

## Hawkish Norges bank hints at June rate hike

The Norwegian central bank has given the green light to a June rate hike on the back of further currency weakness and higher oil prices. This also makes another rate hike in December more likely, firmly establishing Norges Bank as a hawkish outlier in the G10 space



Having raised rates to 1% back in March, the Norges Bank hinted back then that a June move also was reasonably likely. Since then, the krone has weakened further - contrary to the central bank's forecast for currency strength. Spot oil prices have also traded higher, adding further fuel to the recent rise in energy-driven investment.

Putting that together, the central bank's most recent statement now points explicitly to a June rate hike. In turn, this begs the question of whether the central bank will hike rates for a third time later this year.

A lot will depend on the outlook for global trade, which has been clouded by the recent escalation in tensions between the US and China. Our trade team believe a deal is still the most likely outcome, given that President Trump will not want to enter an election year with a weaker economy and a falling stock market. But given that this may not come until the second half of the

year, uncertainty is likely to weigh on global economic sentiment in the meantime.

Domestically though, the case for further tightening looks fairly solid. The recovery in energy prices is driving growth higher (via increased investment), along with domestically-generated inflation (this year's wage-setting negotiations resulted in a higher pay settlement).

As such, we think there is a reasonable chance that the Norges Bank will raise rates further in December, as well as at the forthcoming meeting in June.

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