

## Norway: getting closer to a rate hike

Norge's Bank left policy rates unchanged at 0.5% but upgraded its forecast to indicate an increased probability of an earlier rate hike. We think a hike in September is now on the cards



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Norge's Bank delivered another hawkish statement today, with an upgraded forecast and a clear indication that rates are likely to rise in the third quarter this year. GDP growth is seen stronger, the output gap lower, and headline inflation higher.

The path for an earlier rate hike in Norway is paved by a robust outlook for the oil sector and an improving global economy with rising rates in key trading partners.

The new interest rate forecast indicates a September rate hike is likely, with some chances of a move in August. The statement says "the key policy rate will most likely be raised after summer 2018", and summers are pretty short in Scandinavia. Nonetheless, we see a September rate hike as the base case now, as August looks slightly ambitious.

Further out, the policy rate path indicated in this forecast remains gradually upwards sloping, with roughly two interest rate hikes each year in 2019, 2020, and 2021. Nonetheless, the Norwegian central bank looks increasingly hawkish in comparison to its

more cautious colleagues in Europe, namely the ECB, SNB, and Riksbank all have some degree of dovish bias.

Should the positive surprises continue for the Norwegian economy, we don't rule out more tightening.

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