



# OUTLOOK FOR THE NORWEGIAN ECONOMY

DEPUTY GOVERNOR JON NICOLAISEN

Regional Network, 26 October 2018

# Monetary policy in brief



The global economy is supporting the Norwegian economy



Low interest rates have fuelled the economy



More jobs and higher wage growth



Inflation is close to target



Favourable outlook for the Norwegian economy

# The global economy is supporting the Norwegian economy



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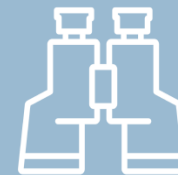
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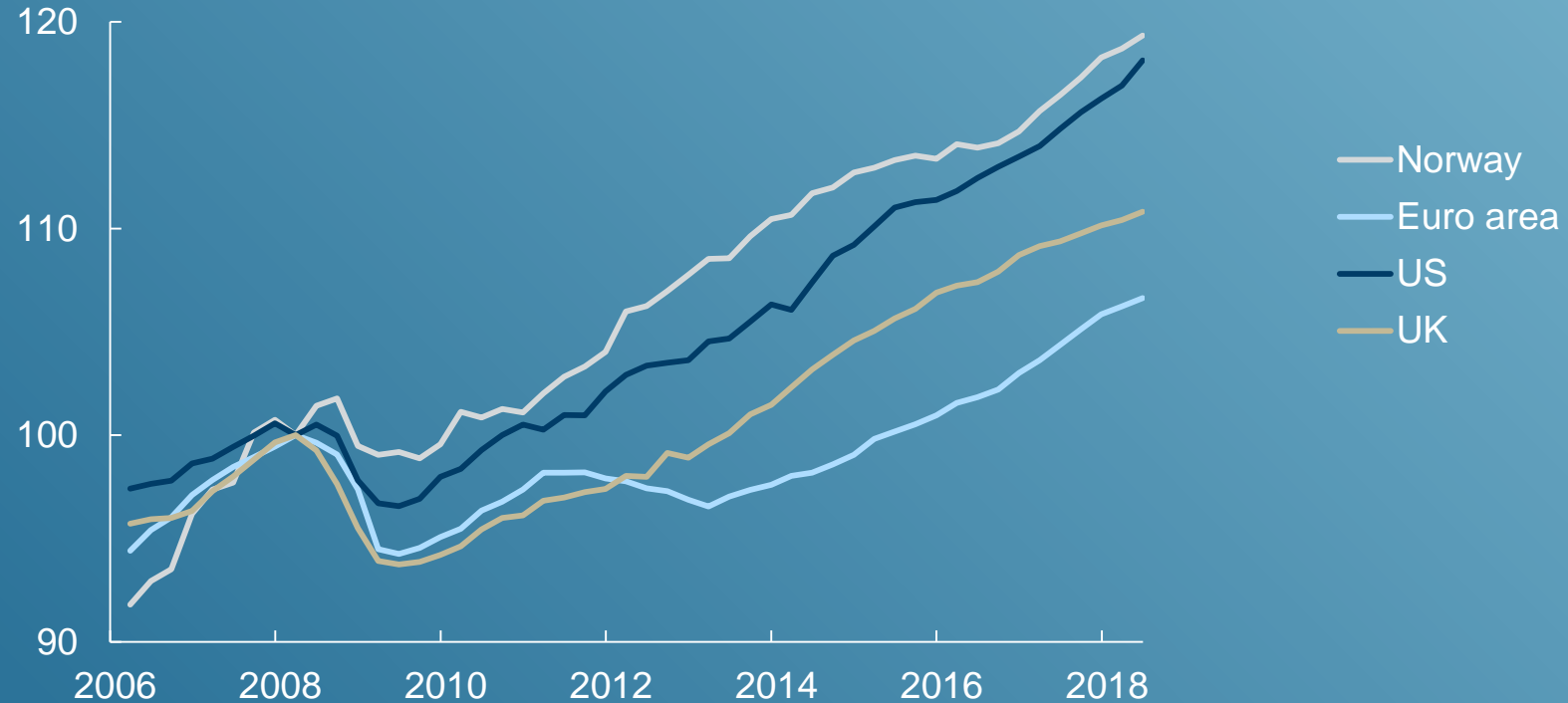
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# Growth has picked up

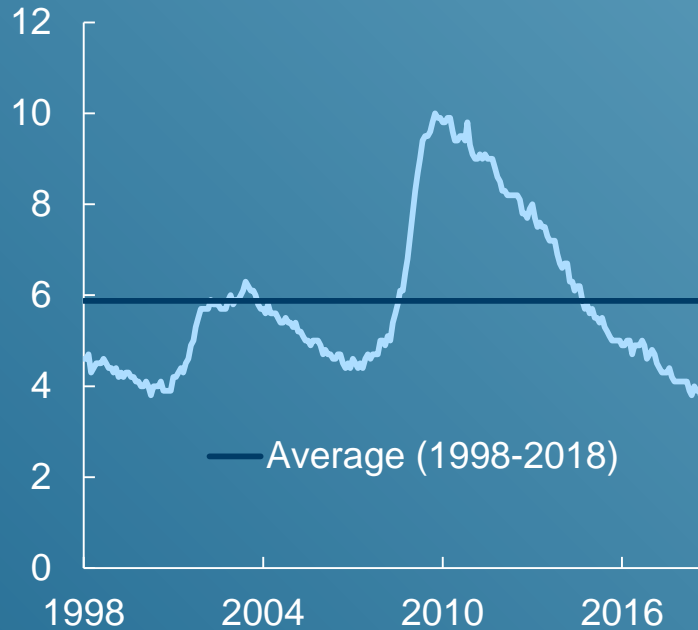
GDP. Index. 2008 Q1 = 100. 2006 Q1 – 2018 Q2



