

The policy rate has been kept unchanged at this meeting

Introductory statement by Governor Ida Wolden Bache at press conference following announcement of the policy rate.

Chart 1: The policy rate has been kept unchanged at this meeting

Norges Bank's Monetary Policy and Financial Stability Committee has unanimously decided to keep the policy rate unchanged at 2.75 percent.

Norges Bank's task is to keep 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.

Price stability is crucial for maintaining a well-functioning economy. When prices rise suddenly and unexpectedly, those with small margins are normally the hardest hit. The main contribution monetary policy can make to promoting high employment over time is to ensure low and stable inflation.

Chart 2: Inflation is too high

Over the course of last year, inflation surged both globally and in Norway, and since last spring, we have raised the policy rate quickly.

The aim of our policy rate hikes is to bring down inflation. At the same time, we want to avoid a situation where the economy contracts more than what is necessary to bring down inflation.

Inflation is now around 6 percent and markedly above the inflation target. The 12-month rise in the consumer price index has edged down from the very high levels in autumn, but if we disregard energy prices, inflation has been fairly stable in recent months. Price developments have been in line with what we expected when we presented our forecasts in December.

Chart 3: Unemployment has remained low

Activity in the Norwegian economy is high, and unemployment is still very low. At the same time, high inflation and higher interest rates are reducing household purchasing power, and many firms expect a fall in activity ahead.

Based on the Committee's current assessment of the outlook, the policy rate will need to be increased somewhat further to bring inflation down towards the target.

The labour market appears to have been a little tighter than projected in December. Continued pressures in the Norwegian economy may contribute to

keeping inflation elevated. These developments could suggest raising the policy rate at this meeting.

On the other hand, there are prospects that energy prices will be lower ahead than we envisaged in December, and there are signs that inflation has peaked in many countries. The policy rate has been raised considerably over a short period of time, and monetary policy has started to have a tightening effect on the economy. This may suggest a more gradual approach to policy rate setting. We have therefore decided to keep the policy rate unchanged at this meeting.

Chart 4: Policy rate likely to be raised further in March

The future policy rate path will depend on economic developments. The outlook is more uncertain than normal, but we will most likely raise the policy rate in March, when we also present this year's first *Monetary Policy Report* with new forecasts for the Norwegian economy.

The Committee has also taken its decision on the countercyclical capital buffer and has unanimously decided to maintain the countercyclical buffer rate at 2.5 percent, effective from 31 March 2023.