Macroprudential regulation and monetary policy

Governor Øystein Olsen
CME, 7 October 2013
Credit-to-GDP ratio

Sources: Statistics Norway and Norges Bank

Kristiania crash 1899-1905
Banking crisis 1920-28
Financial crisis 1988-92
New CET1 capital requirements for Norwegian banks

Sources: Ministry of Finance and Norges Bank
Criteria for an appropriate countercyclical capital buffer

1. Banks should become more resilient during an upturn

2. The size of the buffer should be viewed in the light of other requirements applying to banks

3. Stress in the financial system should be alleviated
Key indicators

- **Credit**

- **GDP**

- **Banks’ wholesale funding ratio**

- **House prices**

- **Disposable income**

- **Commercial property prices**

Sources: Statistics Norway, IMF, Norwegian Association of Real Estate Agents (NEF), Eiendomsmeglerforetakenes forening (EFF), Finn.no, Eiendomsverdi, Dagens Næringsliv, OPAK, and Norges Bank
CET1 capital ratios

Percent

<table>
<thead>
<tr>
<th>Bank</th>
<th>2011</th>
<th>2012</th>
<th>2013 Q2 (estimate)</th>
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<tr>
<td>DNB Bank</td>
<td>9.3</td>
<td>10.5</td>
<td>10.9</td>
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<tr>
<td>Nordea Bank Norge</td>
<td>8.0</td>
<td>10.7</td>
<td>11.4</td>
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<tr>
<td>SB 1 SR-Bank</td>
<td>8.3</td>
<td>10.0</td>
<td>10.6</td>
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<tr>
<td>Sparebanken Vest</td>
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<tr>
<td>SB 1 SMN</td>
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<tr>
<td>SB 1 Nord-Norge</td>
<td>10.3</td>
<td>10.6</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Sources: Banking groups’ financial statements and Norges Bank
Low interest rates abroad and higher bank lending margins in Norway

Sources: Thomson Reuters and Norges Bank
Lower interest rates abroad and higher capital requirements

- Interest rates abroad
- Exchange rate
- Key policy rate
- Lending rate
- Lending margin
- Output gap
- Inflation
- Credit

Red line: Monetary policy and higher capital requirements
Lower interest rates abroad with and without higher capital requirements
Changes in money market rates after interest rate decision announcements

Absolute values. Percentage points. 12-mth NIBOR. March 2001 – September 2013

Sources: Thomson Reuters and Norges Bank
Interest rate assumptions and actual developments

New Zealand

Norway

Sweden

Sources: BIS and Norges Bank