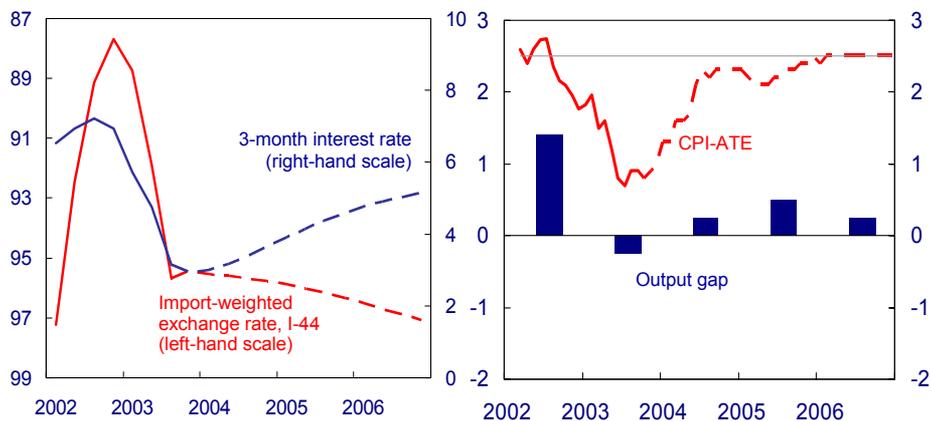


Executive Board meeting 17 December 2003

Year-on-year rise in CPI-ATE was in *Inflation Report 3/03* projected to increase to about 2¼ per cent next summer and to stabilise at target from autumn 2005

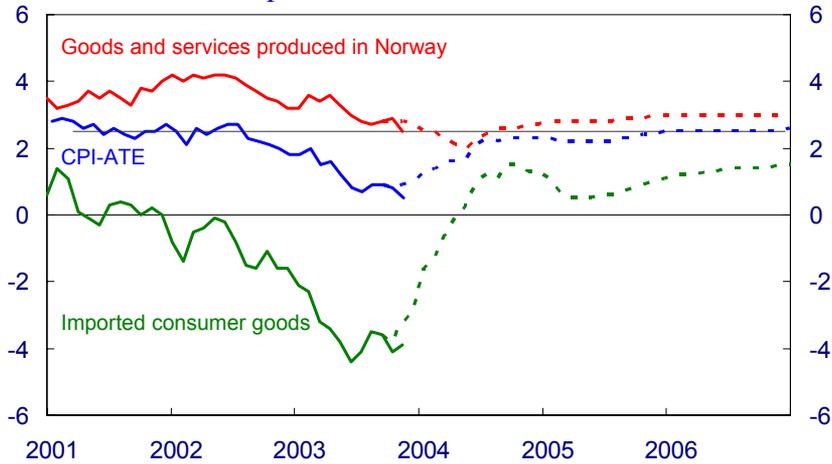


Source: Norges Bank

Sources: Statistics Norway and Norges Bank

Inflation has been lower than expected

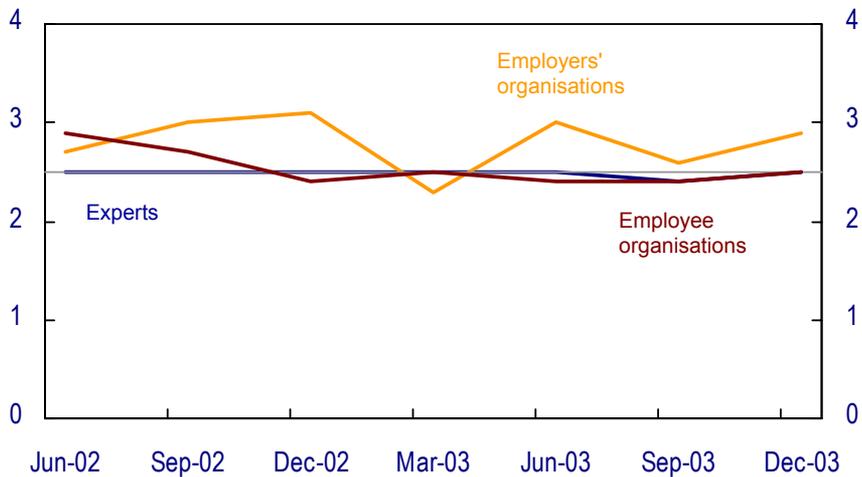
Historical developments Jan 01-Nov 03. Projections from *Inflation Report 3/03* Oct 03-Dec 06.



