

MINUTES OF THE EXECUTIVE BOARD MEETING OF 20 SEPTEMBER 2017

Present:

The Executive Board: Øystein Olsen, Jon Nicolaisen, Egil Matsen, Hilde Myrberg, Kjetil Storesletten, Karen Helene Ulltveit-Moe, Kathryn M. Baker and Steinar Juel

Alternates: Arne Hyttnes and Kristine Landmark

Employee representatives: Mona H. Sørensen and Kristoffer Haugen (items 177-180)

Apologies: Nina Larsson Midthjell

Office of the Supervisory Council: Jan Frode Jakobsen (item 179)

Management: Torbjørn Hægeland (173-175), Henrik Borchgrevink (173-175), Sindre Weme (173-175), Ida Wolden Bache (173-175), Per Espen Lilleås (173-175), Ingrid Solberg (173-175), Olav Bø (173-175), Ketil Rakkestad (173-175), Yngve Slyngstad (179), Trond Grande (177-179), Marius Nygaard Haug (179), Marius Ryel (177-179), Alexander Behringer (179), Birger Vikøren (177-179), Runar Malkenes (173-175,179-180), Bjarne Gulbrandsen (173-180), Sigrid Igland (173-180)

There were no comments on the meeting notice and agenda.

Item 173/2017 Recommendation to the Ministry of Finance on the countercyclical capital buffer

Discussion documents: - Advice on the countercyclical capital buffer 2017 Q3
HIGHLY CONFIDENTIAL memo from Financial Stability of 19 September 2017
- Background information – charts distributed at meeting

Jon Nicolaisen provided an update on the status of the basis for the recommendation to the Ministry of Finance on the countercyclical capital buffer. The basis for the recommendation is to be presented in *Monetary Policy Report 3/17* (cf item 174/2017).

In its discussions, the Executive Board emphasised that the persistent rise in household debt ratios and high property price inflation over a long period indicate that there has been a build-up of financial imbalances. Financial imbalances increase the risk of an abrupt decline in demand and bank loan losses. Household credit growth remains high. Low house price inflation will have a dampening impact on debt growth, but it will take time for household vulnerabilities to recede. The correction in the housing market may lower the risk of an abrupt and more pronounced decline further out.

The Executive Board decided to advise the Ministry of Finance to keep the buffer rate unchanged at 2 percent from the end of 2017. The decision was unanimous.

Item 174/2017 Monetary Policy Report with financial stability assessment 3/17

Discussion document: HIGHLY CONFIDENTIAL memo from Monetary Policy of 20 September 2017

Jon Nicolaisen presented a number of adjustments to the report following its consideration by the Executive Board on 13 September 2017.

The Executive Board discussed the economic outlook, the monetary policy stance and the need for a countercyclical buffer at the banks. The Executive Board approved the proposed "Executive Board's Assessment" (cf interest rate decision in item 175/2017).

Item 175/2017 The current monetary situation

Discussion documents: - Norges Bank's key policy rate – meeting of 20 September 2017
HIGHLY CONFIDENTIAL memo from Monetary Policy of 20 September 2017
- Report from the meeting between Norges Bank and the Ministry of Finance on Tuesday 20 June 2017
- Background information – charts distributed at meeting

Jon Nicolaisen outlined the main economic developments since the previous Executive Board meeting with particular emphasis on developments in the money, currency and capital markets.

The Executive Board judges that there is a continued need for an expansionary monetary policy. Interest rates abroad are low. Capacity utilisation in the Norwegian economy is below a normal level and the outlook suggests that inflation will remain below 2.5% in the coming years.

In its discussion of monetary policy, the Executive Board emphasised that capacity utilisation in the Norwegian economy is on the rise and that it appears to be somewhat higher than previously assumed. Inflation has slowed as expected. Wage growth will likely remain moderate, and the outlook for inflation for the next few years is little changed. Inflation expectations appear to be firmly anchored, and the increase in capacity utilisation suggests that inflation will pick up further out. The changes in the outlook and the balance of risks imply a somewhat earlier increase in the key policy rate than projected in the June *Report*. Uncertainty surrounding the effects of monetary policy suggests a cautious approach to interest rate setting, also when it becomes appropriate to increase the key policy rate.

On the basis of an overall assessment, the Executive Board decided to keep the key policy rate unchanged at 0.5%. The Executive Board's current assessment of the outlook and the balance of risks suggests that the key policy rate will remain at today's level in the period ahead. The decision was unanimous.

Item 176/2017 Briefing on current issues in Central Banking Operations

The Governor gave a briefing on current issues in Central Banking Operations.

Item 177/2017 Minutes of the Executive Board meeting of 13 September 2017

The Executive Board approved the minutes of its meeting of 13 September 2017.

Item 178/2017 The Executive Board's principles for whistleblowing at Norges Bank

Discussion
document: Memo from the General Counsel of 13 February 2017

The Working Environment Act's provisions on disclosure were amended on 1 June 2017 with effect from 1 July 2017. Corresponding amendments to the Executive Board's principles for whistleblowing are necessary.

Marius Ryel presented the topic.

The Executive Board resolved to amend its principles for whistleblowing at Norges Bank in line with the proposal. The amendments are to have immediate effect.

Item 179/2017 Topics for the consultation response on the Central Bank Law Commission's Report (NOU 2017:13)

Discussion
document: Presentation from General Secretariat of 20 September 2017

Birger Vikøren presented the topics for the consultation response to the Central Bank Law Commission's Report. At the same time, he indicated that Norges Bank's request for a deferral of the closing date to 26 October 2017 had been approved.

The Executive Board had an exchange of views. In light of the Executive Board's discussions and feedback, a draft consultation response is presented for initial consideration at the Executive Board's meeting of 9 October. Final consideration will be given at the Executive Board's meeting of 25 October.

Item 180/2017 Any other business

There was no other business.

Executive Board members:

Executive Board alternates:

Employee representatives in respect of items 177-180: