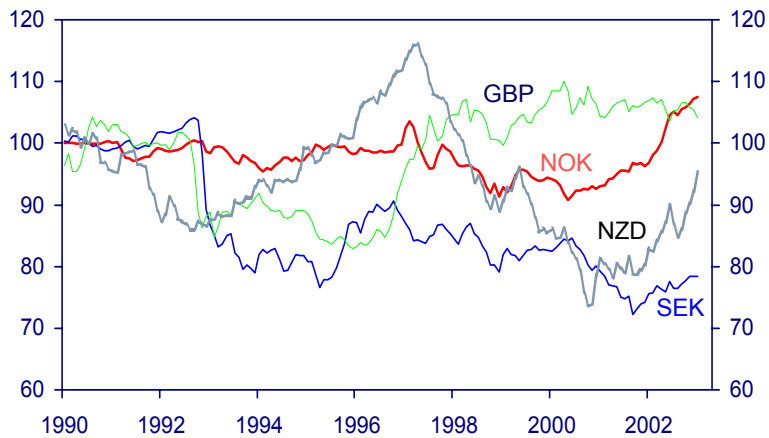


Annual Address 2003

By Governor Svein Gjedrem
at the meeting of the Supervisory
Council of Norges Bank
on 20 February 2003

Charts

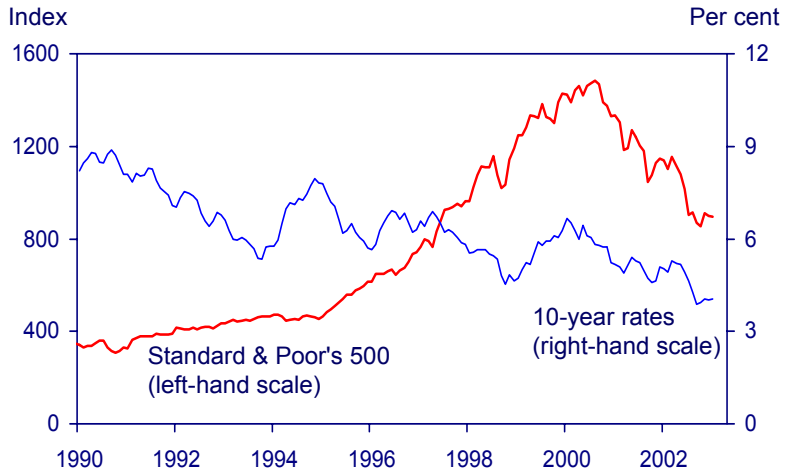
Chart 1. Effective exchange rates
1990=100



Source: EcoWin

The chart shows developments in the nominal effective exchange rates for Norway, Sweden, the UK and New Zealand. A rising curve denotes an appreciation of the exchange rate. Monthly figures

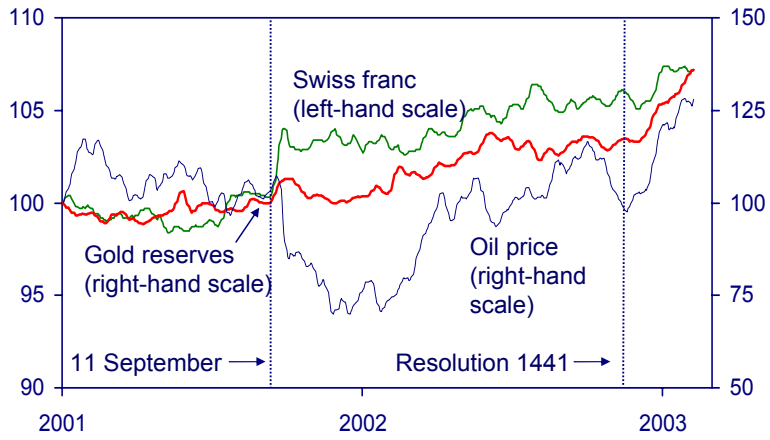
Chart 2. Equity prices and long-term interest rates in the US



