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Why is the Norwegian krone falling? Fed hikes and weak oil prices

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Unless otherwise noted, information as of August 2024.

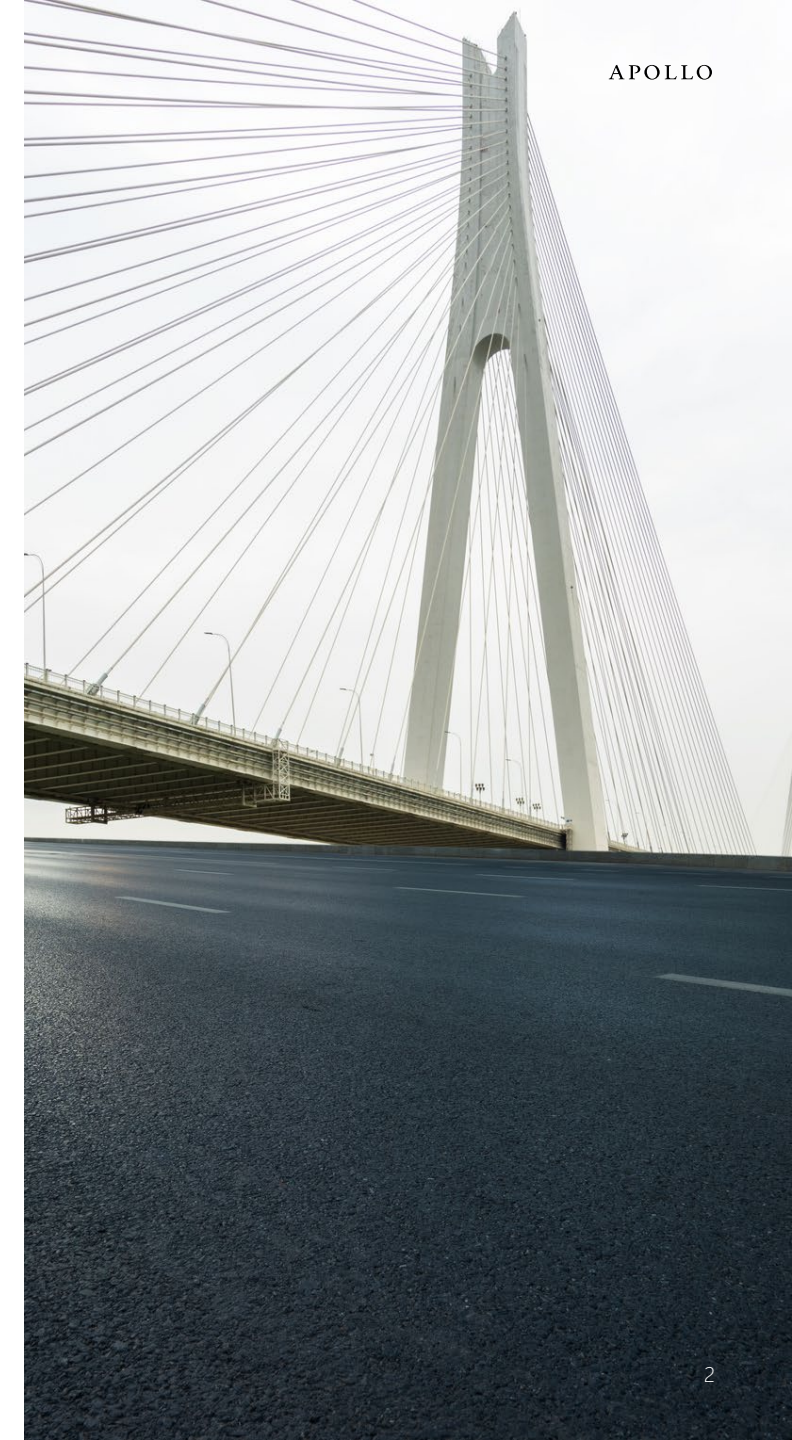
