

# Executive Board meeting

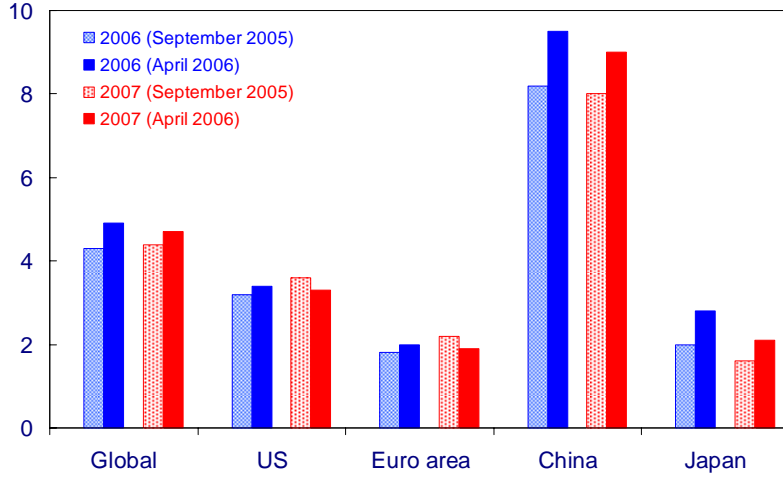
26 April 2006

## Monetary Policy Strategy - *Inflation Report 1/06*

- The Executive Board's assessment is that the sight deposit rate should be in the interval 2¼ - 3¼ per cent in the period to the publication of the next *Inflation Report* on 29 June 2005, conditional on economic developments that are broadly in line with the projections.
- The interest rate may gradually – in small, not too frequent steps – be brought back towards a more normal level. The objective of bringing inflation back to target and anchoring inflation expectations nevertheless implies that monetary policy remains expansionary.

### Growth projections for 2006 and 2007

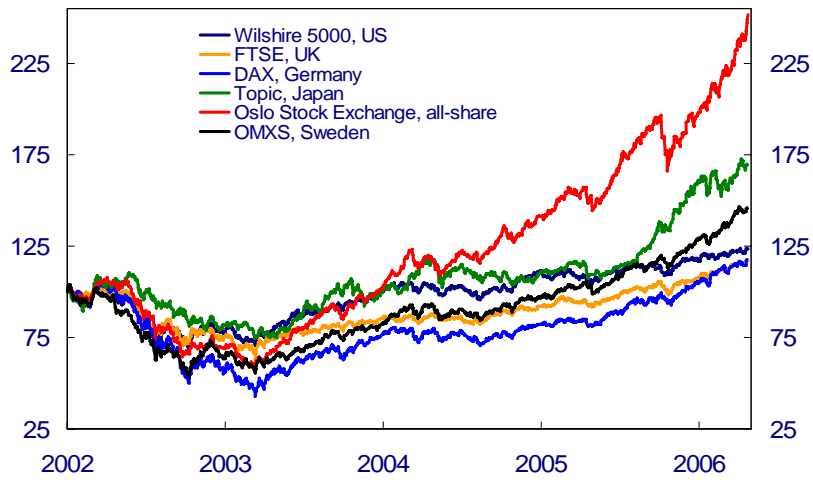
Projections for GDP growth published by the IMF in September 2005 and April 2006. Per cent



Source: IMF World Economic Outlook April 2006

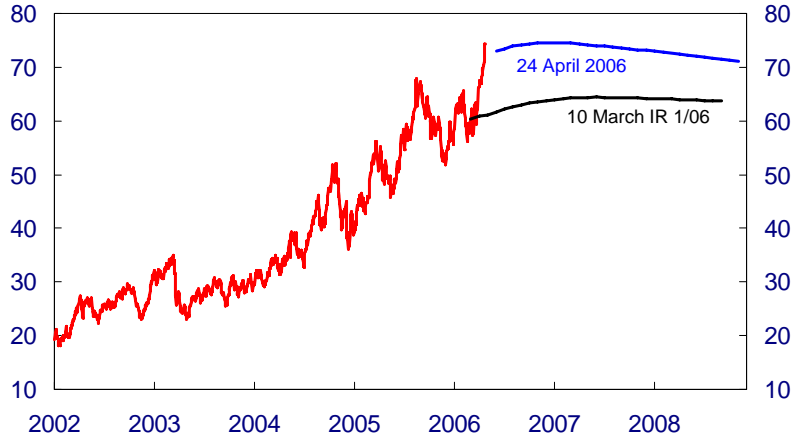
### Developments on stock markets internationally

