

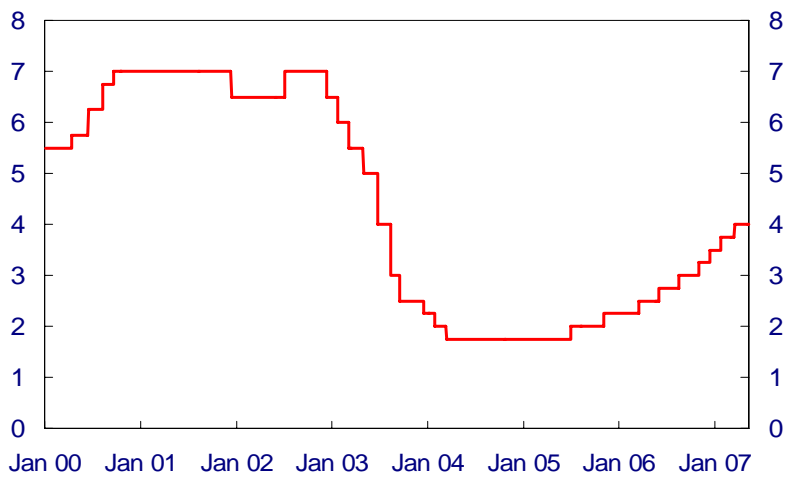
The conduct of monetary policy

Svein Gjedrem, Governor of Norges Bank

Introductory statement by Governor Svein Gjedrem at the hearing
before the Standing Committee on Finance and Economic Affairs
of the Storting, Oslo, 10 May 2007

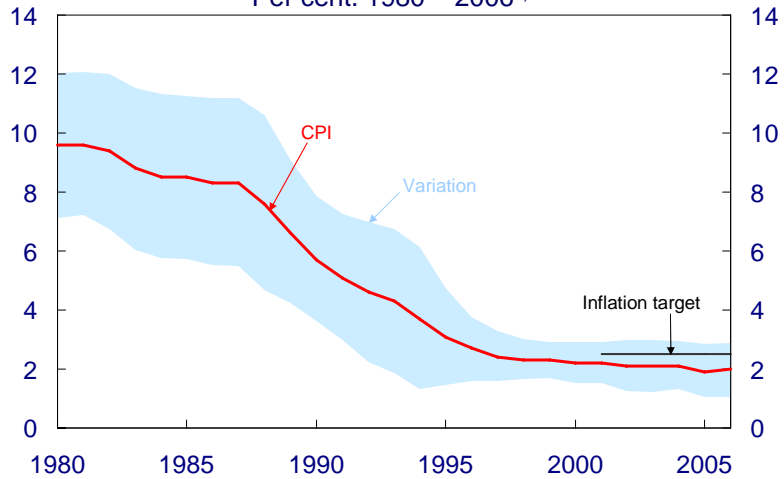
Key policy rate

Per cent



Inflation

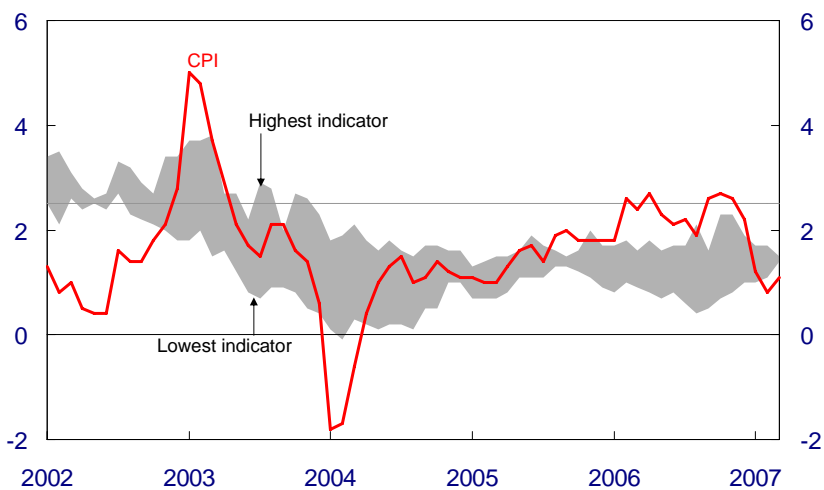
Moving 10-year average¹⁾ and variation²⁾ in CPI.
Per cent. 1980 – 2006³⁾



