

Uncertainty, economic models and monetary policy

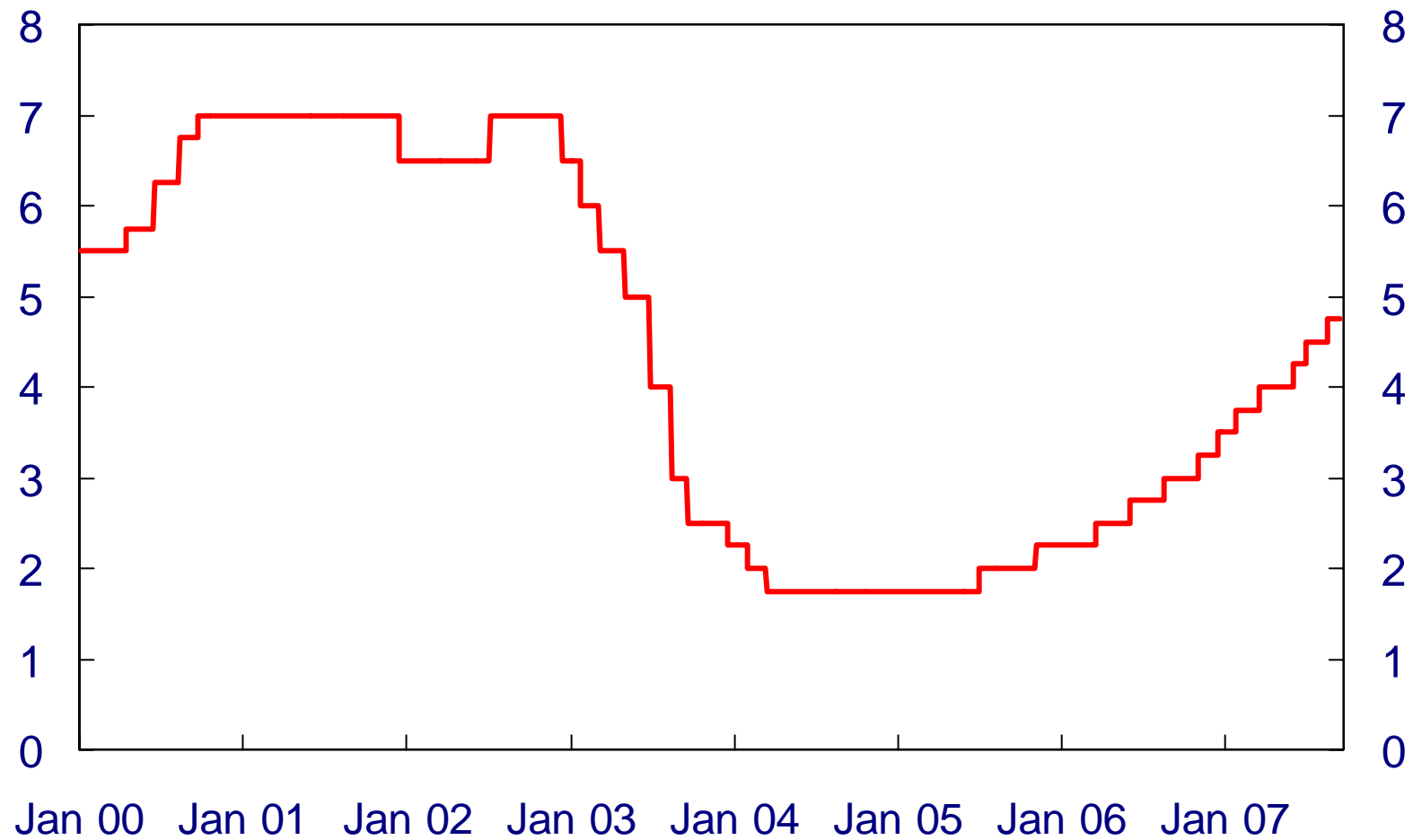
Governor Svein Gjedrem

Centre for Monetary Economics/BI

17 September 2007

Key policy rate