Sources: Statistics Norway and Norges Bank

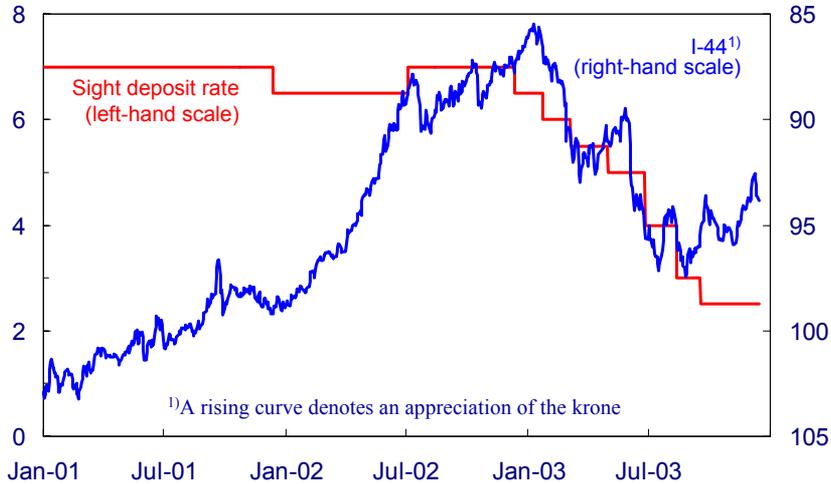
Stable inflation expectations

Expected consumer price inflation in 5 years. 02 Q2 - 03 Q4



Source: TNS Gallup

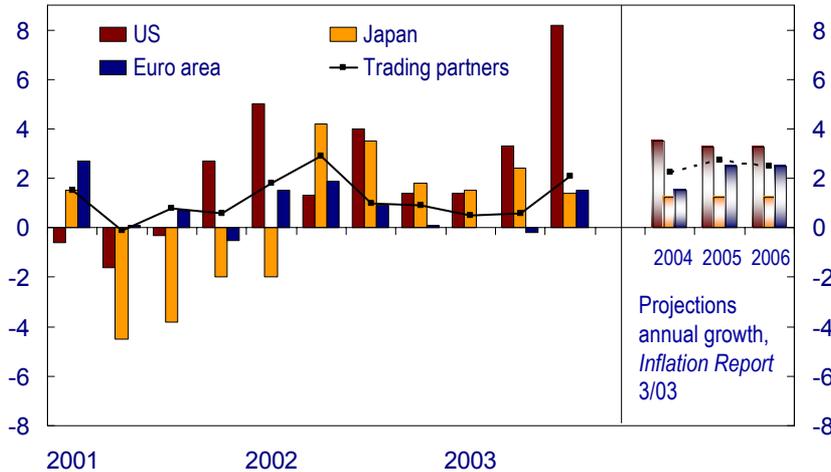
The import-weighted krone exchange rate (I-44) has appreciated by about 1½ per cent since the October monetary policy meeting
 1 Jan 2001 – 15 Dec 2003



Source: Norges Bank

Economic growth in the US has been somewhat stronger than expected, while developments in Japan and the euro area appear to be approximately as projected.

