

## Ida Wolden Bache: Policy rate will likely be reduced in March

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, 23 January 2025.

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[Presentation](#) accompanying the speech

*Chart 1: Policy rate kept unchanged at 4.5 percent*

Norges Bank's 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.

We have raised the policy rate significantly to tackle high inflation. Since December 2023, the policy rate has been held at 4.5 percent. The interest rate has contributed to cooling down the economy and to dampening inflation. The current outlook suggests that inflation will return to target without a large increase in unemployment.

Inflation fell further towards the end of last year and has moved closer to target. At the same time, the rapid rise in business costs is likely to contribute to stoking inflation ahead. The Committee is concerned with the risk that if the policy rate is lowered too quickly, inflation could remain above target for too long. On the other hand, the Committee does not want to restrain the economy more than needed to stabilise inflation around 2 percent.

The Committee judges that a restrictive monetary policy is still needed, but that the time to begin easing monetary policy is soon approaching. If developments turn out as we now envisage, the Committee will reduce the policy rate in March.

We have not made new forecasts for this monetary policy meeting but have assessed new information about economic developments against the forecasts presented in December.

*Chart 2: Unemployment is little changed*

Growth in the Norwegian economy picked up slightly in 2024. Activity has been lifted by high public demand and large investments in the petroleum industry. At the same time, housing construction has shown a sharp decline. Unemployment has risen somewhat from a low level in recent years. In recent months, unemployment has changed little in line with our December projections.

*Chart 3: Inflation has moved closer to target*

Inflation has fallen markedly over the past year, and in December inflation stood at 2.2 percent and was lower than expected. However, excluding energy prices, which fluctuate widely, inflation was higher and broadly as projected.

International inflation has also declined markedly and moved closer to inflation targets. Many central banks have cut their policy rates. The market expects further rate cuts ahead, but fewer rate cuts than previously. Since the previous monetary policy meeting, the krone has been slightly weaker than assumed.

We set the policy rate based on conditions in the Norwegian economy, but as a small open economy, we are affected by international developments. The new US administration has announced trade policy changes, but it remains uncertain which measures will be enacted. Should tariffs be raised, global growth will likely slow, but the implications for price prospects in Norway are uncertain.

The Committee will have received more information about economic developments ahead of its next monetary policy meeting in March when new policy rate forecasts will also be presented.