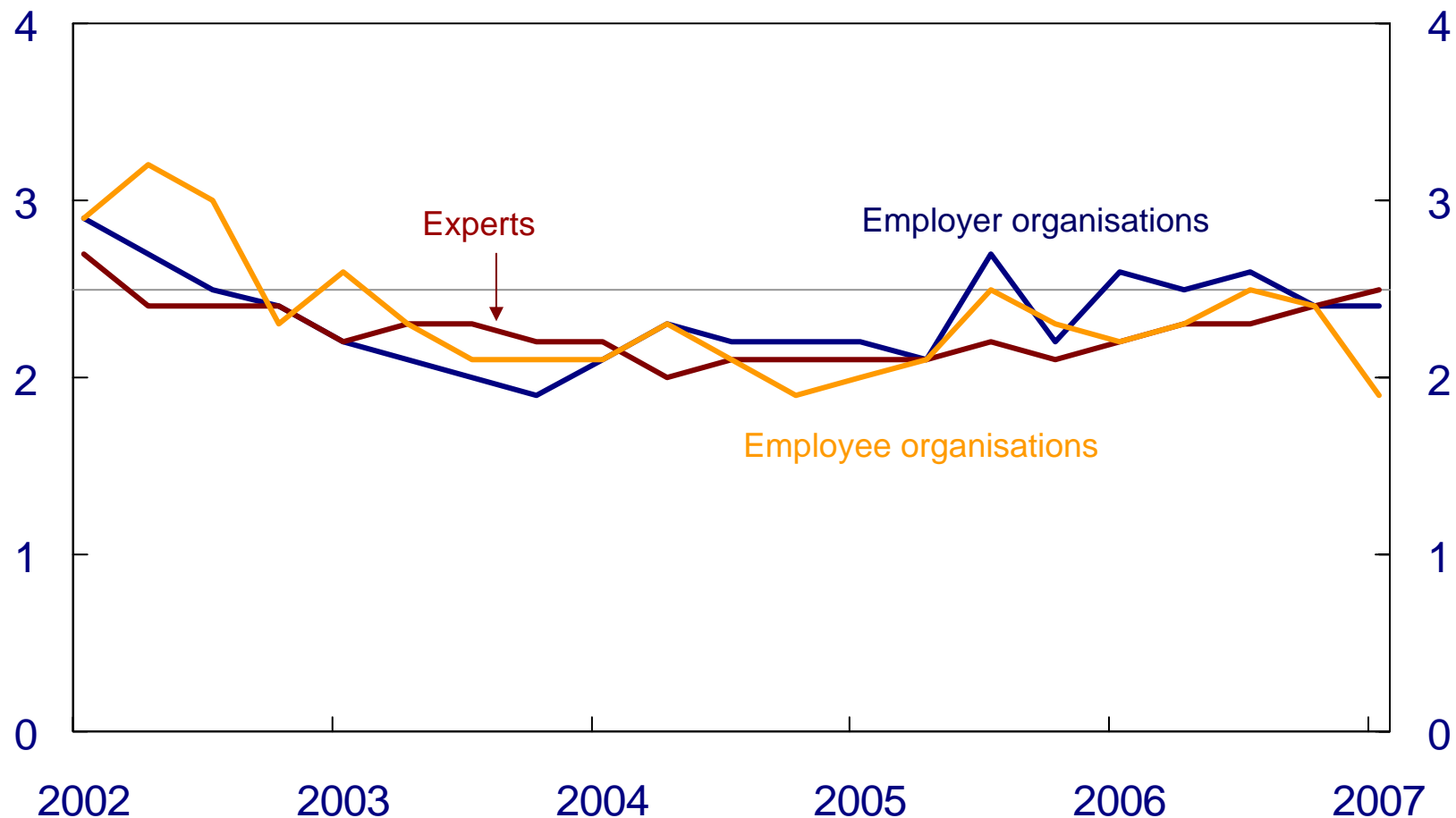
Per cent



Expected consumer price inflation 2 years ahead

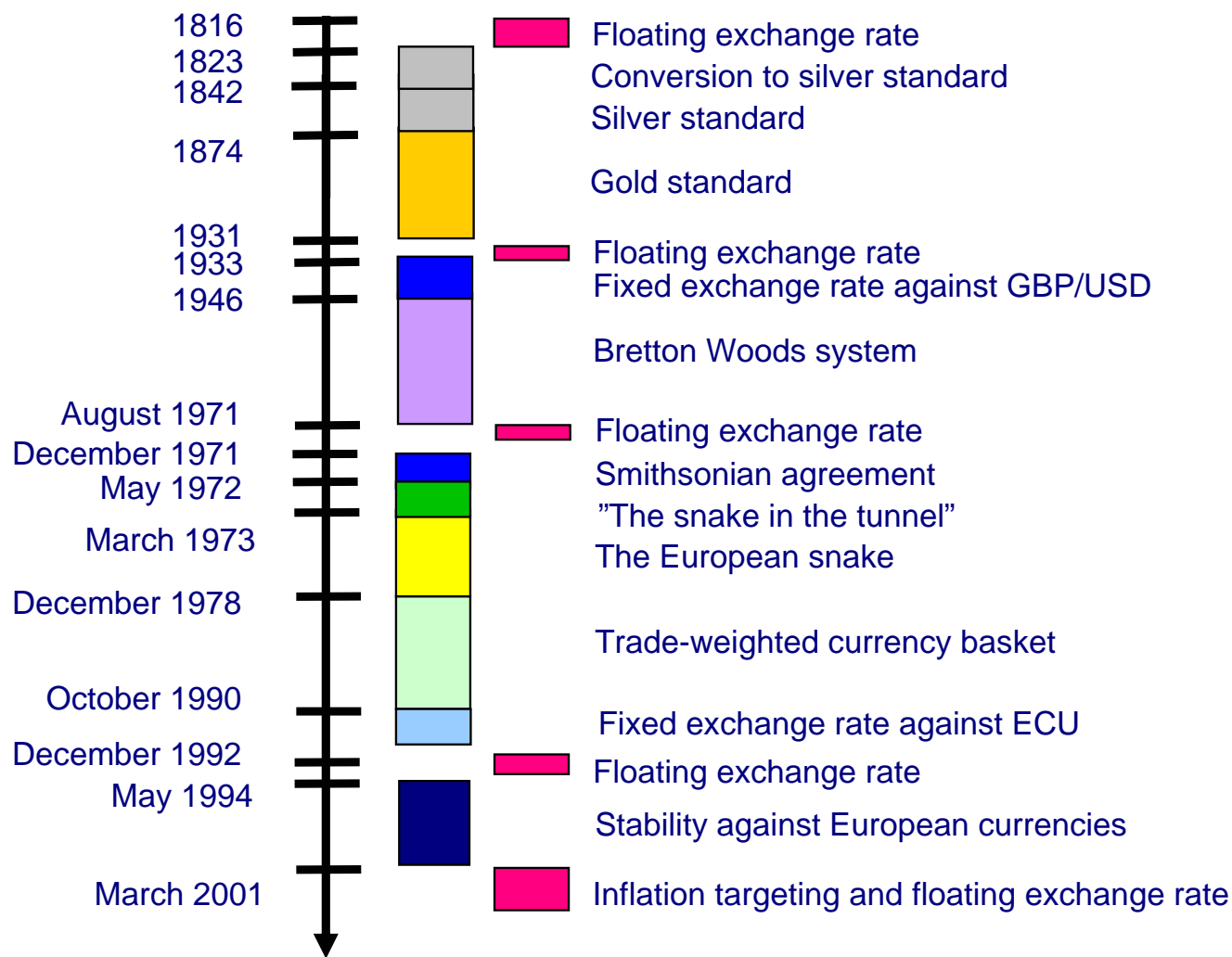
Employer/employee organisations and experts¹⁾

