

UBS FX Snapshot: Norwegian GDP underscores risks to the Krone

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The rebound in oil prices has helped Norway print a stronger than expected Q4 GDP at 1.1% q/q vs consensus estimates of 0.7%. Petroleum activities and ocean transport, which account for 20% of GDP, rose 4.3% q/q on a seasonally adjusted basis, driving the majority of the growth improvement. However, this masks the underlying softness in Norwegian activity. Mainland GDP, the less volatile measure which strips out petroleum activities, rose a lower than expected 0.3% q/q and the Q3 figure was also revised down to 0.1% from 0.2% previously.

All else equal this points in the direction of the Norges Bank remaining on hold for longer, and is consistent with our view for a gradual rise in EUR/NOK. In addition, we continue to see downside risks to inflation, and recent Krone strength adds to those risks. We expect the moderation in CPI to continue and will pay close attention to tomorrow's inflation figures.

Fed Bullard (14:10 GMT) and Evans (18:10) are due to speak later today.

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