2 January 2002 = 100. 2 January 2002 – 24 April 2006



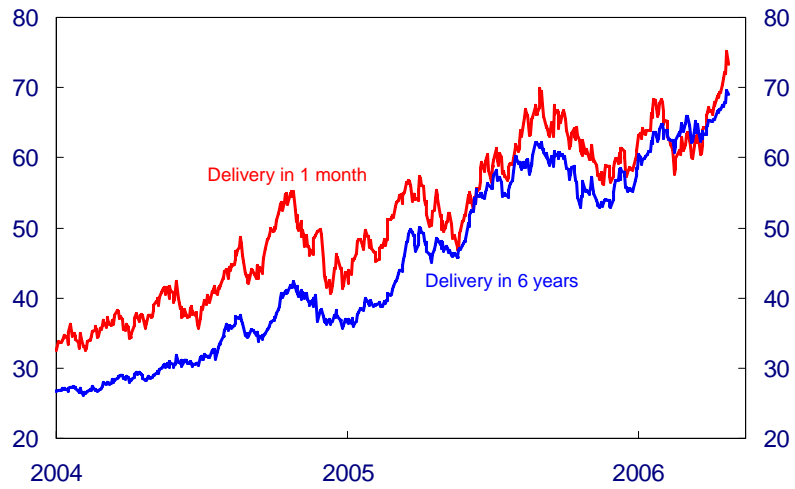
Source: EcoWin

### Oil price Brent Blend and futures prices USD per barrel. 3 January 2002 – 24 April 2006



Sources: Norges Bank and EcoWin 5

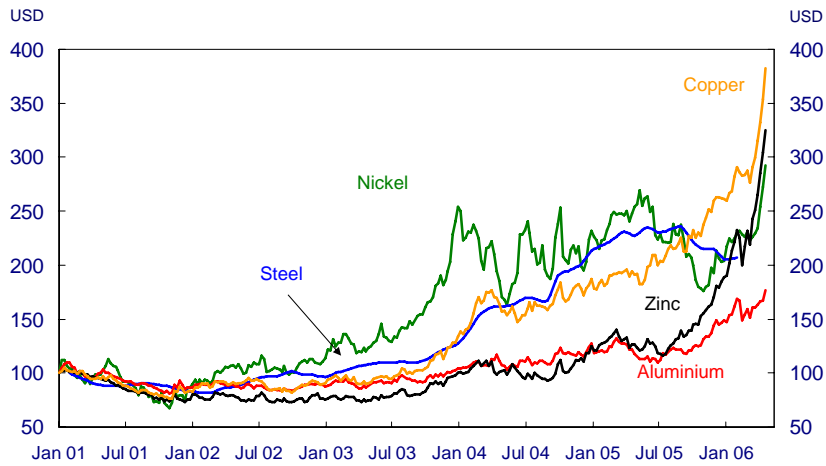
### Oil futures prices USD per barrel light crude. 3 January 2004 – 24 April 2006



Sources: EcoWin/ NYMEX 6

### Metal prices

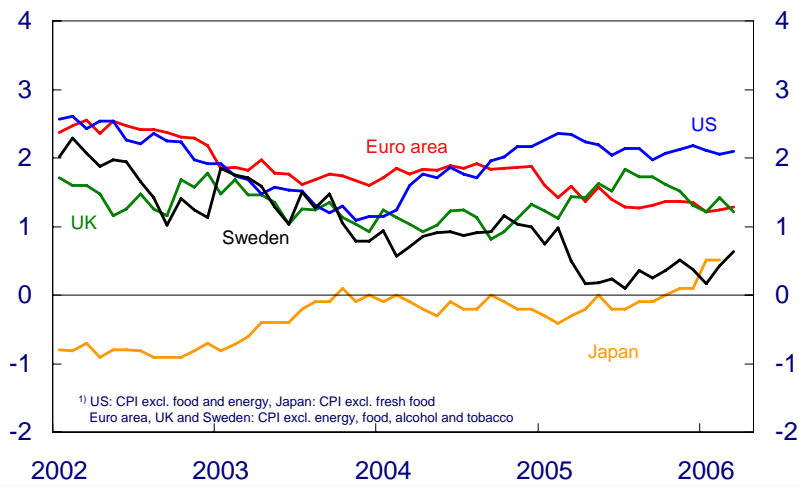
Index. Week 1, 2001 = 100



Source: EcoWin 7

### Core inflation<sup>1)</sup>

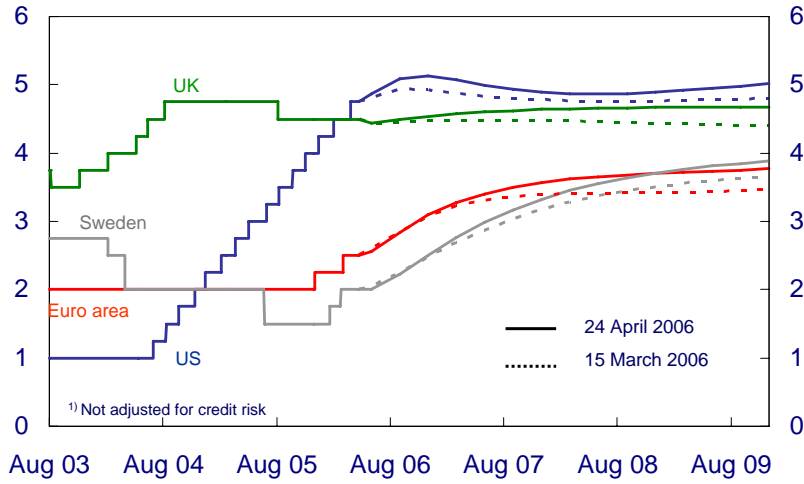
12-month change. January 2002 – March 2006



<sup>1)</sup> US: CPI excl. food and energy, Japan: CPI excl. fresh food  
Euro area, UK and Sweden: CPI excl. energy, food, alcohol and tobacco

Source: EcoWin/Eurostat 8

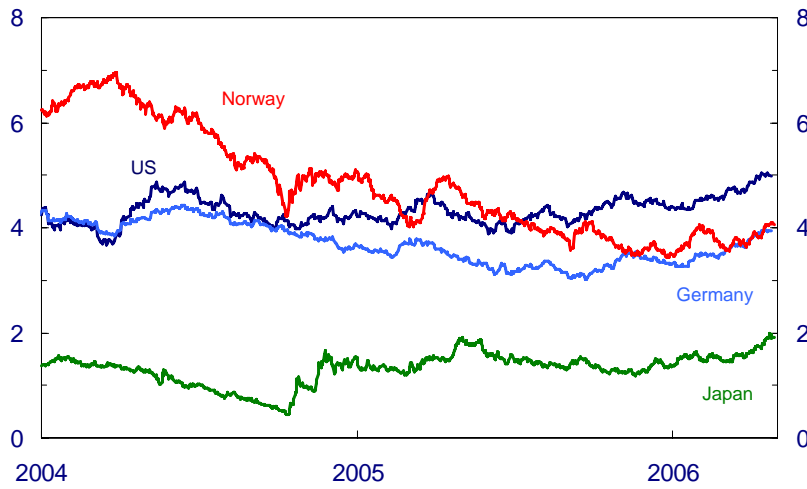
### Actual and expected key rates<sup>1)</sup>



Sources: Reuters and Norges Bank

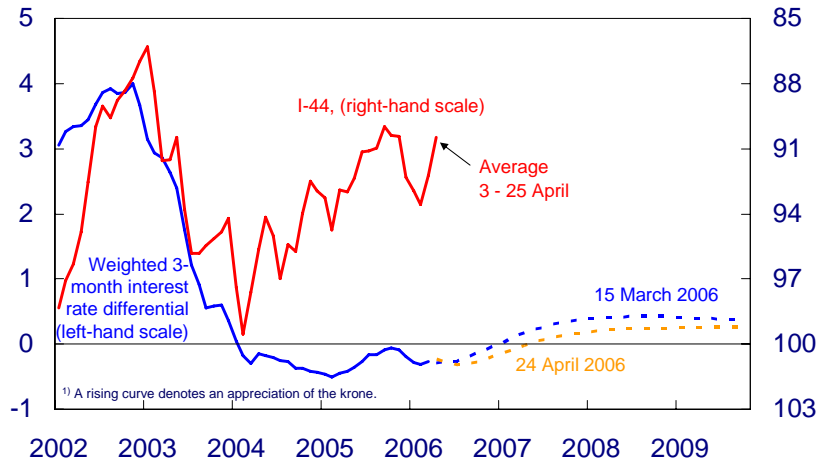
### Yields on 10-year government bonds

2 January 2004 – 25 April 2006



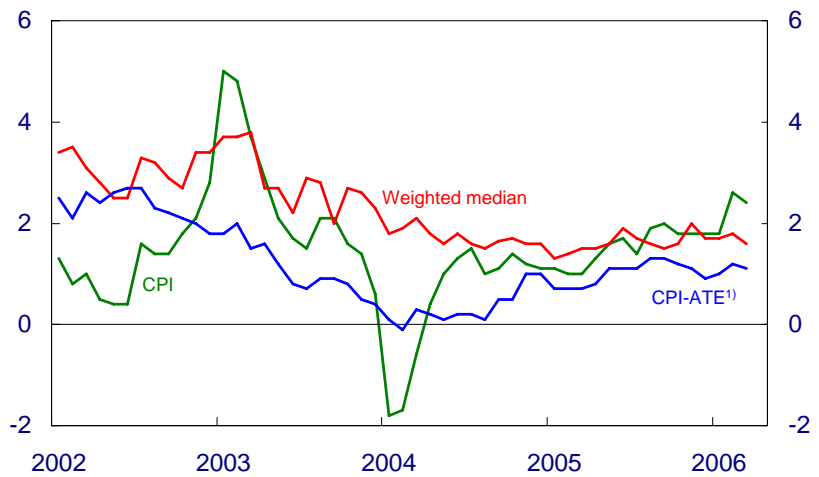
Sources: EcoWin and Norges Bank

### 3-month interest rate differential and import-weighted exchange rate (I-44) <sup>1)</sup> January 2002 – December 2009



Sources: Bloomberg and Norges Bank 11

### Inflation 12-month change. Per cent. January 2002 - March 2006

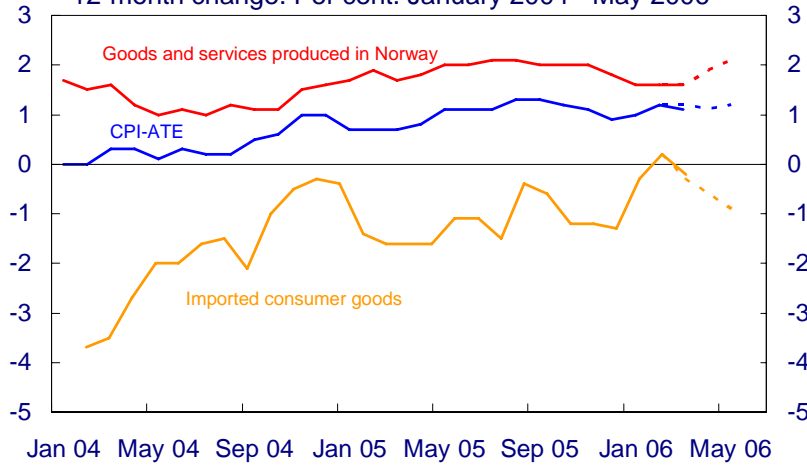


<sup>1)</sup>A further adjustment is made for the estimated effect of reduced maximum day-care rates from January 2006.