Per cent. 2002 Q2 – 2007 Q2



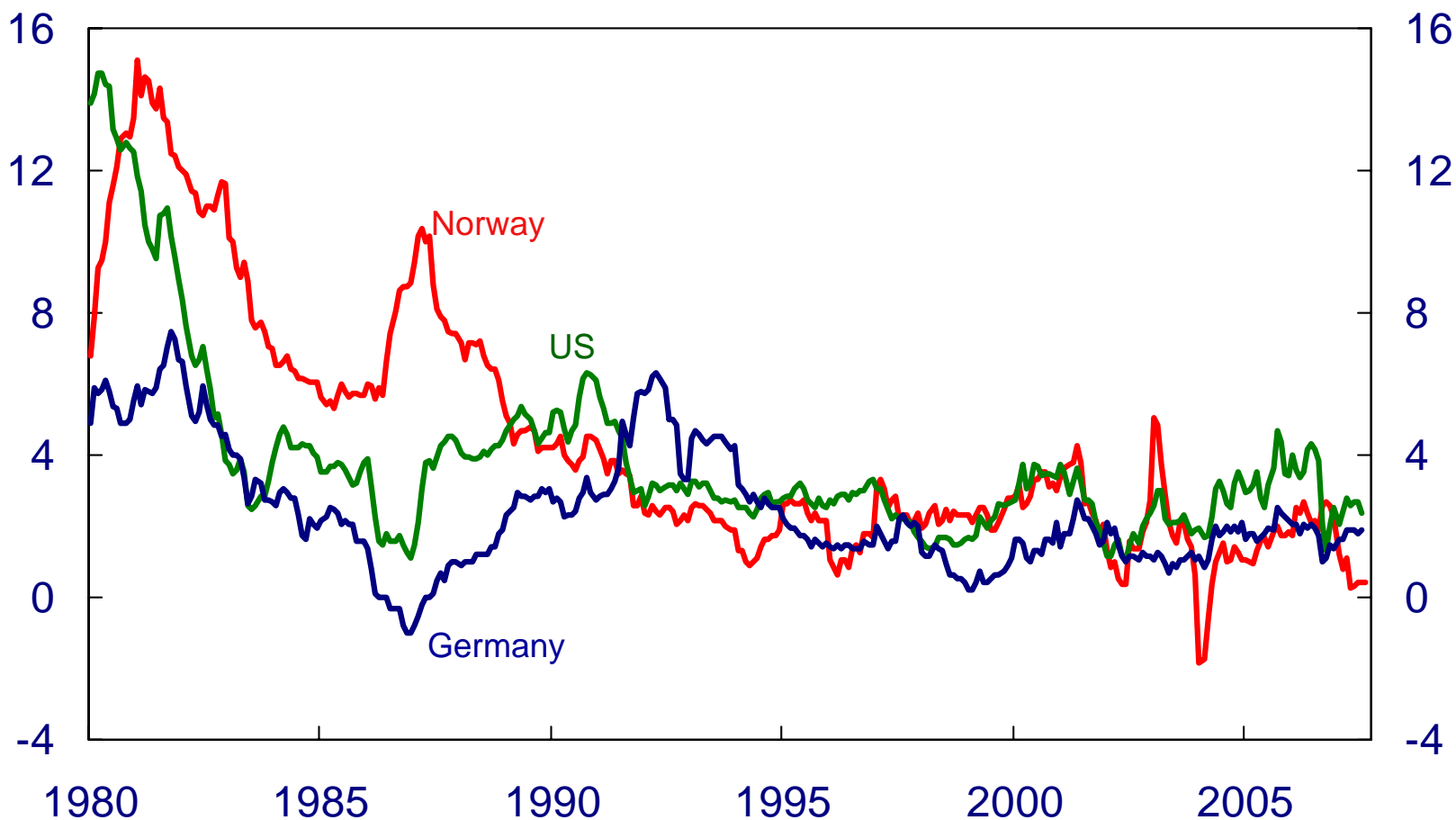
¹⁾ Employees in financial industry, macroanalysts and academics.

