⊗NB≫ NORGES BANK



Economic Bulletin





The Economic Bulletin is published quarterly by Norges Bank.

Editor: *Svein Gjedrem* Editorial Officers: *Helle Snellingen and Janet Aagenæs* Coordinator: *Beverley Wahl*

The contents of the *Economic Bulletin* may be quoted or reproduced without further permission. Due acknowledgement is requested, and copies of any offprints would be appreciated. Signed articles do not necessarily reflect the views of Norges Bank.

Communications regarding the *Economic Bulletin* should be addressed to:

Norges Bank Information Department P.O. Box 1179 Sentrum N-0107 Oslo, Norway Telex: 56 71 369 nbank n Fax: +47 22 31 64 10 Telephone: +47 22 31 60 00 E-mail: central.bank@norges-bank.no Internet: http://www.norges-bank.no

Printed at: Reclamo AS, Oslo

ISSN 0029-1676

Standard signs used in the tables:

- . Category not applicable
- .. Data not available
- ... Data not yet available
- Nil
- 0] Less than half the final digit shown
- 0.0

The Norges Bank website (www.norges-bank.no) features the Bank's publications, statistics, announcements, press releases, speeches and other information in Norwegian and English.

Readers may subscribe to the following English-language publications: Annual Report, Economic Bulletin, Financial Stability, Government Petroleum Fund Annual Report, Government Petroleum Fund Quarterly Report, Inflation Report, Occasional Papers, Report on Payment Systems, Reprints and Working Papers. Please send your request by e-mail to posten@norges-bank.no.

Economic Bulletin Volume LXXV

October 2004

No. 3

CONTENTS

Inflation targeting – some theory with main focus on practice Svein Gjedrem, Governor of Norges Bank	90
External price impulses to imported consumer goods Johan Øverseth Røstøen, Economics Department	96
What influences the growth of household debt? Dag Henning Jacobsen, Securities Markets Department, and Bjørn E. Naug, Research Department	103
Net lending of households and non-profit institutions serving households: An analysis of discrepancies between financial and non-financial accounts	
Jon Ivar Røstadsand, Statistics Department	112
New commemorative coins in connection with the centennial celebration 1905 – 2005	119
Statistical annex	120

Inflation targeting - some theory with main focus on practice*

Svein Gjedrem, Governor of Norges Bank.

Norway has had an inflation target for monetary policy since March 2001. This article explains why and how an inflation targeting regime was introduced.

In a number of countries, including Norway, shortterm interest rates are now the lowest for generations. Views on monetary policy in Norway have changed since the last time interest rates were very low, in the postwar period up to the mid-1950s. As part of the measures taken in February 1955, Norges Bank increased the discount rate, which had remained unchanged since the war, from 2.5 per cent to 3.5 per cent. In his annual address, central bank governor Erik Brofoss discussed this change¹:

"In the longer run, the aim must be to bring interest rates down again. The outlook for achieving this is promising. Saving is high and can be supplemented by foreign capital. This provides the basis for a low interest rate if moderation is shown in relation to an expansionary urge."¹

In retrospect, we can safely say that the expansionary urge proved to be too strong. It took 50 years before the interest rate returned to this level, which we now regard as abnormally low.

The prevailing view of monetary policy at that time is probably of more interest. Brofoss said the following:

"Increasing the discount rate will probably be widely regarded as the most important monetary policy measure. The interest rate is, however, a controversial instrument, both in Norway and in other countries. Nonetheless, an increasing number of countries use it. Whether the purported good results can be ascribed solely to interest rate policy is another question. The effects in Norway may differ somewhat from the effects in other countries. Countries with major currencies can influence short-term capital movements via the interest rate. This is only possible to a limited extent in Norway. A substantial share of business investment is self-financed and is not affected by the interest rate. The same applies to shipowners that finance new ships built in other countries with their foreign exchange earnings. As a cost factor, the interest rate will probably curb debtfinanced investment. The question is whether this will eliminate the lowest priority investments. In the long run, we are dependent on long-term investment. Interest rate changes may therefore have adverse effects in Norway that do not occur in other countries."

This stands in contrast to the current view, as expressed by Norges Bank's delegating authority, the Ministry of Finance²:

"The new guidelines for economic policy also imply that monetary policy has been given a clear role in stabilising economic developments. This means that the scope for manoeuvre in monetary policy should be used if the outlook for the economy changes."

In the 1950s and 1960s, a strong belief evolved that the economy could be controlled and steered in the desired direction. This optimistic view gradually lost favour in the face of developments. The way in which economic policy is oriented today reflects the experience gained and the lessons learned in the 1970s and 1980s.³ Economic policy at that time was marked by coordination, control and regulation. Important elements were:

- fiscal policy oriented towards full employment
- credit regulation within limits specified in a separate credit budget
- channelling of loans through the state banks and regulation of capital movements
- low nominal interest rates stipulated by the government authorities
- a fixed, though adjustable, krone exchange rate
- use of price regulation
- an active business policy through state ownership and state grants and subsidies.

The use of price regulation was particular to Norway. The following description is by Petter Jakob Bjerve⁴:

"A characteristic of postwar Norwegian economic policy, compared with policies in other countries in the

^{*} The article is based partly on a speech with the same title given by Mr Gjedrem at the Centre for Monetary Economics/Norwegian School of Management on 8 June 2004. The speech was based partly on the address "Perspectives on the role and effects of monetary policy" to the Holden Committee of Experts assessing the challenges facing the exposed sector, in Oslo on 16 January 2003, and partly on the address "The role of the Central Bank" given at the FAFO Institute for Labour and Social Research and the Norwegian Power and Democracy Project, in Oslo on 6 September 2002.

¹ Jahn, Eriksen and Munthe (1966)

² See Report No. 1 (2003-2004) to the Storting, National Budget for 2004. Ministry of Finance, Oslo.

³ Hermod Skånland is in the process of completing "Doktriner og økonomisk politikk" (Doctrines and economic policy), which provides a very interesting discussion of post-war economic policy.

⁴ Bjerve (1981)

west, is that prices have largely been directly set by the authorities, while wages and other income have been determined by the market and by market organisations. With the high level of employment that the government sought to achieve in the 1970s, inflation was probably lower with price regulation than it would have been without it. Nonetheless, there was repeated evidence that freezing prices without freezing wages could not prevent a fairly sharp rise in prices. In 1978-1979, we witnessed a demonstration of the extent to which the rise in prices can be slowed, at least temporarily, when a price freeze is combined with a wage freeze. But even this combination, which can only be temporary, cannot in the long run prevent a sharp rise in prices if the gap between demand and supply is too wide - as demonstrated by the rise in prices after 1980."

In Norway, the efforts to develop an economy under strong centralised coordination and control culminated in the 1973 proposal⁵ to establish an incomes policy council. According to the proposal, the social partners would undertake a commitment through the council to keep negotiated wage increases within specific limits. It was also stipulated that demand management policy should be included as part of incomes policy.

The proposal to establish an incomes policy council did not receive support. There was ultimately too much control and coordination. Now, only 30 years later, virtually nothing of this system remains. The structure was not solid enough. We know from experience that fiscal policy alone cannot ensure a high level of employment. The structure of the labour market and wage formation are probably of greater importance. The direct regulation of credit, interest rates and capital movements collapsed and was phased out in the 1980s. The krone is floating. Price regulation no longer plays a role as a macroeconomic instrument. The scope of business policy has become more general. State ownership in the Norwegian business sector remains extensive, but ownership management has been reorganised following the negative experience of companies in Kongsberg, Mo i Rana and Syd-Varanger.

The economic policy of the 1970s and 1980s contributed to wide fluctuations in the Norwegian economy. Economic developments were marked by high and variable inflation. Inflation rose gradually and it took a long time before it fell. The absence of a nominal anchor was one of the main reasons behind the pronounced swings in the Norwegian economy. With a policy of low interest rates and devaluations, inflation took root. Nominal interest rates were kept at a low level even though inflation and the value of tax-deductible interest expenses rose. Frequent devaluations from 1976 were unable in the long term to prevent a decline in the manufacturing sector. On the contrary, they proved to be self-reinforcing. The wide fluctuations culminated in a credit boom in the mid-1980s. A pronounced downturn and high unemployment followed at the end of the 1980s.

Three factors have taken on particular importance for economic policy in general, and for monetary policy in particular.

First, economic agents look to the future when they make decisions about consumption and investments, wages and prices, taking account of not only current economic policy, but also economic policy as they expect it to be in the future. This is particularly evident in foreign exchange and financial markets, where exchange rates and interest rates are influenced when participants shift large amounts partly on the basis of their expectations concerning economic policy and economic developments. Financial market expectations concerning economic policy are entirely different today from what they were 20-30 years ago. Behaviour can change from being very rational to herd behaviour. The issues that receive attention, and that govern movements in exchange rates and interest rates, change. It is thus important that the authorities do not sow doubt, but on the contrary act in a predictable manner within a longterm framework. The authorities must be credible and inspire confidence. There must be consistency between the stated objectives of economic policy and what is actually done to achieve them. This is the most important reason why the implementation of monetary policy has been delegated to the central bank in Norway, as has been the case in other comparable countries. In Norway, the responsibility for interest rate decisions was delegated to Norges Bank through the 1985 Norges Bank Act and through the application of the Act in 1986.

Developments in economic theory have also had considerable influence in this context. Seminal studies on economic policy guidelines were conducted by Finn Kydland and Edward Prescott at the end of the 1970s.⁶ These studies are based on the assumption that economic agents do not make systematic errors in their assessments of what the authorities are planning for the future. The insights gained from these studies provide arguments in favour of ensuring the independence of the central bank vis-à-vis the political authorities, and of defining binding monetary policy objectives. Former governor of Norges Bank Hermod Skånland was particularly interested in this issue. Skånland stated the following as early as 1979⁷:

"What the central bank can do, on the other hand, is to use its professional judgment to conduct a policy for demand management that is in line with the more longterm objectives and guiding principles that have been drawn up by the political authorities. This presupposes, however, that the central bank also has the possibility of objecting to requests from the same authorities when their efforts to solve more short-term problems bring them into conflict with more long-term objectives."