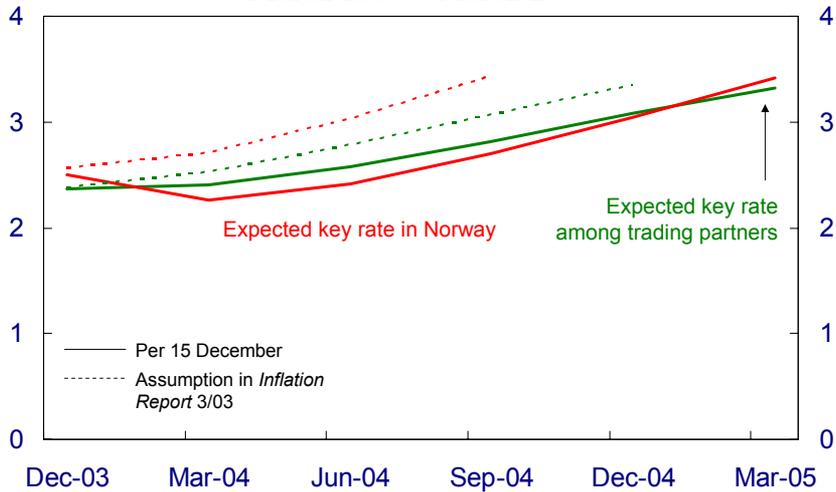
GDP growth abroad. Seasonally adjusted quarterly growth (annualised). 01 Q1-03 Q3



Sources: EcoWin, US Department of Commerce, ESRI (JP) EURO-OP, Eurostat and Norges Bank

Interest rate expectations in Norway and among trading partners are now about the same one year ahead

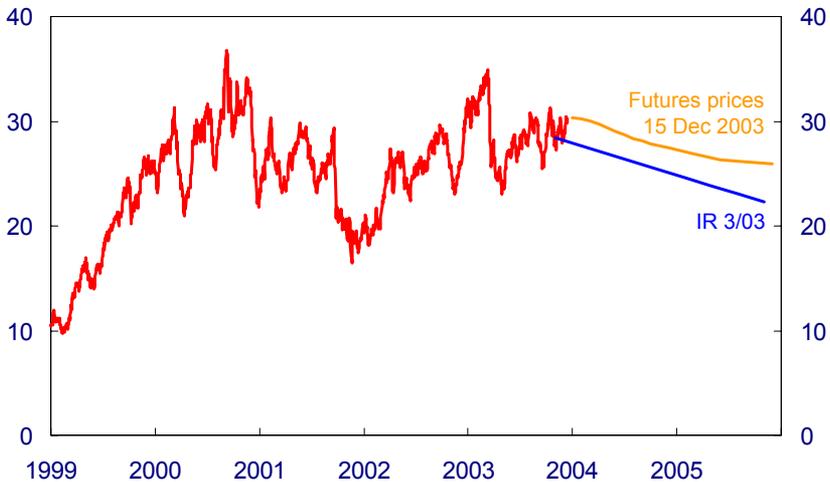
March 2004 – March 2005



Source: Norges Bank

Oil prices have remained above USD 28 per barrel in recent weeks

Brent Blend. USD per barrel. Jan 1999 – Dec 2005

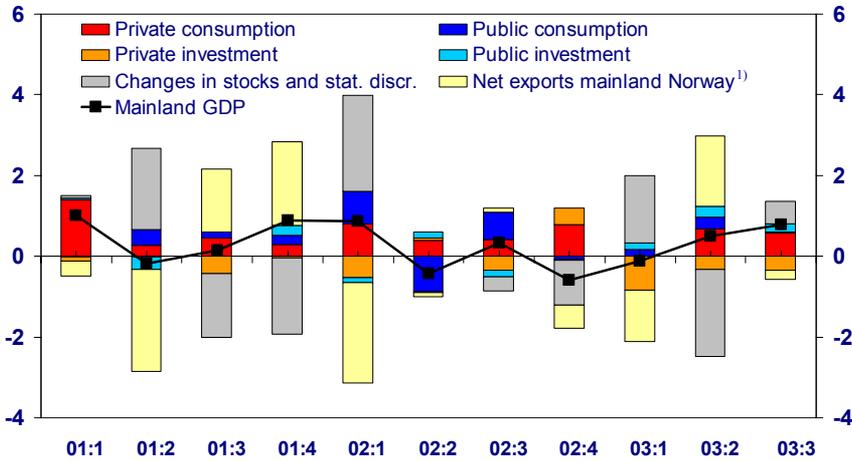


Sources: Telerate, International Petroleum Exchange and Norges Bank

Mainland GDP growth was fairly high in the third quarter

Contributions to quarterly growth in mainland GDP (volume) Percentage points.

