

# Monetary policy in the face of cost shocks

Governor Ida Wolden Bache

Gol, 23 November 2023





## Section 3 of the Regulation on Monetary Policy

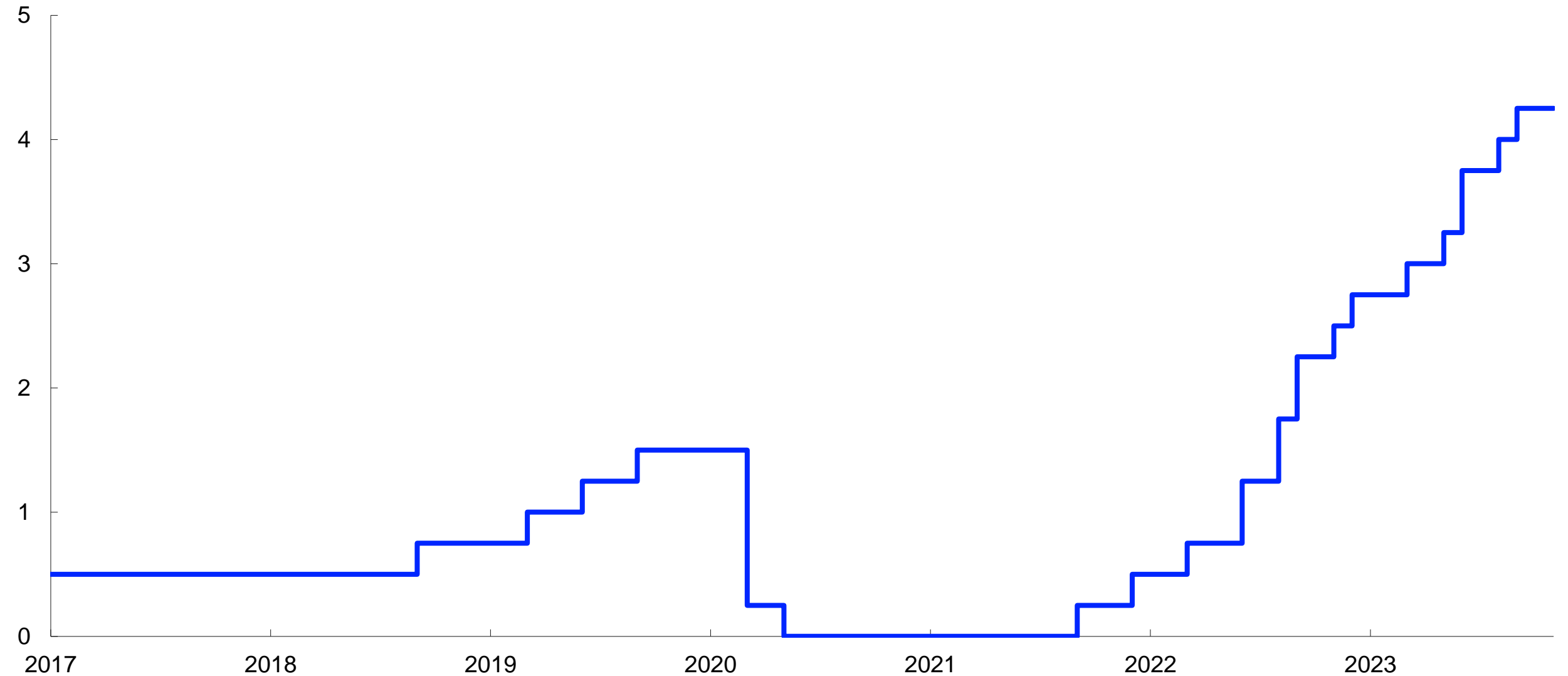
“The operational target of monetary policy shall be annual consumer price inflation of close to 2 percent over time.

Inflation targeting shall be forward-looking and flexible so that it can contribute to high and stable output and employment and to counteracting the build-up of financial imbalances.”