# Unemployment is declining

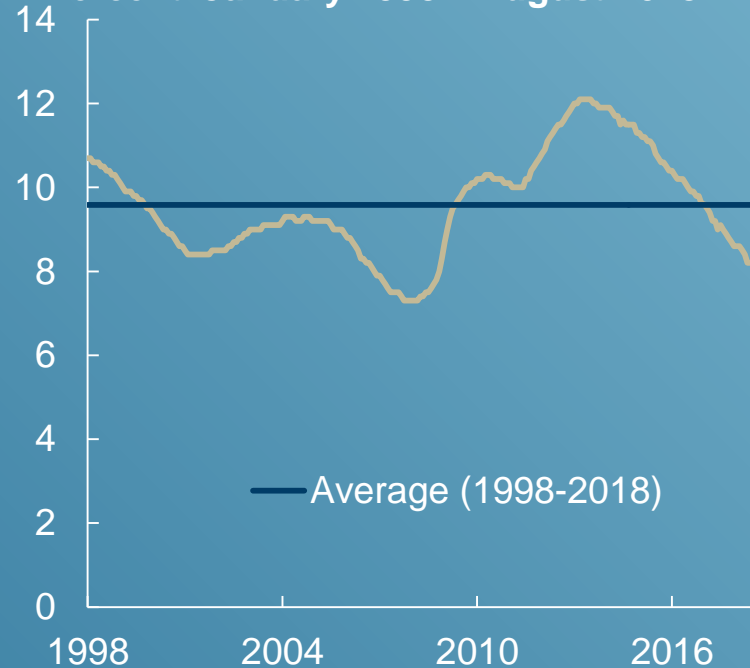
## US

Percent. January 1998 – September 2018



## Euro area

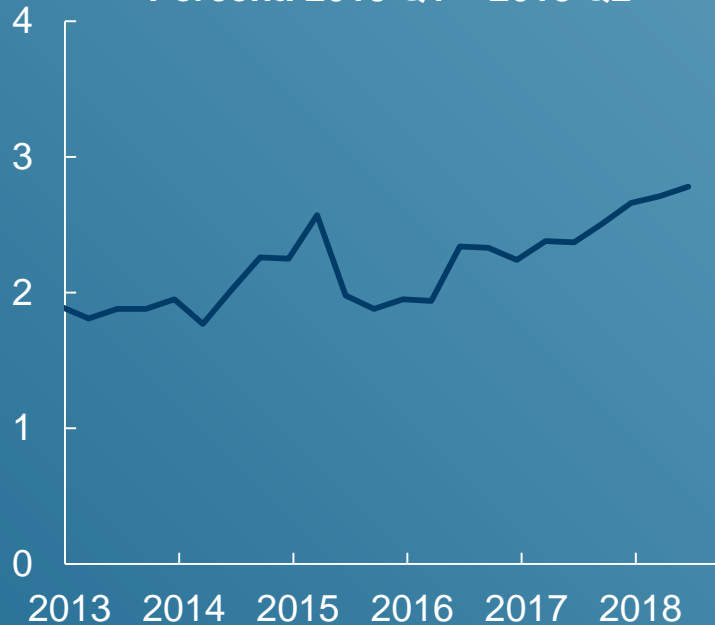
Percent. January 1998 – August 2018



# Wage growth has edged up

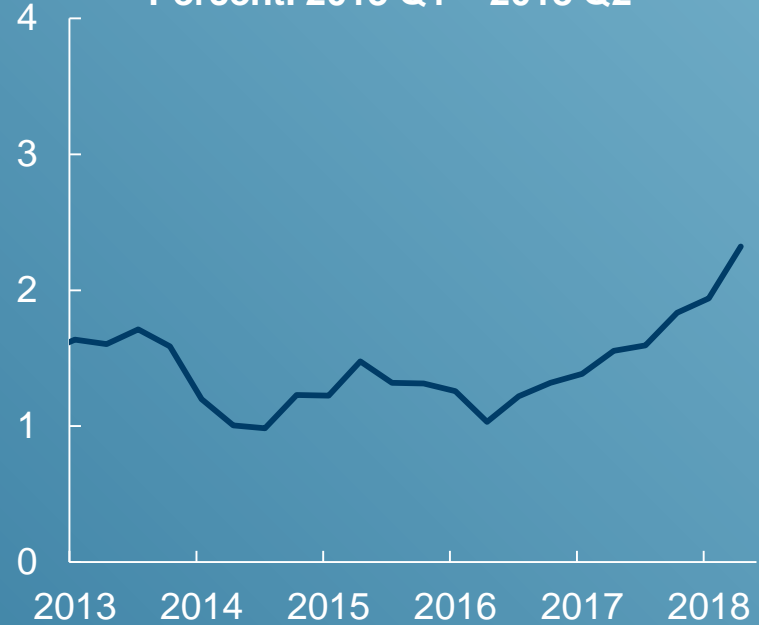
## US

Compensation per employee.  
Percent. 2013 Q1 – 2018 Q2



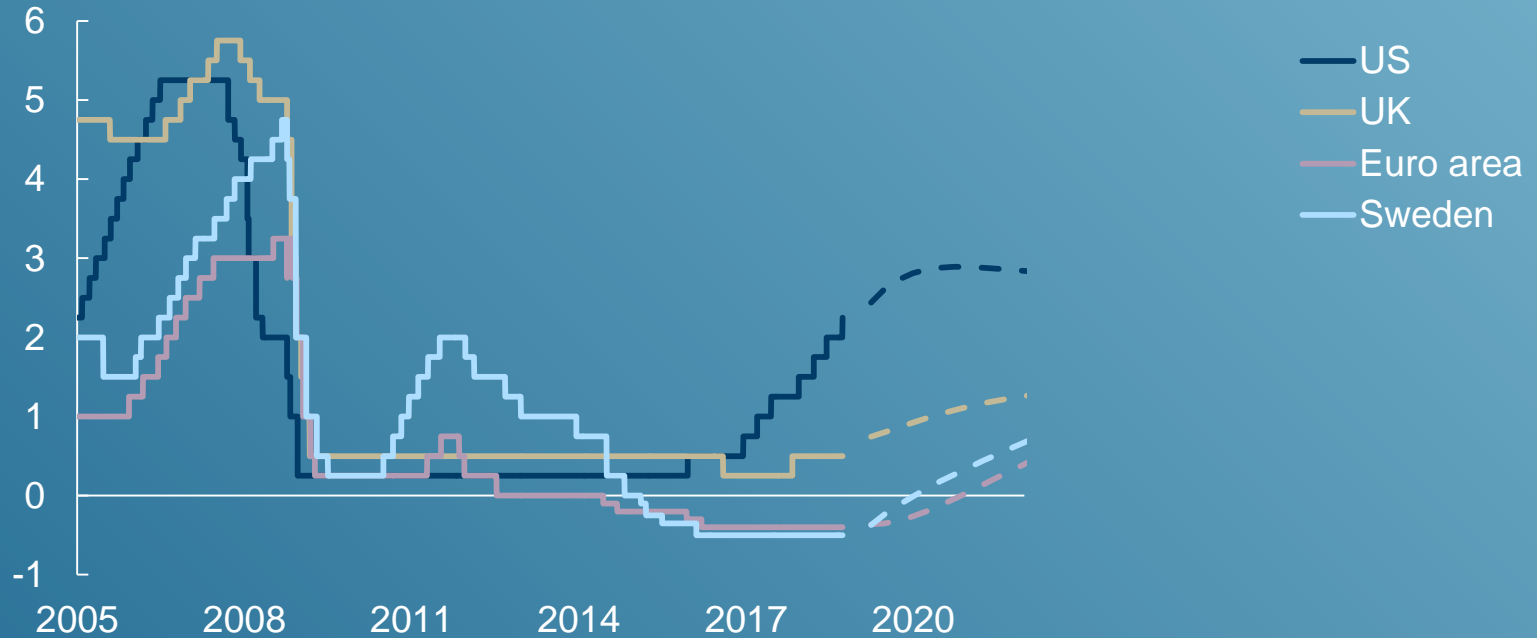
## Euro area

Compensation per employee.  
Percent. 2013 Q1 – 2018 Q2



# Policy rates abroad on the way up

Policy rates and forward rates <sup>1)</sup>. Percent. January 2005 – December 2021.  
23 October 2018 (broken line)



1) OIS rates.

Sources: Bloomberg, Thomson Reuters and Norges Bank



# Trade conflicts and protectionism

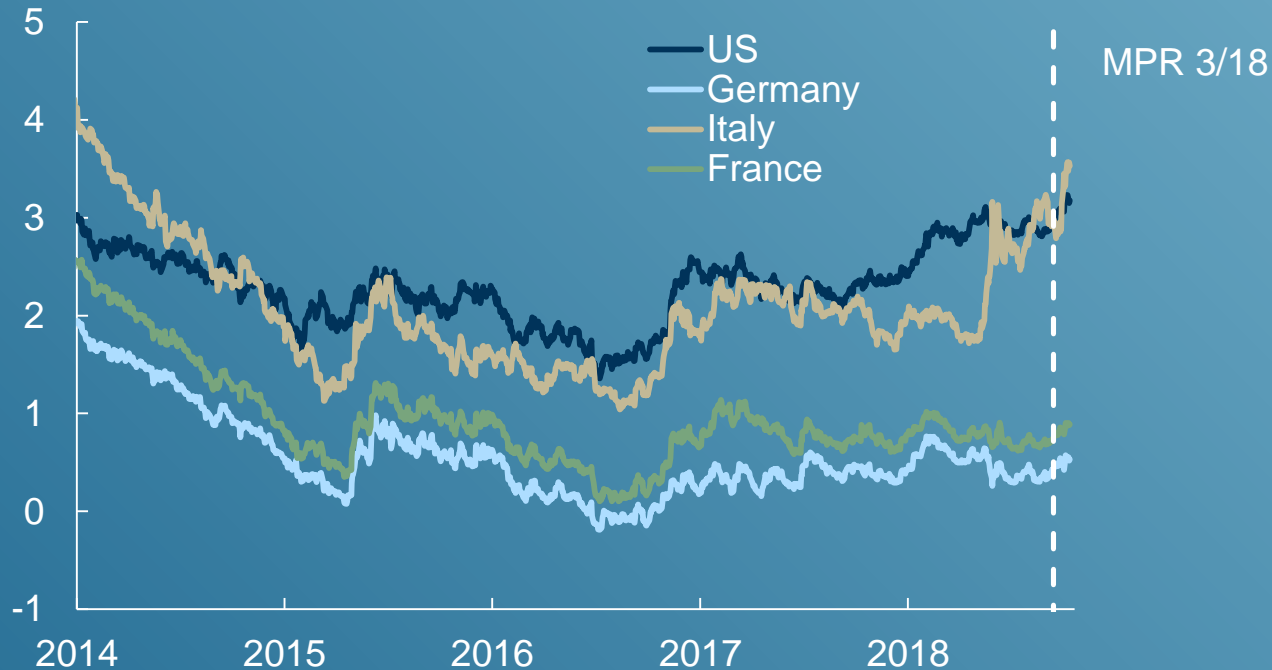
