Lessons from the crisis for monetary policy and financial stability

Deputy Governor Jan F. Qvigstad
Limassol, 3 September 2010
Transmission mechanism was affected by the financial crisis

Source: Norges Bank
Liquidity and capital support was necessary to restore credit flows

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<th>US</th>
<th>UK</th>
<th>Europe</th>
<th>Norway</th>
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<tbody>
<tr>
<td>Easing of collateral requirements</td>
<td>✓</td>
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<td>Longer-term liquidity support</td>
<td>✓</td>
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<td>Swap arrangements</td>
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<td>Capital injection</td>
<td>✓</td>
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Considerable revision of the interest rate forecast during the crisis

Source: Norges Bank
Transparency eased communication: an account of the factors behind the revision

Source: Norges Bank
Interest rate forecast and exit strategy

Source: Norges Bank

Exit strategy is an inherent part of communication
Historical perspective
The decline in world trade during the crises of 1929 -1933 and 2008-2010

Notes: Light blue from Jun-1929 to Jul-1932 (minimum Jun-1929); dark blue from Aug-1932.

1) Lyseblå fra jan-08 til mai-09, mørkeblå fra mai-09 til mai-10
Kilde: CPB Netherlands Bureau for Economic Policy Analysis
Historical perspective
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Kilde: CPB Netherlands Bureau for Economic Policy Analysis
IMF lending
June 30, 2010

Source: IMF
G20, IMF and small countries

- The success of systemically important countries is vital, also for small countries.

- Collaboration should be anchored in a multilateral and statutory-based system of representation.

Source: OECD Economic Outlook 87
Ragnar Frisch (1933)

• “It might be an idea to establish a cyclical council to make such decisions, a council that could operate with an independent status similar to that of the Supreme Court. The council should comprise members who do not represent a political party, but a particular field of expertise: business, banking or economics.”
International coordination is important

- DnB NOR Bank: 28.6%
- Other Norwegian banks: 44.2%
- Foreign banks (subsidiaries and branches): 27.2%

Source: Norges Bank
Output gap in the Nordic countries
As a percentage of potential GDP. 1975 – 2011. Projections for 2010 and 2011 from OECD

Source: OECD