Seasonally adjusted. 01 Q1-03 Q3

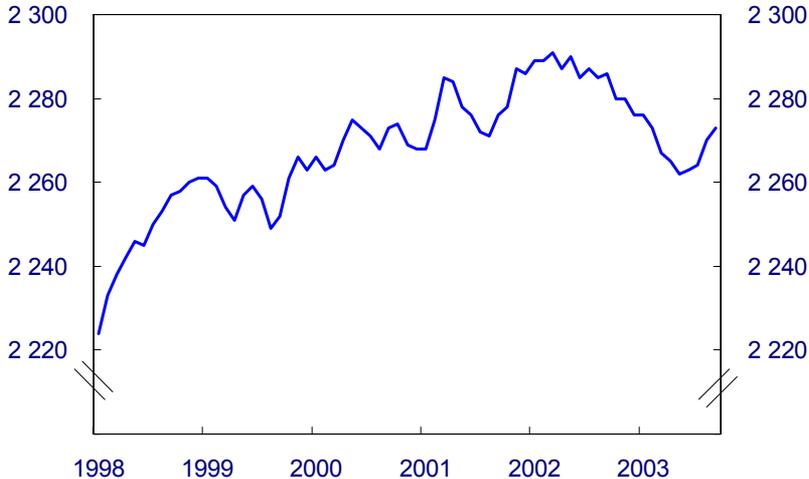


¹⁾ Net exports from mainland Norway is a residual

Sources: Statistics Norway and Norges Bank

Employment increased again during the summer and autumn months

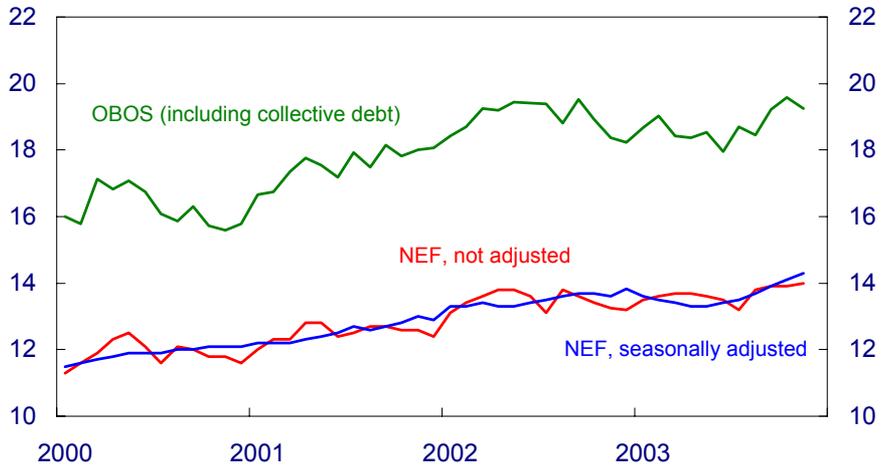
LFS-employment. In thousands. Seasonally adjusted. Jan 98 – Sep 03



Source: Statistics Norway

House prices have risen since last summer

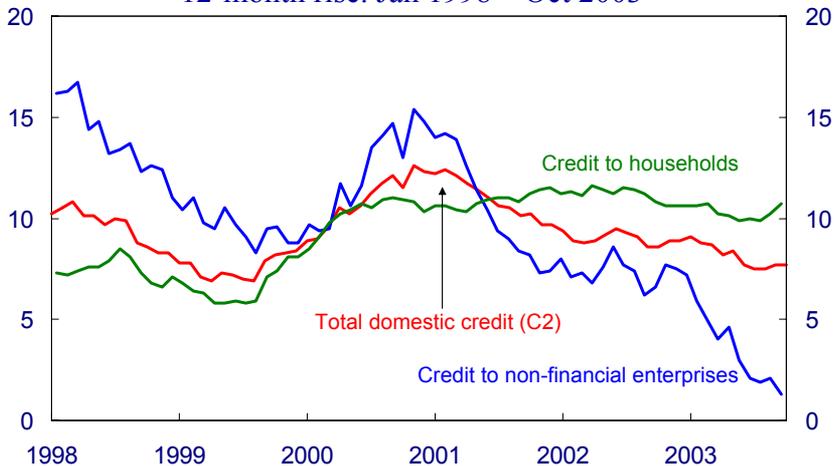
House prices. Price per sq. m. in thousands of NOK. Jan 00-Nov 03