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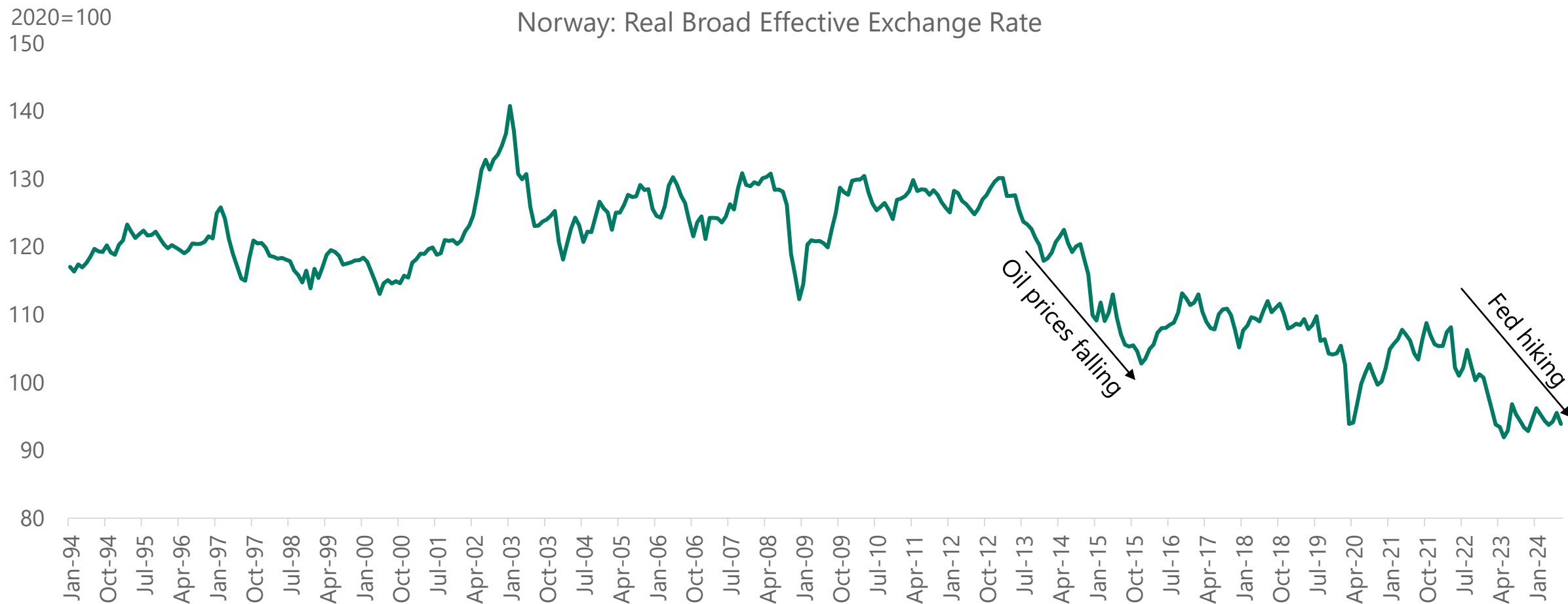
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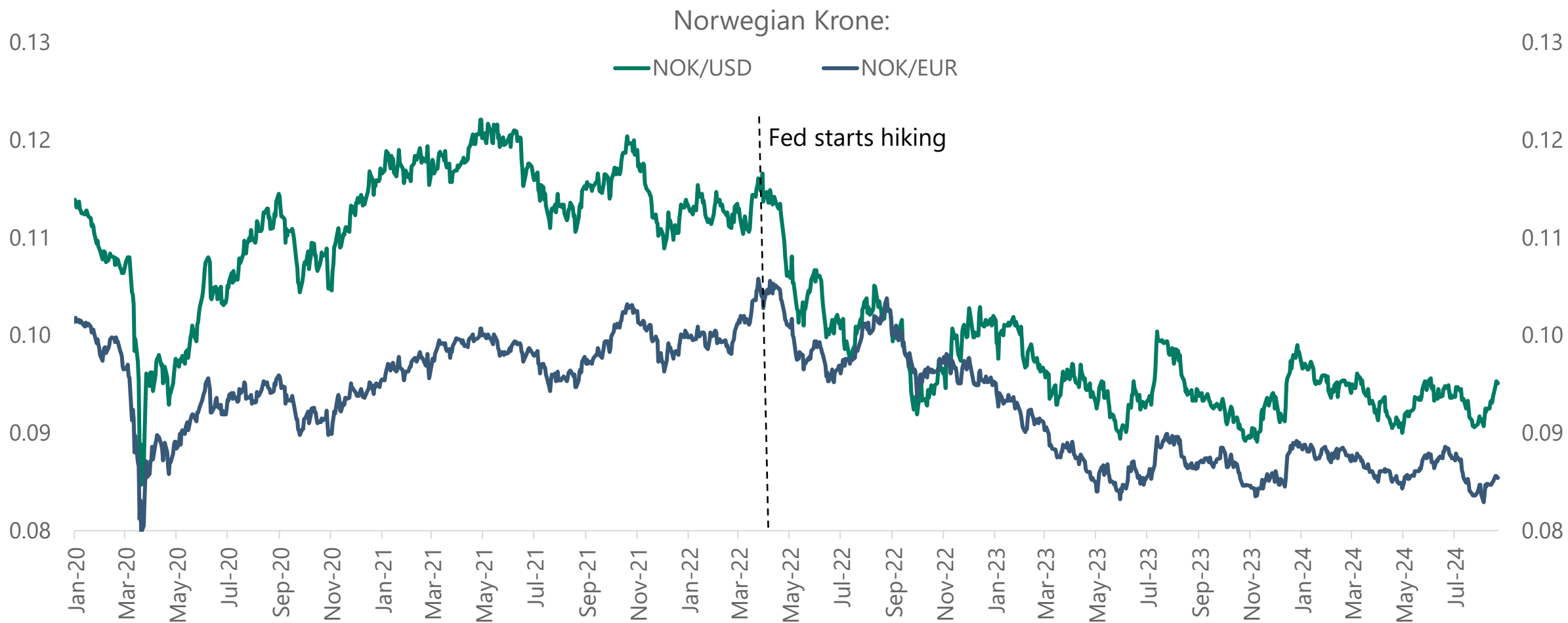
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Norwegian krone: Real exchange rate depreciation

