



HOW DOES THE KEY POLICY RATE OPERATE?

GOVERNOR ØYSTEIN OLSEN

Oslo, 25 September 2018

Gradual normalisation of monetary policy

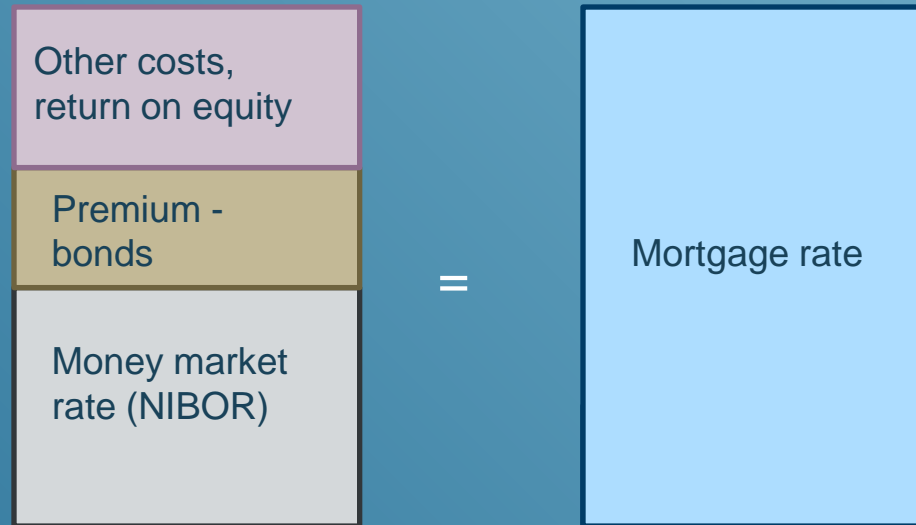
Key policy rate. Percent. Projections for 2018 Q3 – 2021 Q4



From key rate to money market rate ...