¹⁾ The moving average is calculated 7 years back and 2 years ahead.
²⁾ The band around the CPI is the variation in the average period, measured by +/- one standard deviation.
³⁾ Projections for 2007 and 2008 in MPR 1/07 form the basis for this estimate

Sources: Statistics Norway and Norges Bank 3

Inflation and interval for underlying inflation¹⁾ 12-month change. Per cent

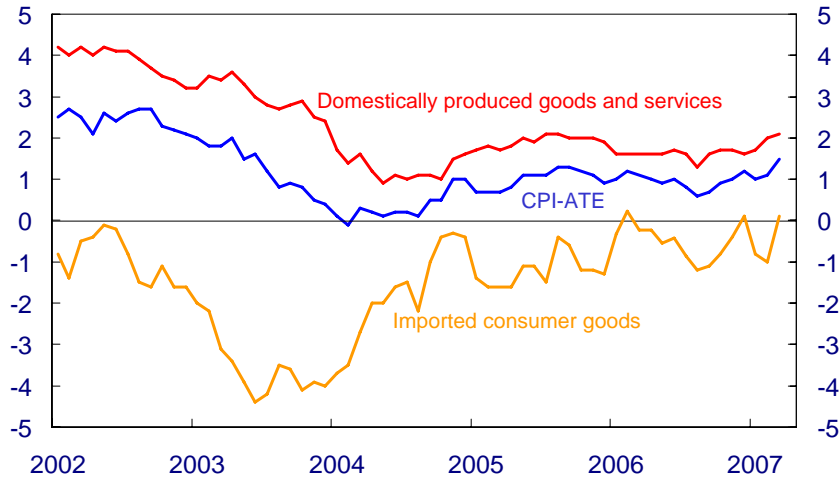


¹⁾ Highest and lowest indicator of CPI-ATE, weighted median and trimmed mean.

Sources: Statistics Norway and Norges Bank 4

CPI-ATE¹⁾

Total and by supplier sector. 12-month change. Per cent

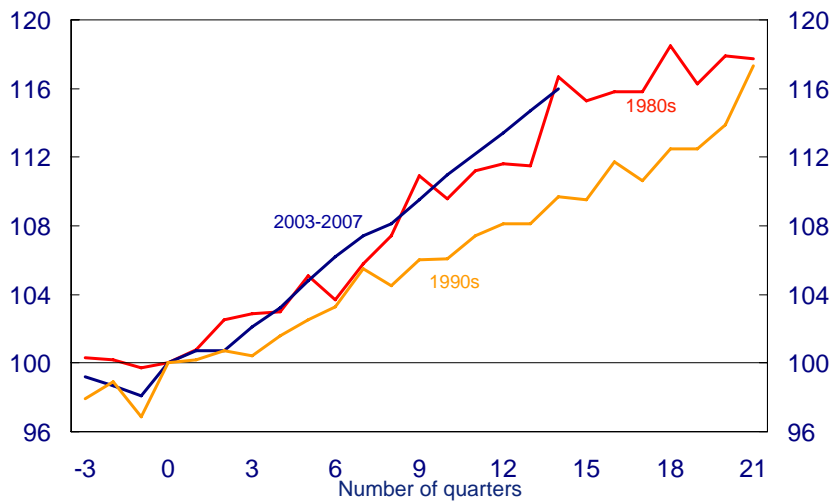


1) CPI-ATE: CPI adjusted for tax changes and excluding energy products. A further adjustment is made for the estimated effect of reduced maximum day-care rates in 2006.