Source: EcoWin

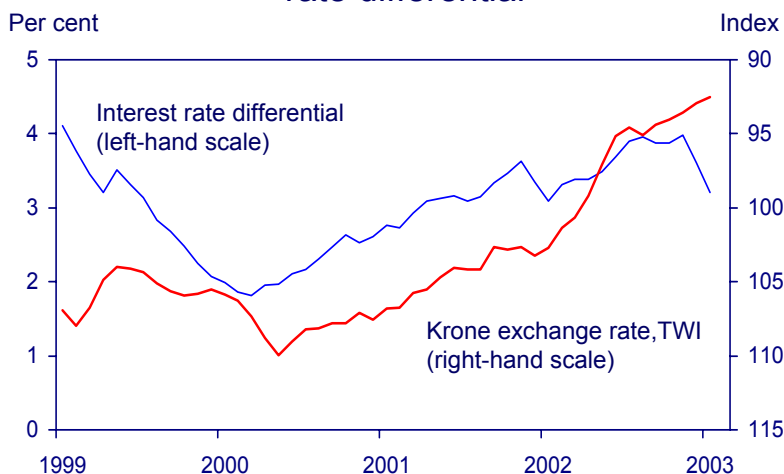
Chart 3. A war economy?

Index. January 2001=100



Source: EcoWin

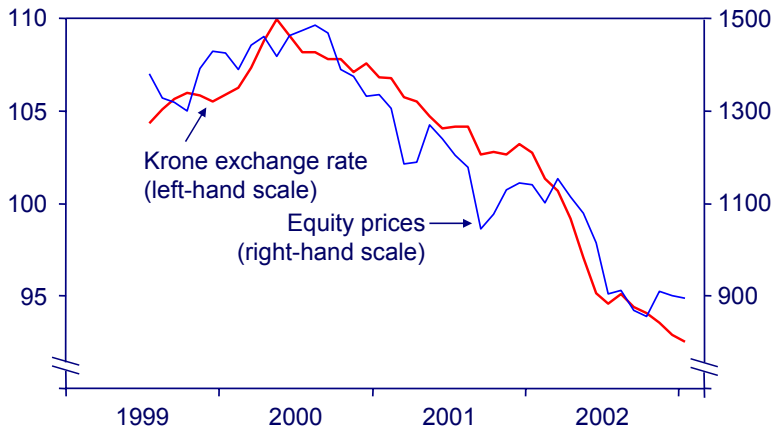
Chart 4. Krone exchange rate and the interest rate differential



Source: Norges Bank

The chart shows the difference between Norwegian and trading partners' three-month rates. Trading partners' interest rates are trade-weighted. Developments in the krone exchange rate are measured in terms of the trade-weighted exchange rate index (1990=100). A rising curve denotes an appreciation of the krone. Monthly figures.

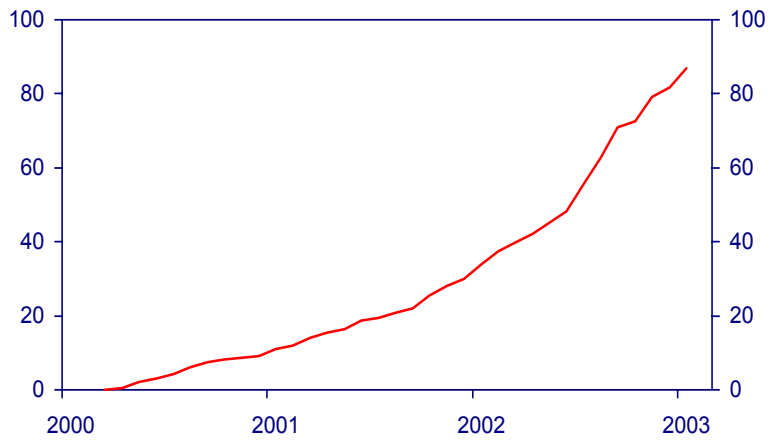
Chart 5. Krone exchange rate and US equity prices



Sources: EcoWin and Norges Bank

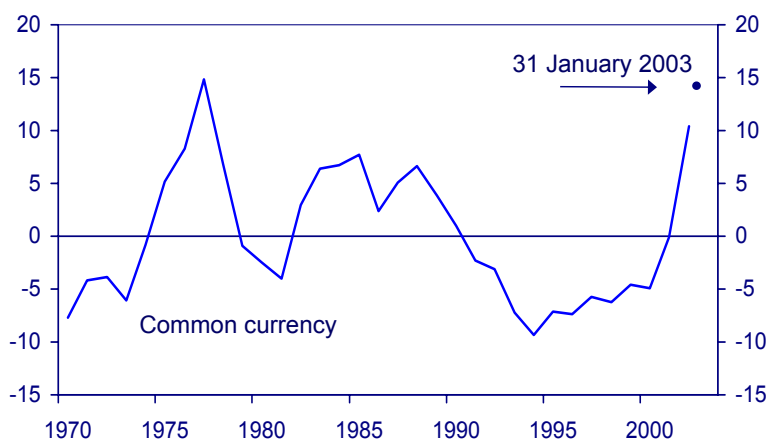
The chart shows developments in Standard and Poor's 500 equity index as well as developments in the trade-weighted exchange rate index (1990=100). A falling curve for the krone exchange rate denotes an appreciation of the krone. Monthly figures.