Monetary policy regimes i Norway since 1816



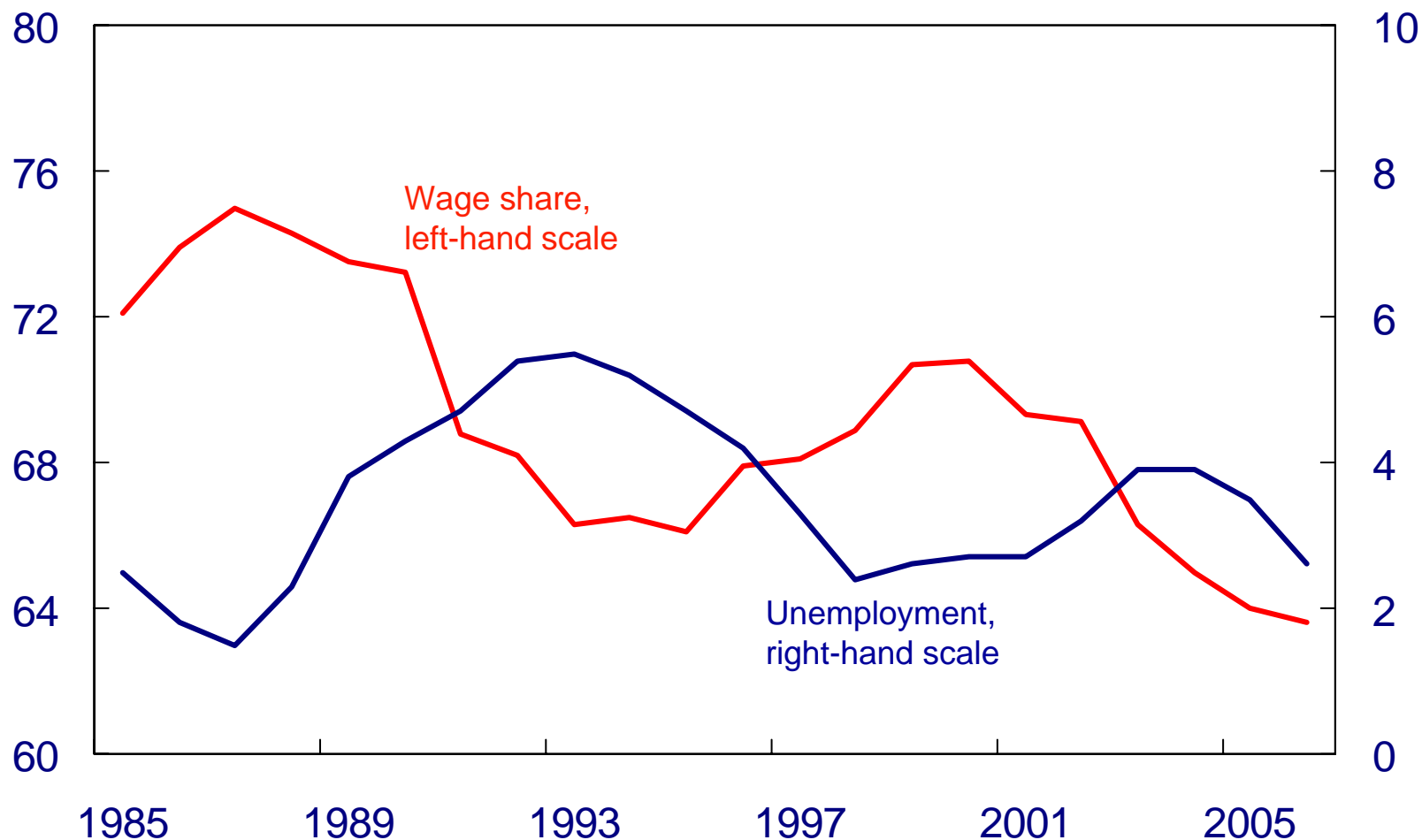
CPI in Norway, Germany and US

12-month change. Per cent. January 1980 – August 2007



Wage share¹⁾ and registered unemployment

Per cent. 1985 – 2006

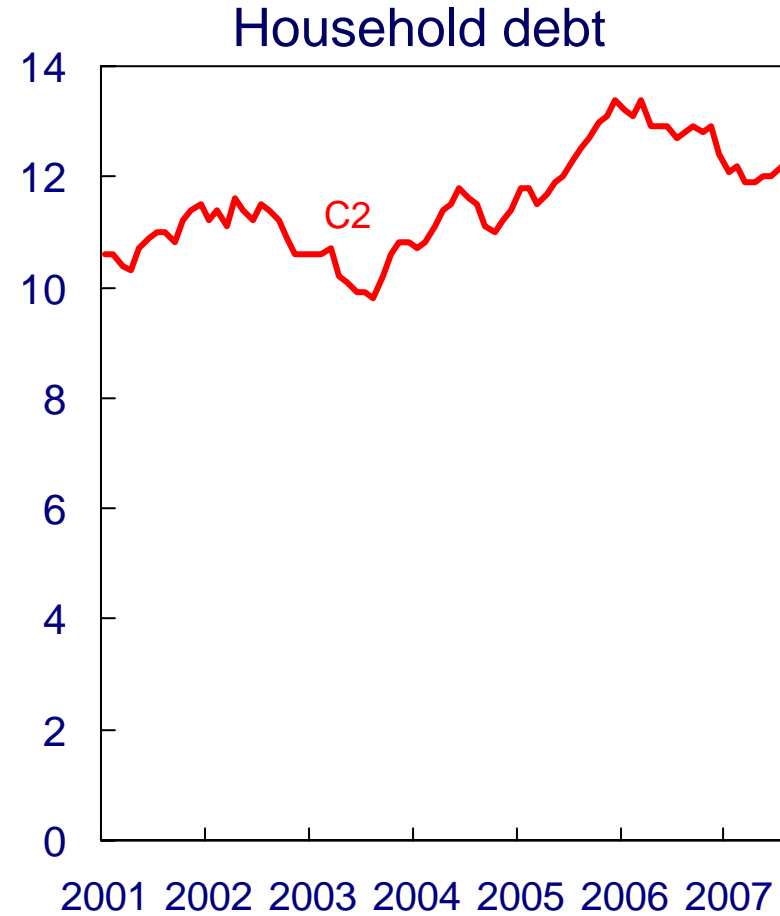
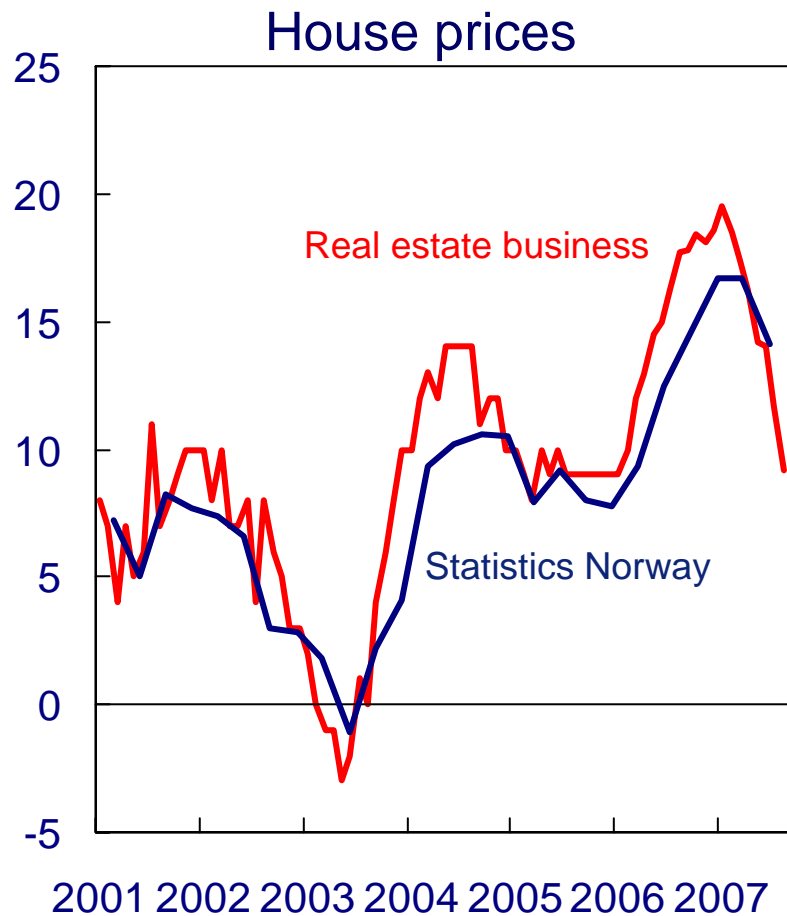


¹⁾ Labour costs as share of factor income. Market-oriented enterprises in mainland Norway.