- Some initiatives from the US in 2018
  - Tariffs of around 12 percent on all US imports, about USD 280bn
    - Particular focus on goods from China, with tariffs on about half of all imports
    - Tariffs of 25 and 10 per cent on imports of steel and aluminum, respectively, from most countries
  - Stricter regulation of foreign investment in the US and US investment in China, especially related to technology
  
- Several countries have implemented retaliatory measures
  - Tariffs on around 8 percent of US exports, about USD 125bn
    - Applies to exports to China, EU, Turkey etc.





# Government bond yields

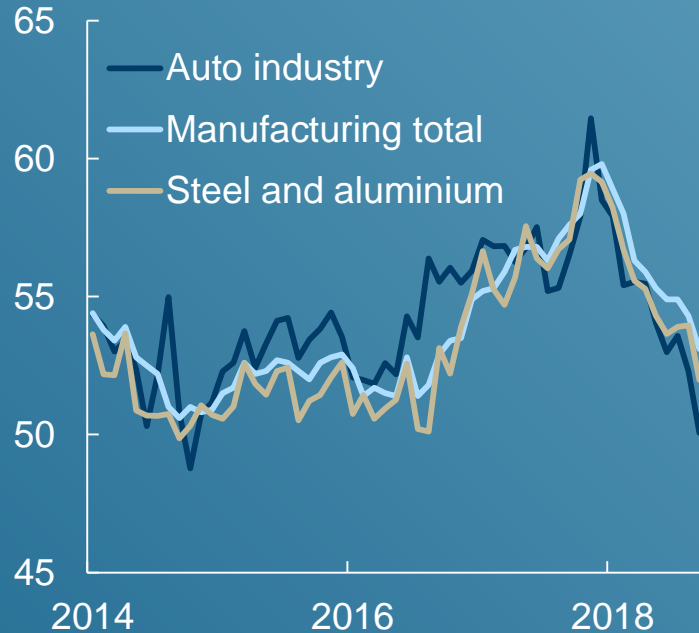
Yields on 10-year government bonds. Percent. 1 January 2017 – 12 October 2018