Chart 6. NOK bonds issued outside Norway
Total outstanding. In billions of NOK



Source: Norges Bank

Chart 7. Relative labour costs
Deviation from historical average. Per cent

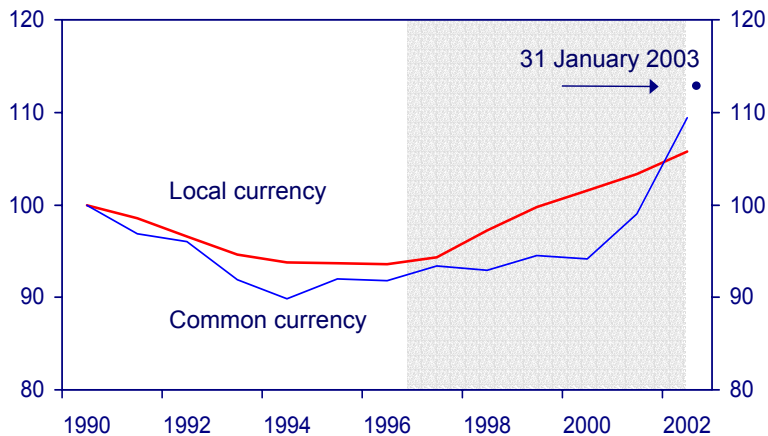


Sources: TRCIS/IMF, Ministry of Finance and Norges Bank

The chart shows relative hourly labour costs in the manufacturing sector in Norway and among Norway's trading partners, calculated in a common currency. The series shows the percentage deviation from the average for the period 1970-2002. Estimates from the Technical Reporting Committee on Income Settlements (TRCIS) for 2002. Annual averages.

The point marked 31 January 2003 shows relative hourly labour costs in 2002, translated into a common currency with the trade-weighted exchange rate index as at 31 January 2003 (93.64).

Chart 8. Relative labour costs



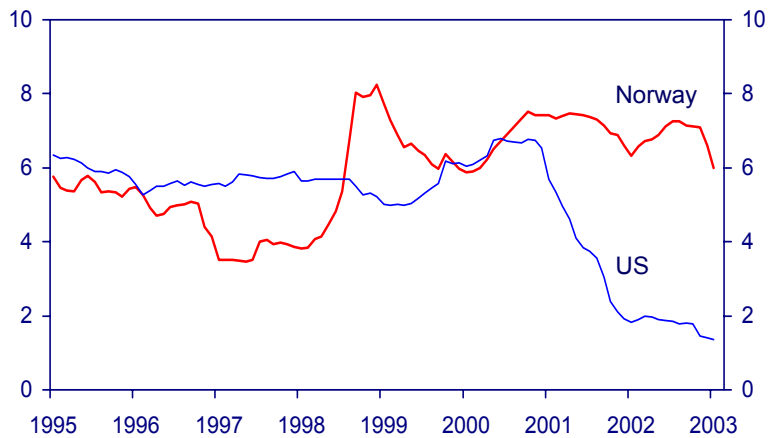
Sources: TRCIS/IMF, Ministry of Finance and Norges Bank

The chart shows relative hourly labour costs in the manufacturing sector in Norway and among Norway's trading partners. Index 1990=100. Estimates from TRCIS for 2002. Annual averages.

The curve *local currency* shows the index for relative hourly labour costs without taking exchange rate developments into account. The curve *common currency* shows relative hourly labour costs when exchange rate developments are also taken into account. This curve expresses developments in competitiveness. A rising curve denotes a deterioration in competitiveness.

The point marked 31 January 2003 shows relative hourly labour costs in 2002, translated into a common currency with the trade-weighted exchange rate index as at 31 January 2003 (93.64).