Sources: Statistics Norway and Norges Bank 12

### CPI-ATE 1)

Total and by supplier sector<sup>2)</sup>. Actual inflation and projections from IR 1/06  
12-month change. Per cent. January 2004 - May 2006

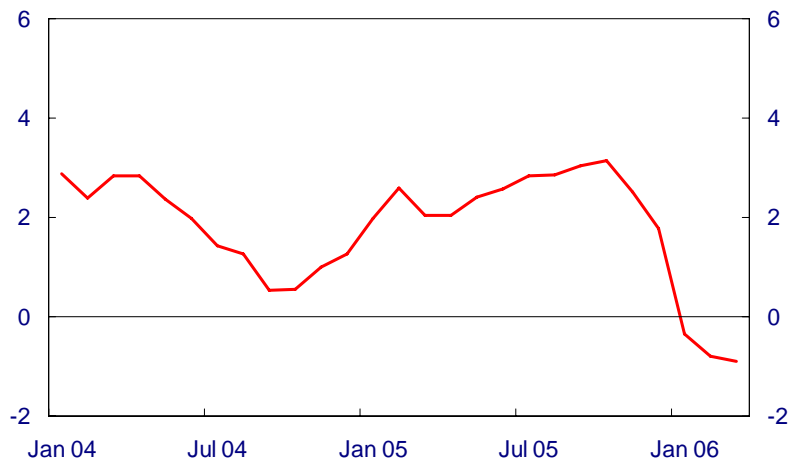


<sup>1)</sup>A further adjustment is made for the estimated effect of reduced maximum day-care rates from January 2006.  
<sup>2)</sup>Norges Bank's calculations

Sources: Statistics Norway and Norges Bank 13

### Change in prices for food and non-alcoholic beverages

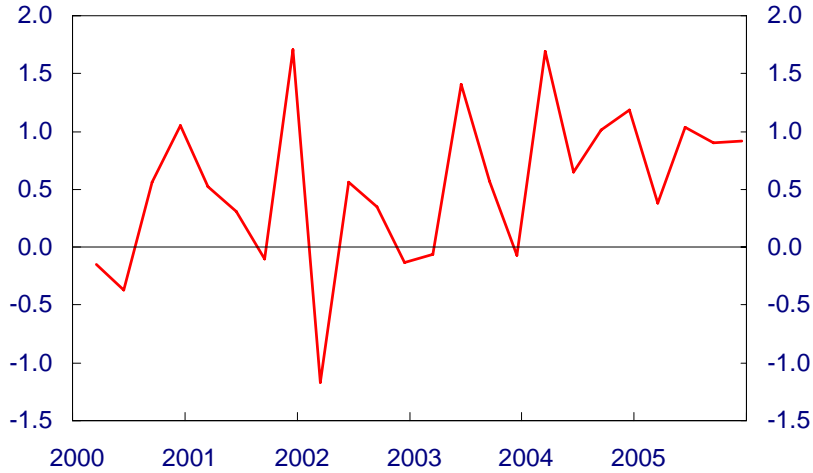
Excluding taxes. 12-month change. Per cent.  
January 2004 – March 2006



Source: Statistics Norway 14

### Mainland GDP, excluding energy

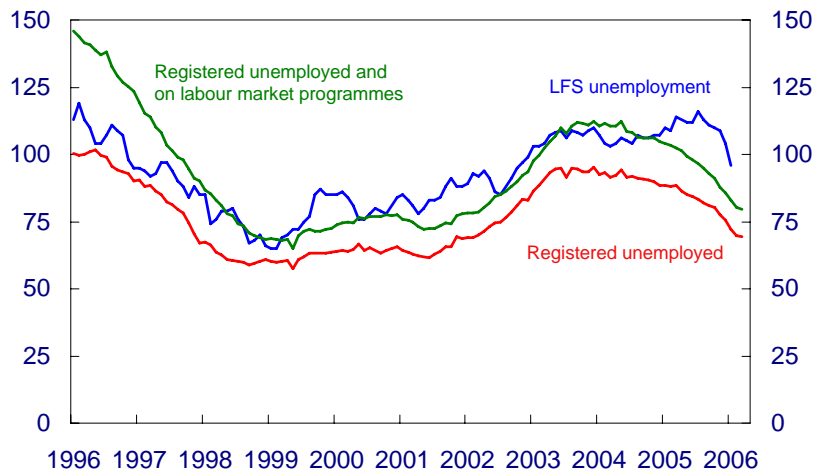
Percentage growth in volume on previous quarter. Seasonally adjusted  
Basis value. 2000 Q1 - 2005 Q4