Sources: Norwegian Association of Real Estate Agents (NEF) and Oslo Housing and Savings Society (OBOS)

Growth in credit to households has risen, corporate demand for credit demand is still very low

12-month rise. Jan 1998 – Oct 2003



Source: Norges Bank

Budget agreement – central government budget 2004

Increased spending

- Municipalities: NOK 2.2 billion
- Efforts to increase employment: About NOK 1.5 billion
- Reduced user charges in health sector: Close to NOK 1 billion

To be covered by

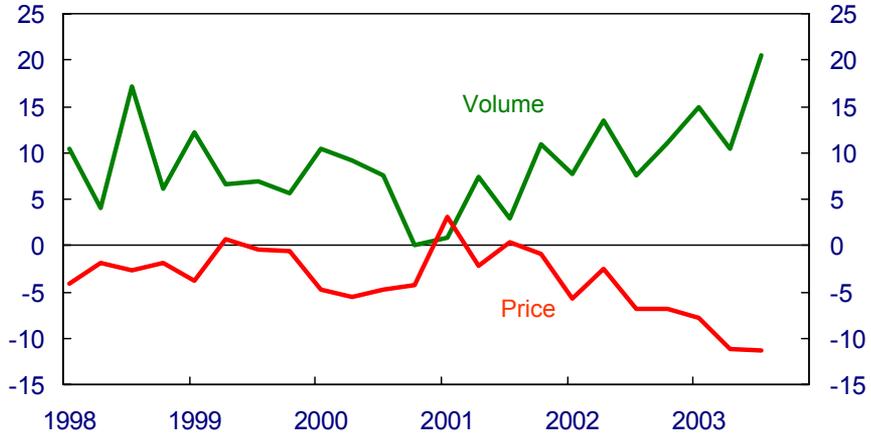
- Several small cuts: NOK 1.5 billion
 - Miscellaneous: NOK 1.4 billion
 - Sale of property and increased dividends from state-owned companies: NOK 1.7 billion
-

Regional network

- Many enterprises have reduced their workforce and cut costs as planned
 - Household demand for retail goods and services is rising
 - Growth is more moderate in manufacturing and the corporate service sector
 - Profitability in the business sector is improving, also as a result of higher earnings
 - The number of enterprises reporting specific plans for expanding their workforce has increased
 - No substantial increase in investment next year
-

The depreciation of the krone in 2003 has not yet been reflected in consumer prices

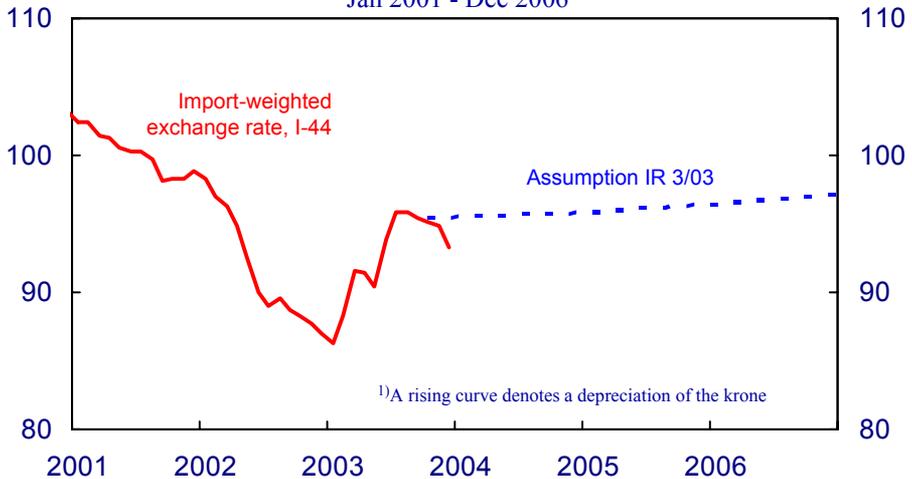
Rise in volume and prices in retail trade, clothing. 4-quarter rise. Per cent. 98 Q1-03 Q3



