

Norges Bank stays on track for a Q1 hike next year

No change from the Norwegian central bank; gradual tightening path confirmed



Having raised the policy rate in September, little was expected from the Norges Bank today. And as usual, the central executive board delivered on expectations. Today's statement indicates an unchanged policy stance, repeating the guidance that the next hike will most likely come in the first quarter of 2019, which we interpret as the March meeting, given the NB's preference to move policy at meetings where they have new forecasts and a press conference.

The key assessment from policy statement indicates that:

"The Executive Board's assessment of the outlook and balance of risks imply a gradual increase in the key policy rate. Economic growth has been a little lower and inflation somewhat higher than projected, but the outlook and the balance of risks do not appear to have changed substantially since the September Report."

With little news in today's communication, the krone and short-term rates are largely unchanged.

So long as the Norwegian economy stays on track, and the rest of the world doesn't fall off

a cliff, we expect the NB will follow through on the Q1 hike.

The key question remains what could cause them to shift from the current plan to raise rates on average twice per year. We continue to see the risks as skewed towards the upside, with the possibility of two hikes in the second half of 2019 in addition to the Q1 hike. But the recent sharp drop in the oil price and indications that the Eurozone and Sweden (key trading partners for Norway) are slowing down have reduced the chance of a more aggressive tightening path.