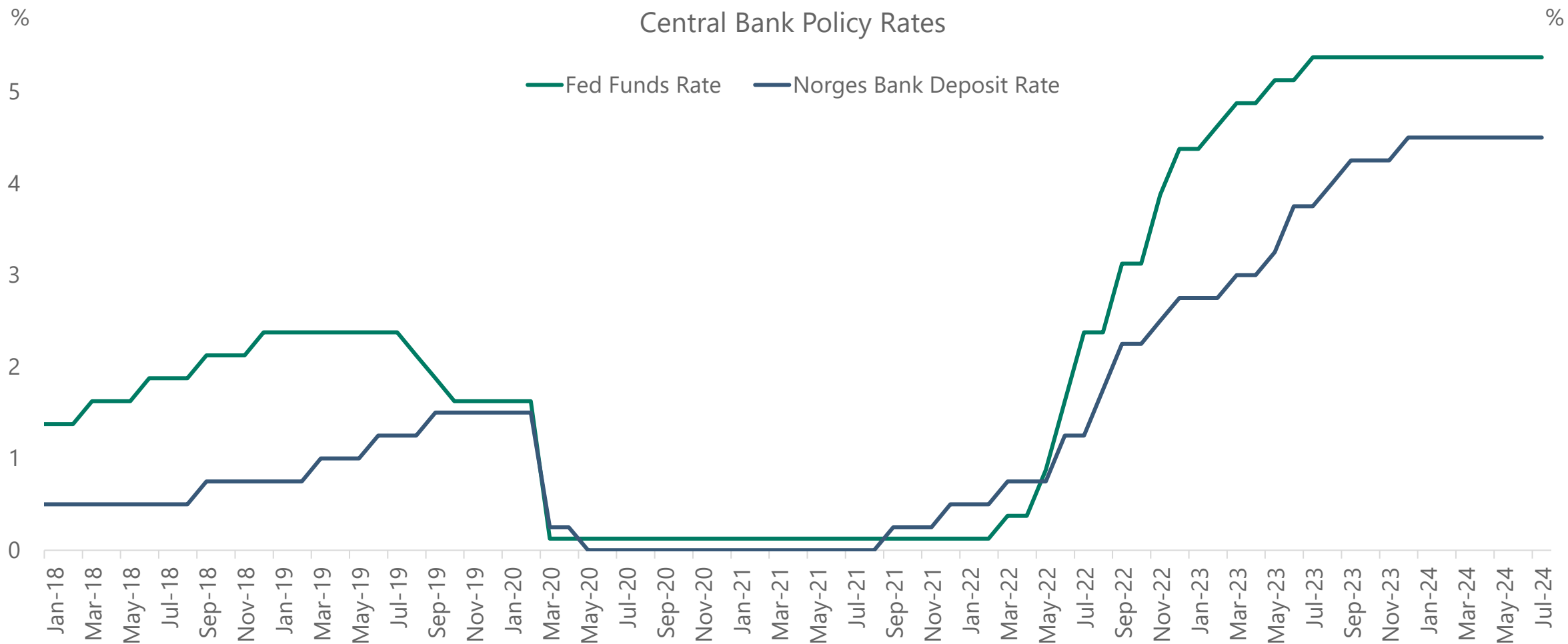


Norwegian krone has been depreciating since the Fed started hiking

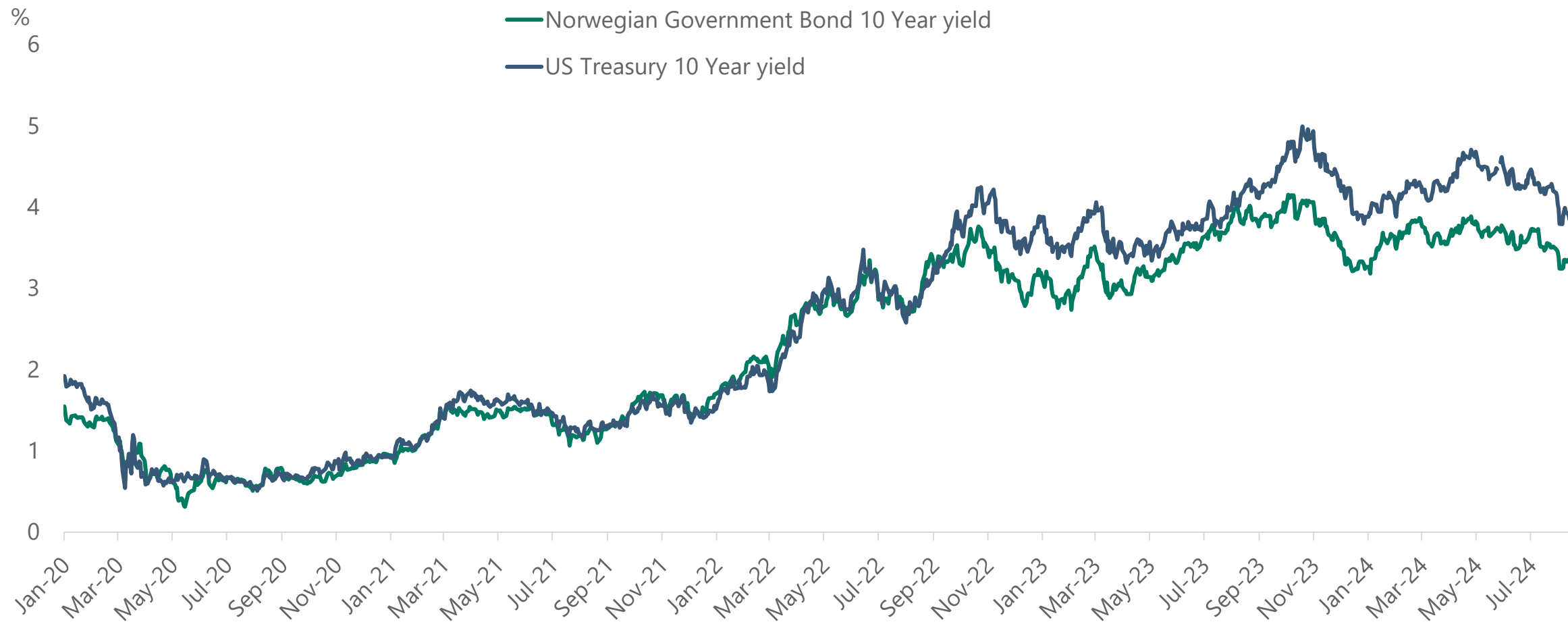