Sources: Statistics Norway and Norges Bank 15

### Number of unemployed (LFS), registered unemployed and persons on labour market programmes

In thousands. Seasonally adjusted. January 1996 – March 2006

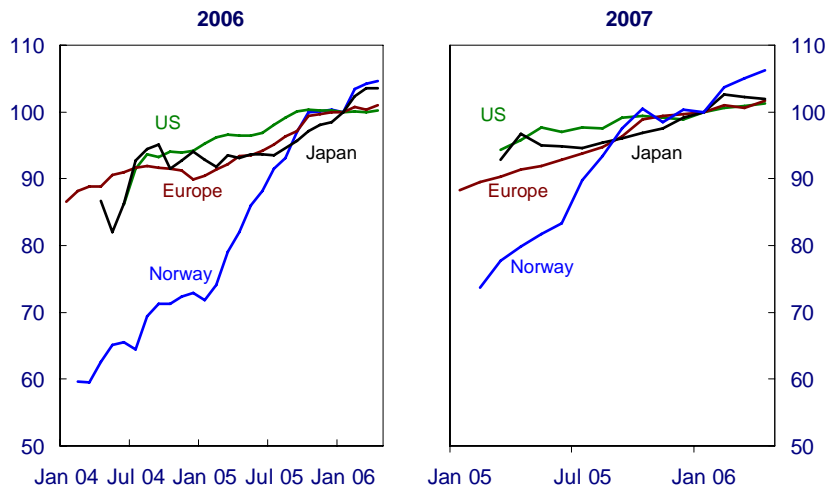


Sources: Statistics Norway and the Directorate of Labour 16



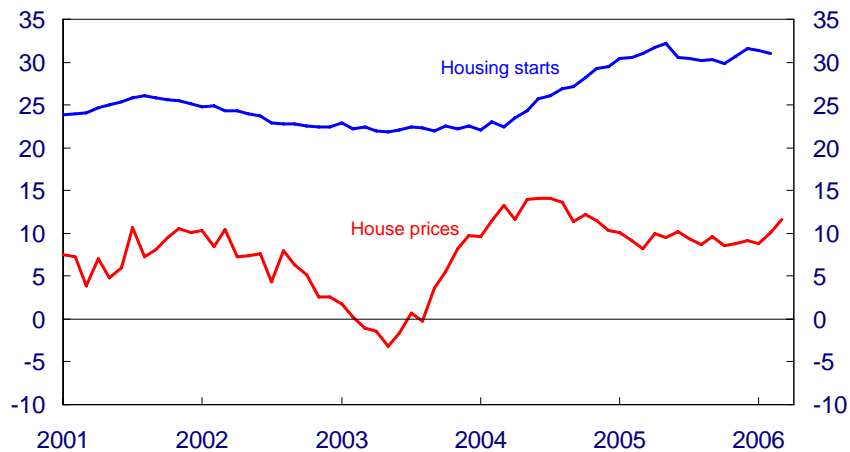
### Expected earnings in listed companies

