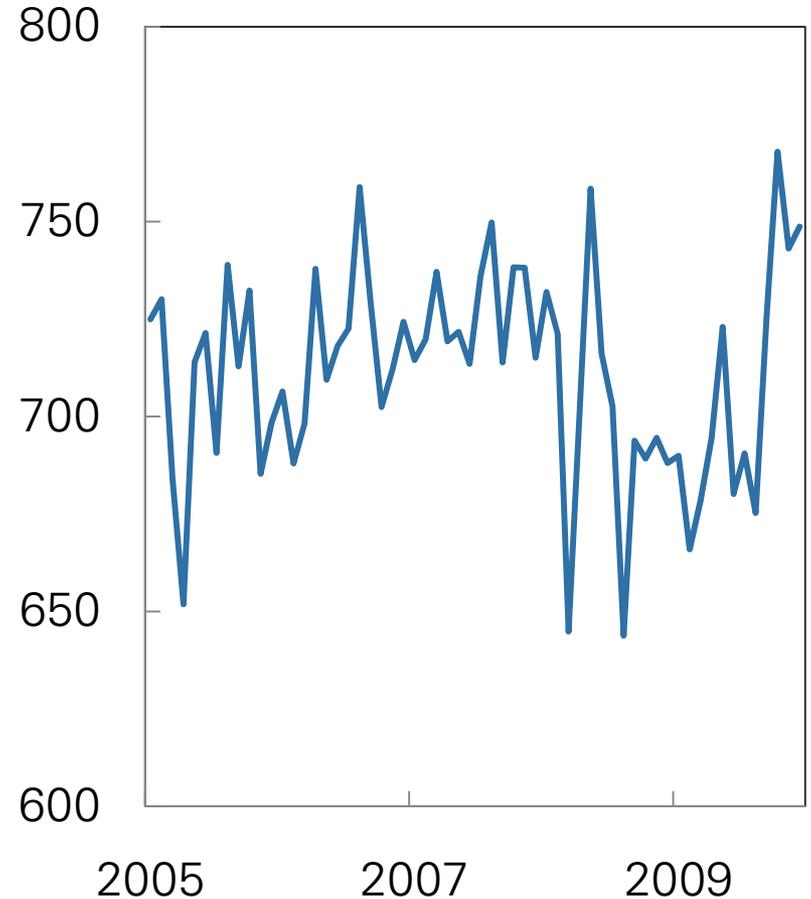
# Air passengers

Number in thousands. Seasonally adjusted. January 2005 – December 2009



# Overnight stays

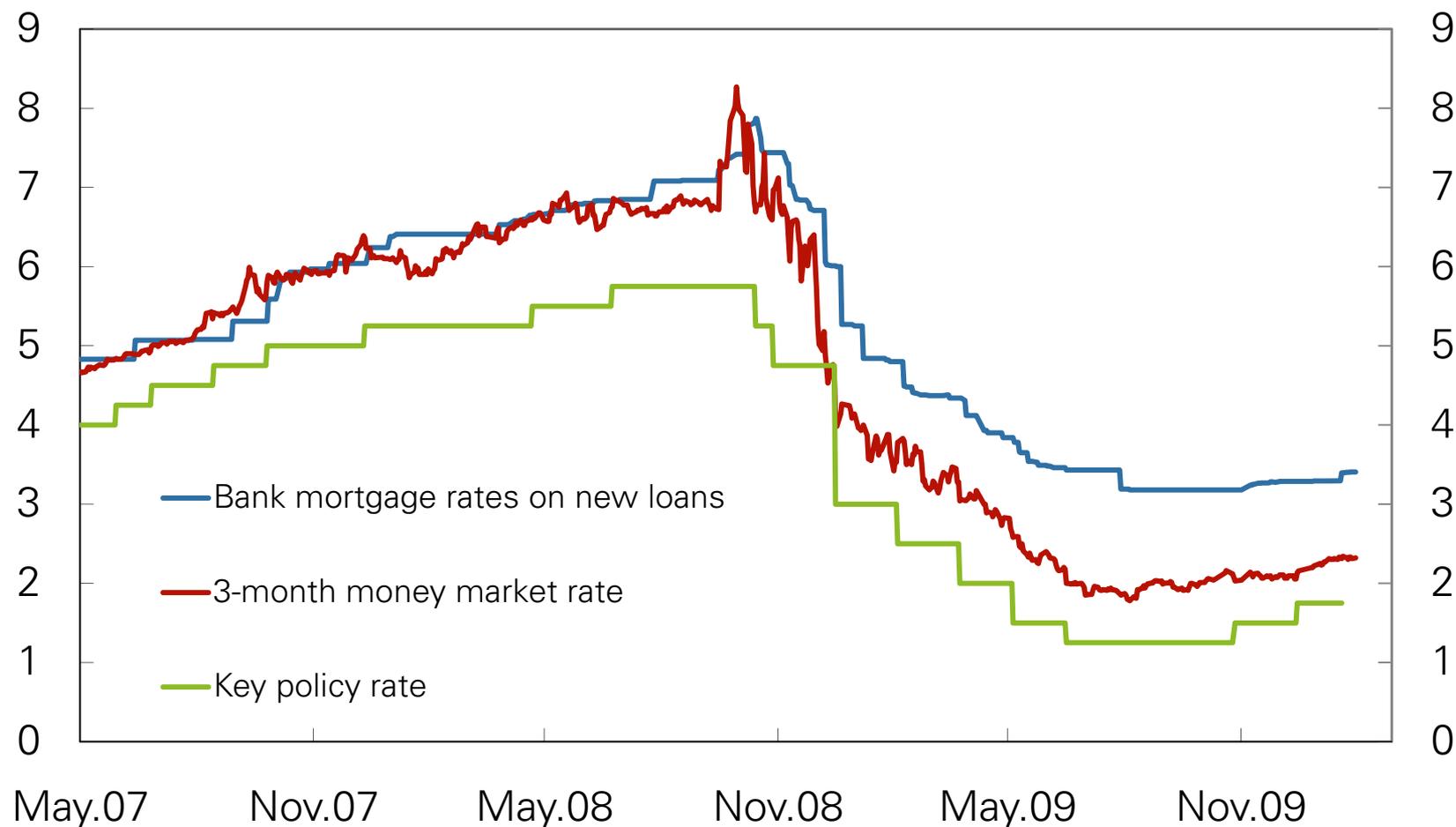
Number in thousands. Seasonally adjusted. January 2005 – December 2009



Sources: AVINOR and Statistics Norway

# Interest rate developments in Norway

Per cent. 3 May 2007– 1 Feb. 2010



Sources: Norsk familieøkonomi AS and Norges Bank