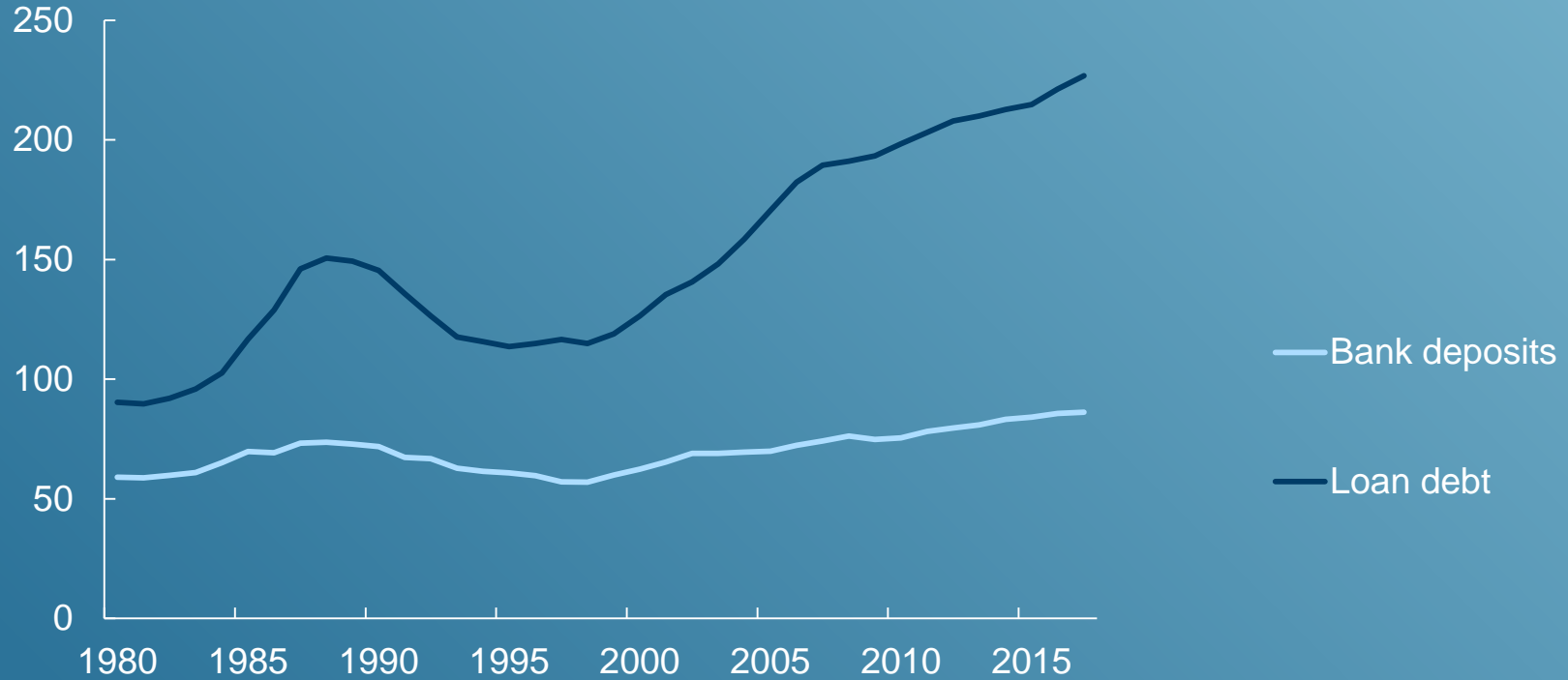


... and on to mortgage rates



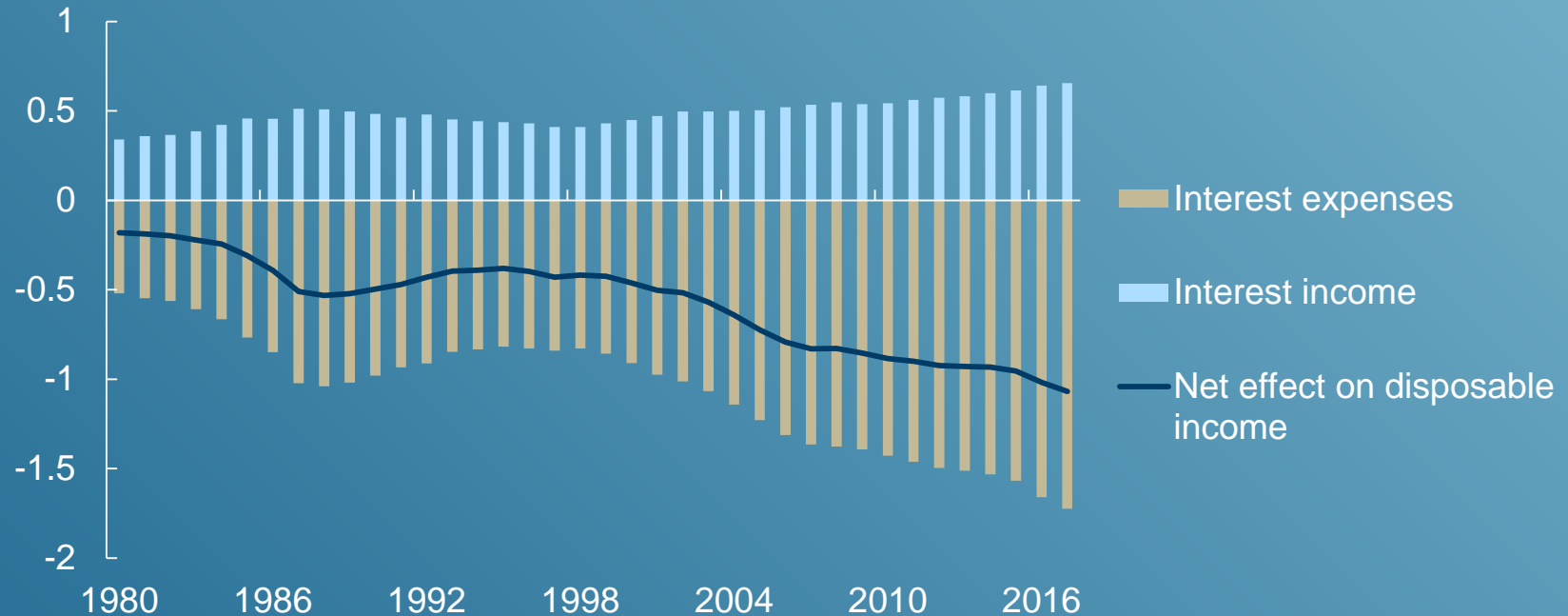
Household debt has increased

Share of disposable income. Percent.