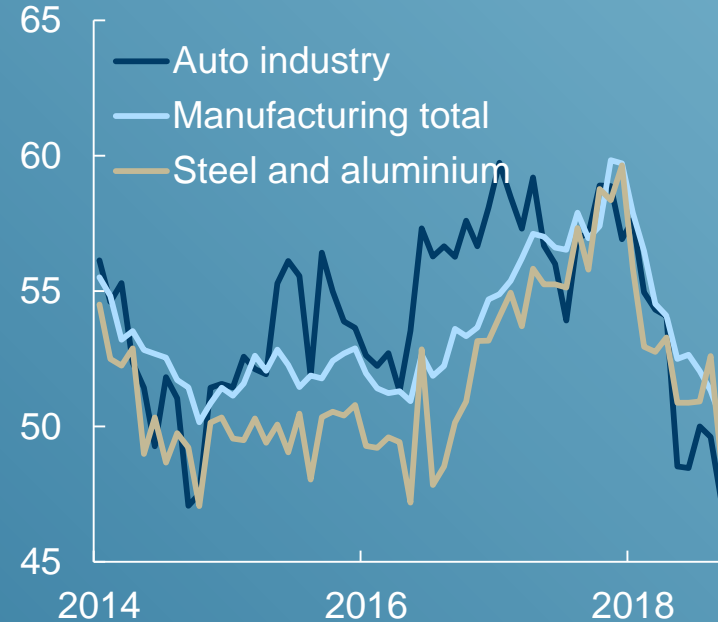
# Optimism in the EU fell through 2018

Manufacturing, auto, aluminium and steel. January 2014 – August 2018

## PMI



## PMI new export orders



# Low interest rates have fuelled the economy



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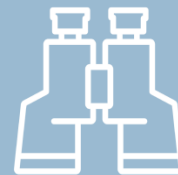
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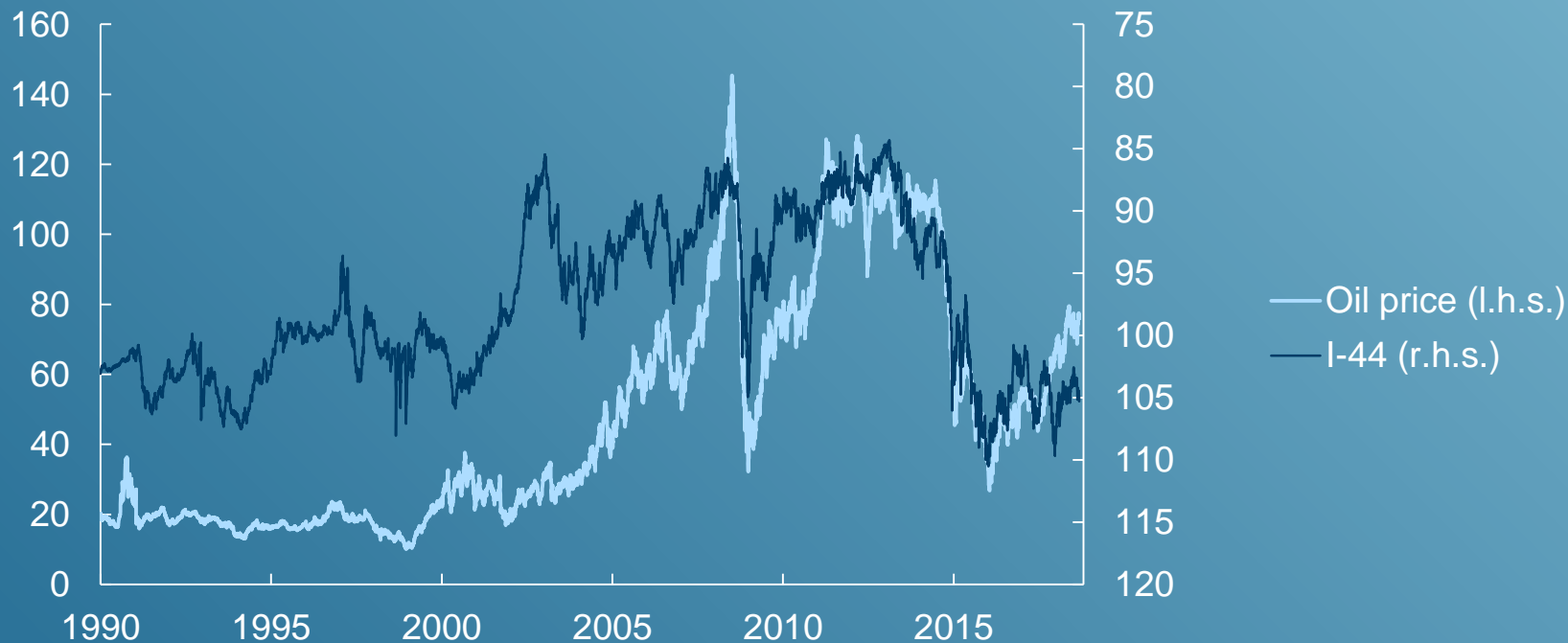


Favourable outlook for the Norwegian economy

# The krone has tracked oil prices

USD per barrel Brent Blend and import-weighted exchange rate index<sup>1)</sup>.