Sources: Statistics Norway, Norwegian Labour and Welfare Organisation (NAV) and Norges Bank

House prices and household debt

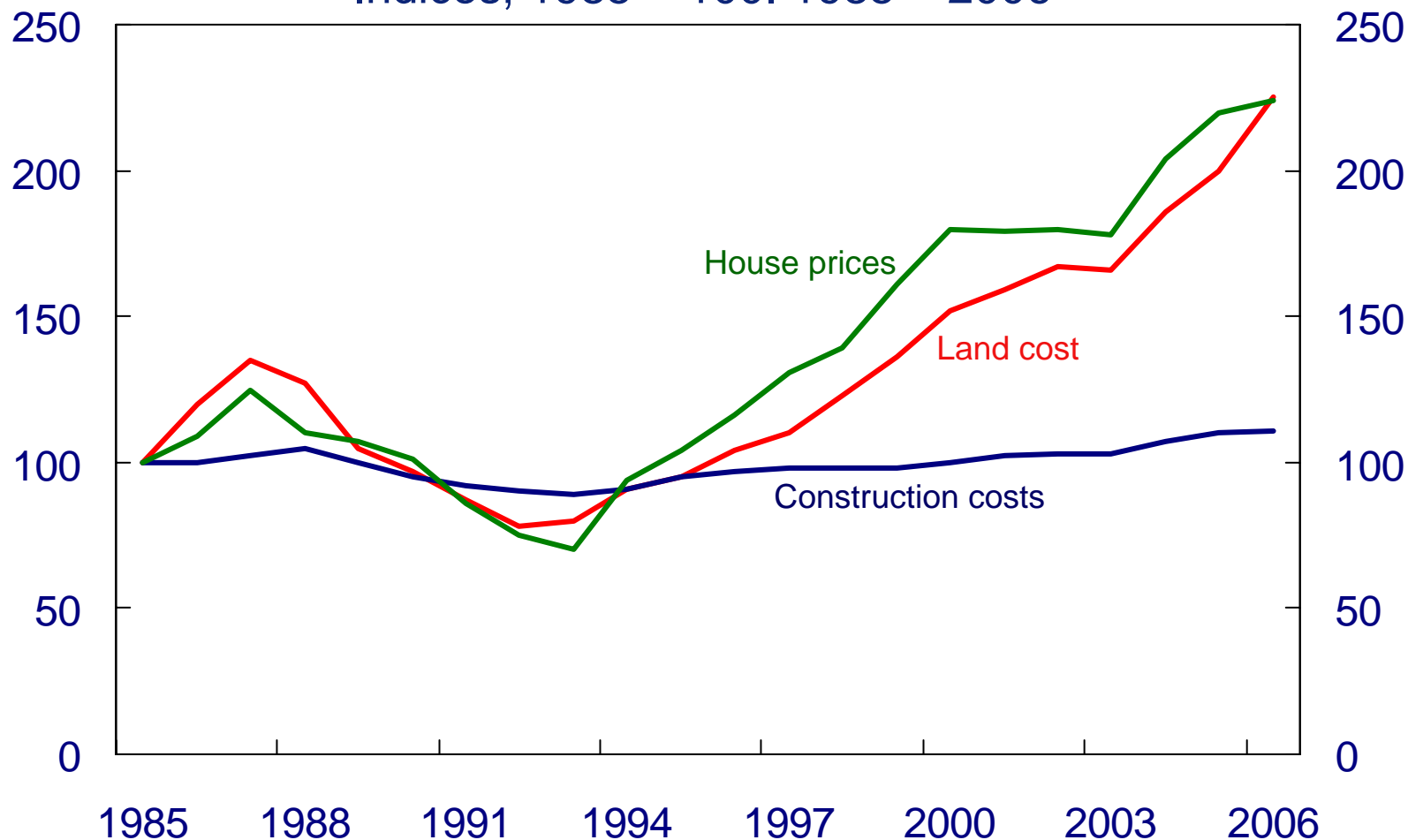
Change on same month/quarter previous year. Per cent
January 2001 – August 2007



Sources: Norwegian Association of Real Estate Agents, Association of Real Estate Agency Firms, Finn.no, ECON, Statistics Norway and Norges Bank