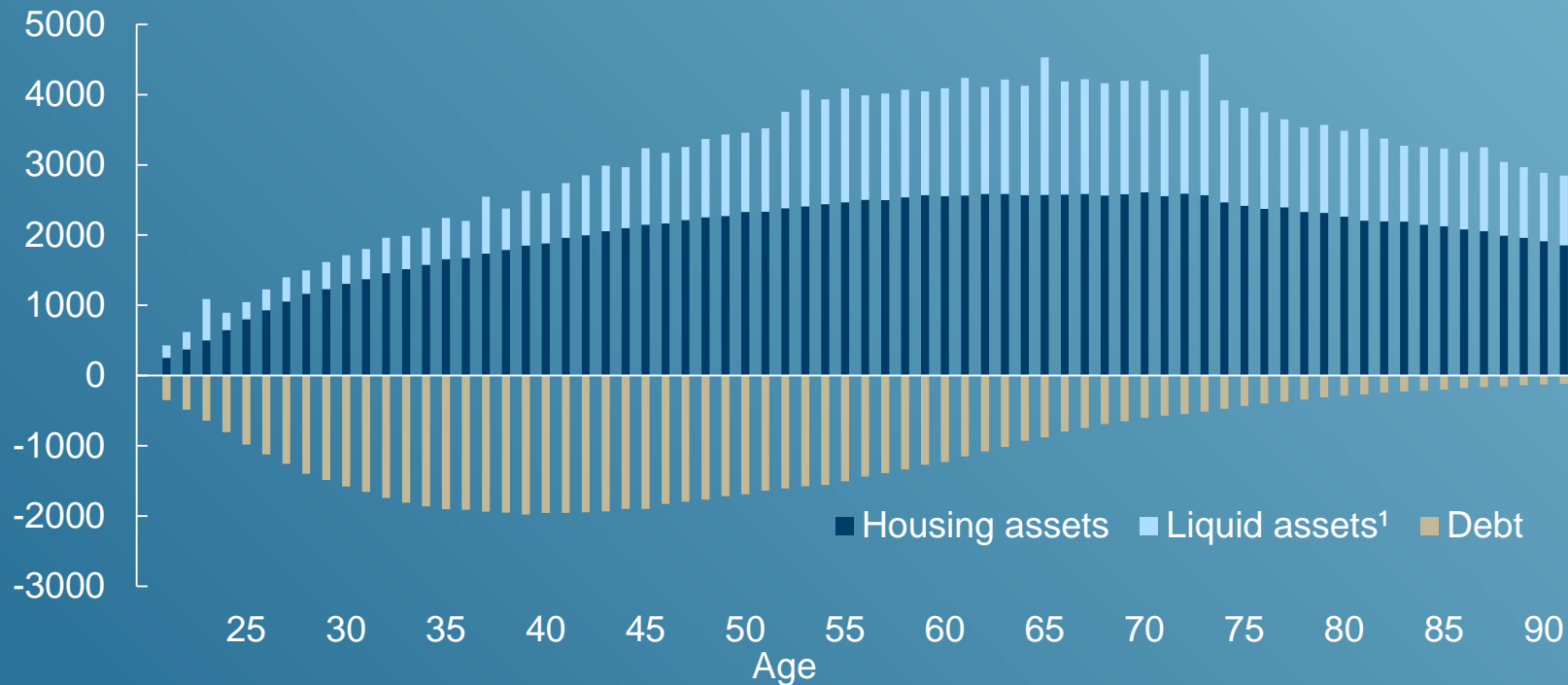
Greater impact of interest rate increase on disposable income

The effect of a 1 percentage point rise in the key policy rate. As a percentage of disposable income