1 January 1990 – 23 October 2018

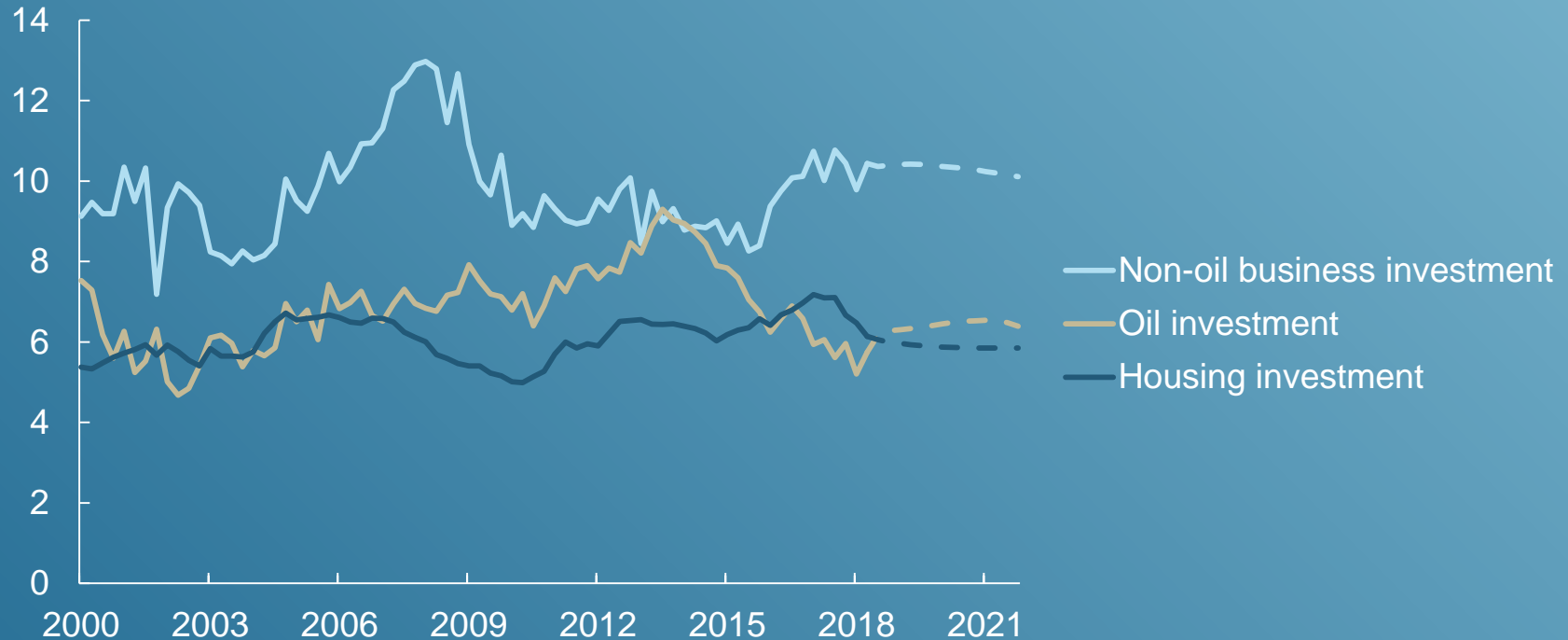


1) A positive slope denotes a stronger krone exchange rate.  
Sources: Thomson Reuters and Norges Bank



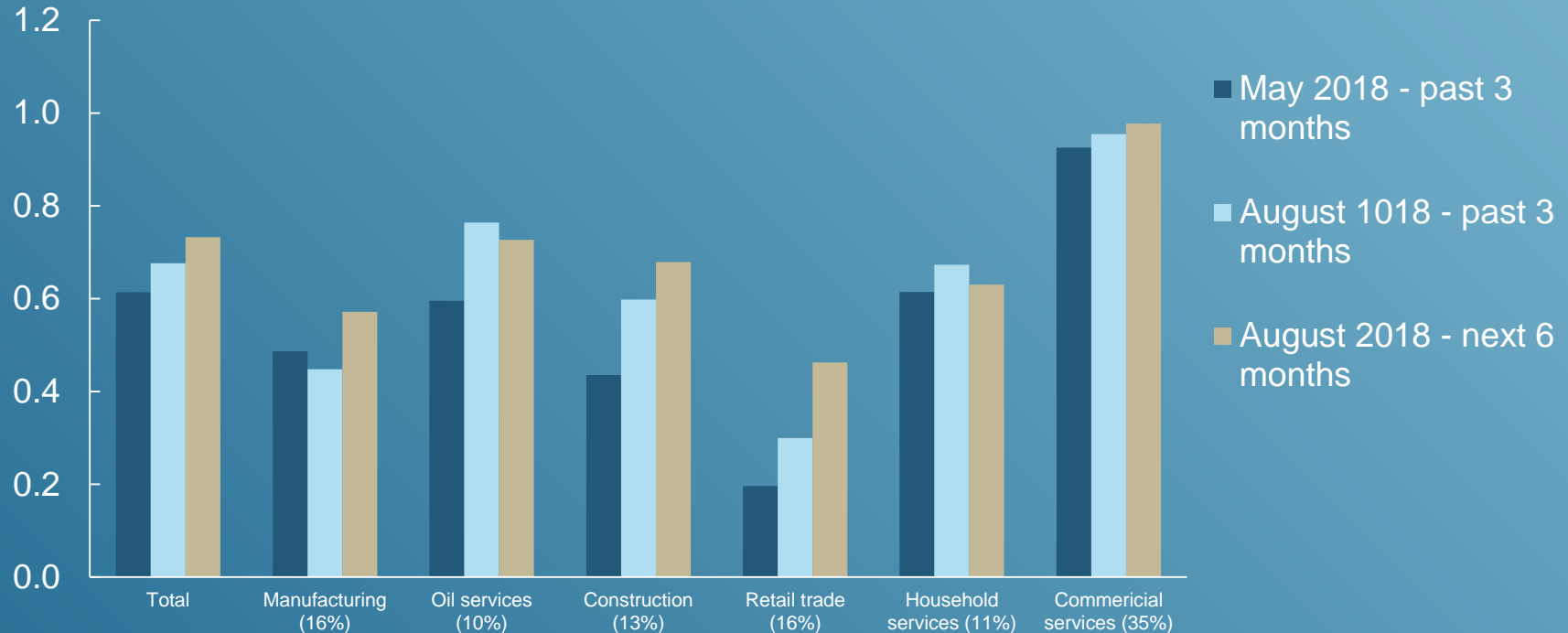
# Norway: Shift in driving forces

Share of mainland GDP. 2000 Q1 –2021 Q4



# Regional Network confirms upturn

Reported and expected growth. Percent



# Growth has gained momentum

Mainland GDP. Quarterly change. Seasonally adjusted. Percent.  
2012 Q1 – 2018 Q4



