

Article | 26 March 2026

FX NORWAY

## Norges Bank is ready to hike rates

Norway's central bank has signalled a hike is coming soon. Its inflation concerns are broad-based, not just limited to the energy price shock, and we now expect a hike in May – although timing depends on war developments. With 60bp priced in this year, we think this is the peak for front-end NOK rates, but our baseline EUR/NOK profile remains downward sloping



We're currently calling for one rate hike on the back of our bearish baseline view for oil and gas prices, but the chances of two (fully priced in) are elevated

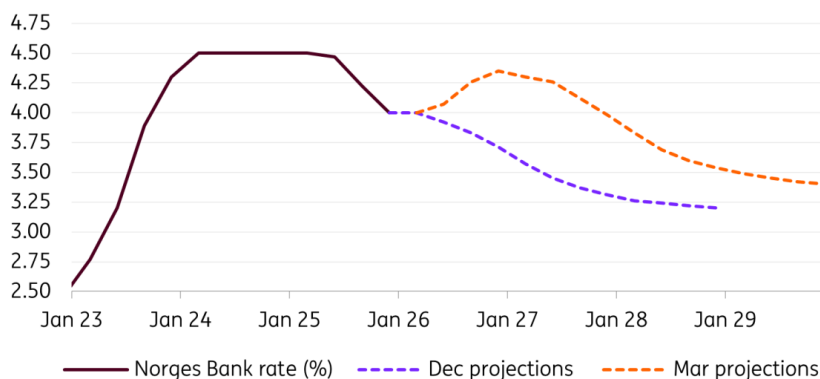
### Hawkish shift beyond expectations

We had expected a hawkish shift in today's Norges bank meeting, but the kind of commitment to rate increases that emerged in the statement came as a surprise. A near 10bp jump in 1-year NOK swap rates – on top of the +43bp move since the start of the war – signals markets were equally surprised by the hawkish messaging.

Norges Bank kept rates at 4.0% today, but said “it will likely be appropriate to raise the policy rate at one of the forthcoming monetary policy meetings.” The updated rate projections now fully embed a 25bp rate hike in the third quarter, and a roughly 50% probability of a further 25bp increase in the fourth quarter. That is a significant shift of direction from December's Monetary Policy Report, which still signalled one rate cut in 2026.

Inflation projections have been revised 1ppt higher to 3.4% for 2026, and core CPI 0.6ppt higher to 3.3%. Growth for 2026 is still expected at 1.2% though, with downward revisions for 2027 (-0.2 ppt) and 2028 (-0.6ppt).

### Major upward revisions in rate projections



Source: Norges Bank, ING

### Energy price shock part of bigger inflation problem

The details of the members' discussions – published for the first time – further reinforce the hawkish message. Alongside the numerous warnings for elevated uncertainty warranting caution, it emerged that “some” members were ready to raise interest rates. The Monetary Policy Committee is made of only five members, suggesting this was a much closer decision than markets had anticipated, with only 6bp priced in.

Even more crucially, the committee's concerns about inflation appear much broader than the energy price shock. Some members highlighted how inflation had remained above target for some time, and the recent stickiness was not due to temporary factors but rather is broad-based. The acceleration in rent inflation is a case in point.

Wage growth remains the other key worry. The Norwegian Technical Calculation Committee for Wage Settlements projected inflation at 3.2% in 2026, well above the Norges Bank's December estimate of 2.5%. The concern here is that the wage environment, alongside low unemployment, can offer a breeding ground for inflation to entrench.

### A hike almost inevitable

Our macro team has been positioning on the dovish side for most major central banks relative to the market pricing, still expecting no hikes by the Federal Reserve, the European Central Bank and the Bank of England. We would have been reticent to pencil in Norges Bank hikes if the Committee had only pointed to energy prices as a reason for their hawkish shift.

But explicit concerns about broad-based inflationary issues and indications that other macro factors can favour inflation entrenching in Norway make us believe at least one hike is now looking likely. Incidentally, the committee noted that should it not hike, the krone could depreciate and remove a cushion for reduced imported inflation.