Sources: Statistics Norway and Norges Bank

Mainland GDP

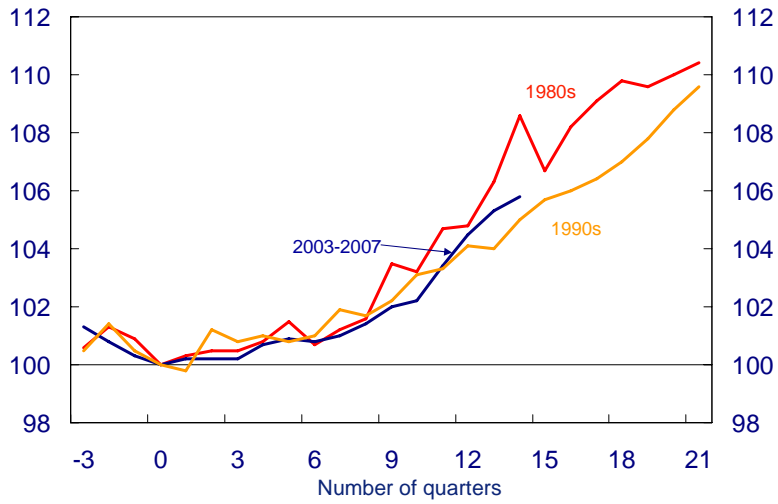
Developments after the start of a cyclical upturn.
Index. Quarter 0 = 100



Sources: Statistics Norway and Norges Bank

Number employed

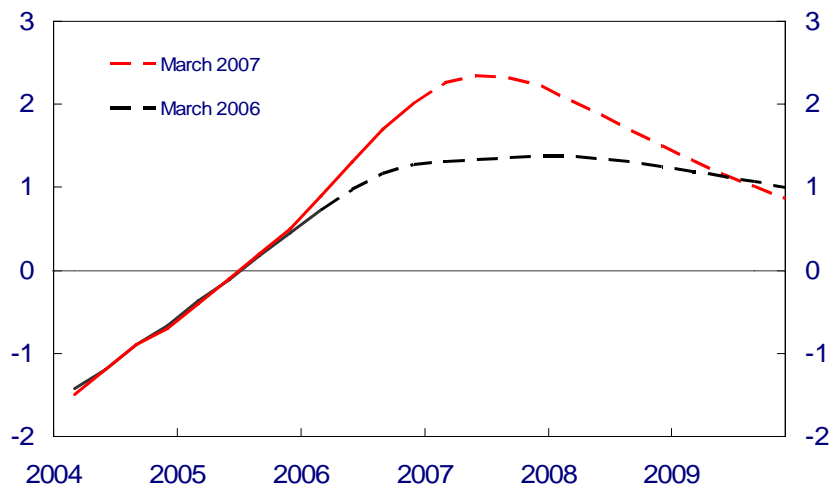
Developments after the start of a cyclical upturn.
Index. Quarter 0 = 100. Seasonally adjusted