⁶ Kydland and Prescott (1977)

⁷ Skånland (1979)

The other lesson drawn from the experience of the 1970s and 1980s was that it was not possible to reduce unemployment in the medium and long term by merely accepting somewhat higher inflation. Faced with the question of whether an increase in inflation from say 10 to 12 per cent was acceptable if stimulating the economy could at the same time reduce unemployment from say 2 to 11/2 per cent, the decision-making authorities would most likely have been inclined to answer yes. Experience showed, however, that this was not an available option. An attempt to increase output beyond the level that is consistent with stable inflation will over time lead to steadily rising inflation. Economic agents will eventually incorporate higher inflation into their inflation expectations. In the long run, the result will only be higher inflation, not higher employment. Output and employment will return to their potential level.

The third factor is the special challenges to stabilisation policy posed by petroleum revenues. Norway's export revenues and government revenues can be expected to be very high as long as production remains high and as long as the global market allows producing countries to extract substantial economic rent. At the same time, we know from experience that revenues may vary sharply from year to year. As a result of the high level of earnings and fluctuations in these revenues, the most important contribution fiscal policy can make to stabilising the Norwegian economy is to provide a sound, long-term strategy for the use of petroleum revenues. Attempts to use the central government budget to finetune economic activity may have a destabilising effect if these attempts are perceived as a breach in the long-term strategy for the phasing in of petroleum revenues. It is necessary to show that fiscal policy is applied symmetrically in periods of economic expansion and contraction.

From the mid-1980s, during and after the credit bubble, it was recognised that a substantial revision of economic policy would be necessary and that the problems created by inflation had to be taken seriously. The exchange rate was chosen as the nominal anchor. Deteriorating competitiveness due to high wage growth would no longer be remedied by means of devaluations. Substantial emphasis was placed on the importance of wage formation for developments in employment. Only when wage growth dropped below the level of our trading partners did unemployment begin to fall and the manufacturing sector began to pick up. Thus, the fixed exchange rate policy was not introduced in order to strengthen the internationally exposed business sector in the short term. On the contrary, it was a breach in the approach whereby monetary policy and "exchange rate policy" had been oriented towards safeguarding these sectors. A fixed exchange rate was an intermediate target for achieving low and stable inflation.

The alternative of inflation targeting was not developed in 1986, and adhering to the fixed exchange rate

⁸ NOU 1988:21

regime was probably the best available option. The report from the publicly appointed Steigum Commission, submitted in 1988, contains a very thorough discussion of the need for a credible long-term policy, but also of the challenges involved in providing the economy with a nominal anchor after such a long period of high inflation⁸:

"Such a consistent exchange rate policy can yield better results in the long run than a strategy that is based on frequent devaluations or downward adjustments of the krone. This applies even if a devaluation, in isolation, has a favourable short-term impact on the real economy. The disadvantage is that devaluations tend to fuel expectations of further devaluations, which makes it difficult to break with this form of policy. As a result, inflation will be higher than in other countries while neither employment nor economic growth will be systematically higher. On the contrary, higher inflation will most likely have considerable negative effects on the real economy, partly because this will amplify the adverse effects of the tax regime.

However, there may be considerable real economic costs associated with the transition to a consistent fixed exchange rate regime. It may take time for devaluation expectations to fade and for wage, price and interest rate developments to adapt fully to the exchange rate regime. The less credible a fixed exchange rate policy is at the outset, the longer it takes for devaluation expectations to fade, and the greater the transitional costs will be in connection with a regime change to a consistent fixed exchange rate policy."

This analysis shows that there was at this time a realistic understanding of the transitional costs associated with bringing down inflation.





As shown in the chart, inflation fell gradually, reaching 2-3 per cent in 1991-1992. If inflation targeting had been an available option in 1986, we might indeed have chosen to aim for just such a gradual fall in inflation.

Economic policy had to be anchored more firmly after 15 years of short-term fine-tuning. We had not established a sufficiently clear institutional framework for a more discretionary monetary policy. We could not then assume that a floating krone exchange rate regime and the exercise of our professional judgment when setting interest rates would inspire confidence.

We had to abandon the fixed exchange rate policy in 1992. An important reason was the weakness inherent in the fixed exchange rate regime in a world with free capital flows and deep financial markets⁹. When the fixed exchange rate policy was formally abolished, the Norwegian economy again risked losing its nominal anchor. The krone exchange rate showed little change to begin with, however, and rapidly found a new range.

The exchange rate remained stable up to autumn 1996, partly because wage growth was low and overall demand did not generate pressures in the economy. Gradually, the krone began to show wider fluctuations. The experience of the last half of the 1990s demonstrated that monetary policy cannot fine-tune the exchange rate. Developments in international financial markets led to more pronounced fluctuations. And more fundamentally, exchange rate developments no longer provided signals to wage formation and fiscal policy when labour market pressures mounted and incomes policy failed. High petroleum revenues, fiscal slippage and expectations of increased use of petroleum revenues contributed to this. Hence, the exchange rate was no longer appropriate as a nominal anchor.

Norges Bank therefore placed increasing emphasis on low and stable inflation. A formal inflation target for monetary policy was introduced in the spring of 2001. The mandate for the conduct of monetary policy is provided for in the Regulation on Monetary Policy, issued by the Ministry of Finance on 29 March 2001. The operational target of monetary policy as defined by the Government is inflation of close to 2.5 per cent over time. The idea of an inflation target for monetary policy was not new. This alternative for Norway was discussed in 1997 at the initiative of Norges Bank¹⁰. Many countries had already gained many years' experience in operating such a system. New Zealand was the first in line towards the end of the 1980s. Canada followed shortly thereafter.

In New Zealand, the switch to inflation targeting was one component of a comprehensive public sector reform aimed at addressing incentive problems associated with economic policy. Canada, which is one of the industrial countries with the most experience of floating exchange rates, had been seeking a nominal anchor for some time. Towards the end of the 1980s, the central bank's communication increasingly emphasised price stability as a monetary policy objective. An inflation target was officially introduced at the initiative of the finance ministry and in a joint statement issued by the central bank and the finance ministry¹¹.

Sweden introduced an inflation target in December 1992, inspired to some extent by the experience of Canada and New Zealand. After the deep economic crisis at the beginning of the 1990s, reverting to a fixed exchange rate policy was no longer deemed realistic. In this context, it must be added that the central bank of Sweden, when it was seeking to motivate and firmly establish inflation targeting during the 1990s, was able to draw on its own experience from the 1930s. Admittedly, Sweden did not have an inflation target but a price target for monetary policy in the period 1931-1937. At that time, the concept was inspired by the work of Knut Wicksell 30 years earlier. As early as in 1898, Wicksell argued that price stability should be the central bank's objective¹².

After the collapse of the ERM in 1992, a gradual shift towards today's system began in the UK, which translated into Chancellor Gordon Brown's decision to transfer the authority to set interest rates from the Chancellor to a monetary policy committee at the Bank of England in 1997.

Inflation targeting is now the norm in small and medium-sized open economies. Denmark is an important exception. Since the mid-1980s, Denmark has conducted a very disciplined fiscal and wage policy. Combined with ERM II membership, this has enabled Denmark to maintain a credible and successful fixed exchange rate regime.

The new monetary policy system that has gained international support has essentially been developed in concert by finance ministries and central banks, and through experience and practical application. Inflation targeting is not a static system, but a system that is challenged by both reality and academia. Subsequent economic literature has followed up where Knut Wicksell left off, and partly supports and partly questions central bank policy.

More recent monetary policy theory is frequently based on a loss function, or a preference function, which includes explicit targets for both inflation and output. Stabilising output is taken into account, thus recognising that monetary policy has an impact on the real economy in the short to medium term. It is the central bank's task to choose an interest rate path that strikes the best possible balance between low and stable inflation and stable developments in the real economy over time.

⁹ For important academic contributions on inherent weaknesses in fixed rate systems, see Krugman, P. (1979) "A Model of Balance of Payments Crises", *Journal of Money Credit and Banking* Vol. 11, pp. 311-325, Krugman, P. (1988): *Exchange rate instability*. MIT Press, Cambridge, MA and Obstfeld, M. (1986): "Rational and Self-fulfilling Balance of Payments Crises", *American Economic Review* Vol. 76, pp. 72-81. For a simplified presentation of Krugman og Obstfeld's works, see De Grauwe, P. (1996): *International Money*, Oxford University Press, Oxford.

¹⁰ Christiansen and Qvigstad (1997)

Ragnar Frisch was pursuing a similar line of thinking. Frisch wanted to construct a quantitative form of a preference function that could be applied in practical policy. Frisch delved into the matter. For example, he devoted considerable time to interviewing politicians to identify the "true" welfare function. His approach involved three phases. As to the first phase, Frisch stated¹³:

"...the econometrician uses his general knowledge of the political atmosphere in the country ... He will then be able to form a temporary perception of the quantitative form of the preference function".

In the next phase, the preferences are identified by means of a system for interviewing politicians:

"This interview system must be designed so that the results, without the politicians necessarily having to understand this, can draw certain conclusions as to the numerical nature of the preference function."

In the third and last phase, the information derived from the interviews is combined with the data on the structure of the economy and the formulated preference function.

"This will yield a solution in the form of an optimal path for economic and social development."

Professor Lars Svensson, one of the most prominent contemporary academics in the field of monetary policy, expresses thoughts similar to those of Frisch. Svensson recommends the following¹⁴:

"..inflation targeting central banks should announce (an) explicit loss function with numerical weights on output-gap stabilization... Simple voting procedures for forming the Monetary Policy Committee's aggregate loss function... are suggested."

A practical approach, which is probably pursued by most central banks, is to produce projections for the economy based on different, possible interest rate paths. Decision-makers can then strike a balance between the various considerations and make decisions based on these projections¹⁵.