Chart 9. Cyclical divergence
Short-term interest rates in the US and Norway

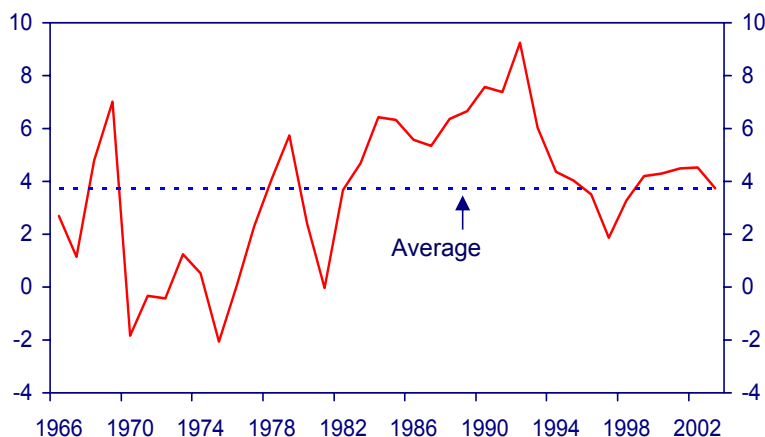


Source: EcoWin

The chart shows average monthly figures for three-month money market rates in Norway and the US.

Chart 10. The real interest rate

Per cent



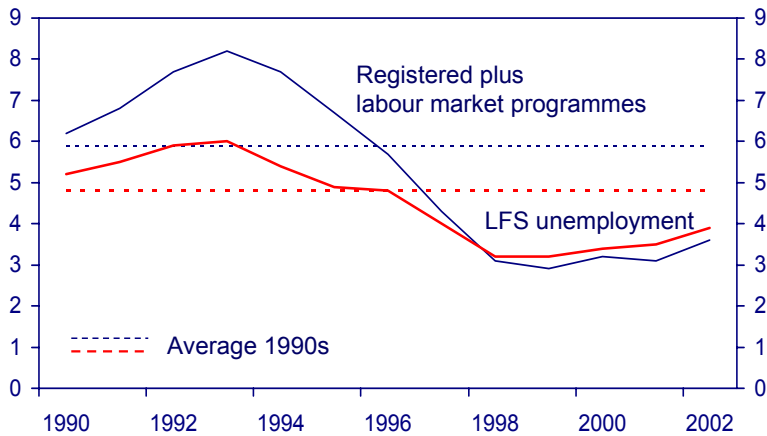
Sources: Statistics Norway and Norges Bank

The real interest rate is the three-month nominal money market rate (NIBOR) deflated by the inflation rate the same year. The inflation rate used is the annual rise in the CPI-ATE in the period 1980-2002 (calculated by Norges Bank until 2000). For the years 1966-1979, the interest rate is deflated by the annual rise in the CPI.

For 2003, the nominal interest rate level as of 13 February 2003 is held constant for the remainder of the year. The nominal interest rate is deflated by Norges Bank's projection for the annual rise in the CPI-ATE in 2003 from *Inflation Report 3/02*.

The average real interest rate from 1966 to 2003 is 3.71 per cent.

Chart 11. Unemployment
Per cent

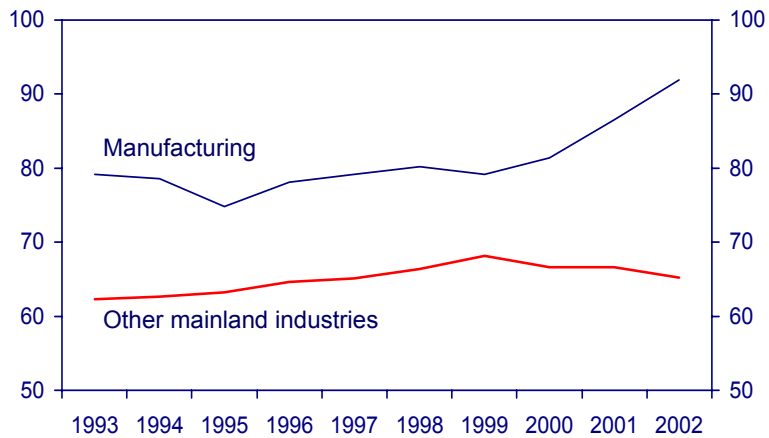


Sources: Public Employment Service, Statistics Norway and Norges Bank

The chart shows the total number of registered unemployed and those participating in ordinary labour market programmes as a percentage of the labour force. Unemployment as measured by the Labour Force Survey (LFS) is also shown as a percentage of the labour force. Annual averages. The dotted lines show the averages for the period 1990-1999.

