

## **Ida Wolden Bache: The policy rate will likely be kept unchanged to the end of the year**

Introductory statement by Ms Ida Wolden Bache, Governor of Norges Bank (Central Bank of Norway), at the press conference following Norway's announcement of the policy rate, Oslo, 7 November 2024.

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[Presentation](#) accompanying the speech

*Chart: Policy rate kept unchanged at 4.5 percent*

The Monetary Policy and Financial Stability Committee has decided to keep the policy rate unchanged at 4.5 percent.

Norges Bank is tasked with keeping inflation low and stable. The operational target is inflation of close to 2 percent over time. We are also mandated to help keep employment as high as possible and to promote economic stability.

After inflation surged two and half years ago, we have raised the policy rate significantly, and since December last year the policy rate has been held at 4.5 percent. The interest rate has contributed to cooling down the economy and to dampening inflation.

If the economy evolves as currently envisaged, the policy rate will be held at today's level to the end of the year. At the same time, we are approaching the time to lower interest rates. The forecast presented at the previous monetary policy meeting in September, indicated that the policy rate would be gradually reduced from the first quarter of next year. We have not made new forecasts for this monetary policy meeting, but the overall outlook for the Norwegian economy does not appear to have changed materially since September.

*Chart: International inflation has declined markedly from its peak*

Internationally, central banks appear to have tackled inflation without large costs in the form of high unemployment. In many trading partner countries, inflation is now back at around 2 percent.

Many central banks have started reducing their policy rates. Markets expect further rate cuts internationally over the next year but not to the same extent as in September. US interest rates have risen sharply in recent weeks.

*Chart: Inflation is moving down*

The inflation outlook for Norway also indicates that we will be able to return inflation to target without a large increase in unemployment. Inflation has declined markedly from its peak and has slowed faster than projected over the past year. Consumer price inflation peaked at 7.5 percent and is now down to 3 percent, which is a little lower than we envisaged in September.

But inflation is still above our target, and we expect that some factors will restrain further disinflation. Wage growth is high, and combined with low productivity growth, this means higher business costs.

*Chart: The krone has depreciated*

Moreover, the krone depreciated markedly in the period to summer last year. A weaker krone means higher import prices. The krone is now a little weaker than before the monetary policy meeting in September and a little weaker than expected. The depreciation has been particularly pronounced against the US dollar, which has appreciated against many currencies in recent weeks. The dollar appreciated further in the hours following the US election.

*Chart: Modest rise in unemployment*

Since we started raising the policy rate, unemployment has edged up from a very low level. At the end of October, registered unemployment was 2.1 percent, in line with our September projection. Unemployment is still a little lower than in the period before the pandemic, and the number of job vacancy postings is high.

*Chart: The policy rate will likely be held at today's level to the end of the year*

The Committee judges that a restrictive monetary policy is still needed to bring inflation down to target within a reasonable time horizon. The Committee is concerned with the possibility that if the policy rate is lowered prematurely, inflation could remain above target for too long. On the other hand, an overly tight monetary policy could contract the economy more than needed. When we set the policy rate, we have to balance these trade-offs.

The economic outlook is uncertain. The Committee will have received more information about economic developments ahead of its next monetary policy meeting in December, when new policy rate forecasts will be presented.