Real house prices, construction costs and land costs¹⁾

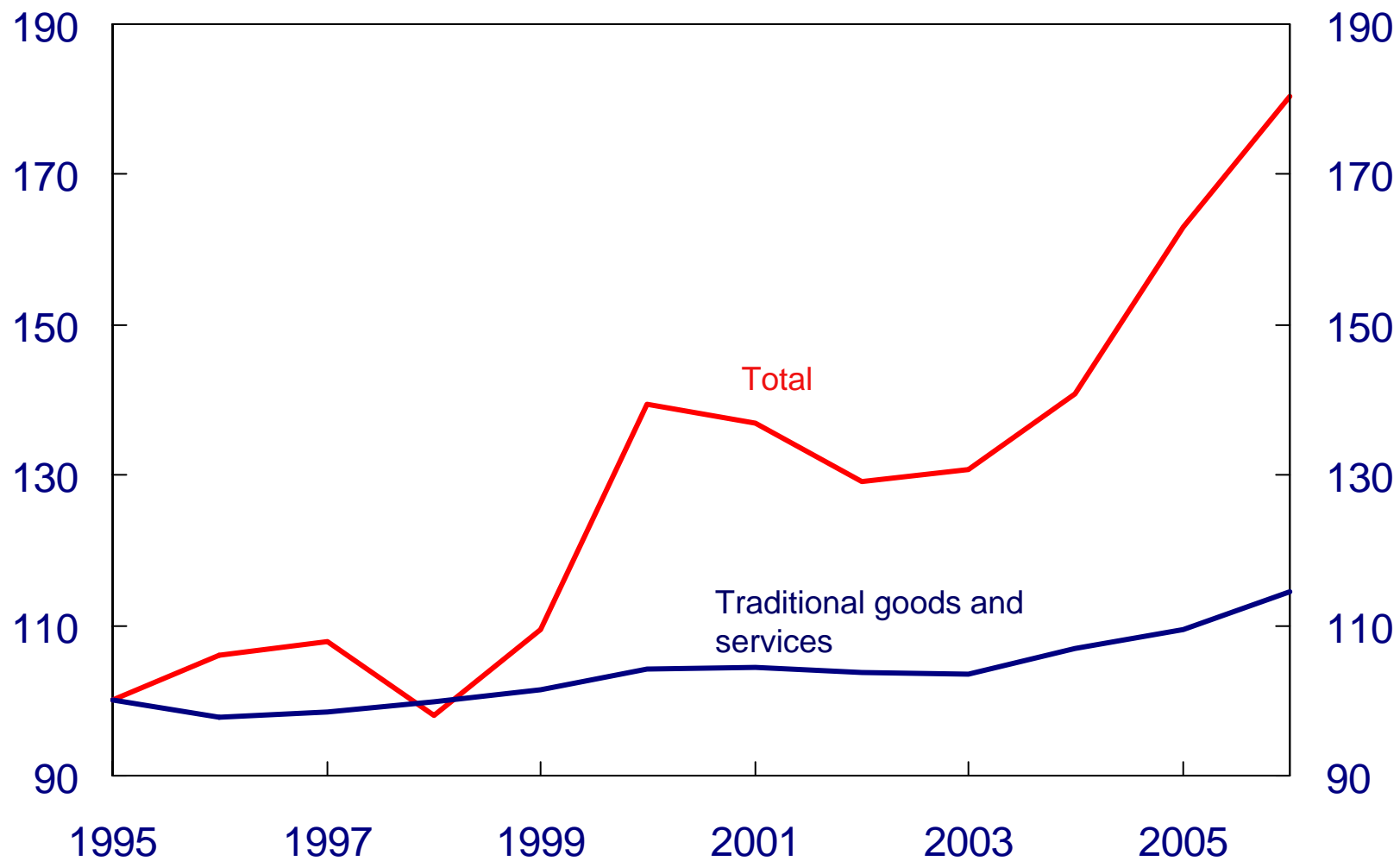
Indices, 1985 = 100. 1985 – 2006



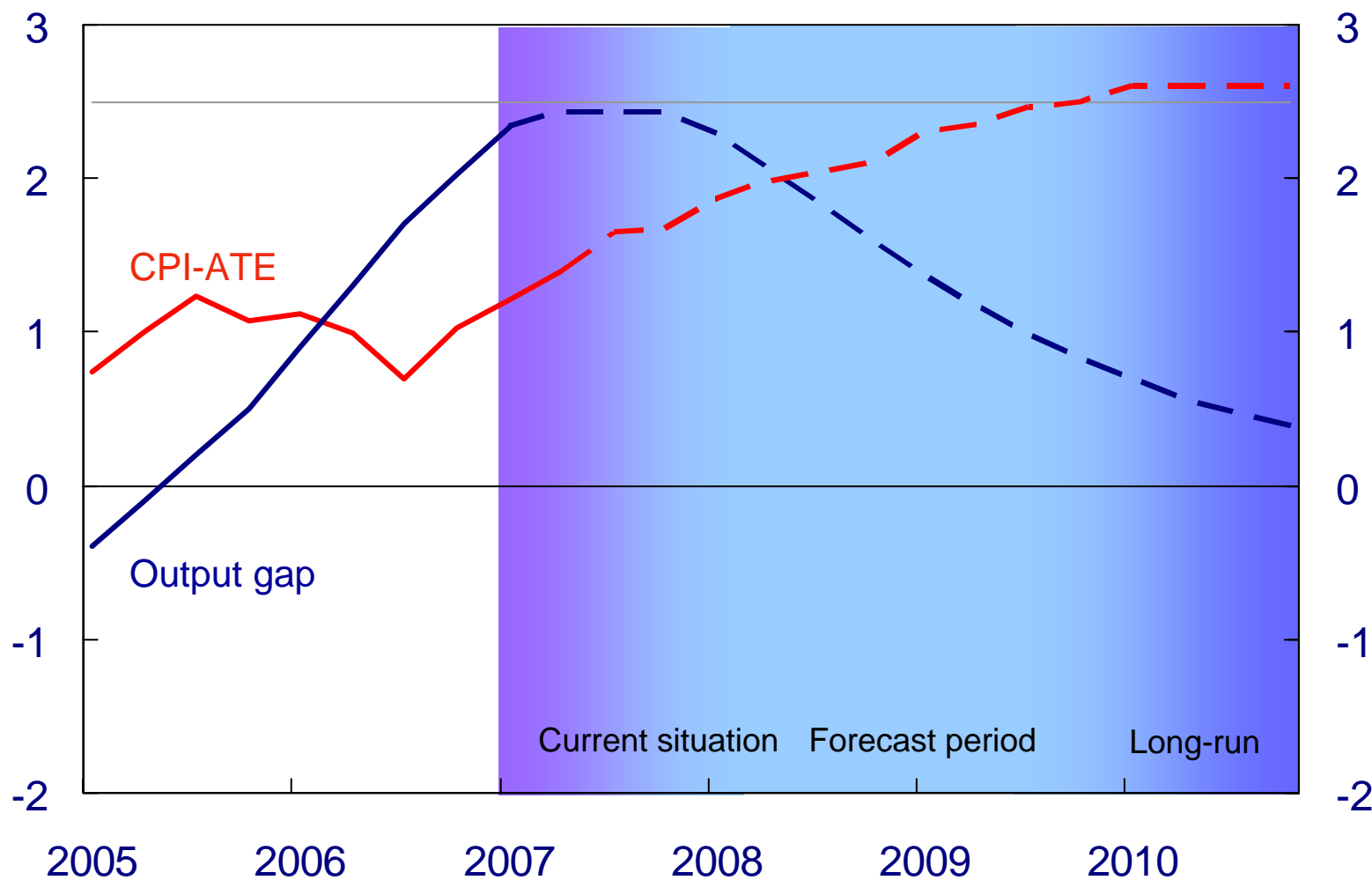
¹⁾ The series is based on Statistics Norway's transfer of properties index and includes unbuilt property for free market sale. The series is not adjusted for location or site development.