The role of interest rate differentials and oil prices

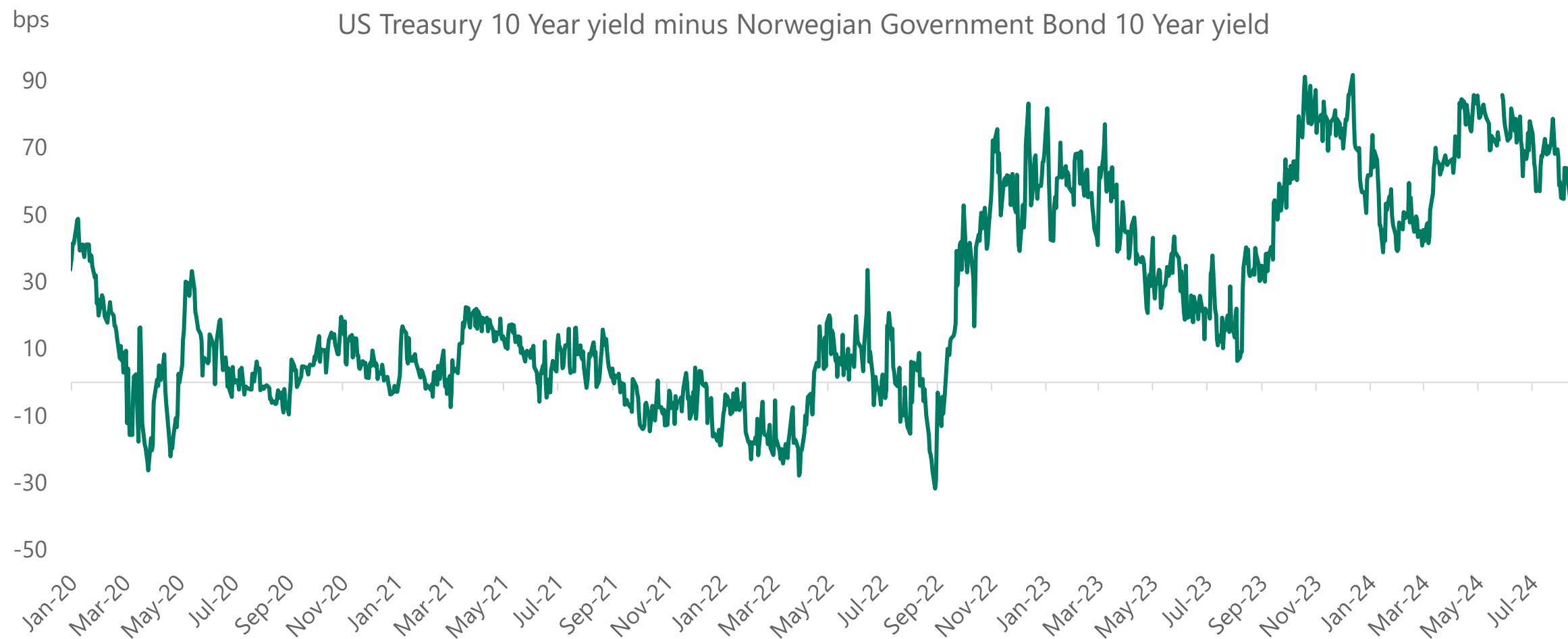
The Fed raised interest rates faster than Norges Bank