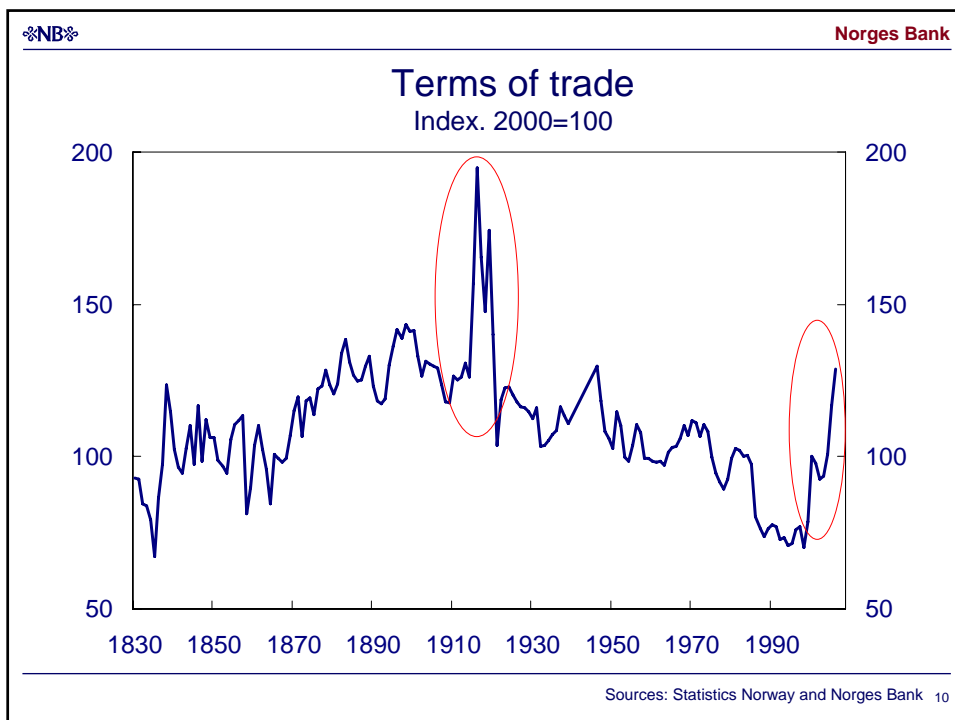
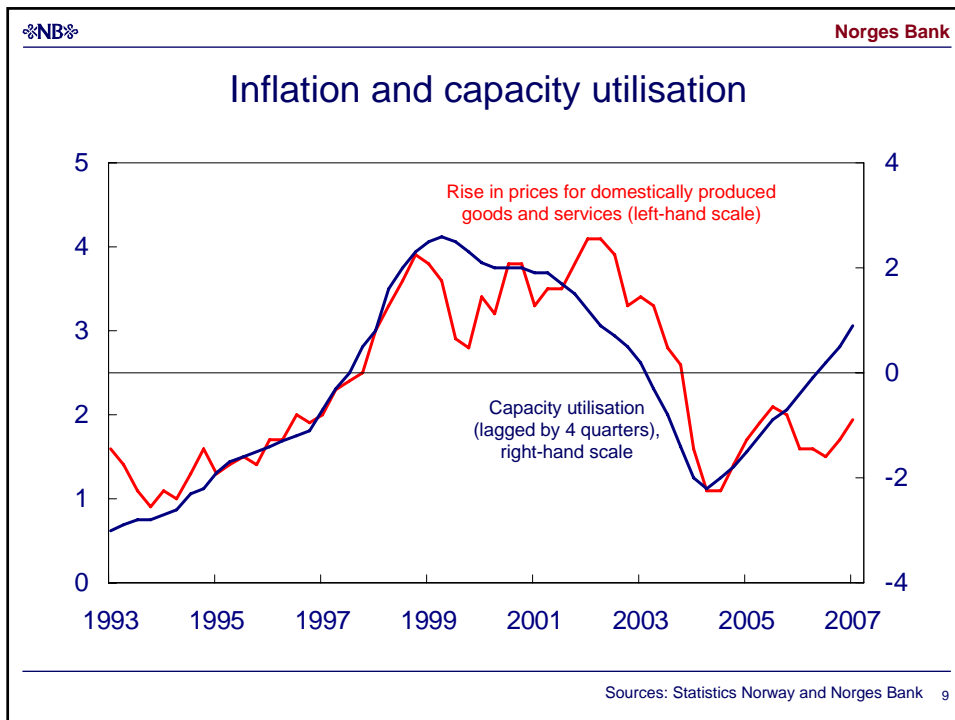
Sources: Statistics Norway and Norges Bank 7

Estimated capacity utilisation

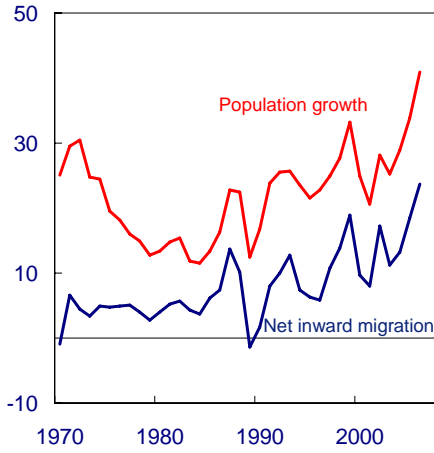
Deviation from normal utilisation. Per cent