# The policy rate is our instrument

Policy rate. Percent

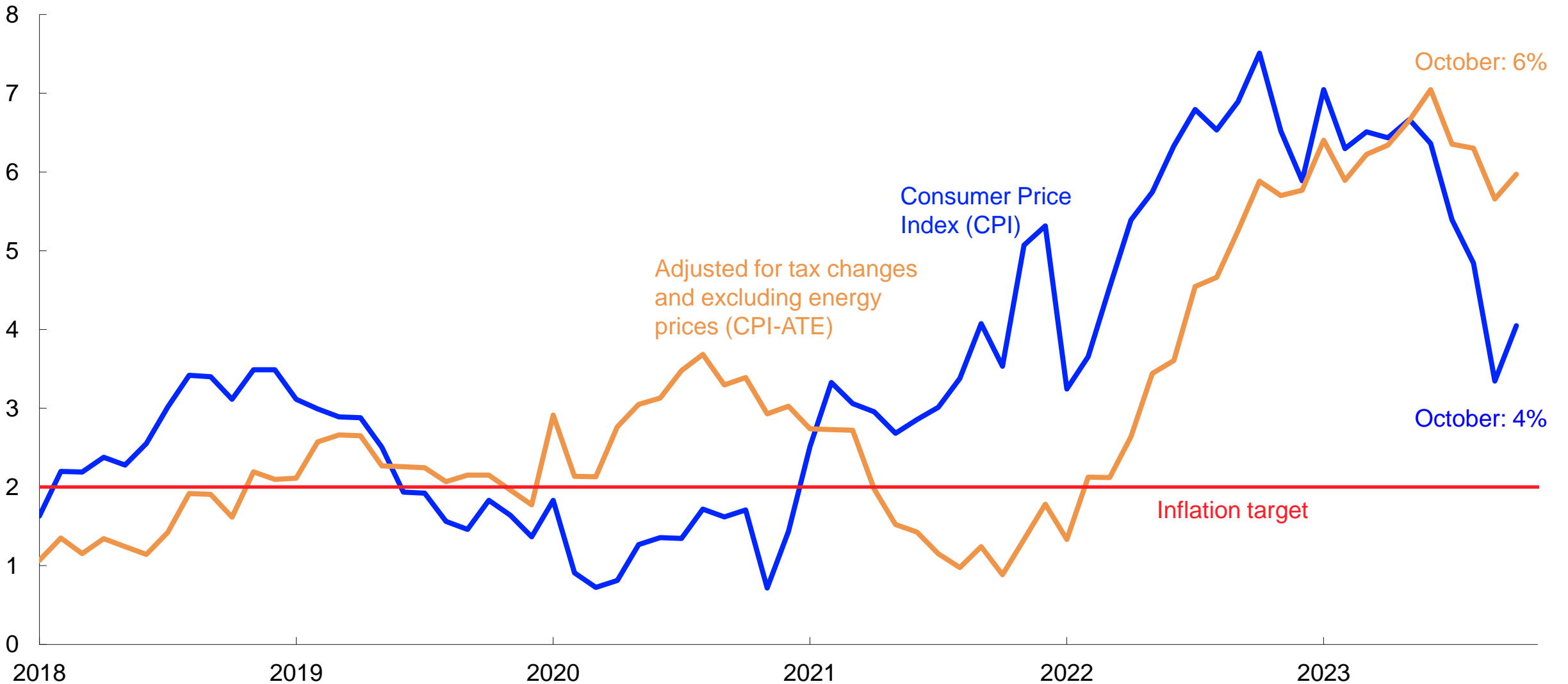
Source: Norges Bank



# Inflation is too high

Source: Statistics Norway

Two different measures of inflation – CPI and CPI-ATE. Percent

