

Ida Wolden Bache: Policy rate kept unchanged at this meeting

Introductory statement by Ms Ida Wolden Bache, Governor of Norges Bank (Central Bank of Norway), at the press conference following Norway's announcement of the policy rate, Oslo, 26 March 2026.

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[Presentation](#) accompanying the speech

Chart: Policy rate kept unchanged at this meeting

The Monetary and Financial Stability Committee has decided to keep the policy rate unchanged at 4 percent.

Norges Bank is tasked with keeping inflation close to 2 percent over time. Inflation has remained above target for several years, and the outlook indicates that inflation will be higher ahead than previously projected. Uncertainty is greater than normal due to the war in the Middle East, but the Committee judges that it will likely be necessary to raise the policy rate at one of the forthcoming monetary policy meetings.

Chart: Oil prices have risen sharply

Let me say a bit more about the background for the decision and the Committee's assessments

Since the US and Israel attacked Iran at the end of February, oil and gas prices have risen sharply. Futures prices indicate that prices will decline ahead but futures prices are higher now than when we last prepared projections in December. At the same time, global equity indices have declined, and policy rate expectations have increased both abroad and in Norway.

Chart: Inflation is still above the 2 percent target

Since the monetary policy meeting in December, inflation has been higher than projected. Wage growth is also expected to be higher this year than projected in December, which is likely to restrain disinflation ahead. At the same time, higher energy prices are expected to drive up global inflation and lead to higher imported goods inflation in Norway. Higher prices for energy and intermediate goods will lead to higher costs for firms. On the other hand, the krone has appreciated, and a stronger krone will in isolation curb imported goods inflation.

Chart: Unemployment has been slightly lower than expected

Capacity utilisation in the Norwegian economy appears to be holding steady at close to a normal level. Registered unemployment has been slightly lower than projected in December. Norges Bank's Regional Network contacts nevertheless report that it has become a little easier to recruit.

Higher energy prices will likely reduce growth in the global economy. The effect on overall activity in Norway is expected to be limited. Activity in the petroleum-related industry may increase due to the rise in oil and gas prices. Other industries may experience reduced activity due to higher energy prices or lower external demand.

Chart: Prospects for higher inflation ahead

The Committee placed emphasis on the fact that inflation is too high. High inflation over time can lead firms and households to plan for greater inflation persistence. Inflation may then become entrenched.

The Committee judges that a tighter monetary policy is needed to return inflation to target within a reasonable time horizon. The Committee discussed whether the policy rate should be raised already at this meeting but agreed to leave the policy rate unchanged now. It is difficult to assess underlying inflation pressures, and the uncertainty surrounding oil and gas prices is unusually elevated. We therefore want to await further information on the prospects for inflation.

Chart: Prospects for a higher policy rate

The policy rate forecast presented today shows an increase in the policy rate to between 4¼ percent and 4½ percent by the end of this year.

Inflation is projected to slow to close to 2.0 percent in 2029. A higher policy rate will cool the economy, and registered employment is projected to edge somewhat higher to around pre-pandemic levels. A higher interest rate will raise debt servicing costs, but there are prospects that wages will rise more than prices, and most people will see their purchasing power improve.

I know that many people have been waiting for a further reduction in the policy rate. As recently as in January, we expected the policy rate to be reduced this year. But we cannot make any promises about the policy rate, and certainly not in today's world of abrupt shifts in the outlook. High and variable inflation imposes costs on individuals, businesses and society. The promise we can make is that we will ensure that inflation is brought back to 2 percent.