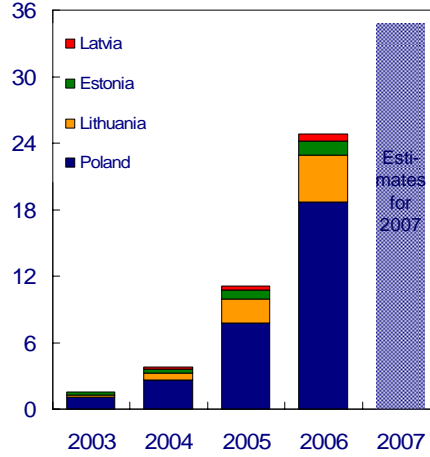
Source: Norges Bank 8



Population growth and net inward migration
In thousands

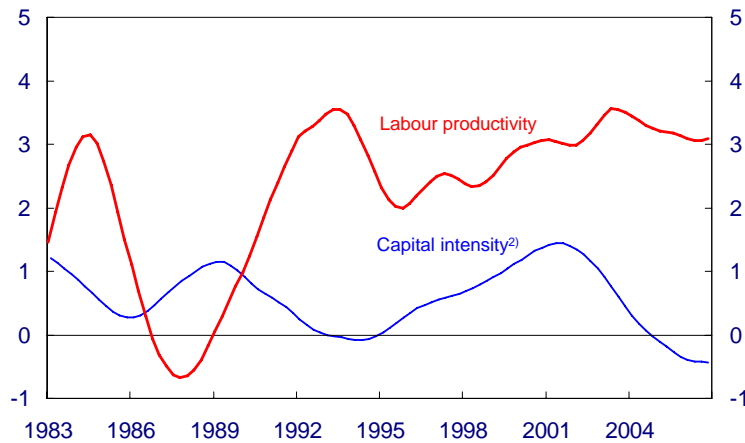


Registered employees from new EU countries
In thousands



Sources: Statistics Norway, Central Office - Foreign Tax Affairs and Norges Bank 11

Productivity growth in the business sector¹⁾
Trend. Annual growth. Per cent



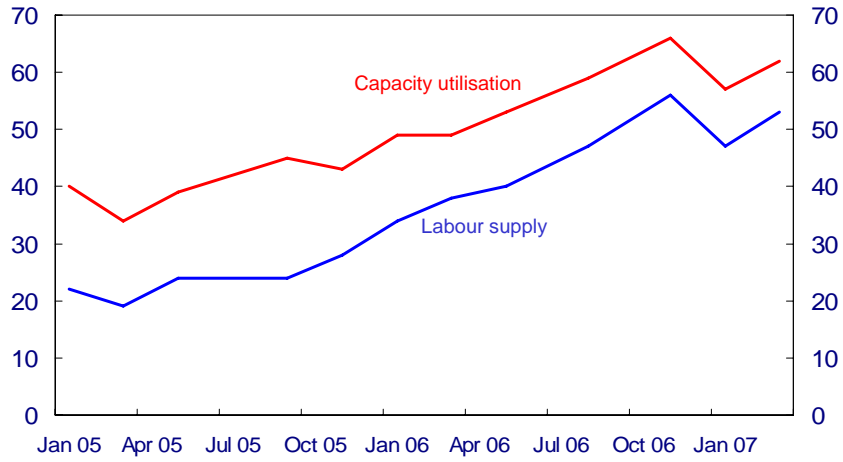
¹⁾ Mainland Norway excl. the public sector, export industry, power supply and housing services.

²⁾ There is considerable uncertainty associated with figures for real capital in the national accounts.

