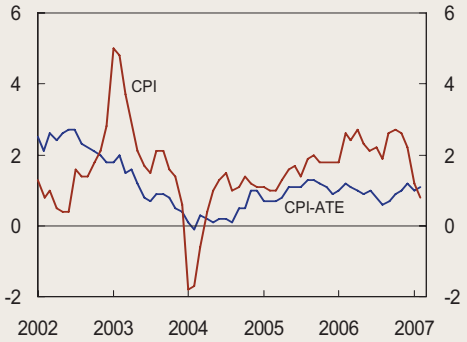
Recent price developments

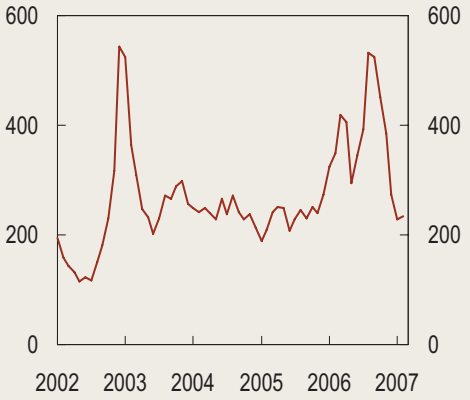
Chart 1 CPI and CPI-ATE[1]. 12-month change. Per cent. Monthly figures. Jan 02 – Feb 07



[1] CPI-ATE: CPI adjusted for tax changes and excluding energy products. A further adjustment is made for the estimated effect of reduced maximum day-care rates in 2006.

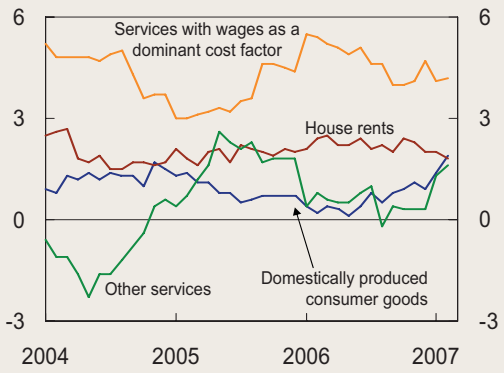
Sources: Statistics Norway and Norges Bank

Chart 2 Electricity prices. Nordpool. NOK/MWh. Monthly figures. Jan 02 – Feb 07



Source: Nordpool

Chart 3 Domestic supplier sectors in the CPI-ATE[1]. 12-month change. Per cent. Monthly figures. Jan 04 – Feb 07



[1] CPI-ATE: CPI adjusted for tax changes and excluding energy products.

Source: Statistics Norway

The 12-month rise in the consumer price index (CPI) was 0.8% in February 2007 (see Chart 1). CPI inflation has been considerably lower than projected in the previous report, primarily reflecting a stronger-than-expected fall in electricity prices (see Chart 2).

Our assessment is that underlying inflation is now in the interval 1 – 1½%. Inflation adjusted for tax changes and excluding energy products (CPI-ATE) was somewhat higher than expected last autumn, but has been broadly in line with projections so far in 2007. The year-on-year rise was 1.1% in February, and has picked up from 0.7% in September. Adjusted for the reduction in day-care rates in January 2006, inflation was 0.7% in September. Inflation measured by a trimmed mean was 1.6% in December, but slowed to 1.2% in January and fell further to 1.1% in February. Inflation measured by a weighted median has varied somewhat in the past six months, however. In October and November 2006, inflation measured by this indicator was 2.3%, while it was 1.7% in January and February this year.

Increasing domestic inflation

After ranging between 1.6% and 1.7% since September 2006, the 12-month rise in prices for domestic goods and services moved up to 2.0% in February. The rise in prices for domestically produced consumer goods has accelerated markedly since September (see Chart 3).

The VAT rate for food was increased from 13% to 14% from December to January. While food prices in the CPI only rose by 0.4% from December to January, the rise was 1.2% from January to February. This may indicate that some grocery chains did not price in the VAT increase for food until February.

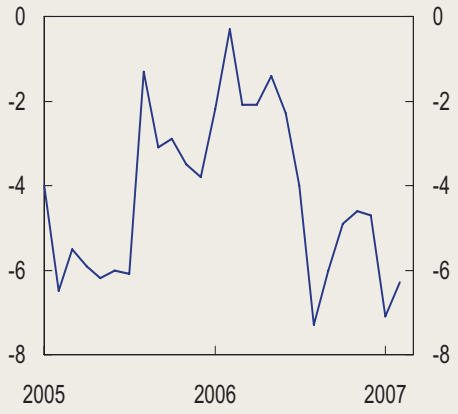
The 12-month rise in prices for services where wages are the dominant cost factor was 4.2% in February. The rise in house rents has varied between 2.0% and 2.5% over the past year, but the annual rate of increase slowed to 1.8% in February. The rise in prices for other services (services with dominant price components other than wages) has increased somewhat so far in 2007. In February, the year-on-year rise was 1.6%. The introduction of lower maximum day-care rates contributed to a lower rise in prices for this group in 2006.

Fall in prices for imported consumer goods

The 12-month rise in prices for imported consumer goods increased sharply in the last months of 2006, but fell markedly in January 2007. Some of the fall from December to January is probably attributable to extraordinary sales activity. In February, prices were 1% lower than in the same period one year earlier. In *Inflation Report* 3/06, the price fall was projected to be somewhat smaller.

Clothing prices rose by 1.5% in February, after falling sharply by 12.0% in the previous month. The fall in these prices in January is the steepest fall ever recorded. According to Statistics Norway, some clothing sales were still recorded in February and clothing prices were then 6.3% lower than the same month one year earlier (see Chart 4). Furniture prices rose by 5.9% in February, after declining by 3.8% in January.

Chart 4 Prices for clothing and footwear. 12-month change. Per cent. Monthly figures. Jan 05 – Feb 07



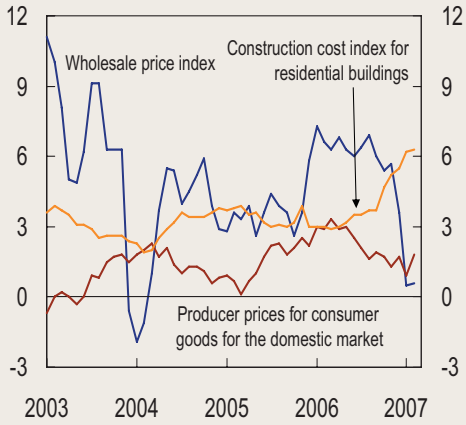
Source: Statistics Norway

Fall in electricity prices

The rise in electricity prices was very high through the first six months of 2006 and peaked in September when electricity prices in the CPI were 48% higher than in the same month one year earlier. Mild weather and high precipitation levels through autumn led to a marked fall in electricity prices. In February 2007, electricity prices were 11.5% lower than one year earlier.

Petrol prices have edged down over the past six months. In February, petrol prices were 0.5% lower than in the same month one year earlier.

Chart 5 Different price indices. 12-month change. Per cent. Monthly figures. Jan 03 – Feb 07



Source: Statistics Norway

Other indicators of inflation

Lower energy prices through autumn 2006 pushed down the rise in both the producer price index and the wholesale price index (see Chart 5). However, the rate of increase in these indices edged up again in February 2007. Since September the annual rate of increase in producer prices for consumer goods slowed from 1.9% to 1.8% in February 2007. The rise in wholesale prices slowed from 6.9% to 0.6% in the same period. The construction cost index for residential buildings increased in the last six months of 2006, and was 6.3% higher in February 2007 than in the same month one year earlier.