Debt and wealth vary through the life cycle

Assets and debt by age of main wage earner. In 1000s of NOK. 2016

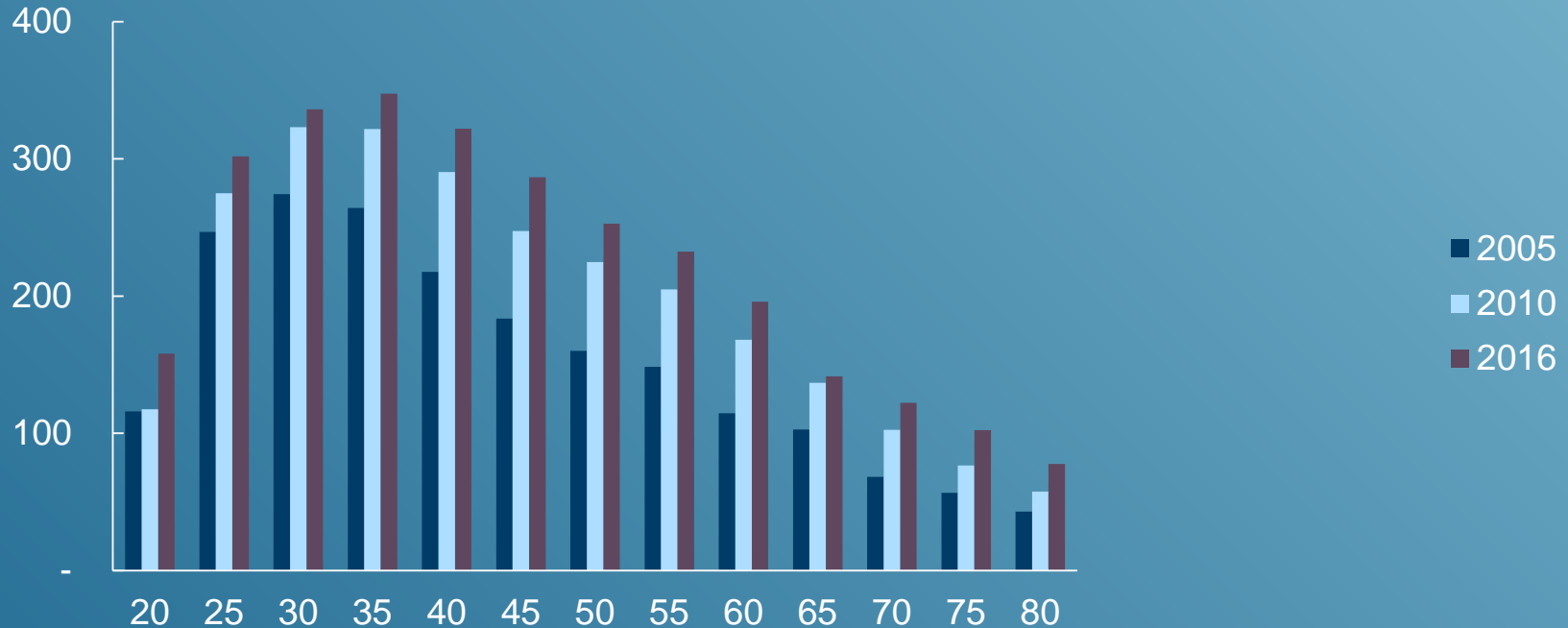


1) Bank deposits and other financial capital
Sources: Statistics Norway and Norges Bank