Terms of trade

Index, 1995 = 100. 1995 – 2006



Different time horizons – different methods

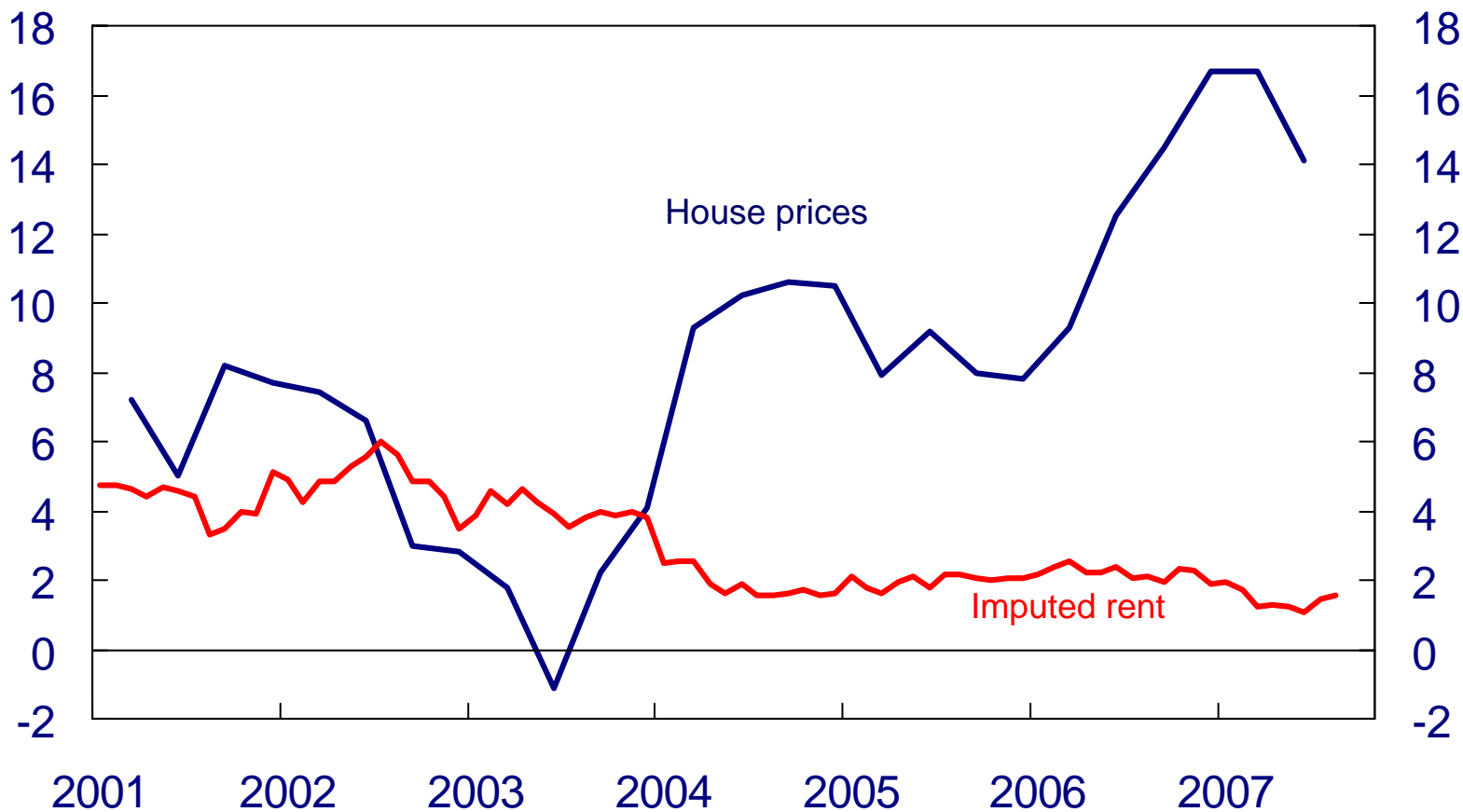


Sources: Statistics Norway and Norges Bank

“..that’s what we have to do with every variable that we look at, work out why it’s growing faster or slower than it was before and not to use some rather mindless regression....The secret of good policy is to try and think through what are the economics of the shocks hitting the economy at present. That in a nutshell is my philosophy of how you should do policy. Don’t rely on regressions from the past.” Mervin King

House prices and imputed rent

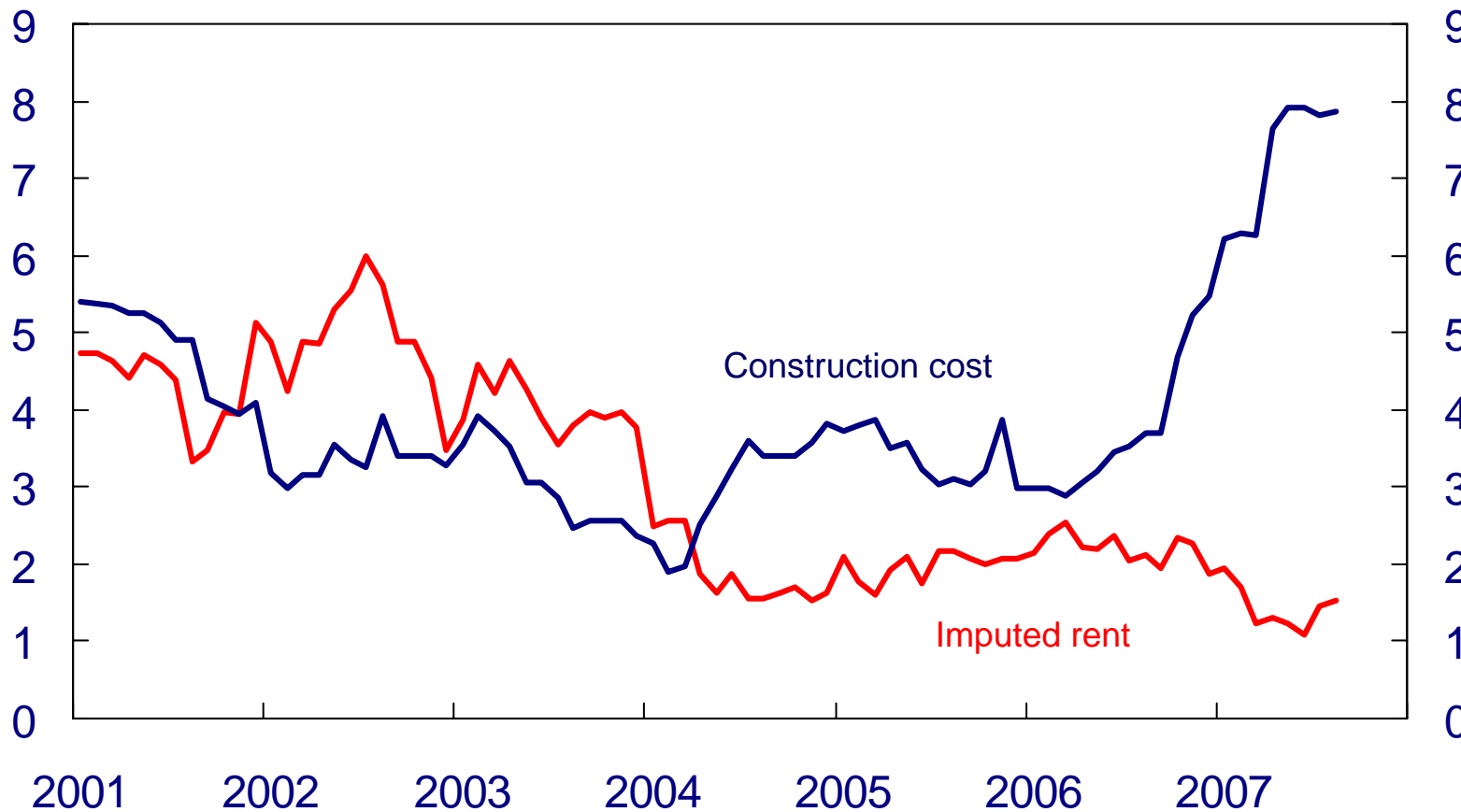
Change on same month/quarter previous year. Per cent
January 2001 – August 2007