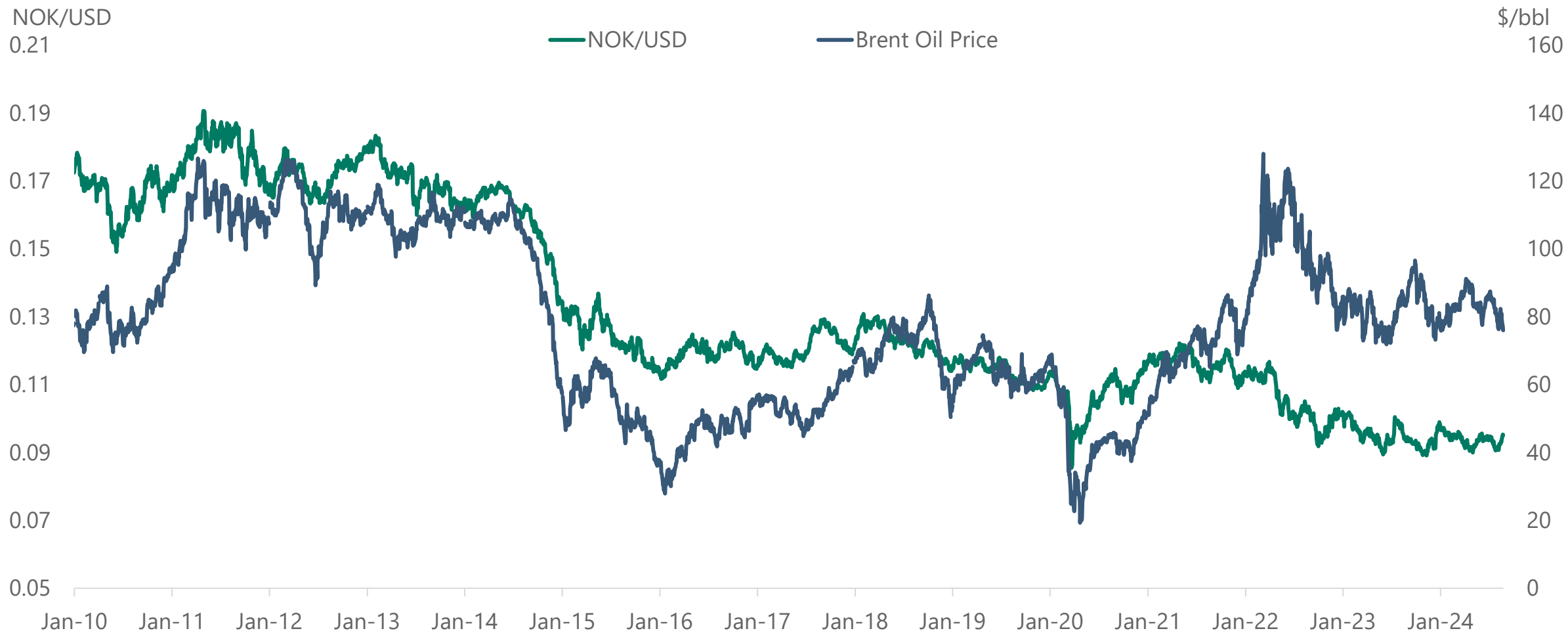
Yield differential widening for long-term interest rates



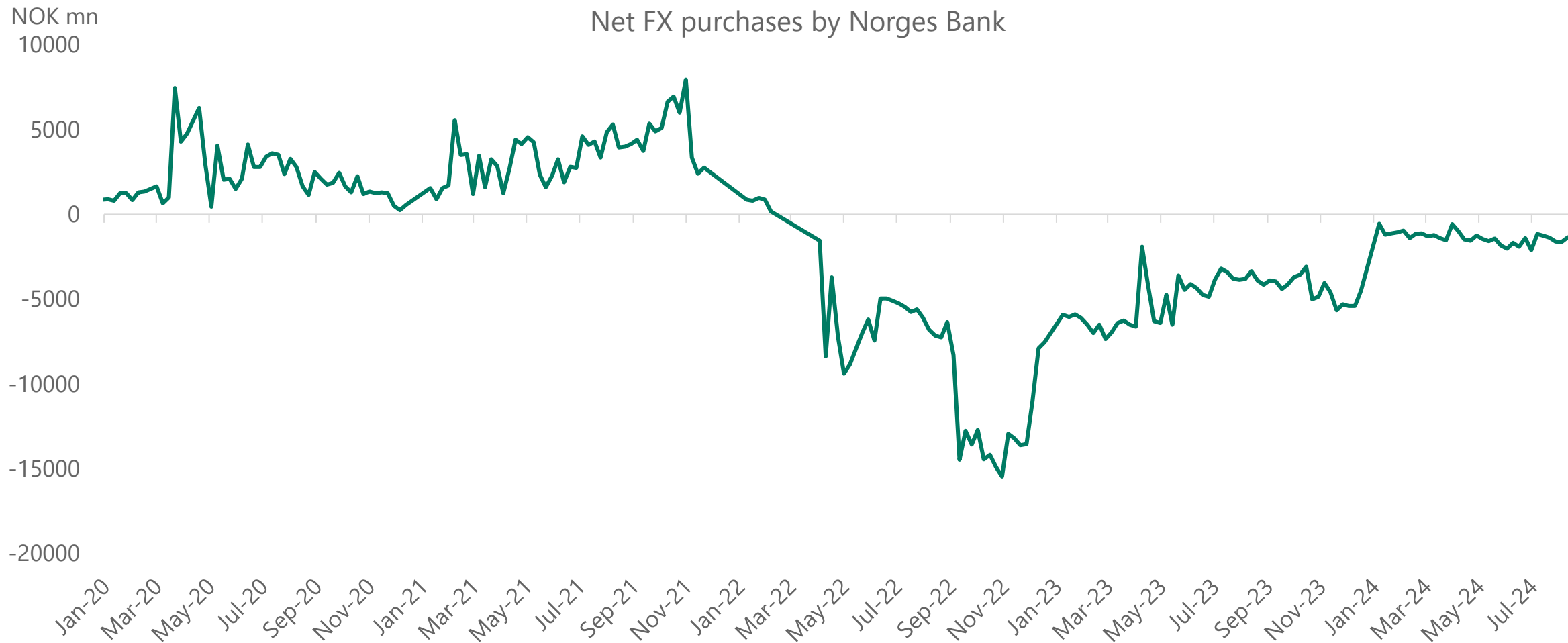
Yield differential widening making USD more attractive relative to NOK