Source: Statistics Norway and Norges Bank 12

Capacity utilisation and labour supply

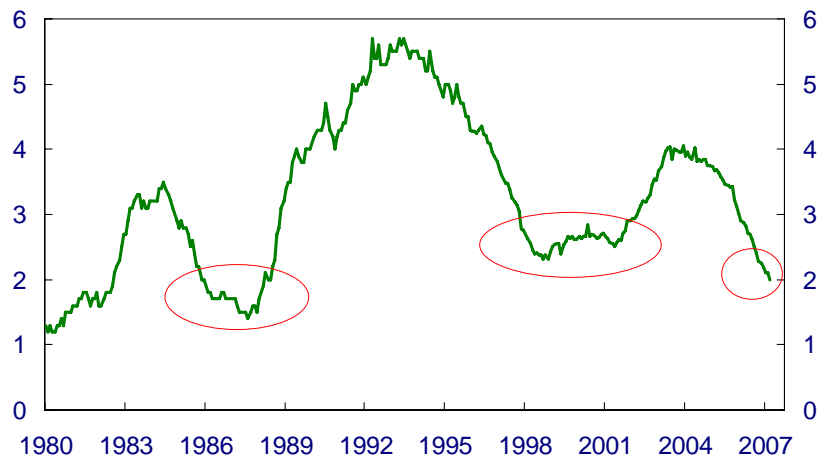
Share of enterprises that will find it difficult to accommodate a rise in demand. Per cent



Source: Norges Bank 13

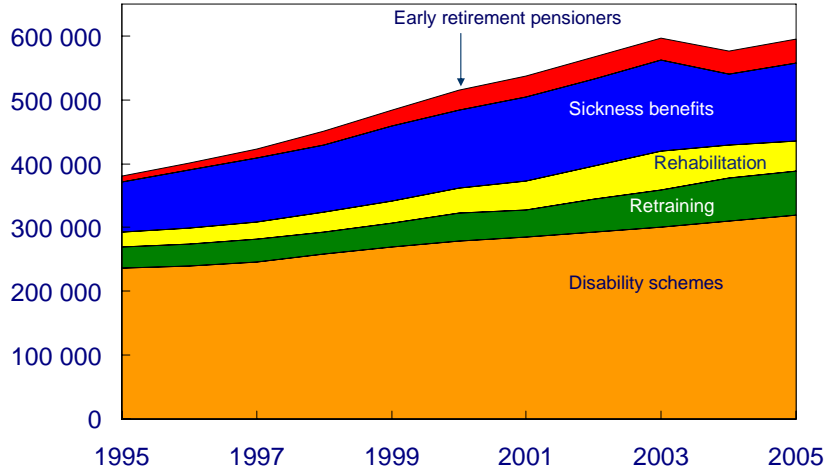
Registered unemployment

Share of the labour force



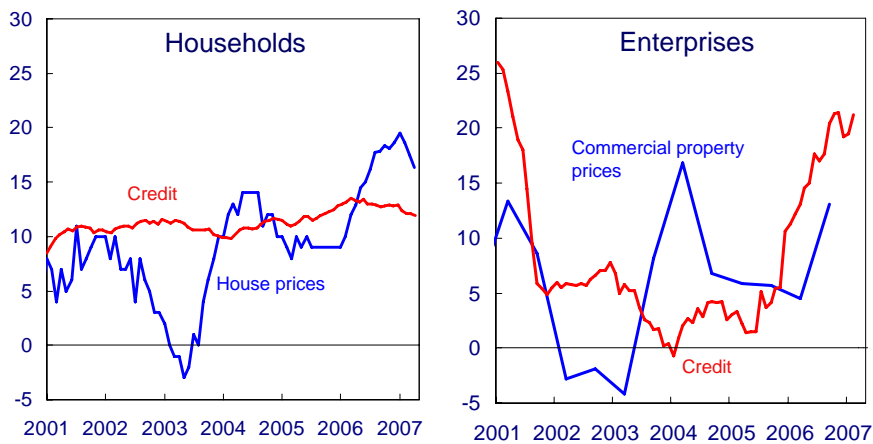
Source: Norwegian Labour and Welfare Organisation (NAV) 14

