

## 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, 18 June 2026.

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*[Presentation](#) accompanying the speech*

*Chart: Policy rate kept unchanged at this meeting*

The Monetary Policy and Financial Stability Committee has decided to keep the policy rate unchanged at 4.25 percent.

Norges Bank is tasked with keeping inflation close to 2 percent over time. We are also mandated to help keep employment as high as possible and to promote economic stability.

Inflation is too high, and the rapid rise in business costs in recent years will contribute to keeping inflation elevated ahead. New information indicates that inflation pressures are slightly stronger than we had anticipated earlier. We expect that a somewhat tighter monetary policy stance will be needed to bring inflation down to target within a reasonable time horizon. If developments turn out as currently envisaged, the policy rate will be raised at one of the forthcoming monetary policy meetings.

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

*Chart: Inflation has been above target for several years*

Inflation has been above target for several years. The latest figures show consumer price inflation of 3.1 percent. Domestically produced goods inflation has eased a little, while imported goods inflation has edged higher in recent months. Prices are rising rapidly for many goods and services, and even when excluding certain prices such as energy and rents, inflation remains elevated.

*Chart: Wages have risen substantially in recent years*

An important reason why inflation remains elevated is that labour costs have risen substantially in recent years. Wage growth is expected to decline to 4.5 percent this year, close to the wage norm set in the manufacturing wage settlement. Wage growth will likely decline further in 2027, but wage growth expectations among firms and the social partners have risen slightly since March, when we last presented projections.

Prices for oil and various other commodities rose sharply after the outbreak of the war in the Middle East and the closure of the Strait of Hormuz. Since March, oil and gas prices have fallen, while prices for various other commodities, such as aluminium and copper, have risen somewhat. External price impulses to Norwegian imports appear to be slightly stronger than expected.

The krone appreciated gradually over spring but has weakened again in recent weeks and is now broadly in line with that assumed in the March *Report*.

*Chart: A somewhat tighter monetary policy stance will likely be needed*

Earlier this year, we received information indicating that inflation would be markedly higher ahead than we had envisaged before the turn of the year, and we raised the policy rate in May. We do not want to restrict the economy more than necessary. But in the current situation where inflation has been above target for a long period, we are particularly vigilant when we see signs of rising inflation. The policy rate forecast published today is a little higher than in March and is just above 4.5 percent at the end of the year.

*Chart: Inflation down to target within a reasonable time horizon*

With the policy rate path we currently envisage, inflation is projected to return to 2 percent in 2029. Capacity utilisation appears to be close to a normal level but is drifting down. A higher policy rate will lead to a further cooling of the economy, and we expect some increase in registered unemployment to slightly above pre-pandemic levels.

Wage growth is projected to moderate further in the years ahead, but with lower price inflation, household purchasing power is expected to increase further – also when factoring in higher interest costs.

The conflict in the Middle East is still creating substantial uncertainty about the economic outlook. In recent days, news has come in that the United States and Iran have agreed on a memorandum of understanding that provides for the opening of the Strait of Hormuz. If energy markets normalise and prices for oil and other commodities come down quickly, external price pressures may prove weaker than currently assumed. The attendant effects on inflation in Norway will also depend on movements in the krone exchange rate.

If the economy takes a different path than currently envisaged, the policy rate path may also be adjusted. If the outlook indicates higher inflation than projected, the policy rate may become higher than currently envisaged. On the other hand, if the economy cools to a greater extent than projected or inflation pressures ease faster, the policy rate may become lower.