Weaker oil prices have also been contributing to NOK weakness



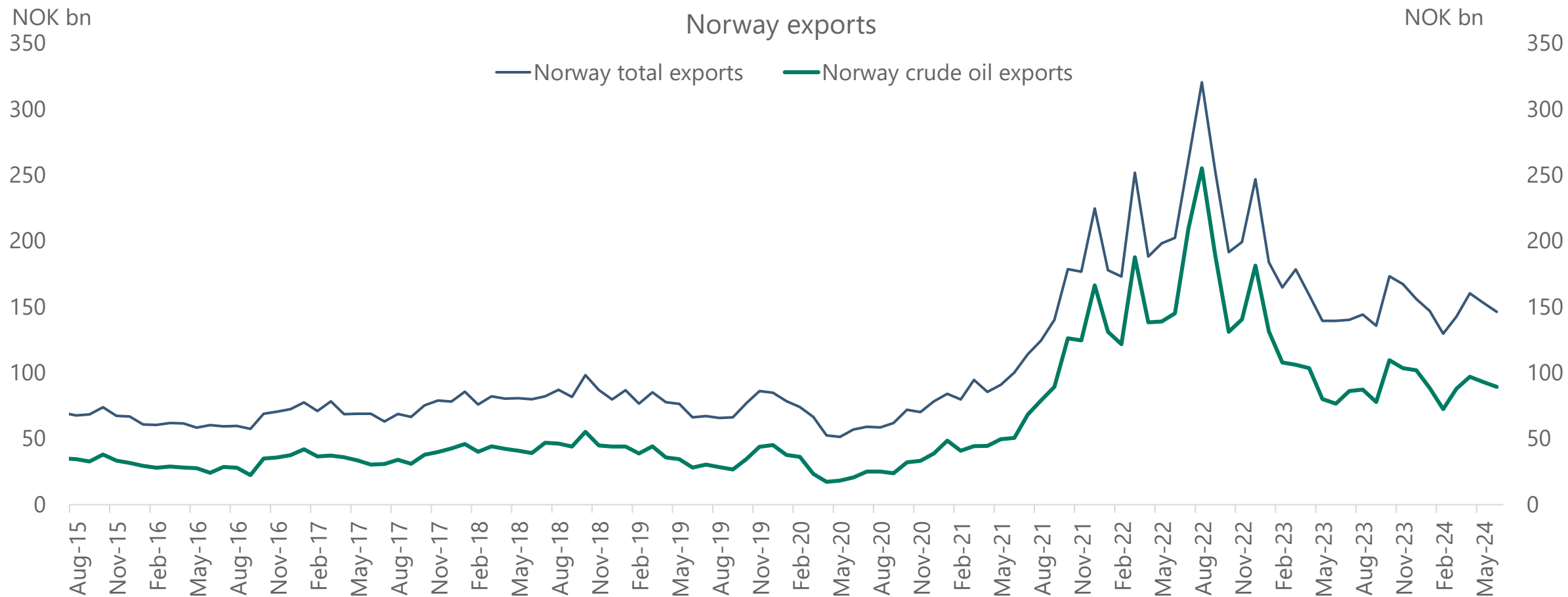
Central bank of Norway net seller of krone