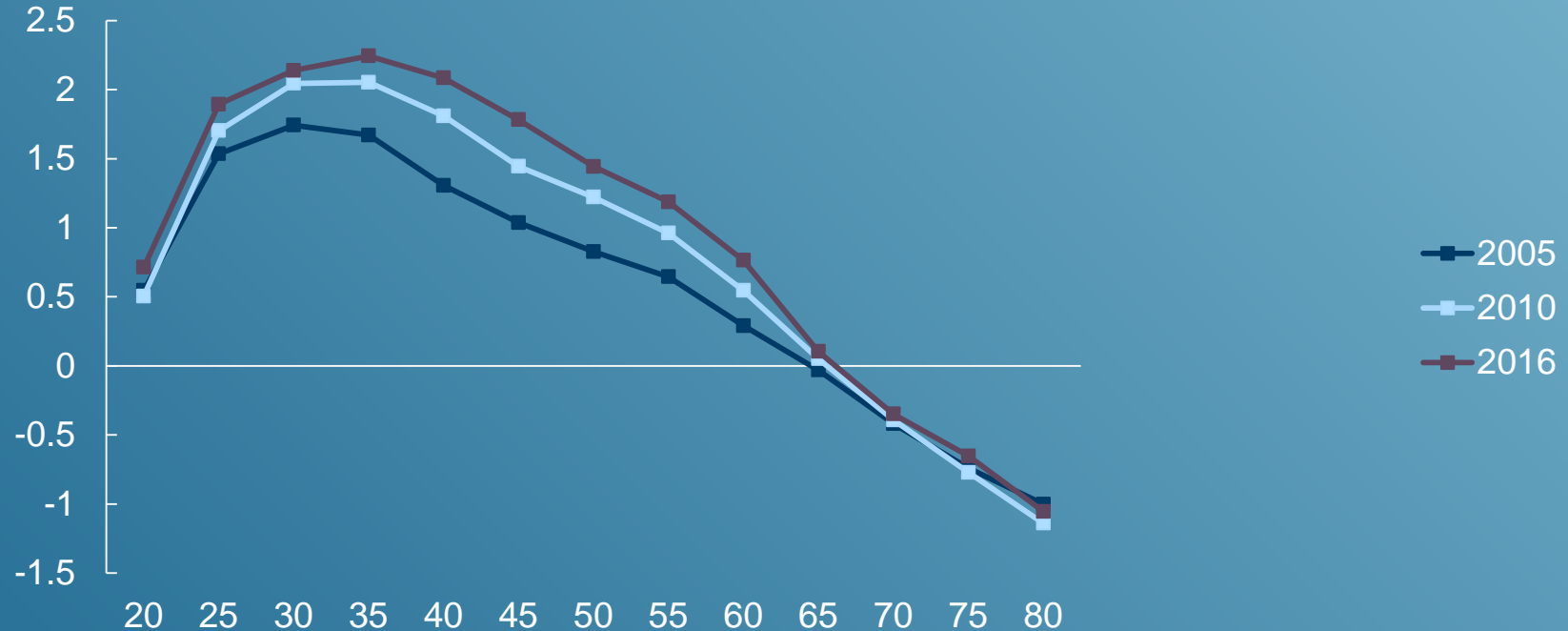
Higher debt ratios in all age groups

Debt as a share of income. By age of main wage earner. As a percentage of disposable income



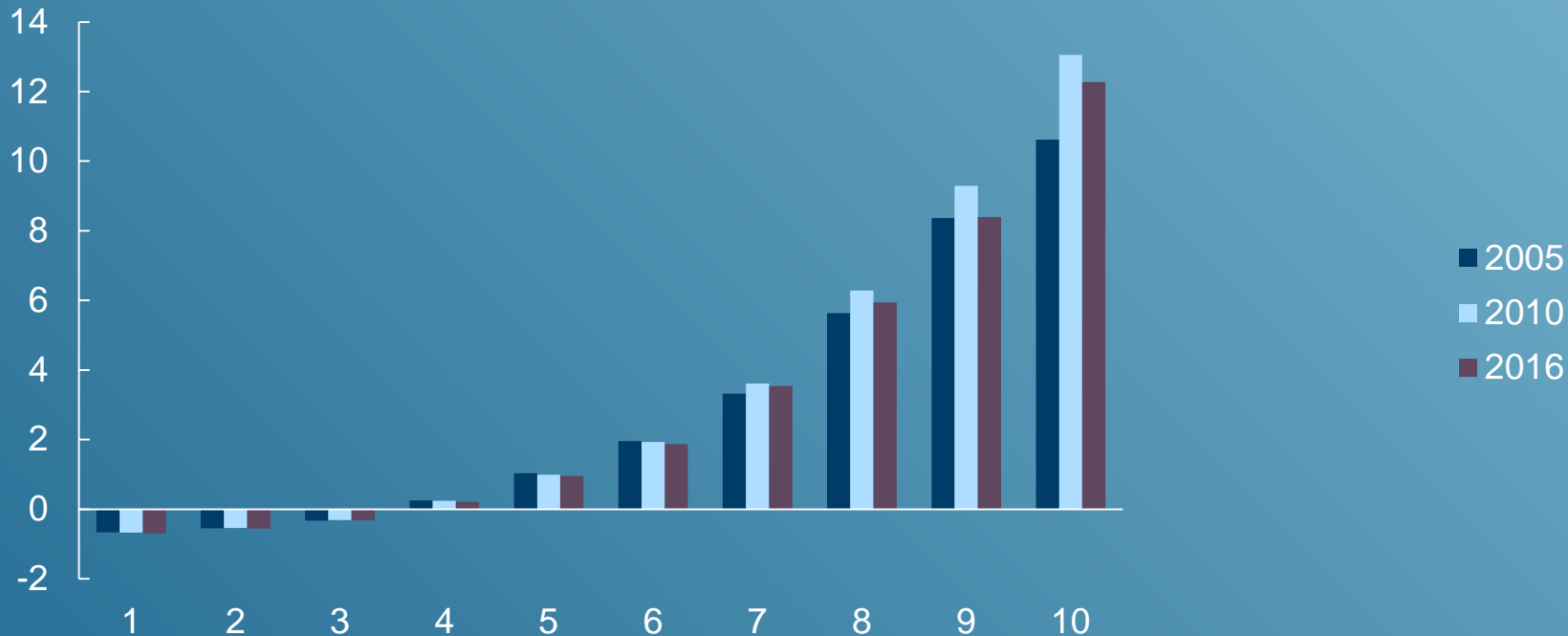
Higher interest expenses for many households

Changes in net interest expenses as a result of a 1 percentage point rise in the key policy rate. As a percentage of disposable income. By age of main wage earner



Higher bank deposits dampen some of the effect of higher debt

Changes in net interest expenses as a result of a 1 percentage point rise in the key policy rate. As a percentage of bank deposits. By net debt deciles.





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