

New regulation on monetary policy in Norway

The Norwegian Government issued a new regulation on monetary policy on 29 March 2001. The following press release was issued by Norges Bank:

Press release 29 March 2001:

The implications of the new mandate for monetary policy

The Government has today issued a new regulation on monetary policy, with the introduction of an inflation target of 2.5 per cent. Norges Bank issued its opinion on the new mandate and the consequences for the conduct of monetary policy in a submission of 27 March 2001 to the Ministry of Finance. In the submission, Norges Bank states that the communication of Norwegian monetary policy may be facilitated with the Government now quantifying an inflation target, in line with international practice. The submission is published on Norges Bank's website.

Central Bank Governor Svein Gjedrem affirms that the application of the new guidelines will not result in significant changes in the conduct of monetary policy. This applies both to the basis for the Executive Board's monetary policy decisions and day-to-day liquidity management.

Unchanged monetary policy stance

In the light of recent trends in the economy and the balance of risks, the probability that the next change in interest rates will be a reduction is still the same as the probability of an increase, says the Governor.

In the March Inflation Report, price inflation was projected to fall below 2½ per cent towards the end of next year and into 2003. However, we must assess the effects of the inflation target on inflation expectations. Changes in inflation expectations may influence our wage and price inflation projections. The moderate phasing in of petroleum revenues as described in the Government's Long-Term Programme may also have an impact. Our projections are based on a technical assumption of a neutral fiscal stance. On balance, the evidence at hand does not support a change in Norges Bank's monetary policy stance, says Governor Gjedrem.

(For further details, see the bank's web-site: www.norges-bank.no)