Both the formulation of a precise inflation target and the aim of striking a balance between the objectives of stable output and inflation could invite a repeat of earlier attempts at fine-tuning. Here it is important to adhere to the lessons drawn from the 1970s and 1980s, however. The uncertainty underlying the decisions taken must not be underestimated. There is uncertainty as to the current state of the economy, the underlying driving forces and the way the economy functions, including expectations formation and the impact of monetary policy.

Conclusion

Today's monetary policy is based on the experience gained by Norway and other countries, over the past 30 years in particular, and on the results of extensive macroeconomic research. Important lessons are:

- Inflation is a monetary phenomenon. A country with a national currency can choose the level of its own inflation. Inflation in a country is not something that drifts in with the wind from abroad.

- If monetary policy is to function effectively, an institutional framework is required to reinforce confidence that overriding weight is assigned to long-term objectives.

The institutional framework and guidelines for monetary policy in Norway reflect developments in other countries. This is of particular importance for a small country because of the considerable influence international operators have on developments in our country. Rules can anchor expectations, but they must be credible and robust to disturbances to international and domestic economic developments. Inflation targeting is in practice a flexible rule that can stabilise expectations and at the same time provide room for adapting to the abrupt shifts our economy is exposed to.

References

- Berg, Clas and Lars Jonung (1998): "Pioneering Price Level Targeting: the Swedish Experience 1931-37". Conference on Monetary Policy Rules, Stockholm, 12-13 June 1998.
- Bjerve, Petter Jakob (1981): "Kva hendte i Norge i 1970-åra konjunkturpolitisk?" (What happened in Norway in the 1970s in terms of counter-cyclical policy?), *Sosialøkonomen* No. 5, 1981.
- Christiansen, Anne Berit and Jan F. Qvigstad (ed.) (1997): *Choosing a Monetary Policy Target*. Scandinavian University Press, Oslo
- Crow, John (2002): Making Money. An Insider's Perspective on Finance, Politics, and Canada's Central Bank. Wiley, Canada.
- Frisch, Ragnar (1971): "Samarbeid mellom politikere og økonometrikere om formuleringen av politiske preferanser" (Cooperation between politicians and econometricians on the formulation of policy preferences). *Sosialøkonomen* No. 6, 1971

¹³ Frisch (1971)

¹⁴ See Svensson (2003)

¹⁵ For a description of principles for inflation targeting, see Lars Svensson's presentation "What is inflation targeting?" on Norges Bank's website, www.

- Jahn, Gunnar, Alf Eriksen and Preben Munthe (1966): Norges Bank gjennom 150 år (A history of Norges Bank). In Norwegian only. Norges Bank's Printing Works, Oslo.
- Kydland, Finn and Edward Prescott (1977): "Rules Rather Than Discretion: The Inconsistency of Optimal Plans," *Journal of Political Economy* Vol. 85, pp. 473-91.
- Official Norwegian Report (NOU)1973:36 *Om prisproblemene* (On price problems). Ministry of Labour and Government Administration, Oslo.
- Official Norwegian Report (NOU) 1988:21: *Norsk økonomi i forandring* (A changing Norwegian economy). Ministry of Finance, Oslo.

- Skånland, Hermod (1979): "Strategier for 1980-årenes politikk" (Policy strategies for the 1980s), *Sosialøkonomen* No. 10.
- Report No. 1 (2003-2004) to the Storting, *National Budget for 2004*. Ministry of Finance, Oslo.
- Svensson, Lars (2003): "The Inflation Forecast and the Loss Function" in Paul Mizen (ed.), *Central Banking, Monetary Theory and Practice: Essays in Honour of Charles Goodhart*, Edwar Elgar.

External price impulses to imported consumer goods

Johan Øverseth Røstøen, economist, Economics Department¹

The low consumer price inflation in Norway may largely be explained by the sharp fall in prices for imported goods, which is a result of a price fall in other countries and an appreciation of the krone. The increase in prices for different product groups that are among the imported consumer goods has varied considerably, reflecting a shift in import patterns and strong productivity growth for the production of some goods. To capture these factors, we have calculated an alternative indicator for external price impulses to consumer goods, composed of foreign prices for seven product groups. A disaggregated approach of this kind will probably provide a better measure of price impulses than traditional indicators that are based on aggregated indices for export prices or producer prices among trading partners.

Introduction

Inflation is low in Norway and has been considerably below the inflation target of 2½ per cent. The low consumer price inflation may largely be explained by the sharp fall in prices for imported goods which is a result of a price fall in other countries and an appreciation of the krone (see Chart 1). Imported consumer goods have a weight of 28 per cent in the consumer price index adjusted for tax changes and excluding energy products (CPI-ATE). Prices for clothing, footwear and audiovisual equipment have shown the sharpest decline (see Chart 2). These goods account for about 1/3 of imported consumer goods. The fall in prices for the other imported goods in the CPI-ATE has been less pronounced. Car prices, for example, are currently at about the level prevailing in 2002.

Developments in prices for imported goods in Norway's consumer price index are largely determined by exchange rate movements and developments in foreign prices for these goods. Prices for these goods are also influenced by domestic factors such as wage growth and sales margins, shifts in trading patterns and changes in tariff rates. This article discusses how we can measure changes in foreign prices for imported consumer goods. Changes in these prices are referred to as external price impulses to consumer price inflation. A discussion of the traditional indicators for external price impulses follows. These indicators have a number of weaknesses. We then present a new indicator for external price impulses to consumer price inflation. This indicator has been described in a box in *Inflation Report* 1/04.

Traditional indicators

There are no statistics that provide a precise measure of the external price impulses to consumer goods. We have traditionally estimated the externally generated price impulses in the light of developments in commodity prices and aggregate indices for trading partners' consumer prices, export prices and producer prices for manufactured goods. These statistics are readily available and the figures are updated regularly. Over time, there will be a relationship between growth in trading partners'



Chart 2 Prices for some imported consumer goods¹, 12-month rise. Per cent, January 2001 - May 2001



¹ I wish to thank Kåre Hagelund for valuable comments and contributions. Thanks also to other colleagues at Norges Bank.

unit labour costs in manufacturing and their export prices. Unit labour costs may thus also be an indicator of the external price impulses to Norwegian consumer prices. These figures are updated less frequently, however, and it is extremely difficult to ensure that the figures from different countries are comparable.

Aggregate indices will not necessarily capture the external rise in prices for imported consumer goods in Norway. First, a good measure of the rise in prices for imported consumer goods only reflects the rise in prices for the consumer goods that we import. The aggregate indices for trading partners' export and producer prices measure the prices for intermediate goods, capital goods and consumer goods. The indices thus contain a range of products that are not among the imported goods in the Norwegian consumer price index.

Second, foreign consumer and producer prices also include prices for goods that are supplied to the domestic market. These prices will thus be influenced by goods that are not traded internationally. Examples are newspapers and books. International trade of such goods is limited due to language barriers. Price developments for these goods among our trading partners therefore provide little information about foreign price impulses to the Norwegian economy.

Third, the traditional indicators for developments in prices for imported goods in foreign currency do not capture the effects of shifts in imports from high-cost to low-cost countries. The share of imports from low-cost countries² has increased from 5 per cent in 1990 to 13 per cent in 2003. Imports from China accounted for about ¹/₂ per cent of our imports in 1988. In 2002, this share had increased to 5¹/₂ per cent. This has dampened the external price impulses to the Norwegian economy.

External price impulses may also be measured on the basis of Norwegian statistics. External trade statistics include figures for changes in Norwegian import prices.



Import prices refer to actual merchandise imports and reflect any shift in imports from high-cost to low-cost countries. Norway imports consumer goods, capital goods and intermediate goods. Thus, the aggregate import price index will not necessarily reflect the direct impulses to imported consumer goods. In foreign trade, prices are calculated on the basis of imports measured by volume and value. Quality improvements are therefore not taken into account when calculating import prices. This makes it especially difficult to calculate import prices for audiovisual equipment, for example, which has gone down in weight at the same time as technological advances have been considerable. Import prices are measured in NOK and therefore do not directly reflect the externally generated price impulses to the Norwegian economy. They will also include the effects of changes in the krone exchange rate. The pass-through from the exchange rate to import prices is uncertain. partly because foreign exporters may set prices on the basis of the economic and competitive situation in Norway.

The traditional indicators seem to over-estimate the external price impulses to the Norwegian economy. Measured in terms of foreign producer and export prices, the price impulses have been approximately 1 per cent per year in the period 1997-2001. In the same period, prices for imported consumer goods in the CPI-ATE rose by 0.2 per cent per year, while the exchange rate on average remained approximately unchanged. The real external price impulses may have been even less pronounced than indicated by the rise in prices for imported consumer goods in the CPI-ATE. About half of the change in prices for imported consumer goods in the CPI-ATE is determined by domestic conditions such as wages and margins. Domestic wages and prices have generally increased more than prices for imported goods.

An alternative indicator

The increase in prices for different product groups in the imported consumer goods included in the CPI-ATE has varied considerably. Shifts in import patterns or strong productivity growth have had a substantial impact on some product groups. Since price formation seems to vary sharply from one product to another, we have chosen to base our indicator on the change in prices for individual product groups in the respective countries. This ensures that the composition of countries and goods in the index reflects actual imports. A disaggregated approach of this kind probably provides a better measure of the external price impulses than if we had used aggregate indices for export prices or producer prices (see Chart 4). Our work on the indicator has utilised earlier work related to the shift in imports for various goods. As early as 2002, Norges Bank calculated import

² Low-cost countries are defined as Bulgaria, Estonia, Latvia, Lithuania, Slovenia, Turkey, Czech Republic, Bangladesh, Indonesia, India, Iran, Cambodia, Laos, Lebanon, Sri Lanka, Nepal, Malaysia, Philippines, Pakistan, Singapore, Hong Kong, China, South Korea, and Taiwan.