Chart 12. Wage shares

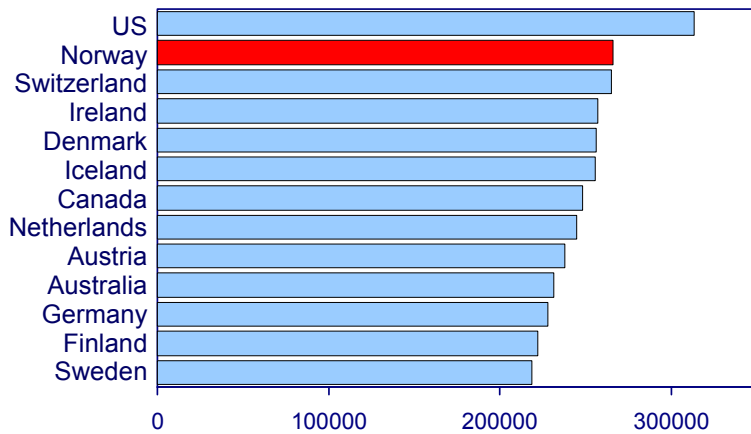
Labour costs as a percentage of factor income



Sources: TRCIS and Statistics Norway

Wage shares are labour costs' share of value added after direct and indirect taxes on production (factor income).

Chart 13. GDP per capita in 2000.
In NOK - purchasing power parity

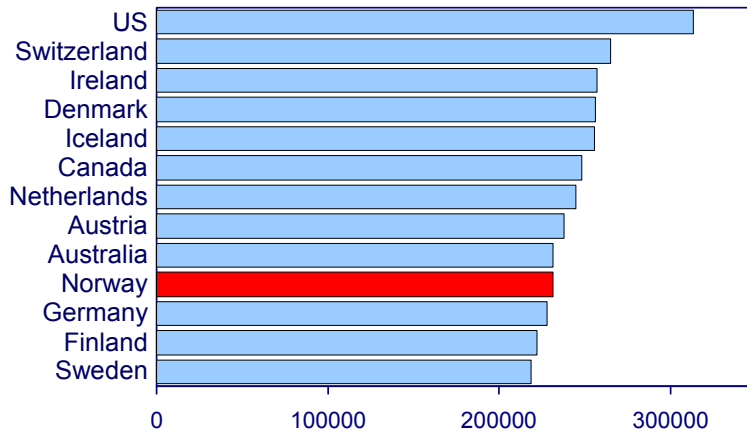


Sources: OECD and Norges Bank

The bars show GDP per capita in 2000, adjusted for differences in purchasing power. Income is translated into NOK using the average NOK/USD exchange rate in 2000.

Chart 14. Adjusted GDP per capita in 2000

In NOK - purchasing power parity



Sources: OECD, Ministry of Finance and Norges Bank

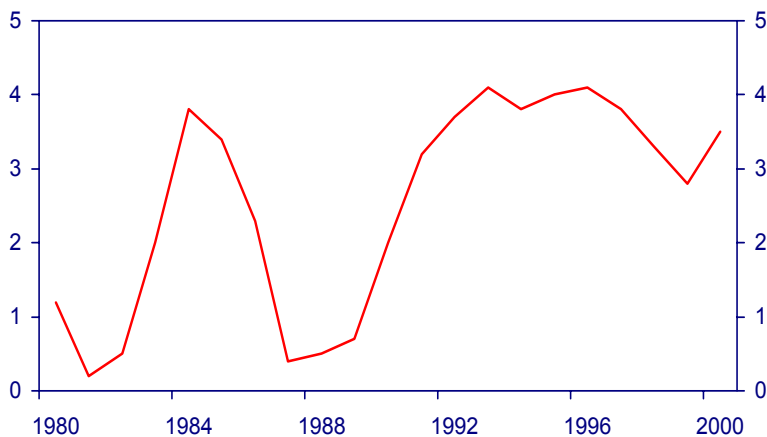
The bars show GDP per capita in 2000, adjusted for differences in purchasing power. Income is translated into NOK using the average NOK/USD exchange rate in 2000.

The figures for Norway are adjusted for the fact that all extraction of crude oil and natural gas is defined as income in the national accounts. In the adjusted GDP, value-added in the petroleum sector is calculated on the basis of estimates for permanent income and labour costs in the sector. Adjusted GDP is estimated as follows:

GDP - net product from the petroleum sector + labour costs in the petroleum sector + permanent income from the petroleum sector.