Sources: Statistics Norway and Norges Bank

The krone has appreciated after the last monetary policy meeting

I-44¹⁾. Historical developments and assumption in *Inflation Report 3/03*.
Jan 2001 - Dec 2006

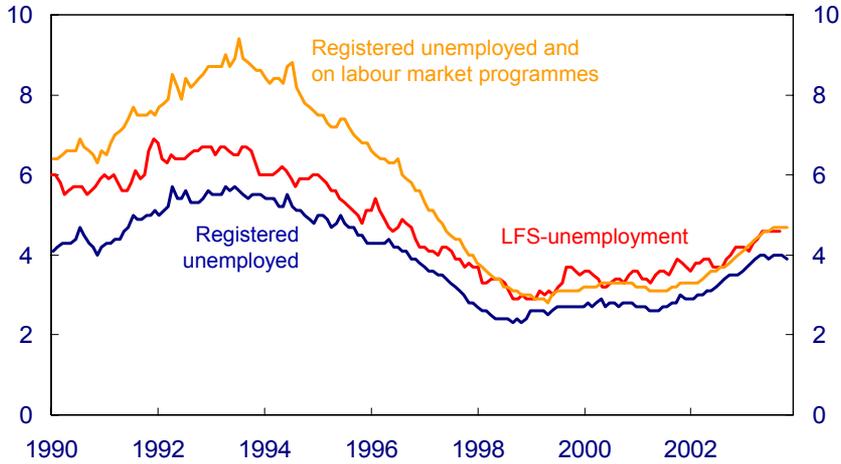


¹⁾A rising curve denotes a depreciation of the krone

Source: Norges Bank

Developments in recent months may indicate that the labour market will stabilise more quickly than previously expected

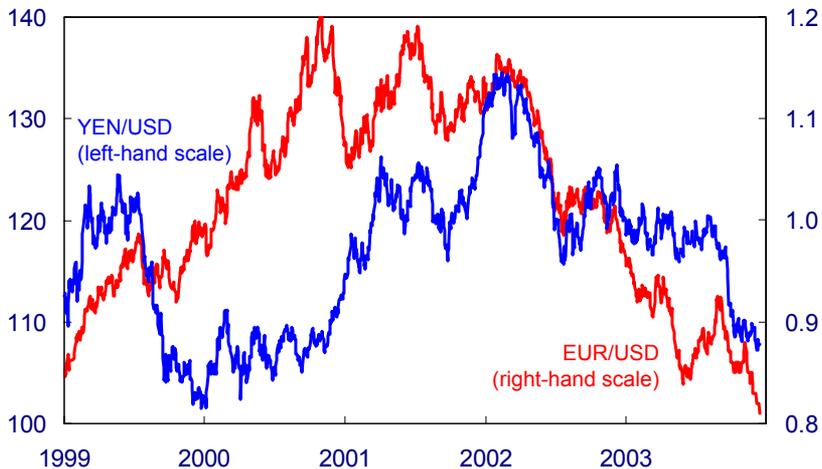
Seasonally adjusted. Jan 1990 – Nov 2003



Sources: Statistics Norway, the Directorate of Labour and Norges Bank

Moderate growth in continental Europe is primarily being fuelled by higher net exports and is vulnerable to a strong euro

Euro per USD and yen per USD. 1 Jan 2001 – 15 Dec 2003



Source: EcoWin

Assessment

- The aim of monetary policy is higher price inflation.
 - After a period of very low inflation as we have now witnessed, it is appropriate to be particularly vigilant in monetary policy when inflation does not increase as projected.
 - The krone has appreciated after the last monetary policy meeting and has, in isolation, contributed to a tighter monetary policy stance.
 - Output in the mainland economy has picked up during the autumn, and the outlook seems to be better than earlier. At the same time, the business sector is still feeling the effects of the very sharp rise in labour costs over several years. The cost level may hamper growth in output and employment.
 - Overall, the outlook for financial stability is considered to be satisfactory.
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