Chart 4 Prices for imported consumer goods in the CPI, producer prices among 25 trading partners and a new index for international price impulses to consumer goods. 1991 Q1 = 100. 1991 Q1 – 2004 Q1



98

prices for clothing in order to explain the developments in clothing prices in Norway.³

The new indicator shows moderate external price impulses to Norwegian consumer goods through the first half of the 1990s, approximately on a par with that shown by traditional indicators for external price impulses (see Chart 5). This indicates that the shift towards low-cost countries was moderate and that the strong productivity growth for the production of some goods had not yet had a substantial impact on international prices. Prices for Norway's imported goods rose from 1995 to 1997. Strong economic growth probably provided considerable opportunities for foreign producers to increase prices in this period.

External price impulses, measured by the alternative indicator, eased in the period 1997 to 2001. In general, inflation was low among trading partners during this period, and the Asian crisis resulted in a decline in prices for a number of our imports. Developments were also influenced by an accelerating decline in prices for audiovisual equipment, reflecting strong productivity growth for the production of these goods. Clothing prices also fell as a result of increased imports from lowcost countries. This must be seen in connection with the dismantling of quota regulations and the reduction in tariff rates following the Uruguay Round in 1995. Compared with the US and the EU, Norway liberalised the trade of such goods relatively quickly. However, the decline in external price impulses moderated in 2001, reflecting higher oil prices and somewhat higher wage growth among trading partners. The shift in clothing imports towards low-cost countries was also modest in 2001. The global downturn led to a sharper fall in foreign prices from 2002. In addition, China's WTO membership from 2001 led to increased imports from China. Chart 5 External price impulses to consumer goods. Four-quarter rise. 1992 Q1 – 2004 Q1



The alternative indicator

The indicator for external price impulses to imported consumer goods has been calculated as a weighted arithmetic average of the rise in prices for clothing, footwear, cars, audiovisual equipment, furniture and white goods, food and other goods (see equation 1 and 2).

- (1) $P^{t} = P^{t-1}(\mathbf{1} + \Delta P^{t})$
- (2) $\Delta P^{t} = \Delta P^{t}_{clothing} \alpha_{clothing} + \Delta P^{t}_{footwear} \alpha_{footwear} + \Delta P^{t}_{cars} \alpha_{cars} + \Delta P^{t}_{audiovisua\,l} \alpha_{audiovisua\,l} + \Delta P^{t}_{F\&W} \alpha_{F\&W} + \Delta P^{t}_{food} \alpha_{food} + \Delta P^{t}_{oher} \alpha_{oher}$
- P^{t} = Index for external price impulses to consumer prices at time t
- ΔP_k^t = Rise in prices among trading partners in each of the *k* subgroups, *k* = 7 (see column 1 in Table 1)
- $\alpha \kappa$ = Weight for subgroup k in the index (see column 2 in Table 1)

The sub-indices have been selected from approximately 20 product groups which are in the Norwegian consumer price index and may be purchased from abroad. Nevertheless, many of these products are for the most part manufactured in Norway. This is the case for beverages, tobacco products, books and newspapers. The weights of the seven sub-indices in the new indicator for external price impulses reflect the product groups' share of imported consumer goods in the CPI-ATE. In some cases, the weights have been adjusted in relation to the proportion of the product group that is imported (see Table 1). Nearly all cars, for example, are imported. The car index's weight in the indicator is therefore comparable to its weight in the CPI-ATE. However, some furniture consumption is covered by Norwegian produc-

³ Høegh-Omdal and Wilhelmsen (2002)

tion. This product group's weight in the new indicator is therefore lower than its weight in the CPI-ATE. The weights are fixed and have been calculated on the basis of 2003 figures.

Table 1. Weights in the indicator for external price impulses to consumer prices (EPC)						
	Weight in CPI-ATE	Weight in EPC				
Audiovisual equipment	3%	11%				
Clothing	6%	21%				
Footwear	1%	4%				
Cars	9%	32%				
Food	11%	9%				
Furniture and white goods	3%	7%				
Other goods		16%				
Total	33%	100%				

Sources: Statistics Norway and Norges Bank

We need the following information about each product group in order to estimate international developments for each product group:

- how much we import from each country, i.e. import weights
- changes in producer prices among individual trading partners
- price level among trading partners

External trade statistics from Statistics Norway provide a good overview of the countries from which we import various products. Annual import weights for each product group are calculated on the basis of these statistics. Import patterns vary considerably from one product group to another. Cars, for example, are only imported from a handful of countries. Clothing and footwear, on the other hand, are imported from a range of countries. A number of these countries, China for example, are not normally defined as traditional trading partners.

Few countries publish producer prices broken down by sub-groups. It has only been possible to use producer prices in calculating the sub-indices for cars and food. We have used alternative price indices for the other product groups as an approximation of producer prices. The indices for audiovisual equipment and furniture and white goods are based on consumer prices for these goods in the countries from which we import the goods. Clothing and footwear are largely imported from lowcost countries with very limited price statistics. Overall consumer price inflation in these countries is therefore used as an approximation of producer prices. For "other goods", which includes a number of smaller product groups, we have set the rise in prices equal to the rise in export prices for goods among traditional trading partners.

Price levels vary considerably in the countries from

which we import goods. When the origin of a large portion of imports shifts from high-cost to low-cost countries, price developments will be affected by the difference in price levels among different trading partners. This price level effect is very small for many goods and may be disregarded. However, for some goods, the effect may be considerable. Therefore, the clothing and footwear index has explicitly taken price level effects into account. We assume that the variation in production prices for other product groups is limited, although price differences have probably also had an effect on audiovisual equipment.

A simple numerical example may show how differences in price levels among trading partners can affect external price impulses. In the case where we only import from two countries, the price level facing Norwegian importers is a weighted average of the price levels among the two trading partners (see equation 3). The change in the price level is designated as the external price impulse (see equation 4). Higher prices in both countries contribute in isolation to pushing up prices for Norway's imported goods. This is seen in the first two expressions on the right-hand side of the equation. In the case where imports shift from high-cost countries (country a) to low-cost countries (country b), the expression in the last term of the equation becomes negative.

$$\overline{P}_{x,t} = P_{x,t}^a b_{x,t}^a + P_{x,t}^b (\mathbf{1} - b_{x,t}^a)$$

4)
$$\Delta \overline{P}_{x,t+1} = b_{x,t}^{a} \Delta P_{x,t+1}^{a} + (1 - b_{x,t}^{a}) \Delta P_{x,t+1}^{b} + \Delta b_{x,t+1}^{a} (P_{x,t+1}^{a} - P_{x,t+1}^{b})$$

 $P_{x,t}$ = Price level for imports of product group x at time t

- $P_{x_{t}}^{y}$ = Price level for product group x in country y at time $t, y \in (a, b)$
- $b_{x,t}^{y}$ = Import share from country y for product group x at time t
- Δ = Change from period *t* to *t*+1

Ideally, price levels should reflect the cost of producing goods in different countries, for example, the wage level adjusted for the productivity level. It is difficult, however, to find comparable statistics for wage and productivity levels in the countries of particular interest, such as China. Therefore, we have based our price level calculations on estimates of purchasing-power-adjusted GDP figures from the World Bank.

Chart 6 shows developments in price levels in the various subgroups. The series have been calculated back to 1991 and are quarterly. It appears that prices for Norwegian imports may generally be divided into two groups. In the one group comprising clothing and audio-visual equipment, prices have fallen substantially. In the other group, the rise in prices has been approximately on



Chart 6 Projected external price movements for some imported consumer goods. Measured in trading partners' currencies. Quarterly figures. 1991 Q1 = 100. 1991 Q1 – 2004 Q1

a par with growth in unit labour costs in manufacturing among our traditional trading partners.

The usual measures for external price impulses develop over time in pace with unit labour costs in manufacturing among our traditional trading partners. Consequently, they do not capture the fall in prices for clothing and footwear that are a result of changes in trading patterns. Nor do the usual indices sufficiently reflect the fall in prices for audiovisual equipment.

Developments in the indices

The fall in prices for clothing in foreign currency is primarily due to the shift in trade from high-cost countries to low-cost countries. International trade agreements have contributed to reducing trade barriers for textiles etc.⁴ Norway was one of the first countries to remove quotas and reduce the general tariff rates on clothing. The last quotas were eliminated in 1998, while the average ordinary tariff rate has been reduced from about 20 per cent in 1994 to 12 per cent in 2004. The elimination of quota restrictions and reduced tariff rates have increased trade with countries outside the OECD area. About 18 per cent of clothing imports came from low-cost countries in 1991.⁵ The corresponding figure in 2003 was 62 per cent. Our calculations show that the price level of Chinese products is less than half the price for the products that they indirectly or directly replace (see Table 2). The shift towards imports from China and other low-cost countries in the last decade has on average reduced the rise in clothing prices by about 3 percentage points per year. However, prices are being pushed up by the rise in prices among some of our trading partners. On the whole, the calculations indicate that import costs for clothing, measured in foreign currency, have fallen on average by 2 per cent per year. For footwear, the shift has been more moderate and the price fall has therefore been less substantial.

Norway	1.0	Greece	0.6
Denmark	1.0	Portugal	0.6
Sweden	1.0	Korea	0.5
UK	0.9	Lithuania	0.4
Finland	0.9	Turkey	0.4
France	0.9	Poland	0.4
Germany	0.9	Estonia	0.3
Hong Kong	0.9	Hungary	0.3
US	0.9	Thailand	0.3
Netherlands	0.8	Indonesia	0.2
Italy	0.8	China	0.2
Austria	0.8	India	0.2
Spain	0.7	Romania	0.2

Sources: World Bank and Norges Bank

The fall in prices for clothing in the CPI-ATE corresponds largely to the calculated fall in prices among foreign producers of such goods (see Chart 7). Both curves show a relatively large shift in prices from 1995, reflecting, among other things, the signing of free-trade agreements with eastern European countries. Clothing prices in Norway have also been affected by reduced tariff rates and changes in the krone exchange rate.