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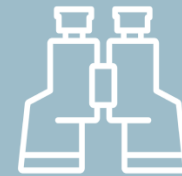
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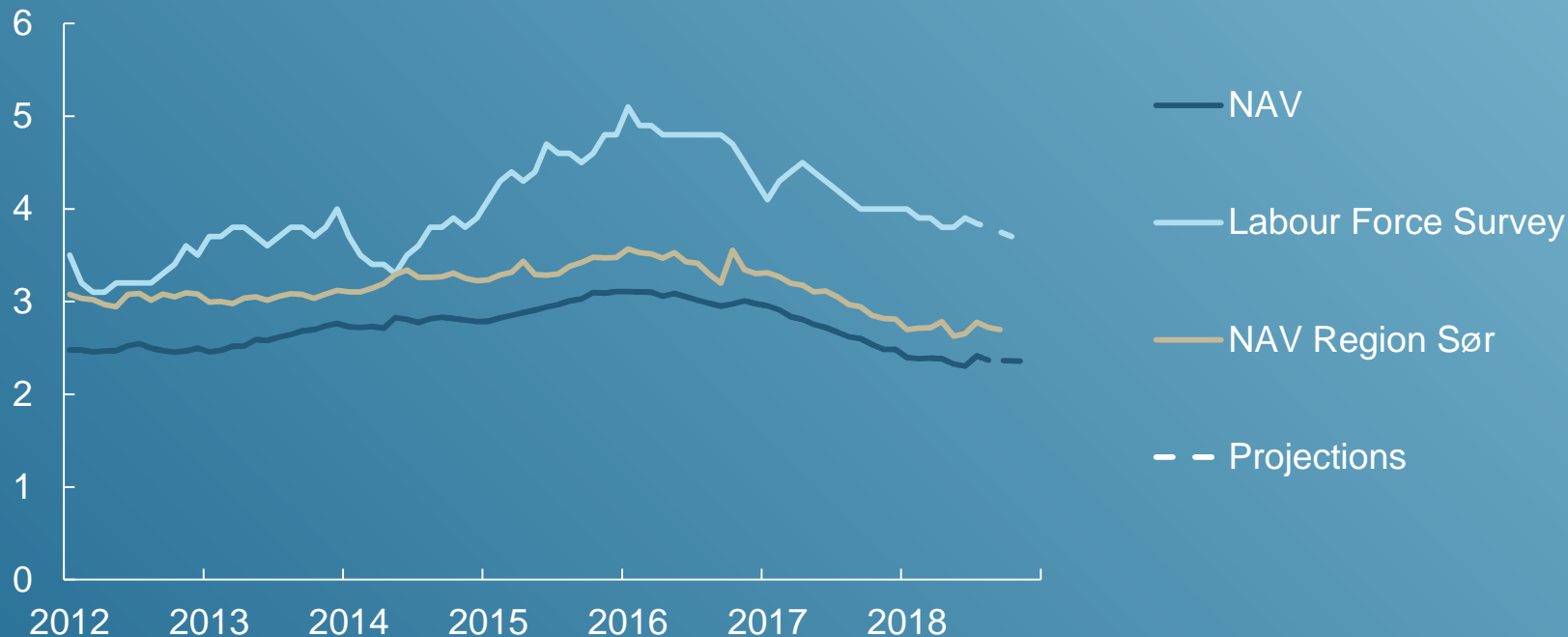


Favourable outlook for the Norwegian economy



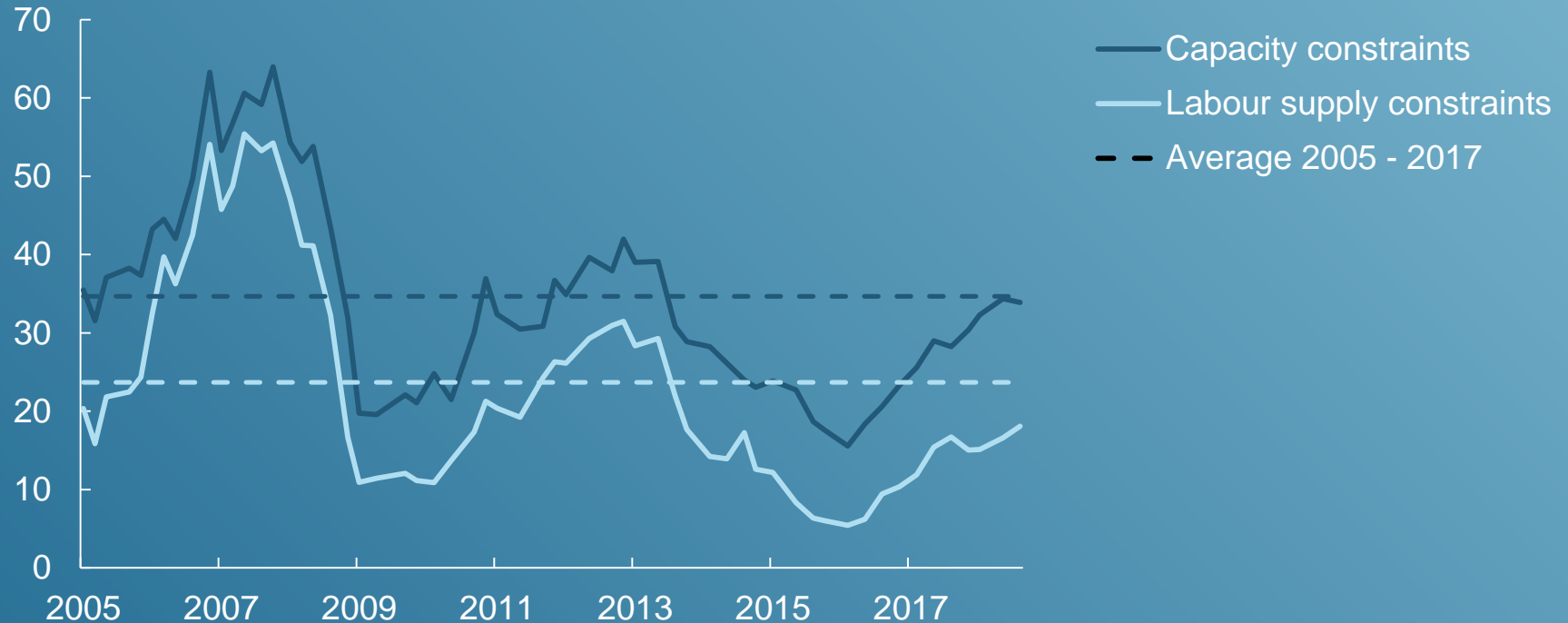
# Unemployment is low

Seasonally adjusted. Percent. January 2012 – June/August 2018.  
Projections to October/December 2018