Chart 15. Productivity in the private service sector

Annual growth. Per cent



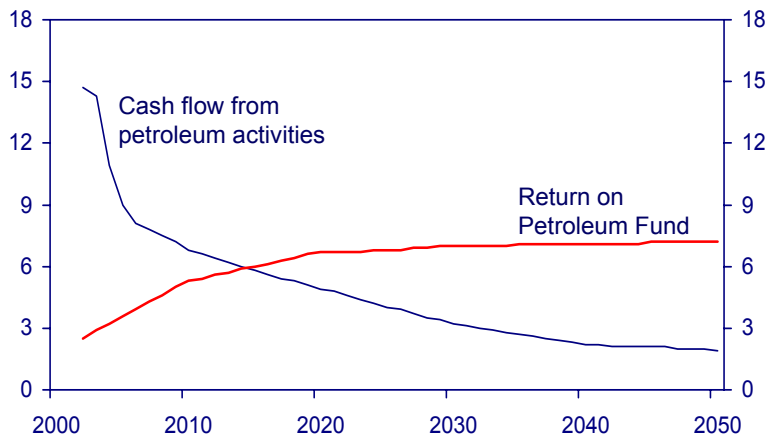
Source: Statistics Norway

Productivity is measured as gross product per person-hour. National accounts figures for the person-hours worked and volume growth in value added in basic values by main industries are used in the calculations.

Private service sector is defined here as mainland Norway excluding manufacturing, mining, dwellings (households), utilities, government administration, farming and forestry, fishing and fish farming.

The chart shows the three-year moving averages (centered) of annual growth rates.

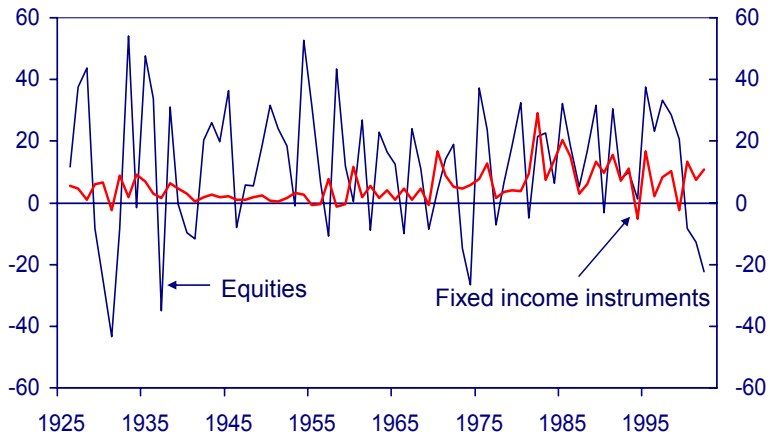
Chart 16. From oil to assets
Per cent of mainland GDP



Sources: Ministry of Finance and Norges Bank

The figure shows projections for net cash flow from petroleum activities and the real return on the Petroleum Fund.

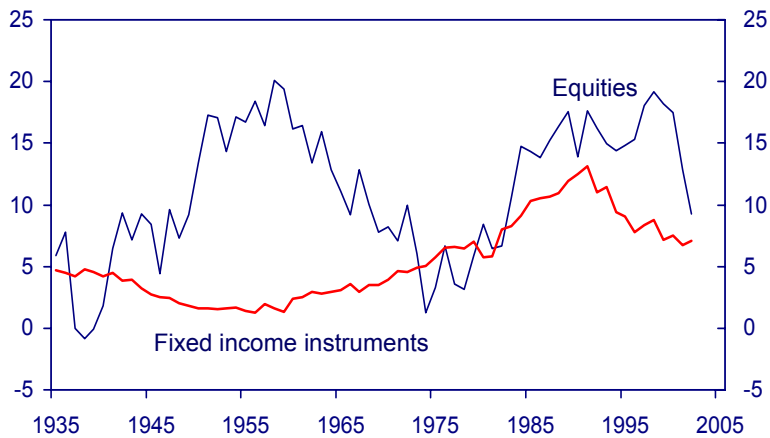
Chart 17. Annual return in the US
Per cent



Sources: Ibbotson Associates and Datastream

The chart shows the annual return on US equities (S&P Composite Index) and 5-year government bonds.

Chart 18. Average return in the US
Rolling 10-year periods. Per cent



Sources: Ibbotson Associates and Datastream

The chart shows 10-year rolling returns on US equities (S&P Composite Index) and 5-year government bonds.

10-year rolling returns means that the figure for each year shows the average annual return on an investment in equities or bonds that was made 10 years earlier.

The average annual return on fixed income instruments for the entire period was 5.4 per cent. The average annual return for equities was 10.2 per cent.