Most countries experienced an accelerating fall in prices for audiovisual equipment in the 1990s. The costs of producing such goods have fallen substantially in the last decade. This may be due to the rapid spread of new production technology as well as strong international competition. Sweden and Germany are major exporters of electronic equipment. Therefore, consumer prices for audiovisual equipment in these countries are probably a good reflection of the costs of producing these goods (see Chart 8). In both countries, prices have been approximately halved in the last decade. Since 1995, prices



Sources: Statistics Norway and Norges Bank

 $^{^4}$ The importance of trade policy to developments in clothing imports is discussed in Melchior (1993).

⁵ Estonia, India, Indonesia, China, South Korea, Lithuania, Poland, Romania, Thailand, Turkey and Hungary.

	Weights	Rise in prices		Weights	Rise in prices
Audiovisual equipment	 Up to end-1994, weights from 1994 are used. Subsequently, the weights are updat- ed annually. 14 largest trading partners. These countries produce about 70 per cent of Norway's audio- visual equipment imports. 	• CPI for audiovisual equipment for all countries except Japan. An average of prices for elec- trical machinery and leisure articles is used as an approximation for Japan.	Food	 An average of the weights in 2002 and 2003 are used for the entire period 12 largest trading partners. These countries produce about 60 per cent of Norway's food imports. 	• Producer prices for food
Clothing	 Annual weights. 25 largest trading partners. These countries produce about 90 per cent of Norway's cloth- ing imports. 	 The overall CPI is used as an approximation of producer prices for clothing The effects of the shift in trade are calculated on the basis of price levels in individual countries. 	Furniture and white goods	 Up to end-1994, weights from 1994 are used. Subsequently, the weights are updat- ed annually. 14 largest trading partners. These countries produce about 80 per cent of Norway's furni- ture and white goods imports. 	CPI for furniture and white goods
Footwear	 Annual weights. 25 largest trading partners. These countries produce about 90 per cent of Norway's footwear imports. 	 The overall CPI is used as an approxi- mation of producer prices for footwear. The effects of the shift in trade are calculated on the basis of price levels in individual coun- tries. 	Other goods	 Weight reflects Norwegian imports of all goods. 2003 weights are used for the entire peri- od. Our 18 largest tra- ditional trading partners 	Rise in export prices 3-quarter moving average
Cars	 Up to end-1994, weights from 1994 are used. Subsequently, the weights are updat- ed annually. 8 largest trading partners. These countries produce about 80 per cent of Norway's car imports. 	• Producer prices for cars			

have fallen nearly 5 per cent annually. This is roughly in line with developments in Norway.

Car production depends on large investments in localised production facilities and high costs in connection with research and development. The car market is therefore characterised by a number of large players that have concentrated their production in a relatively limited number of countries. Because of the monopolistic competition in the car market, manufacturers have generally been able to pass on higher production costs to the consumer in the form of higher retail prices. Therefore, car prices largely follow growth in unit labour costs in the industry. The index rose steadily through the first half of the 1990s. After the Asian crisis, prices fell but have subsequently picked up somewhat. **Chart 8** Audiovisual equipment. Consumer prices in local currencies in Sweden, Germany and among trading partners. Monthly figures. January 1991 = 100. January 1991 - May 2004



Concluding remarks

Imported goods account for 28 per cent of the CPI-ATE. However, consumer prices for imported goods are not only affected by external price impulses. Wage costs, margins and indirect taxes will also have a considerable effect. This means that the real direct external price impulses to the CPI-ATE are considerably less pronounced than implied by the 28 per cent. The domestic component for many goods will be more than 50 per cent.

There is uncertainty associated with the new indicator for external price impulses to Norwegian consumer goods. Technical problems are considerable. Among other things, it is difficult to estimate the exact effect of a shift in imports towards low-cost countries. The estimated price levels among trading partners may be incorrect. The price levels calculated by the World Bank are based on what goods and services consumers can purchase for a given amount in their country's own currency. This does not necessarily correspond to the producer prices for goods that the country exports. Goods manufactured for export are probably more capital-intensive than other goods included in total GDP in low-cost The cost of manufacturing clothing, for countries. example, would be higher than the cost of other production that is included in total GDP. Exporters from lowcost countries may also set prices somewhat lower than their competitors in order to win market shares. The price level for imports from low-cost countries may thus be higher than indicated by calculations based on purchasing-power-adjusted GDP.

On the other hand, the new indicator may overestimate the external price impulses, particularly as consumer prices among trading partners are used for many of the goods. Consumer prices also include a mark-up for wages and other domestic costs in distribution. These costs will generally rise at a faster pace than the purchase prices for the goods traded. Another problem associated with using consumer prices instead of producer prices is that there is a time lag before changes in producer prices feed through to consumer prices. Actual external price impulses to the Norwegian economy may therefore arise before they are registered by the indicator.

Efforts are being made to improve the numerical data used in the indicator. It is desirable to replace consumer prices with producer prices, but at present there are no international databases which adequately split up producer prices by product groups. Price statistics in emerging economies, such as China, are inadequate, but the quality will improve over time. This will also contribute to the development of a more precise indicator for external price impulses.

On the whole, however, it would seem that the index provides a better picture of externally generated impulses to developments in prices for consumer goods in Norway.

References:

- Melchior, A. (1994): "Helping your industry at the greatest cost. The story of Norwegian textile quotas", *NUPI report* no. 171, Norsk Utenrikspolitisk Institutt
- Høegh-Omdal, Kristine and Bjørn Roger Wilhelmsen (2002): "The effects of trade liberalisation on clothing prices and on overall consumer price inflation", *Economic Bulletin* 4/02, pp. 134-139.

World Trade Organisation's website: www.wto.org

What influences the growth of household debt?

Dag Henning Jacobsen, economist in the Securities Markets Department, and Bjørn E. Naug, senior economist in the Research Department¹

Household debt has increased by 10–11 per cent annually since 2000. In the following, the factors underlying the strong growth in debt are analysed using an empirical model. The debt growth of recent years is found to be related to developments in the housing market and to the decline in interest rates since December 2002. As a result of the sharp rise in house prices from 1998 to 2001, debt growth remained at a high level while house prices declined in the latter half of 2002 and into 2003. This reflects that only a small portion of the housing stock changes hands each year. Even if house prices level off following a rise, there will be a long period during which houses change hands at a higher price than the last time they were sold. An increase in house prices will therefore contribute to debt growth for a long time. Households may increase their debt further by raising loans to finance consumption and investment with collateral in the increased value of their dwellings. This type of borrowing has probably increased in recent years.

Introduction

Norges Bank shall promote price stability and financial stability. Monetary policy is oriented towards achieving low and stable inflation, defined as an annual rise in consumer prices of close to 2½ per cent over time. At the same time, monetary policy can affect financial stability, since the interest rate influences private sector debt and prices for houses and securities. Strong growth in debt and in asset prices may result in financial imbalances (Borio and Lowe, 2002). Such imbalances may weaken the stability of the financial sector and result in unstable inflation and employment.

Household debt has increased by 10–11 per cent annually for the past five years. The strong growth in debt is often attributed to rising house prices and high turnover in the housing market. However, debt growth remained above or close to 10 per cent even when house prices declined in the latter half of 2002 and into 2003 (see Chart 1). This indicates that house prices influence debt with a considerable time lag. The fall in interest rates since December 2002 may explain why debt growth accelerated in the second half of 2003 and first quarter of 2004.

The purpose of this article is to shed light on factors that influence the growth of household debt. In particular, we evaluate how debt growth hinges on developments in the housing market. We estimate a model of household debt on quarterly data from 1994 Q1 to 2004 Q1. The model contains effects of house prices, the housing stock, the number of house sales, banks' lending rates, the unemployment rate, total wage income in the economy and the number of students aged 20–24 as a share of the total population. An earlier version of the model was presented in Inflation Report 2/03.

Chart 1 House prices and household gross debt. Percentage change over 4 quarters



Factors that influence household debt

Household debt is determined by demand for loans and banks' lending policy. In this section we discuss (a) the relationship between households' debt and their behaviour in the housing market, (b) demand for loans to finance consumption and investment and (c) banks' behaviour.

The relationship between households' debt and their behaviour in the housing market

Household debt is largely related to the purchase of dwellings. A household buying a dwelling for the first time will normally debt-finance the purchase to a large extent. Established households will also normally increase their borrowing if they purchase a more expensive dwelling than the one they already own. Developments in the housing market are therefore important for debt growth. Since different types of house sales have different effects on gross debt, it is useful to classify these sales. We distinguish between purchases of new homes, first-time purchases and last-time sales of resale homes, and sales of resale homes between households that are neither entering nor leaving the housing market.

Purchase of new homes

If a household raises a loan to buy a new home, it is reasonable to assume that households' total gross debt will increase correspondingly. This is because the seller is not normally another household that can use the sales sum to repay debt. For a given house price level, growth in the housing stock will therefore result in an increase in gross household debt. An increase in prices for new dwellings will further increase this debt.

First-time purchases and last-time sales of resale homes

When a household enters the resale home market, another household will of necessity have to leave it. This household will free up resources. If the withdrawn equity is used for purposes other than repaying debt, total gross household debt will increase if the buyer debtfinances part of the purchase. If some of the withdrawn equity is used to repay debt, the total gross debt will increase if the increase in the buyer's debt is larger than the reduction in the seller's debt. A household that leaves the housing market will normally have entered the market a number of years previously. The residual housing loan will therefore normally be smaller than the loan of the first-time buyer. Hence total gross debt will increase when the house is sold.

What happens to debt if the price of resale homes rises? We consider a first-time buyer who entirely loanfinances the purchase of a resale home. If house prices increase, it will require a larger loan to buy the dwelling than the previous time it was sold. The price increase will therefore contribute to increasing the buyer's debt. The more house prices increase, the more resources a household that leaves the resale home market will free up. However, the household's debt is not affected by the fact that the dwelling has gained in value. The price increase will therefore result in an increase in the gross debt of households as a whole.