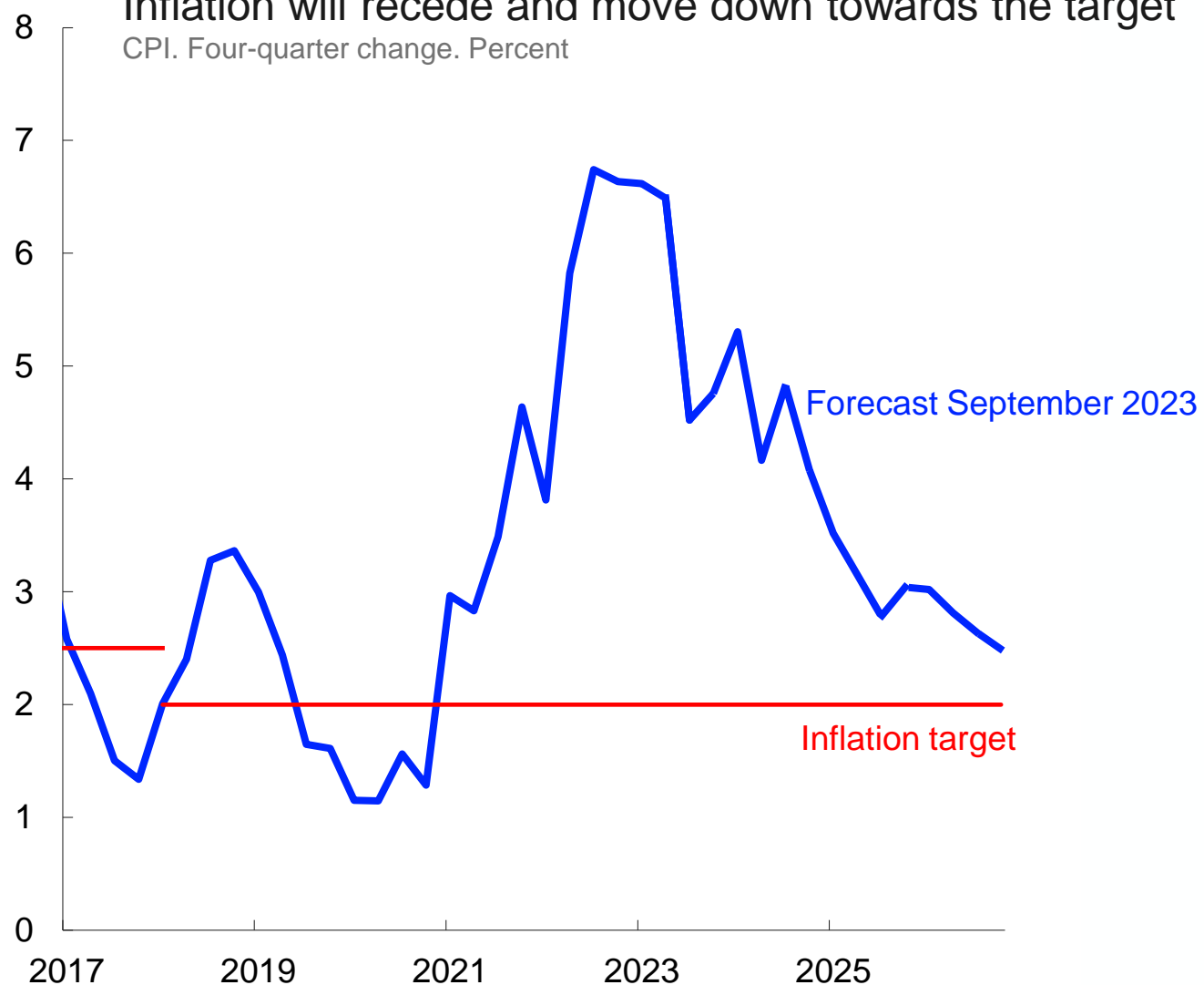


# We are not seeking to bring down inflation as quickly as possible

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

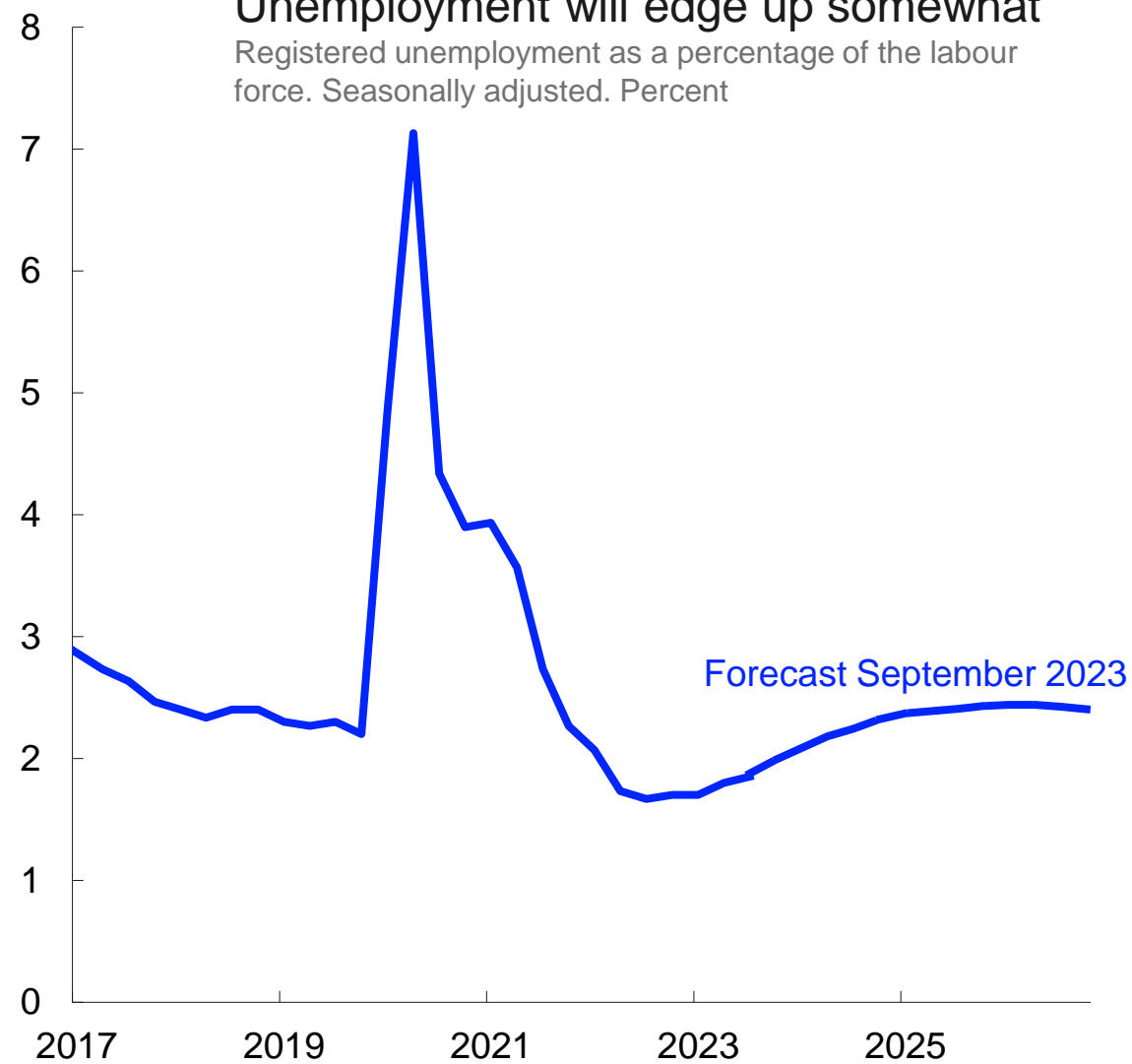
## Inflation will recede and move down towards the target

CPI. Four-quarter change. Percent



## Unemployment will edge up somewhat

Registered unemployment as a percentage of the labour force. Seasonally adjusted. Percent