Index. 01.01.2006 = 100



Sources: Reuters and EcoWin 17

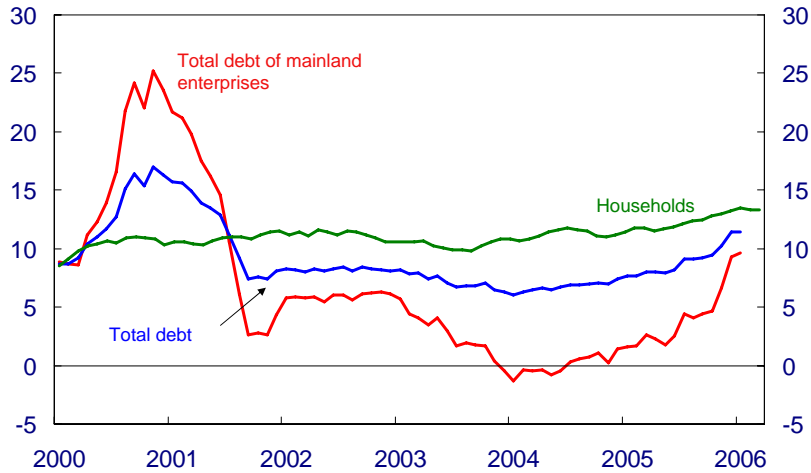
### House prices (12-month change) and housing starts (number of 1000s in last 12-months). January 2001 – March 2006



Sources: Statistics Norway, Norwegian Association of Real Estate Agents (NEF), Association of Real Estate Agency Firms (EFF), ECON and Finn.no 18

### Credit growth

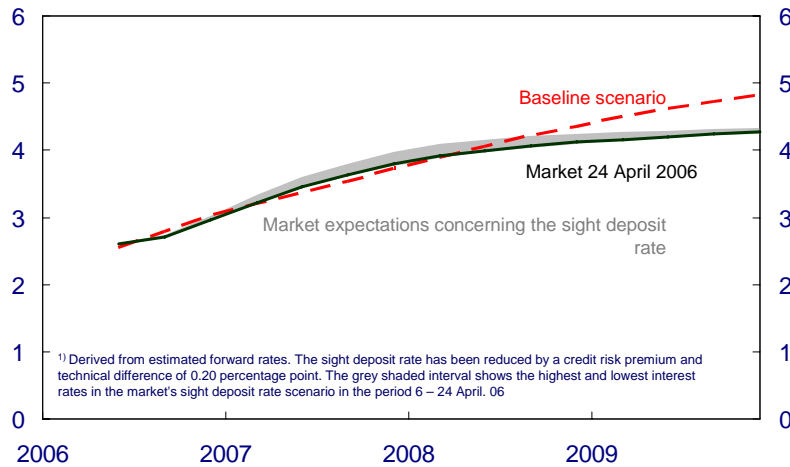
Total debt mainland Norway (C3). Domestic credit to households (C2)  
12-month growth. Per cent



Source: Norges Bank 19

### Sight deposit rate in baseline scenario and market expectations regarding the sight deposit rate<sup>1)</sup>

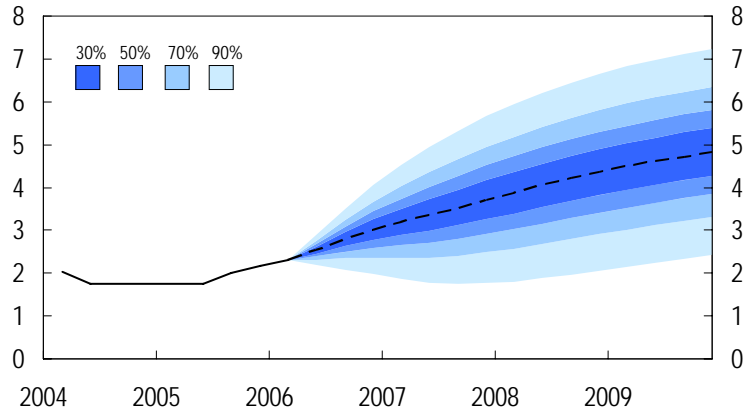
Per cent. 2006 Q2 – 2009 Q4



<sup>1)</sup> Derived from estimated forward rates. The sight deposit rate has been reduced by a credit risk premium and technical difference of 0.20 percentage point. The grey shaded interval shows the highest and lowest interest rates in the market's sight deposit rate scenario in the period 6 – 24 April, 06

Source: Norges Bank 20

Sight deposit rate in baseline scenario from  
*Inflation Report 1/06 with fan chart*  
 Per cent. Quarterly figures. 2004 Q1– 2009 Q4



Source: Norges Bank 21