Sales between households that neither enter nor leave the resale home market

We consider a situation in which only resale homes are sold, and none of the households either enter or leave the resale home market. Some households wish to purchase a dwelling that is larger (and more expensive) than the one they own. In order for them to be able to do this, other households must want to buy a smaller (and less expensive) dwelling. We consider a situation with constant house prices. Households that purchase a more expensive dwelling, sell their old dwelling and finance the difference by means of a loan. Those buying a less expensive dwelling will free up resources. If the mortgage equity they withdraw is used in its entirety to repay debt, total gross debt will remain unchanged. However, debt will increase if part of the withdrawn equity is spent on consumption.

What happens to debt if house prices increase in this case? Assume that house prices increase by 10 per cent per square metre. If a given extra number of square metres are purchased, the price per dwelling will also increase by 10 per cent. The debt of those loan-financing some of the difference will increase accordingly. Those purchasing a smaller, less expensive dwelling, will free up more resources than before the price increase. Their debt will not be affected, however. The price increase will therefore result in higher gross debt for households as a whole. The less the freed up resources used to repay debt, the greater the increase in gross debt.

The significance of house sales

The examples above show that total debt may increase when houses change hands. This increase in debt will be reversed as the debt is repaid. However, assume that the rate of turnover increases permanently. Then there will always be more persons than previously who have recently taken up loans. Hence the debt level will increase, also in the long term. Adaptation to the new debt level will be relatively slow. Assume that originally 10 resale homes are sold each year, and that one household raises a loan in connection with each sale. Assume further that the number of sales increases to 20 resale homes per year. The number of households that have taken up housing loans in the last 5 years will then increase from 50 to 60 the first year, and from 60 to 70 the following year. After 5 years, 100 households will have taken up housing loans. This is the new "equilibrium" level.

The channels from house prices to debt described above are dependent on dwellings being sold. If turnover increases, the effect of a higher house price will be amplified. It is likely that higher house prices move in tandem with higher turnover: increased demand for dwellings will result in a rise in prices and higher turnover if the supply of resale homes depends positively on the price, which is a reasonable assumption. In periods of low demand and low prices many will wait to sell until prices pick up. Increased turnover may also result in increased borrowing to cover agents' fees, tax on legal documents, redecorating and the purchase of furniture and white goods.

Higher house prices will contribute to debt growth for a long time

Now assume that house prices increase (sharply) and thereafter stabilise at a new level. Some houses are sold during the price rise, and household gross debt therefore increases through the channels described above. After a while prices will stabilise, but for a long time there will be houses that are sold for a higher price than the last time they changed hands. In principle, the rise in prices will contribute to debt growth until the entire housing stock has been sold at the new price level. About 4 per cent of the housing stock changed hands in 2001.² If 4 per cent of the housing stock is sold each year, a price rise today could theoretically contribute to growth in debt for 25 years.

Demand for loans to finance consumption and other investments

Some households take up loans for redecorating and investment in financial assets, to purchase cars and other consumer durables and to purchase houses, cabins and apartments that are not used daily. This demand for loans depends largely on interest expenses, housing wealth, households' income and their assessment of their future capacity to pay off their debt.

Increased income and/or lower interest expenses enable households to service higher debt. Moreover, it will be relatively more attractive to borrow than to save if interest rates fall. Demand for loans will therefore increase. Households' assessment of their future capacity to pay is probably sensitive to changes in the labour market. Higher unemployment may lead to expectations of lower wage growth and greater uncertainty concerning future income. This will curb demand for loans.

A rise in house prices may result in increased demand for loans to fund consumption and other investments via a wealth effect and via a price effect.³ Higher house prices result in increased housing wealth. The expected final wealth (inheritance) will also increase if the price increase is expected to persist. Some households may wish to withdraw some of this gain in the form of increased consumption. They will then either reduce their financial wealth or increase their demand for loans. The price increase may also contribute to reducing the borrowing rate facing households (the price effect). This reflects that (i) housing loans are secured by collateral in the dwelling and (ii) other types of loan have weaker or no collateral - and therefore a higher interest rate. The collateral value of houses increases if banks or other providers of credit expect the price increase to persist. This will increase households' possibility of raising loans secured by collateral in their dwelling, at lower interest rates than rates on other loans. The higher collateral value may also result in a lower interest rate on housing loans.

Since house prices have fallen in periods during the last 20 years, a price increase will not necessarily be perceived as permanent. Banks and households will probably "wait and see" before making any change in their behaviour. This implies that debt is influenced with a time lag when house prices change.

Empirical studies have produced evidence that house prices affect private consumption in Norway.⁴ Persons of a mature age – with low residual housing loans – may have a particular tendency to raise loans to fund consumption and other investments with collateral in (increased) property values. The debt of mature age groups has increased substantially in recent years. Chart 2 indicates that the increase in debt is related to the preceding rise in house prices. The increase in debt may also reflect a shift in household preferences: it may have become more accepted to leave mortgaged dwellings to the next generation. The rise in house prices may have contributed to this by resulting in increased (expected) final wealth for mature households. The increase in housing wealth has reduced the need to save financial wealth for the next generation.

Most students take up student loans. In addition, persons with higher education normally take up higher housing loans than those without higher education (all else being equal). There is therefore reason to believe that gross debt will increase with the share of students in the population. An increase in the share of students will therefore contribute to debt growth for a long period. First, most student loans increase throughout the study period. Second, for a given total population, there will be more new students each year than was the case previously. As



Association of Real Estate Agency Firms (EFF), Finn.no, ECON, Statistics Norway and Norges Bank

² The estimate is based on the sales figures used below and data on the number of occupied homes from the 2001 population and housing census.

³ The significance of these relationships has been discussed extensively in recent years. See for example Debelle (2004) and articles in *The Economist*.

⁴ See Brodin and Nymoen (1992), Eika and Nymoen (1992), Harildstad and Nymoen (1993), Brubakk (1994), Frøiland (1999), Eitrheim, Jansen and Nymoen (2002), Boug, Dyvi, Johansen and Naug (2002, Chapter 5.3) and Erlandsen (2003).

a result, the share of persons with higher education (and student loans) will increase over a period of years. The contribution to debt growth will taper off when this share stabilises (cf. similar reasoning in the section about changed sales above).

Banks' behaviour

Households raise a large proportion of their debt in private banks. Banks' lending policy may therefore be important to debt growth. This policy depends on banks' profitability, on customers' (expected) capacity to pay and on the value of their collateral.⁵ Banks may become more reluctant to extend loans if their profitability deteriorates, if the value of the collateral decreases or if customers (are expected to) become less able to pay off their debt. Some customers may then be rationed or be offered such poor borrowing terms that they do not wish to take up loans (any longer). The supply of loans will therefore depend positively on households' housing wealth and income, including interest income and expenses. As noted above, increased unemployment will give rise to expectations of lower wage growth and increased uncertainty about households' future payment capacity. This will probably reduce the supply of credit to households.⁶ A rise in defaults by both enterprises and households may also cause banks to be more cautious about extending loans to households.

This discussion indicates that the supply of credit will have an independent effect on the demand for dwellings. If this is the case, house prices and household debt should in principle be modelled simultaneously. However, we do not find significant effects of household debt in the house price model presented in Financial Stability 1/04;⁷ banks' behaviour is captured by other variables in the model (house price, interest rate, unemployment, housing stock and wage income). The debt equation below is therefore estimated using the method of ordinary least squares. We test for effects of defaults, however.

A model of household debt

We model households' domestic gross debt as measured by the C2 credit indicator. This debt consists of loans from domestic banks, mortgage companies, finance companies, government lending institutions, life and non-life insurance companies, private and municipal pension funds, the Government Public Service Pension Fund and Norges Bank. Household bond and short-term paper debt raised in the domestic market is also included. The C2 figures for household debt extend back to December 1995. We have extended the time series backwards with growth rates for household gross debt as measured in the RIMINI database (RIMINI is a macroeconomic model developed in Norges Bank). This debt consists of tax debt, foreign debt, debt to non-financial enterprises and debt included in C2 less bond and shortterm paper debt.

We started with a flexible dynamic model that contained effects of house prices, the housing stock, the number of house sales, banks' lending rate after \tan^8 , the unemployment rate, total wage income⁹ in the economy, the number of defaulted loans (for both households and the public in general) and the number of students aged 20–24 as a share of the total population. In addition we included a stochastic trend¹⁰ to capture effects of changed preferences among mature age groups in the estimation period. We then simplified the general model by placing restrictions on the coefficients that were not rejected by the data and that simplified the interpretation of the dynamics.

The number of defaulted loans has a significant negative effect if we start the estimation in the second quarter of 1993 or earlier (we have default figures for the period 1990 Q3 to 2003 Q4). If we instead start the estimation in 1994 Q1 or later, the default variables have an insignificant positive effect. These results indicate that (i) substantial defaulting, among both enterprises and households, contributed to banks' limiting credit growth in the period immediately after the banking crisis at the beginning of the 1990s and (ii) developments in defaulting have not had any major effect on debt growth since 1993, even though the number of defaulted loans has increased in recent years. We therefore choose to start the estimation in 1994 Q1.¹¹

We simplified the trend to a constant without the fit being significantly weakened. In other words, we did not find significant effects due to changed preferences (in the estimation period) beyond those that are captured by variables in the model.¹² The rise in house prices may have changed the preferences of households of mature age in recent years (see section 2).

The preferred model is specified in a separate box.

⁵ See Stiglitz (1992, sections 6.2–6.3) for a theoretical discussion.

12 The same conclusion is reached if we test for such effects using dummy variables.

Economic Bulletin 04 Q3

⁶ Frøyland and Larsen (2002) estimate a model for banks' losses on loans to households. They find that losses increase with debt, the interest rate level and the unemployment rate; increased income and housing wealth result in lower losses.

⁷ The model has been estimated on data from 1990 Q2 to 2004 Q1. Household debt has a significant effect in models of Norwegian house prices that are estimated using data from the 1980s and 1990s (see Eitrheim (1993) and Boug et al. (2002, Chapter 5.5)).