# Capacity utilisation is increasing

Reported by Regional Network.<sup>1)</sup> Percent. 2005 Q1 – 2018 Q3



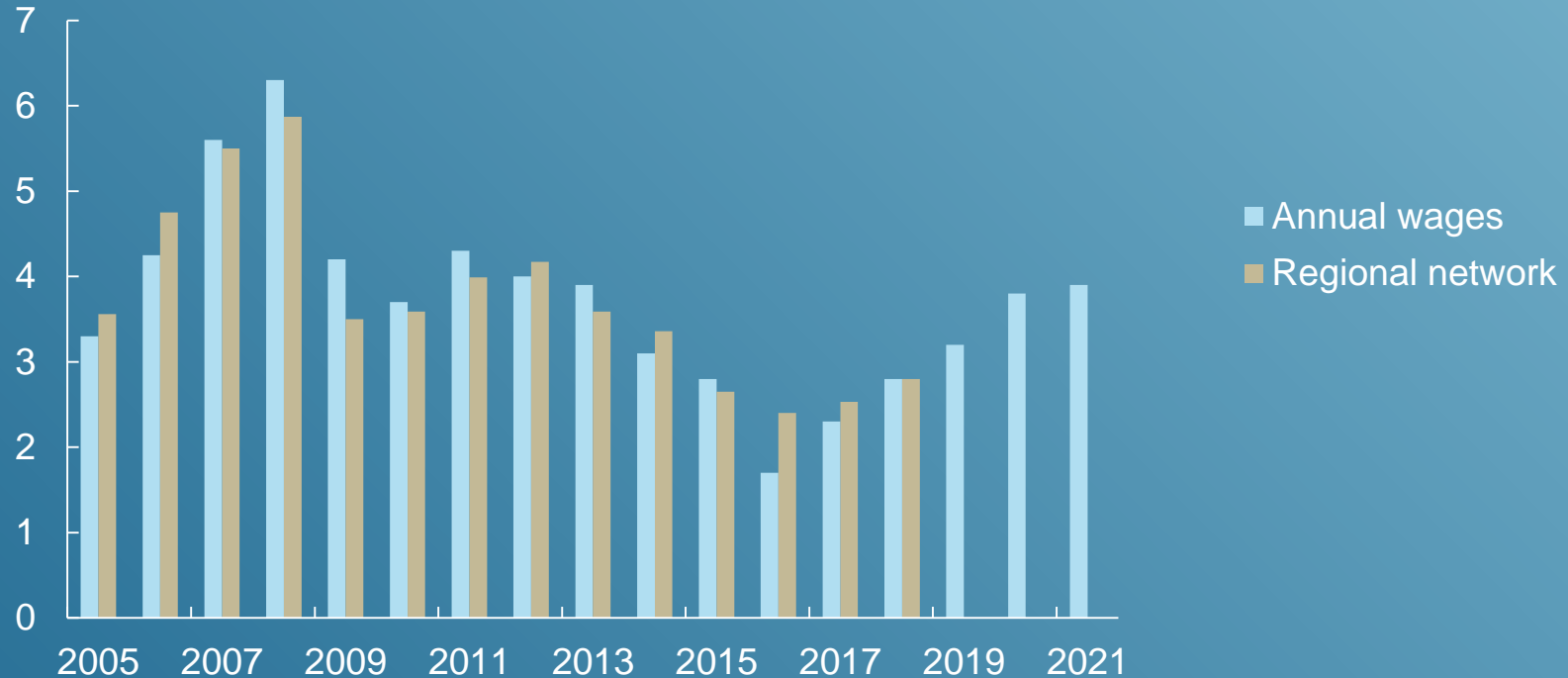
1) Share of contact enterprises that will have some or considerable problems in accommodating growth in demand and share that report that the supply of labour will restrict any increase in output.

Source: Norges Bank



# Higher wage growth

Wage<sup>1)</sup> and wage expectations<sup>2)</sup>. Annual change. Percent. 2005 – 2021



1) Historical annual wage growth from Statistics Norway. Norges Bank's projections for 2018.

2) Expectations for annual wage growth in the current year from the Regional Network in Q3 each year.

Sources: Statistics Norway and Norges Bank



# Inflation is close to target



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More persons employed and higher wage growth