Persons on benefit and early retirement schemes Number of persons



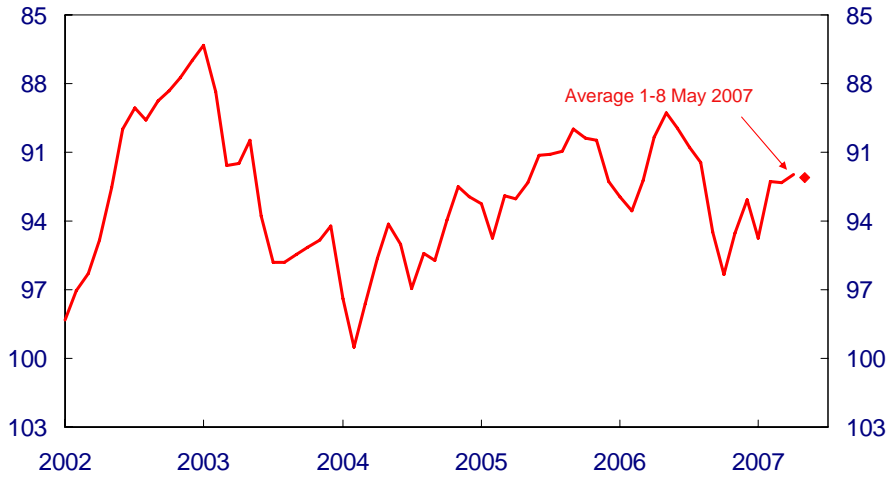
Source: Norwegian Labour and Welfare Organisation (NAV) 15

Property prices and credit Rise on same month/quarter previous year. Per cent



Sources: Norwegian Association of Real Estate Agents, Association of Real Estate Agency Firms, Finn.no, ECON, Statistics Norway and Norges Bank 16

Import-weighted exchange rate, I-44¹⁾

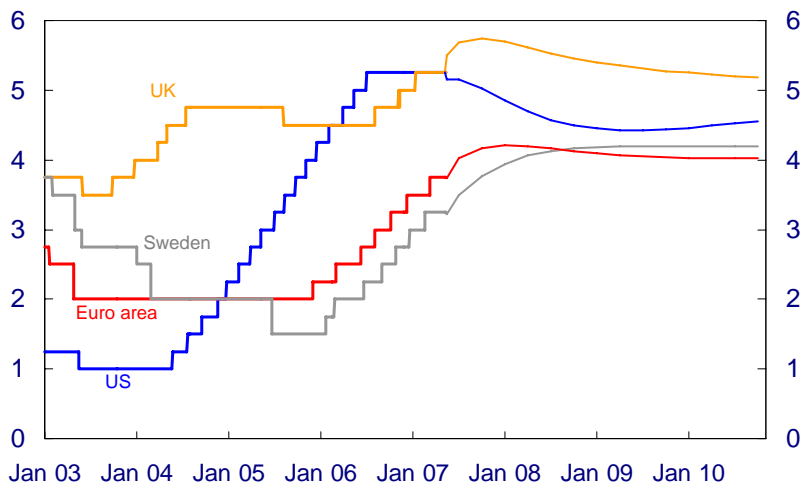


¹⁾ A rising curve denotes an appreciation of the krone.