⁸ We also tried to include various measures of the real after-tax interest rate. Equations with constant inflation expectations fitted best. We are therefore omitting inflation expectations from the model (the effects of constant inflation expectations are captured by the intercept).

⁹ Tax-motivated fluctuations in share dividends have had a major effect on the measured developments in household income in recent years. We therefore choose to use wage income instead of disposable income as an explanatory variable.

¹⁰ A stochastic trend is more flexible than a linear (deterministic) trend, and can capture effects of excluded fluctuating variables. The formulation is described in Koopman et al. (2000).

¹¹ We could instead have estimated a model in which the parameters vary from one "regime" to the next. Aron and Muellbauer (2000) estimate such a model for debt growth in South African households.

A model of household debt

$$\Delta debt_t = 1.00 \ \Delta housingstock_t - 0.29 \ \Delta (debt - housingstock)_{t-1} - 0.29 \ \Delta INTEREST_t$$
(2.64)
(5.24)

+ $0.02 \Delta turnover_{t-2}$ + $0.01 (\Delta_4 income_t + \Delta houseprice_t) - 0.03 \Delta unemployment_t$ (3.01) (1.52) (3.89)

 $\begin{array}{c} -0.07 \left[debt - houseprice - housingstock + 1.70 \ INTEREST - 0.17 \ turnover - 0.64 \ studentshare \right]_{t-1} \\ (7.41) \\ \end{array}$

Estimation period: 1994 Q1 – 2004 Q1. $\sigma = 0.0019$, DW = 2.20. Estimation method: Ordinary least squares Absolute *t* values are given in brackets under the estimates. Δ is a difference operator: $\Delta X_t = (X_t - X_{t-1})$, $\Delta_4 X_t = (X_t - X_{t-4})$

The variables and test statistics are defined as (small letters indicate that variables are measured on a logarithmic scale):

debt	=	Households' domestic gross debt (Source: Norges Bank, NB)
housingstock	=	Value of housing stock measured at constant prices (Source: Statistics
		Norway, SN)
INTEREST	=	Banks' average lending rate. (Source: NB)
turnover	=	Number of house sales (Sources: SN and Norwegian Federation of
		Cooperative Housing Associations)
income	=	Total wage income in the economy. Depends on the wage level and
		employment (Source: SN)
houseprice	=	Price index for resale homes (price per m ²) (Sources: NEF, EFF,
		FINN.no, ECON and NB)
unemployment	=	Unemployment rate (Source: The Directorate of Labour)
studentshare	=	No. of students aged 20–24 years as a share of the population. Average
		for 5 quarters (Source: SN)
σ	=	Standard deviation of regression residuals
DW	=	Durbin Watson test statistic

The expression in brackets measures the deviation between debt in the previous quarter and an estimated long-term relationship between debt, house prices, the housing stock, banks' lending rates, house sales and the share of students. The model also contains an intercept and effects of seasonal variation. It has stable coefficients and passes standard tests for autocorrelation, normality and heteroscedasticity. Debt, the interest rate and the housing stock are measured at the end of each quarter. The other variables are measured as a quarterly average. The values of *INTEREST* and *income* for 2004 Q1 are based on estimates from *Inflation Report* 1/04. The model is an error correction model for the logarithm of household gross debt. It contains effects of house prices, the housing stock, turnover, nominal interest rates¹³, unemployment, wage income and the student share as discussed above. Chart 3 shows that the model fits well.

How is debt affected by shifts in the explanatory factors?

The model implies that household gross debt will increase by 1³/₄ per cent through the first year and by 10 per cent in the long term if house prices increase permanently by 10 per cent and the other factors remain unchanged. The results confirm that higher house prices will contribute to debt growth for a long time (see Chart 4). About half of the effect will have materialised after 3¹/₂ years, and 90 per cent after 10 years. After 25 years, household debt will have increased by 9³/₄ per cent.

A 10 per cent increase in the housing stock will also increase debt by 10 per cent in the long term, for a given house price. In keeping with the discussion above, we have stipulated that the long-term effect of a change in the housing stock will be achieved already in the first quarter. This restriction is not rejected by the data. Developments in the housing stock will also affect debt by influencing house prices. The house price model in Financial Stability 1/04 implies that house prices will fall by 17 per cent in the long term if the housing stock will thus result in lower debt in the long term if we take into account that house prices are also affected.

According to the model, debt will increase by 17 per cent in the long term if turnover increases by 10 per cent (turnover increased by 12½ per cent from 2000 to 2003). Adaptation is slow: debt will only have increased by 7 per cent after 2 years and by 10 per cent after 4 years. This slow adaptation is consistent with the discussion in section 2.









The model implies that debt will decline by ½ per cent during the first year and by 1¾ per cent in the long term if banks' lending rates increase by one percentage point and the other variables remain constant. An increase in the interest rate will also affect debt growth via a number of the other variables in the model. The house price equation in Financial Stability 1/04 implies that house prices will fall by 3¼ per cent if the interest rate rises by 1 percentage point and other explanatory factors for house prices remain unchanged.

The analysis indicates that debt will only fall by ¹/₂ per cent in the first two years if the unemployment rate increases from 4 to 5 per cent and the other variables remain constant; the long-term effect is equal to zero. An increase in wage income also has a limited effect on debt for a given house price. Debt growth is nevertheless sensitive to changes in unemployment and wage income, since these variables have a strong influence on house prices (according to the house price equation in Financial Stability 1/04). Household debt increases by 6 per cent if the share of students increases by 10 per cent. Half of the effect will have materialised after 4 years (cf. discussion in section 2).

Decomposition of debt growth

The early 1990s were characterised by a banking crisis, high interest rates and high unemployment. The banks' problems probably contributed to limiting debt growth (see above). Unemployment and interest rates have fallen substantially since the early 1990s, resulting in a sharp rise in house prices (see Chart 1 and the house price equation in Financial Stability 1/04). We find that an increase in house prices will contribute to debt growth for a long period. The growth in debt over the last 10–15 years can therefore be partially viewed as an adjustment from a situation with a banking crisis, high interest rates and high unemployment, to a new situation with relatively low interest rates, relatively low

 13 We exclude the tax deduction for interest on debt, as this is constant throughout the estimation period.

105



unemployment and a smoothly functioning credit market.

Chart 5 decomposes the debt growth of the last two years (up to 2003 Q1) in accordance with the estimated model (see appendix for an account of the method of decomposition). The calculations show that the rise in house prices pushed up four-quarter growth by about 8 percentage points in the period 2002 Q1 to 2003 Q1. This illustrates that a change in house prices affects debt growth with a considerable time lag: although house prices fell during the last part of 2002 and into 2003, debt growth was maintained at a high level by the sharp rise in house prices from 1998 to 2001. The contribution from house prices has declined in the past year as a result of the sluggish price developments in the last part of 2002 and first part of 2003. The increase in house sales contributed positively to debt growth in the period 2002 O1 to 2004 O1.

Developments in interest rate, unemployment, wage income and the housing stock influence debt growth directly and by affecting house prices. Chart 5 shows that new construction has pushed up four-quarter growth by 2 percentage points in the last 2 years, all else being equal. However, new construction may have curbed the rise in house prices by 3-4 percentage points in the same period (see box on house prices in Financial Stability 1/04). The reduction in interest rates since December 2002 has pushed up debt growth by $\frac{1}{2}-1\frac{1}{2}$ percentage points this past year for given house prices. Moreover, the decline in interest rates has contributed to boosting the rise in house prices. These factors in isolation will result in higher debt growth in the years ahead. Increased unemployment in 2002 and 2003 pushed down debt growth by 1/4-1/2 percentage point in the period 2002 Q1 to 2003 Q4. Developments in unemployment made a positive contribution to debt growth in 2004 Q1. However, the rise in unemployment in 2002 and 2003 dampened the rise in house prices. Developments in wage income have primarily influenced debt growth by affecting house prices.

Conclusion

The growth of debt in Norwegian households has been higher than income growth in recent years. The high debt growth is found to be related to developments in the housing market and to the decline in interest rates since December 2002. As a result of the sharp rise in house prices from 1998 to 2001, debt growth remained at a high level while house prices declined in the latter half of 2002 and into 2003. This reflects that only a small portion of the housing stock changes hands each year. Even if prices stabilise following a rise, there will be a long period during which houses change hands at a higher price than the last time they were sold. An increase in house prices will therefore contribute to debt growth for a long time. Household debt may increase further because higher house prices may result in higher final wealth and better borrowing conditions for many households. These households will then have a greater incentive to raise loans secured by collateral in their dwelling to finance consumption and investment. This type of borrowing has probably increased in recent years.