High inflation was triggered by a cost shock originating from abroad

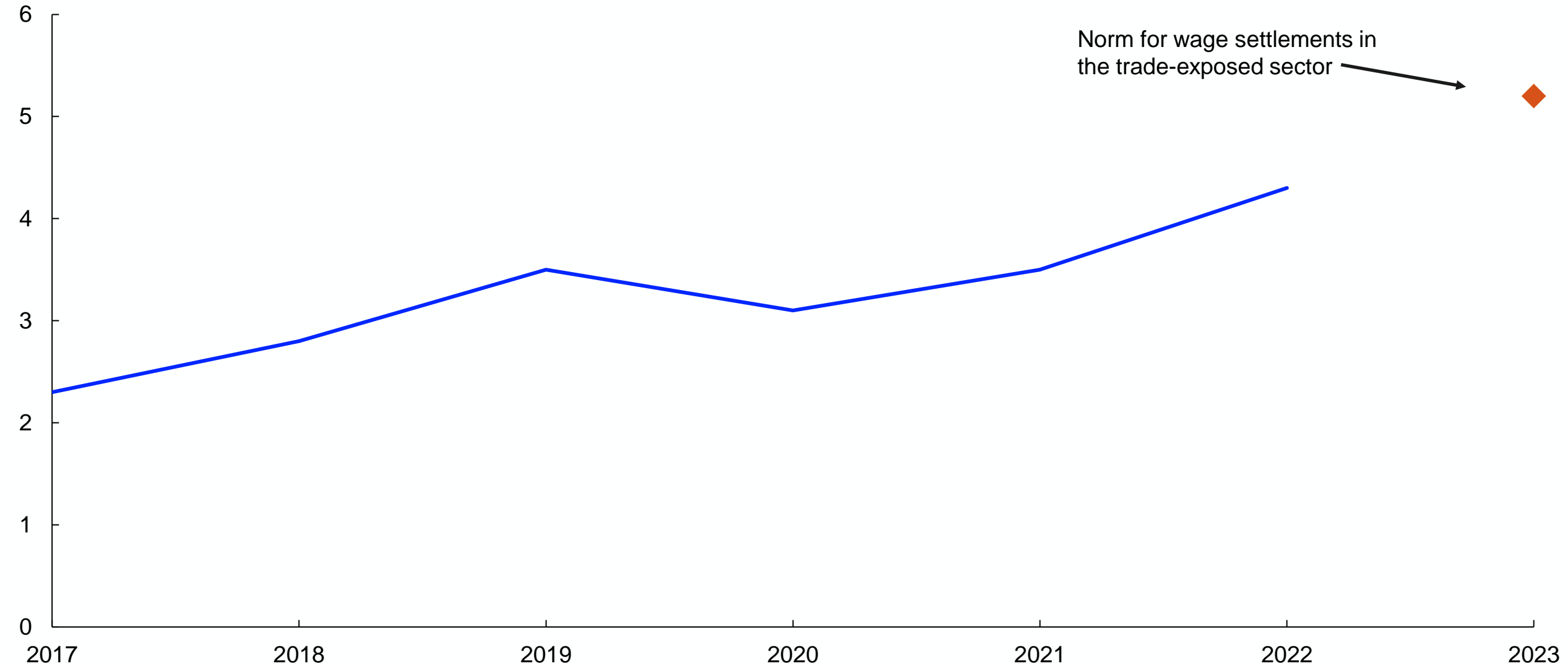


# Wage growth has accelerated

Annual wage growth. Percent

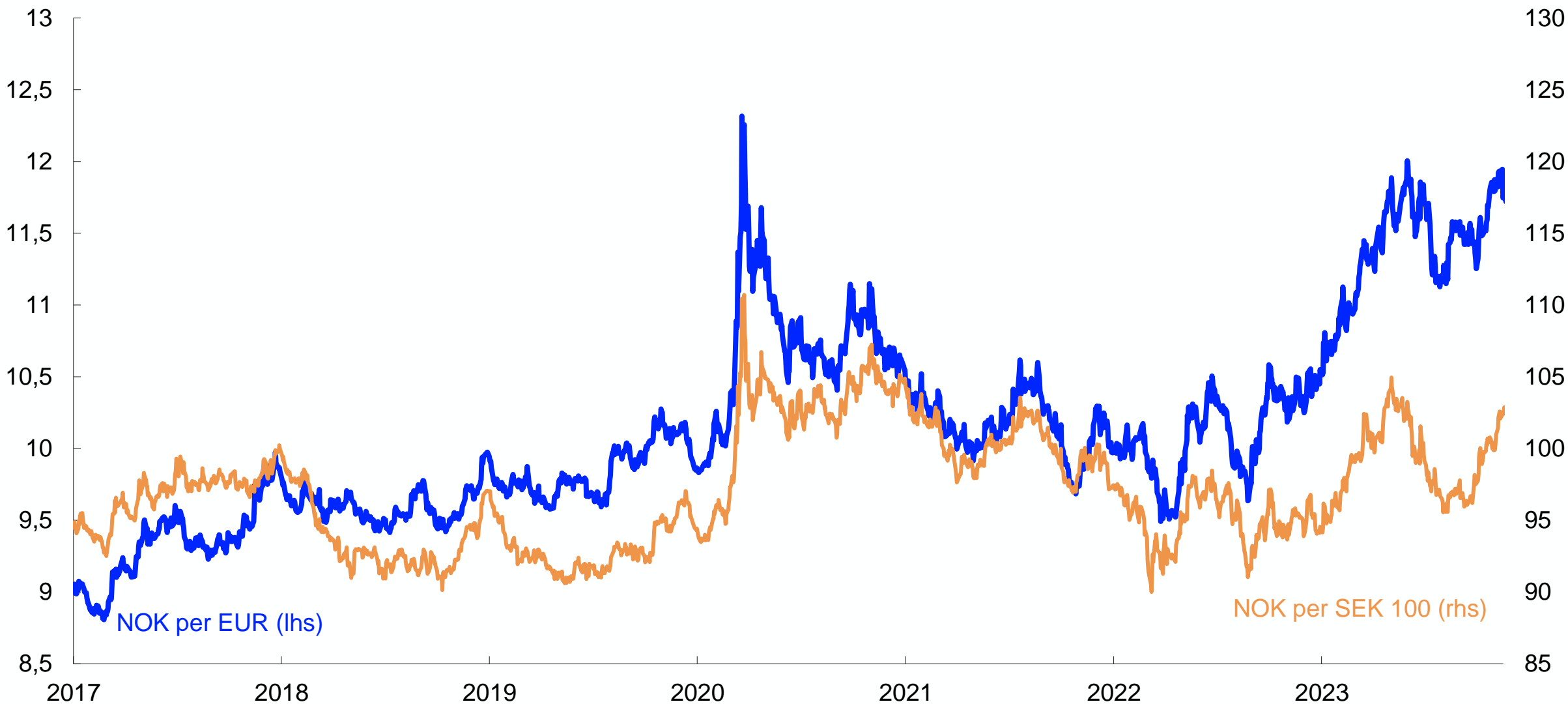
Sources: Statistics Norway and  
Norwegian Confederation of  
Trade Unions (LO)/The  
Confederation of Norwegian  
Enterprise (NHO)

