



## PREVIEW: Norges Bank Policy Announcement on Thursday 19th December 2024

- Norges Bank is expected to keep its key rate unchanged at 4.50%; Sept. MPR implies a 20% probability of a cut; money markets assign 5% probability to a cut.
- Recent inflation developments have moved in line with the Bank's forecast, alongside robust growth and the stability of the NOK plays in favour of another hold at this meeting.
- Traders will keep out on any potential adjustments to the MPR, which currently points closer towards 4 rate cuts in 2025 vs some expectations of scaling back to 3.

**Overview:** Norges Bank is expected to keep its key rate unchanged on Thursday at 4.50%, according to all analysts surveyed by Reuters. As a reminder, the September MPR implied a 20% probability of a rate cut at the December meeting, with a full rate cut to be delivered by March 2025. Recent inflation developments have moved in line with the Bank's forecast, alongside robust growth and the stability of the NOK plays in favour of another hold at this meeting. For reference, money markets currently assign a 12% probability of such a move, and analysts over at SEB agree, and favour a first cut to be delivered in March, followed by another three in 2025. Focus for this meeting will be on the updated MPR policy path, which SEB believes will be left largely unchanged. However, analysts at Nordea are of the belief that Norges Bank will revise its rate path to indicate 3 rate cuts next year rather than the current 4; they cite, higher growth, more stimulative fiscal policy and higher wage growth.

After the 09:00GMT policy announcement, the Governor will hold a press conference from 09:30GMT.

**Last Meeting:** For reference, at the last meeting, Norges Bank matched expectations and left its Key Policy Rate unchanged at 4.50% and noted that "the policy rate will most likely be kept at 4.5 percent to the end of 2024". The Bank once again brought focus on the NOK, noting that the "krone has been little weaker than assumed" - a factor which has continued to play against any dovishness at recent meetings.

September MPR (2025): Q1-2025 4.40% (4.42%), Q2-2025 4.21% (prev. 4.25%), Q3-2025 3.99% (prev. 4.06%), Q4-2025 3.73% (prev. 3.84%)

**Recent Data:** In terms of economic developments for Norway, recent inflation figures have shown that the core Y/Y cooled from the prior to 3% but at a slower rate than analysts had expected; this is in-line with Norges Bank's forecast, and as such further diminishes the chance of a 25bps cut. On the growth front, mainland GDP rose 0.5% Q/Q in Q3, which surpassed the Bank's forecast; indicative of a robust economy but there are some early signs of underlying softness – with the construction and retail sector struggling; this was highlighted in the latest Regional Network report.

**NOK:** Since the last meeting, the NOK has appreciated a touch, which may help to ease some concerns at the Bank and acts in favour of a hold at this meeting. EUR/NOK dipped from last meeting's open at 11.8405 to a current 11.6766; but did go as low as 11.5045 in late November.

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