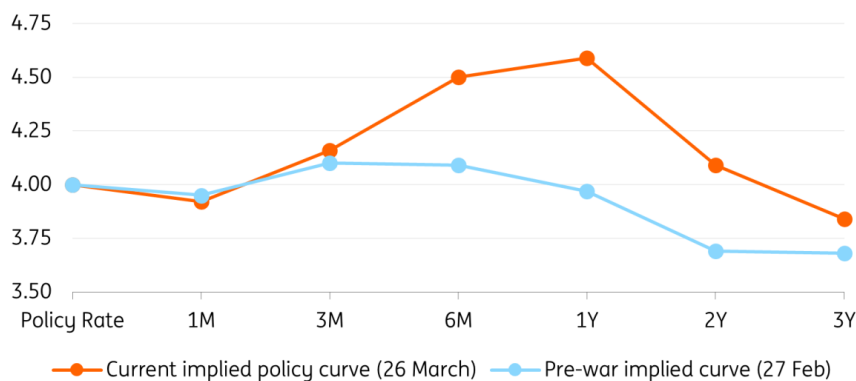
Oil prices and incoming inflation figures will determine the timing. Markets are pricing in 16bp for May and 33bp for June. Considering some members already wanted to hike today, May looks slightly more likely. For now, we are only calling for one rate hike on the back of our [bearish baseline view for oil and gas prices](#), but the chances of delivering two (fully priced in) are elevated.

### The bar for a dovish re-think is high

Can Norges Bank back away from hikes? Yes, after all, it has a recent history of committing to a policy move and not delivering. In January 2025, it stated that “the policy rate will likely be reduced in March” but then reconsidered as inflation rose.

In this case, though, we need to be clear on the scenario that could prompt a dovish rethink: a sharp decline in oil and gas prices associated with a rapid de-escalation and re-opening of the Strait of Hormuz. Core inflation would also need to show limited upside and the decline in the krone would need to prove relatively contained – perhaps on the back of a major equities rebound.

### NOK swaps fully embedding two hikes



Source: Refinitiv, ING

### Front-end NOK rates close to peak

The NOK swap curve currently shows 60bp of tightening in the next year. As discussed above, two hikes are a tangible possibility (even if not our base case for now), but the 4.0% policy rate is already restrictive, especially in real terms. Even in Norges Bank’s latest projections, inflation would peak around 3.5%.

Incidentally, some members voiced concerns about the growth and employment risks of overtightening. We feel we are very close to the peak for front-end NOK swap rates and see risks on the downside.

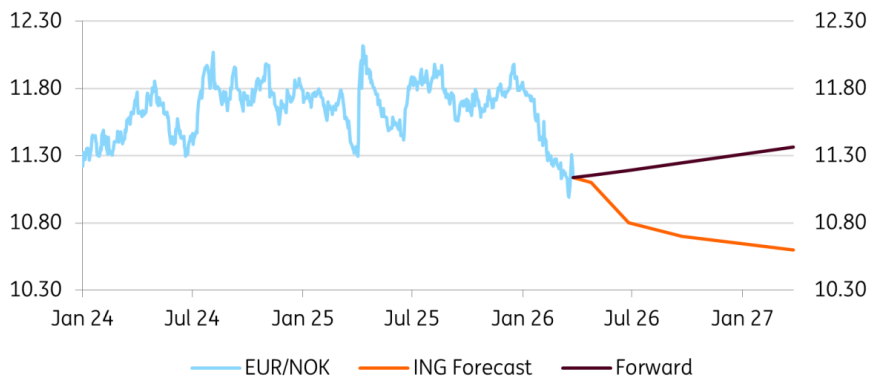
### NOK outlook remains solid

The implications for NOK are more nuanced. A major de-escalation and drop in energy prices could harm NOK, but much will depend on where markets see oil and gas prices stabilising beyond the initial knee-jerk reaction.

A scenario where Brent oil settles around 80-90\$/bbl and TTF gas around 40-50€/MWh into the summer (our baseline) could be enough to generate a positive risk sentiment response while keeping markets attracted to commodity currencies like NOK as well as Norges Bank on track for a hike. That is a scenario where EUR/NOK can make a decisive break below 11.0 in the near term.

For now, we are sticking with our EUR/NOK forecast of 10.80 for the second quarter, but risks are on the downside due to potential widening in Norges Bank-ECB rate expectations. Our year-end target is 10.60.

### Our EUR/NOK forecast



Source: ING, Refinitiv

### Author

**Francesco Pesole**

FX Strategist

[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).