Norm for wage settlements in  
the trade-exposed sector



# We have a floating exchange rate

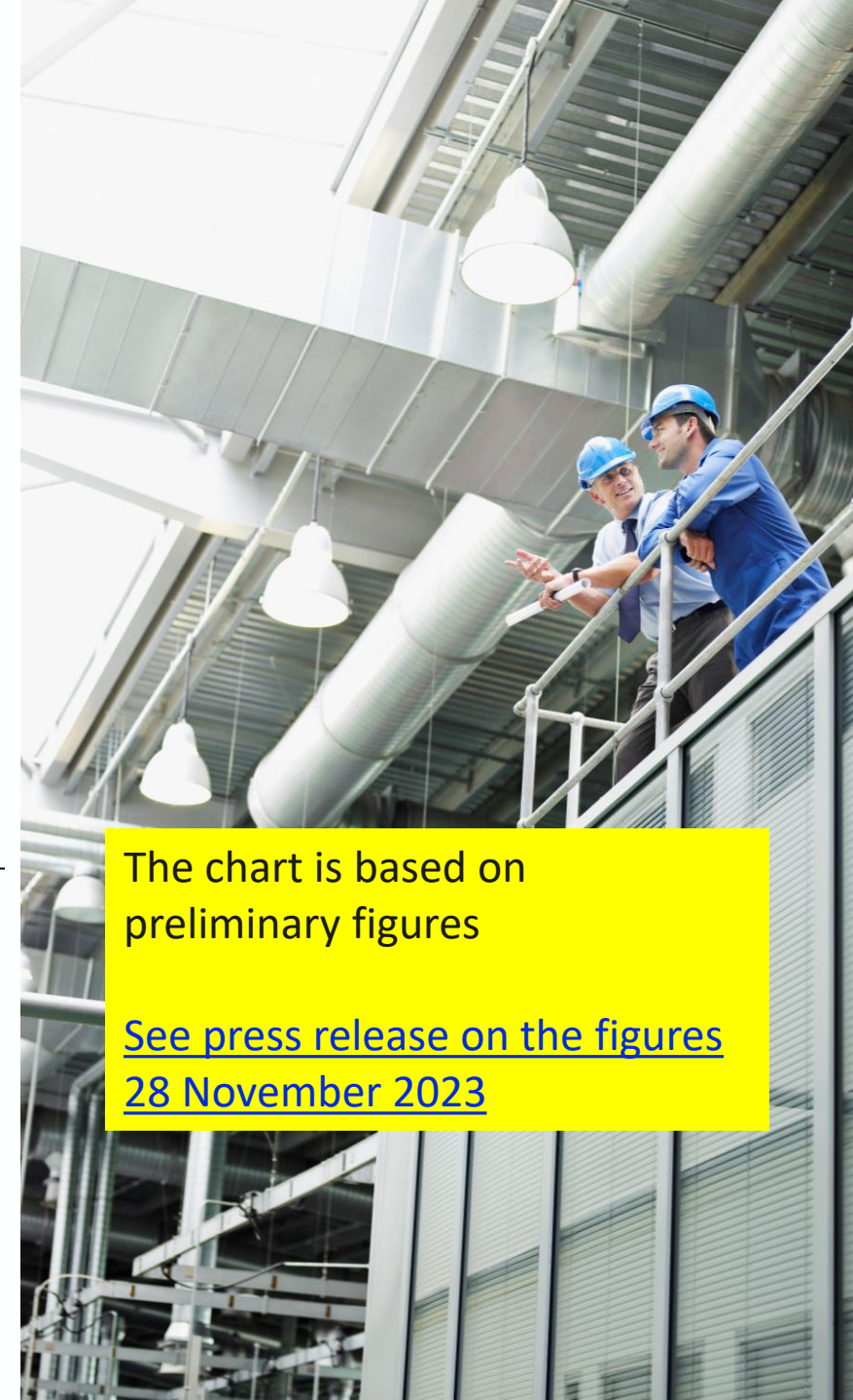
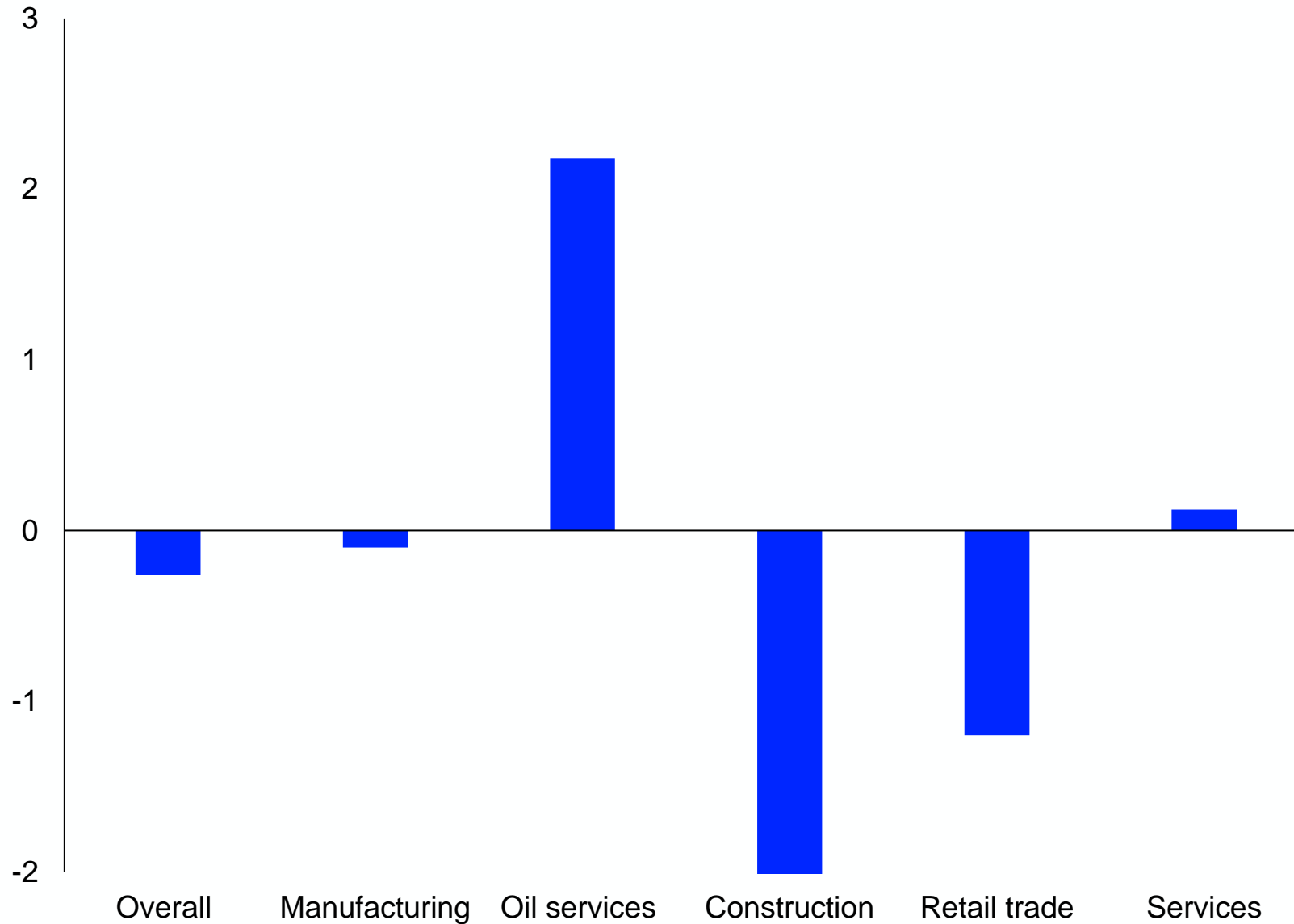
Source: Norges Bank