Source: Statistics Norway

Construction cost index and imputed rent

12-month change. Per cent
January 2001 – August 2007

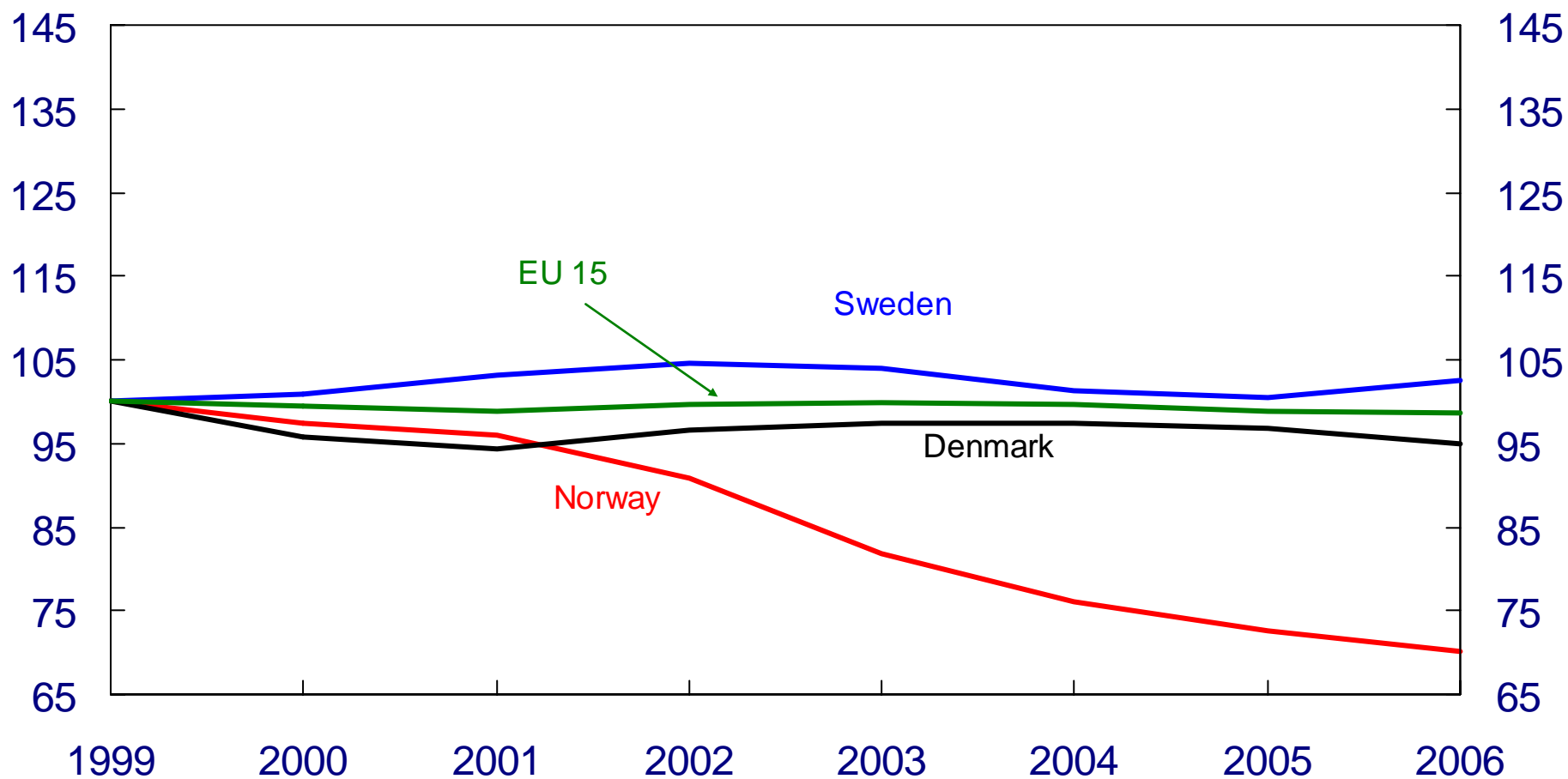


Source: Statistics Norway

Clothing and footwear in the CPI

EU15, Norway, Sweden and Denmark

Index, 1999 = 100. 1999 – 2006



Change in relative clothing prices in Norway vs Sweden

Per cent. 1999 – 2005

