



## PREVIEW: Norges Bank Policy Announcement due Thursday, 4th May 2023 at 09:00BST/04:00ET

- Expected to hike by 25bp to 3.25% and guide participants towards another hike in June.
- As this is an interim meeting, there will be no formal forecast or repo path update.
- Rates aside, attention is on any commentary around the ongoing NOK depreciation.

**Overview:** Expected to hike by 25bp to 3.25%, with all 26 respondents to the latest Reuters survey forecasting this outcome. Additionally, the Norges Bank is likely to provide verbal guidance for another 25bp hike at the June gathering, in-fitting with the repo path from March. Data since then is supportive of such a move and perhaps has a slight hawkish-skew given the larger-than-expected uptick in CPI-ATE for March. Albeit, to a level that is shy of the January peak and matches the forecast from the Norges Bank for the month. Given this is an interim meeting and the expectation is for it to be in-fitting with March guidance, this, according to SEB, implies a relatively muted market reaction. Finally, while the Norges Bank does not target specific NOK levels, the recent depreciation is marked and as such participants will be attentive to any language around this, in a similar vein to that used by the Riksbank recently.

**Previous Meeting:** At the March gathering, the Norges Bank hiked by 25bp as expected and pointed to a further hike occurring in May. Additionally, the accompanying repo path was hawkish and implied another 25bp hike after the May meeting with optionality for further tightening thereafter to a 3.60% end-2023 peak. Once again, the path implied a high likelihood of a cut by end-2024.

**May:** Given the explicit guidance for a 25bp hike at the May meeting provided at the last gathering, a move of this magnitude is a near-certainty according to pricing and desks heading into the event. Moreover, this is warranted by the slightly larger-than-expected uptick in CPI-ATE to 6.2% from 5.9% YY in March. Pertinently, the core measure matched the Norges Bank's forecast from the Q1 MPR and thus lessens any potential argument for a 50bp hike. Elsewhere, February's GDP was in-line and the March Unemployment measure matched market expectations with the overall economic situation largely in-fitting with Norges Bank forecasts. Additionally, March's house price data saw a notable jump and perhaps serves as an indicator that households are faring comparably better with the elevated rate environment vs the pressure seen at the start of the year. Finally, while the Norges Bank does not directly target NOK levels, the marked depreciation that has occurred since the March announcement serves as another factor in favour of further policy tightening.

**June and beyond:** As a reminder, the repo path from March's gathering pointed to another 25bp hike (i.e. after May's) taking place in June, with some optionality for further tightening to a 3.60% end-2023 peak. Given this is an interim meeting, we will not get a formal update on the repo path. However, verbal guidance will be provided and will likely indicate a 25bp hike occurring at the June meeting.

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