Source: Bloomberg 17

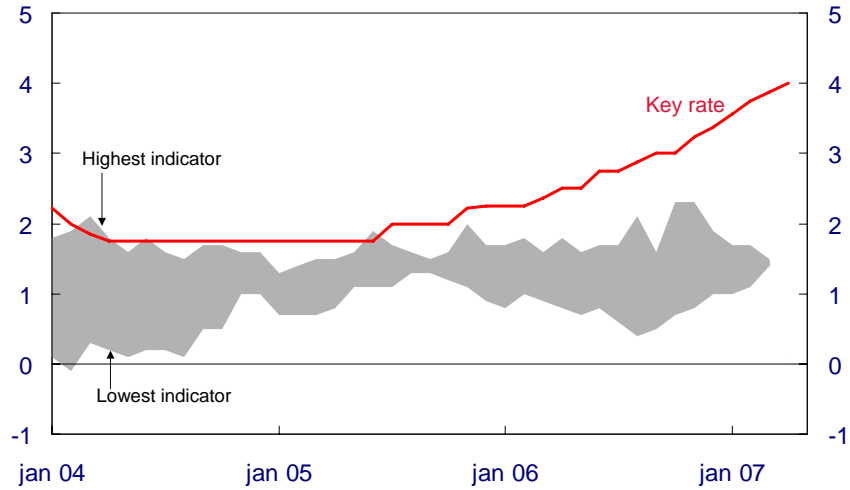
Key policy rates and forward rates

8 May 2007



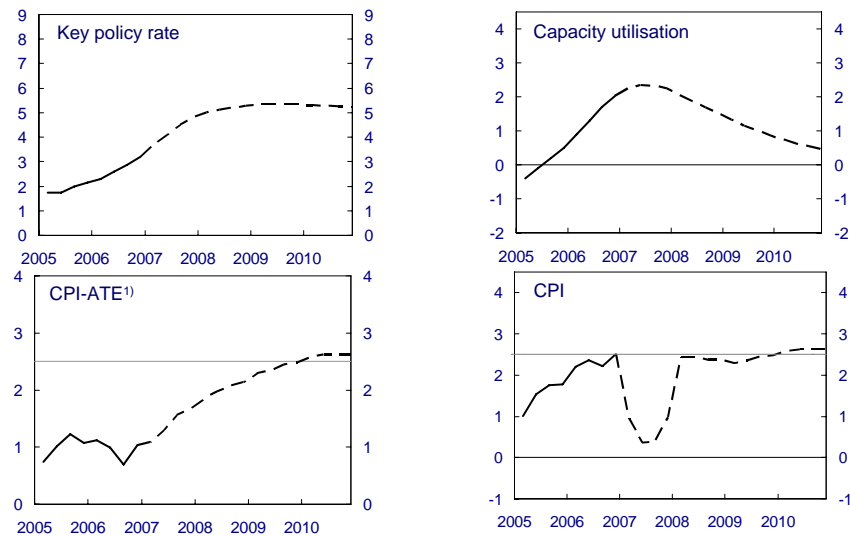
Sources: Reuters and Norges Bank 18

Key policy rate and interval for underlying inflation Per cent



Sources: Statistics Norway and Norges Bank 19

Projections in Monetary Policy Report 1/07 Per cent

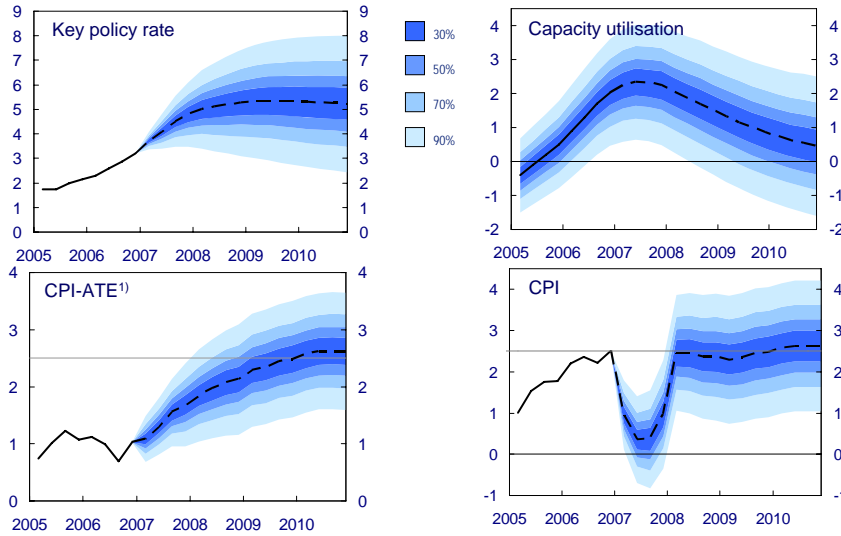


1) CPI-ATE: CPI adjusted for tax changes and excluding energy products. A further adjustment is made for the estimated effect of reduced maximum day-care rates in 2006.

Sources: Statistics Norway and Norges Bank 20

Projections with fan chart in *Monetary Policy Report 1/07*

Per cent



1) CPI-ATE: CPI adjusted for tax changes and excluding energy products. A further adjustment is made for the estimated effect of reduced maximum day-care rates in 2006.

Sources: Statistics Norway and Norges Bank 21