10 September 2026

# Norway

## We expect Norges Bank to stay on hold on 24 September

- **In June, Norges Bank had a strong tightening bias, signalling a hike at one of the forthcoming meetings. After the drop in inflation over the summer, the bias was significantly weaker in August, signalling that 'it may thus still become necessary to raise the policy rate'.**
- **As inflation has been significantly lower than expected, we change our call and now expect Norges Bank to keep the policy rate unchanged at 4.25% on 24 September, but to keep a tightening bias. However, we expect that the peak has already been reached at 4.25%. We now expect two cuts in 2027.**

Core inflation rose from 2.7% to 3.0% y/y in August (Danske Bank: 3.1%, consensus: 3.0%). This is well below NB's estimate from the June MPR at 3.3%. Details reveal that service ex. rent rose roughly as expected due to the base effect from kindergartens. Besides that, imported inflation and domestic food prices were a bit higher than expected, whereas rents surprised significantly to the downside, slowing from 3.8% to 3.5% y/y. So, no big surprises in the August figures. Inflation declined in June and July before picking up in August, entirely due to base effects from kindergarten prices with no signs of an underlying rebound.

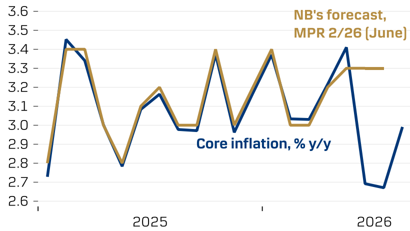
Core inflation is currently 0.3pp below NB's estimate from the MPR in June, which implies roughly a 25bp lower rate path in the upcoming monetary policy report, so NB should move from signalling 1.5 hikes to c.0.5 hike purely on CPI. Other factors affecting the decision are lower growth, signs of weaker wage growth, lower price and wage expectations and stronger NOK pulling the rate path downwards whereas higher global rate expectations pull in the opposite direction.

This should make the September decision a close call, but as NB considers the current rate level as restrictive and inflation is approaching the target faster than expected, it makes less sense to tighten monetary policy further. Of course, the recent appreciation of the NOK seems to be in the hand of the global energy markets and could hence easily be reversed if the situation in the Middle East improves. However, such an outcome would probably alter the outlook for global rates as well, counteracting some of the effect on domestic rates.

**As a result, we alter our call and expect NB to keep the policy rate unchanged at 4.25% on 24 September, but to keep a tightening bias. However, we expect that the peak has already been reached at 4.25%. We now expect two cuts in 2027.**

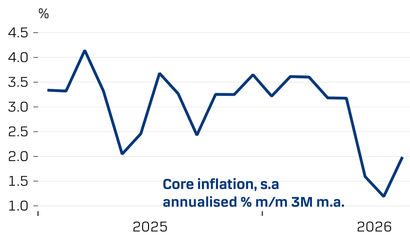
The risk to this call is if the regional survey (17 September) surprises to the upside and/or market pricing clearly pointing to a hike, which could force NB to act anyway.

**Chart 1. Inflation well below expectations**




*Note: Past performance is not a reliable indicator of current or future results.*
*Source: Macrobond, Danske Bank*

**Chart 2. The underlying inflation trend clearly lower**




*Source: Macrobond, Danske Bank*

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