# Wide differences across industries

Expected growth next quarter. Seasonally adjusted. Percent



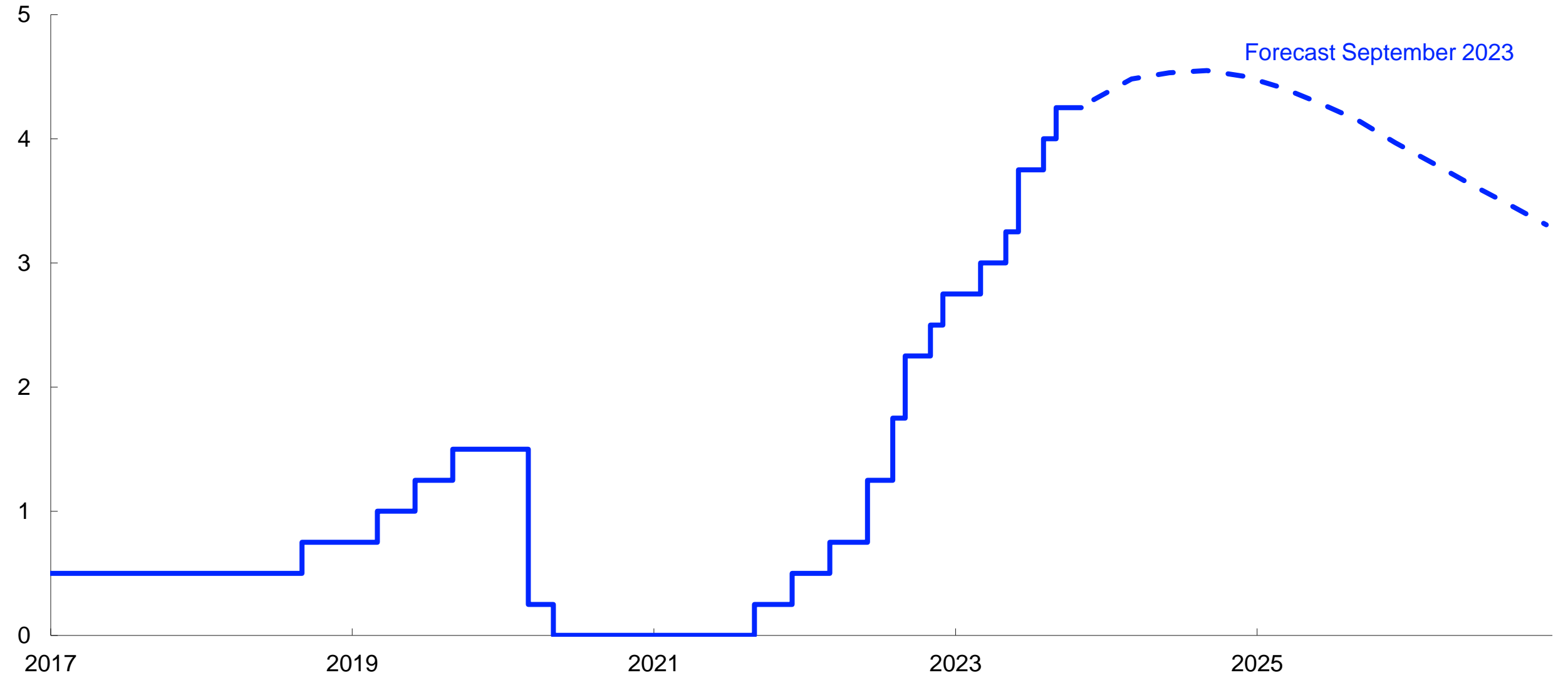
The chart is based on preliminary figures

[See press release on the figures 28 November 2023](#)

# The policy rate is likely close to the level needed to tackle inflation

Source: Norges Bank

Policy rate. Percent



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