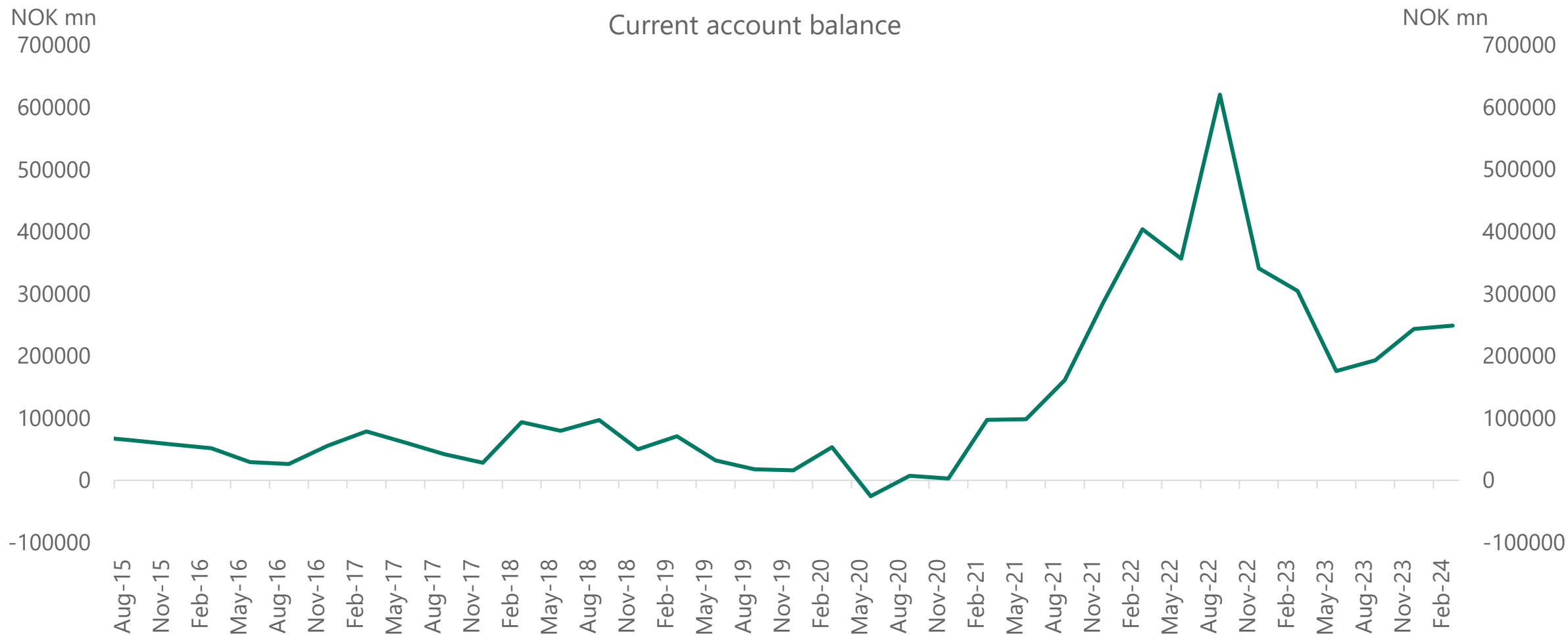
Source: Bloomberg, Apollo Chief Economist

What are the implications
for inflation and exports?