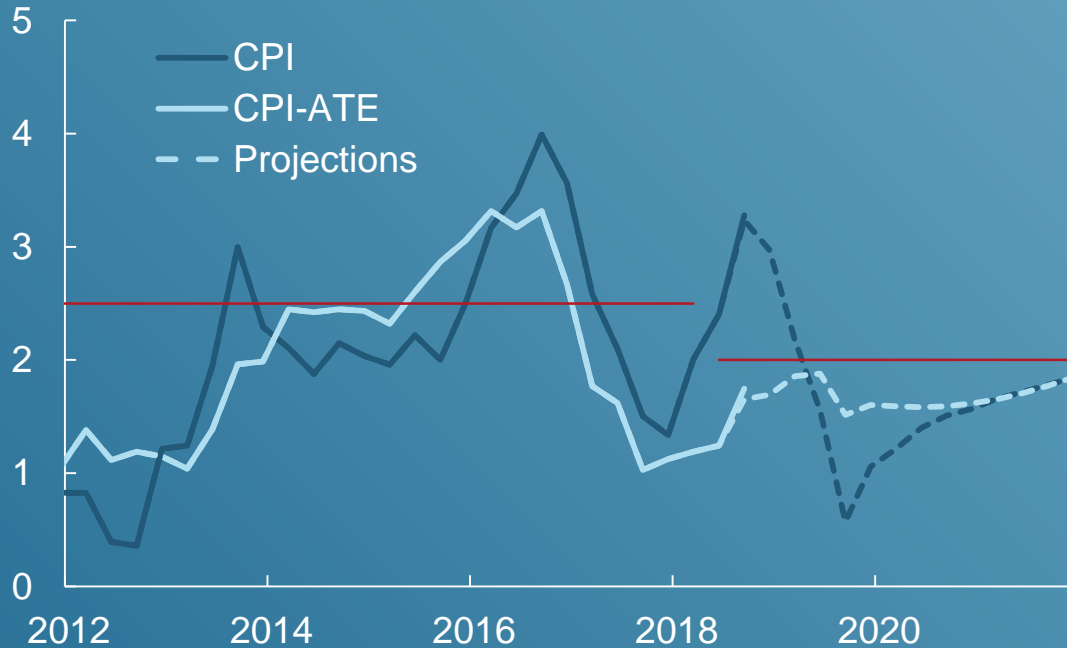
Inflation is close to target



Favourable outlook for the Norwegian economy

# Inflation close to target

Twelve-month rise. Percent. 2012 Q1 – 2021 Q4



Sources: Statistics Norway and Norges Bank



# Favourable outlook for the Norwegian economy



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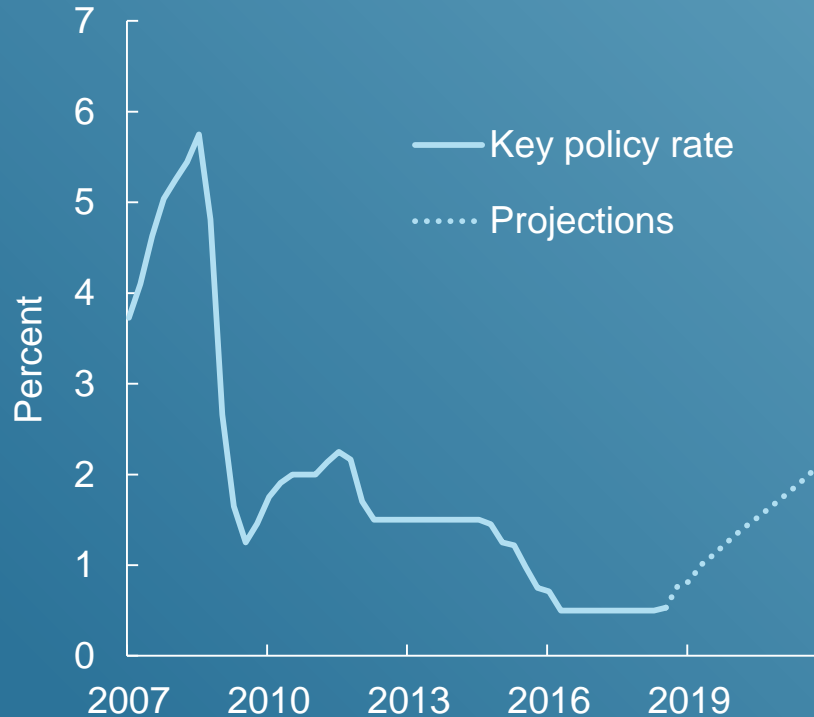
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# Households are optimistic

Consumer confidence index (CCI) and Kantar TNS trend indicator for households.  
January 2008 – September 2018



# Interest rate decisions in autumn



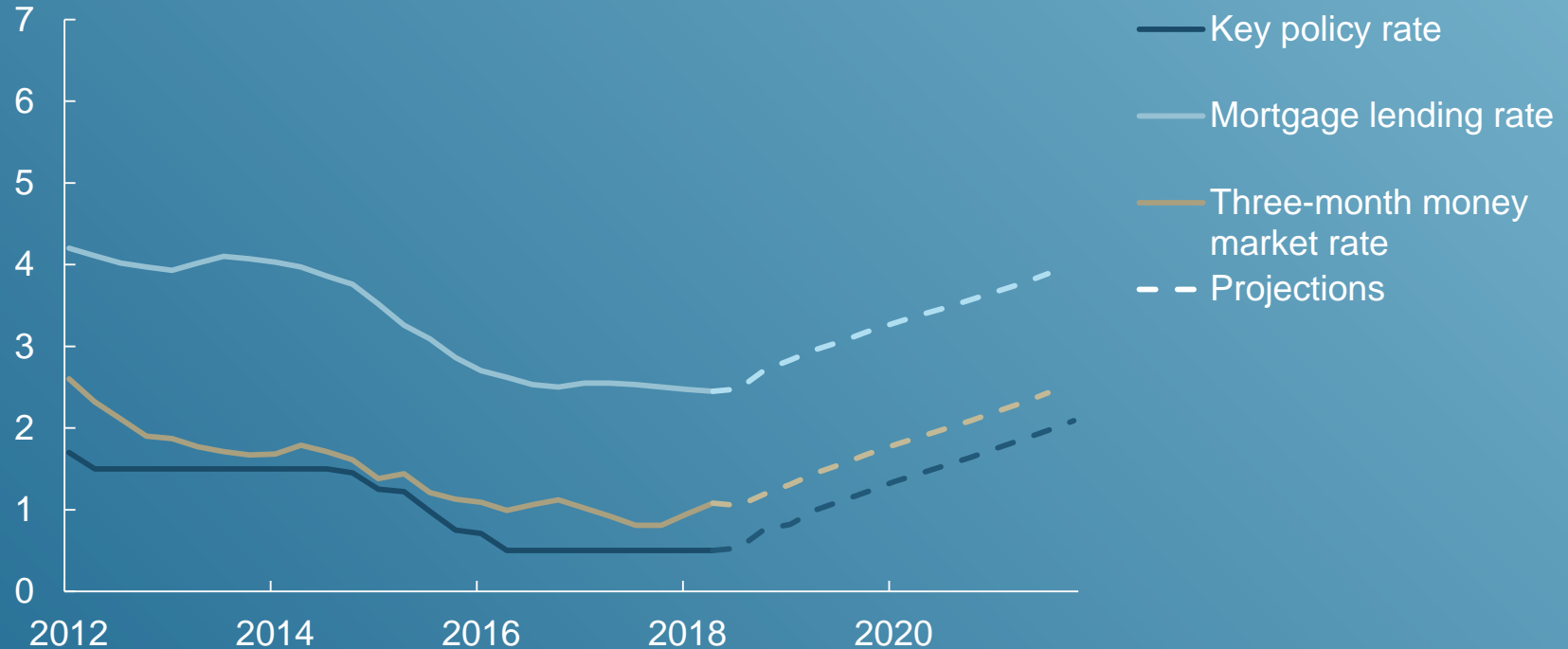
- The Executive Board decided to raise interest rates by 0.25 percentage points at the September monetary policy meeting
- At the October monetary policy meeting, interest rates were kept unchanged at 0.75 per cent
- The outlook and balance of risks imply a gradual increase in the key policy rate





# Mortgage lending rates follow the key policy rate

Percent. 2012 Q1 – 2021 Q4



Sources: Statistics Norway, Thomson Reuters and Norges Bank





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