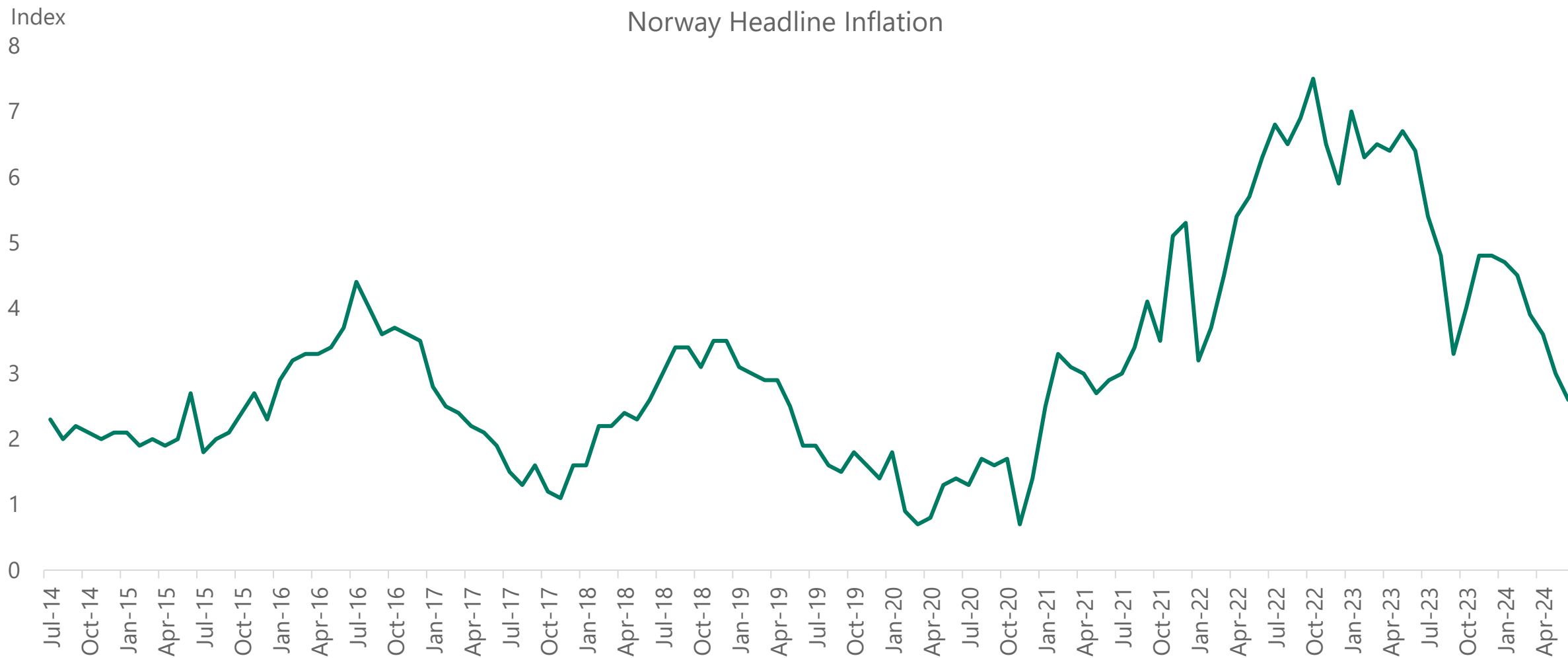
Weaker exchange rate boosts exports



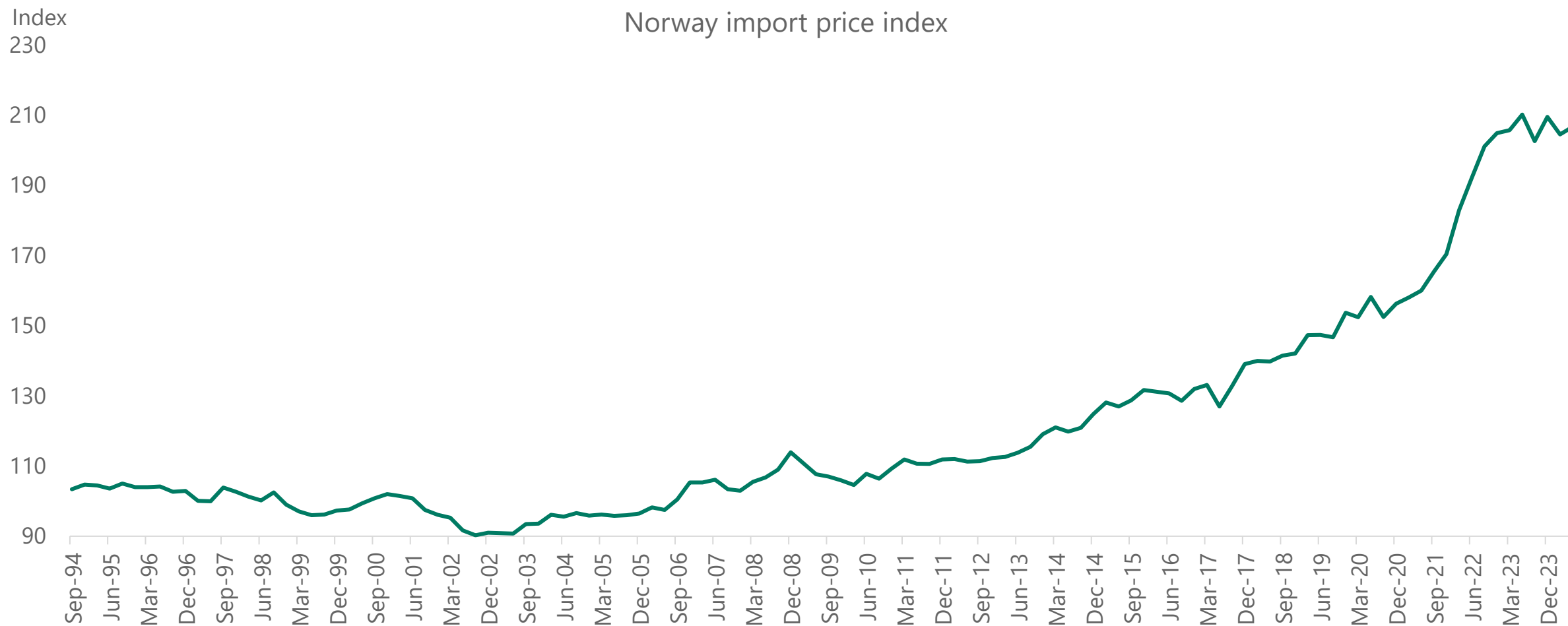
Current account balance has improved



Inflation starting to normalize



Upside risk to inflation due to imported inflation





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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist on the sell-side where his team was top ranked in the annual Institutional Investor survey for a decade. Mr. Slok has also worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and studied at the University of Copenhagen and Princeton University.