References:

- Aron, Janine and John Muellbauer (2000): "Financial liberalisation, consumption and debt in South Africa". Centre for the Study of African Economies, *Working Paper Series* 132
- Borio, Claudio and Philip Lowe (2002): "Asset prices, financial and monetary stability: exploring the nexus". *BIS Working Paper* no. 114
- Boug, Pål, Yngvar Dyvi, Per R. Johansen and Bjørn E. Naug (2002): "MODAG – en makroøkonomisk modell for norsk økonomi" (MODAG – a macroeconomic model of the Norwegian economy). *Sosiale og* økonomiske studier 108, Statistics Norway
- Brodin. P. Anders and Ragnar Nymoen (1992): "Wealth effects and exogeneity: the Norwegian consumption function". *Oxford Bulletin of Economics and Statistics* 54, pp. 431–454
- Brubakk, Leif (1994): "Estimering av en konsumfunksjon for ikke-varige goder 1968–1991" (Estimating a consumption function for non-durables 1968–1991). *Rapporter* 94/9, Statistics Norway

- Debelle, Guy (2004): "Household debt and the macroeconomy". *BIS Quarterly Review*, March 2004, pp. 51–64
- Eika, Kari H. and Ragnar Nymoen (1992): "Finansiell konsolidering som konjunkturfaktor" (Financial consolidation as a cyclical factor). *Penger og Kreditt* no. 1/1992, pp. 29–38
- Eitrheim, Øyvind, (1993): "En dynamisk modell for boligprisene i RIMINI" (A dynamic model of house prices in RIMINI). *Penger og Kreditt* no. 4/1993, pp. 288–297
- Eitrheim, Øyvind, Eilev S. Jansen and Ragnar Nymoen (2002): "Progress from forecast failure – the Norwegian consumption function". *Econometrics Journal* 5, pp. 40–64
- Erlandsen, Solveig (2003): "Age structure effects and consumption in Norway, 1968(3)–1998(4)". *Working Paper* 2003/1, Norges Bank.
- Frøiland, Gisle (1999): "Økonometrisk modellering av husholdningenes konsum i Norge. Demografi og formueseffekter (Econometric modelling of household consumption in Norway. Demography and wealth effects). *Notater* 1999/86, Statistics Norway

- Frøyland, Espen and Kai Larsen (2002): "How vulnerable are financial institutions to macroeconomic changes? An analysis based on stress testing". *Economic Bulletin* no. 2/2002, pp. 92–97
- Harildstad, Anders and Ragnar Nymoen (1993): "Boligsalg og bilbestand: 1970–1990. En empirisk modell for personbilmarkedet" (House sales and car stocks: 1970–1990. An empirical model for the private car market). Norsk Økonomisk Tidsskrift 107, pp. 23–40
- Hendry, David F. and Jurgen A. Doornik (2001): *Empirical econometric modelling using PcGive 10*. London: Timberlake Consultants
- Koopman, Siem Jan, Andrew C. Harvey, Jurgen A. Doornik and Neil Shepard (2000): *STAMP. Structural Times Series Analyser, Modeller and Predictor*. London: Timberlake Consultants
- Stiglitz, Joseph, E. (1992): "Capital markets and economic fluctuations in capitalist economies". *European Economic Review* 36, pp. 269–306

We consider the following simplification of the model in the article:

(1)
$$y_t = \alpha x_t + \gamma z_t + \beta y_{t-1} + \varepsilon_t, |\beta| < 1.$$

Here y is the logarithm of the debt level; x and z are explanatory variables; α , γ and β are parameters and ε is an error term. The subscripts indicate the period. By backdating the variables and the error term in (1) by one period we get:

(2)
$$y_{t-1} = \alpha x_{t-1} + \gamma z_{t-1} + \beta y_{t-2} + \varepsilon_{t-1}.$$

Equation (2) inserted in equation (1) gives:

(3)
$$y_{t} = \alpha x_{t} + \alpha \beta x_{t-1} + \gamma z_{t} + \gamma \beta z_{t-1} + \beta^{2} y_{t-2} + \beta \varepsilon_{t-1} + \varepsilon_{t}.$$

We get the following expression by continuing the insertion backwards:

(4)
$$y_{t} = \alpha \sum_{i=0}^{\infty} \beta^{i} x_{t-i} + \gamma \sum_{i=0}^{\infty} \beta^{i} z_{t-i} + \sum_{i=0}^{\infty} \beta^{i} \varepsilon_{t-i},$$

where:

$$\alpha \sum_{i=0}^{\infty} \beta^{i} x_{t-i} = \text{total contribution from } x \text{ to } y_{t} \text{ (contributions from } x_{t}, x_{t-1}, \dots, x_{t-\infty})$$

$$\gamma \sum_{i=0}^{\infty} \beta^{i} z_{t-i} = \text{total contribution from } z \text{ to } y_{t} \text{ (contributions from } z_{t}, z_{t-1}, \dots, z_{t-\infty})$$

$$\sum_{i=0}^{\infty} \beta^{i} \varepsilon_{t-i} = \text{total contribution from other (omitted) explanatory factors to } y_{t}$$

Since $\beta < 1$, the contributions from x_{t-i} , z_{t-i} and ε_{t-i} to y_t will decrease gradually when $i \to \infty$.

We use estimates for (α, γ, β) and values of $(x_t, x_{t-1}, ..., x_{t-80})$ and $(z_t, z_{t-1}, ..., z_{t-80})$ to calculate the contributions from *x* and *z* to y_t . Then we decompose debt growth over four quarters by transforming the estimated contributions.

Net lending of households and non-profit institutions serving households: an analysis of discrepancies between financial and non-financial accounts *

Jon Ivar Røstadsand, senior economist in the Statistics Department

Introduction

Monetary and financial stability constitute prime objectives for central banks. Monetary policy decisions are taken on the basis of information concerning developments in a number of economic and financial indicators. It is important that these indicators are reliable at an early stage, i.e. that they have good real-time properties, so that they can provide relevant input for interest rate decisions. Norges Bank releases financial and monetary statistics on a monthly and quarterly basis. These statistics form part of the input upon which the Bank's monetary policy decisions are based¹. Among the statistics are quarterly financial accounts for households and nonprofit institutions serving households (NPISH), which are compiled in the database system FINSE (FINancial SEctor accounts).

In Norway, considerable attention has been paid to the discrepancy between net lending / net borrowing in the financial and non-financial accounts, respectively, which has grown in recent years. There has been an increasing lack of consistency in the derived relationship between the resources generated by disposable income and borrowing on the one hand, and the use of resources on consumption expenditures and the acquisition of non-financial and financial assets on the other. A supply of financial resources that exceeds use may lead to the question: where does the money go?

Transparency is important to enable users to achieve a better knowledge of financial accounts and to facilitate the use of the statistics. This paper is intended to describe the main concepts of the financial accounts compiled in Norges Bank. The discussion is based on the FINSE system and mainly addresses issues linked to the financial accounts for households and NPISH. The purpose of the analysis is to draw attention to the weaker points in the financial accounts with the aim of providing an explanation for the causes of the observed discrepancies between the non-financial and the financial accounts.

1. Institutional arrangement

Statistics Norway (SN) has the overall responsibility for classification, methods and principles in the Norwegian statistical system. SN also compiles and releases statistics on non-financial accounts. Responsibility for financial accounts is shared between SN and Norges Bank (NB). NB has the main responsibility for compiling and releasing statistics on securities market and the financial corporations sector. This also implies compilation of indicators for financial aggregates (money supply and credit supply) and compilation of financial accounts, which takes place in the database system FINSE. NB releases quarterly financial accounts for households and NPISH (i.e. the household sector), while annual financial accounts for all institutional sectors are released when financial accounts data are transmitted to Eurostat. SN is responsible for compiling accounting statistics for insurance enterprises and pension funds and has released a set of annual financial balance sheets for the period 1993 to 1997 (main instruments and main sectors).

2. Framework and observed discrepancies

In the national accounts system we face several identities, which in principle should be fulfilled. In our context this is also the case for the relationship between non-financial and financial accounts. In theory, net lending derived from the non-financial accounts should be identical to net financial transactions² derived from the financial accounts. However, experience shows that significant discrepancies occur for the household sector.

To start with, it is essential to emphasise that discrepancies in data may be ascribed to flaws and shortcomings in both sets of accounts. In both the non-financial and the financial accounts the balancing items are calculated on the basis of large aggregates. Even relatively small errors in these aggregates may result in large fluctuations in balancing items like net lending and net financial transactions. There are also differences in input statistics. Therefore, we are faced with a major challenge with regard to harmonising principles, methodologies and data sources in order to reduce these discrepancies as much as possible. This should, however, enhance user confidence in both sets of accounts.

The tasks of quantifying the financial assets, liabilities and financial transactions of the household sector are particularly demanding, as the data to a large degree come from indirect sources. A very limited portion of

^{*} The article is based on a contribution to Workshop F: Financial accounts: domestic sectors at the Irving Fisher Committee Conference on "Central Bank Issues Regarding National and Financial Accounts" held in Basel, 9-10 September 2004. The main author is Jon Ivar Røstadsand

¹ Real-time properties and the degree of revisions of Norges Bank's statistics were analysed in the Bank's quarterly *Economic Bulletin*, 3/2003.

² We will use the term net financial transactions for the balancing item B9 in financial accounts.



the statistics is based on household surveys appropriate for compilation purposes. The sector's financial accounts are therefore mainly based on data from administrative sources or counterpart sector information. Accounting statistics with reconciled operational accounts and balance sheets, which may be used to check compilation results, do not exist for the household sector.

The relationship between non-financial and financial accounts is illustrated in Chart 1. Both net lending and net financial transactions are calculated as residual items. In non-financial accounts, net lending is calculated as the difference between all income items and all expenditure items including consumption expenditures and the acquisition of non-financial assets.

In the financial accounts, transactions in every financial instrument on the financial balance sheet of the household sector are summarised by net financial transactions. To a large degree, financial accounts are based on statistics on stocks of financial instruments. The most widely used method in FINSE is to quantify financial transactions as residuals, subtracting all other known changes in assets from changes in stocks in the same period. For some financial instruments, directly observed transactions are used in the compilations. In these cases, the consistency between stocks and flows is maintained by the holding gains and losses quantified residually.

Chart 2 shows the discrepancy between non-financial and financial accounts. The chart covers the years 1996 to 2003 and is based on the most recently released statistics. The chart shows that the discrepancy is largest at the beginning and at the end of the eight-year period. For the years 1998 to 2001 the discrepancy is moderate and the general picture is quite consistent. However, the discrepancy widens considerably over the last two years of the period. The recent developments can be explained by high income growth and high growth in indebtedness. Developments in the household sector's consumption expenditures and their acquisition of non-financial and financial assets have not kept pace. The imbalance is shown as a large and growing discrepancy between non-financial and financial accounts.

3. Why do discrepancies occur?

3.1 Cycles of revisions – when do we have final statistics?

Discrepancies in published statistics are often explained by lack of accuracy in the first preliminary versions. This is an important problem, which concerns the assessment of the real-time properties of the statistics. For decision-makers it is a problem if the preliminary general picture changes substantially when final versions of the statistics are released. An essential question is: when can statistics be regarded as final?



The answer to this question will depend, inter alia, on the frequency and the cycles of the revisions. Two types of revisions occur in the statistical system. The first type is the general or main revision. These are exhaustive revisions which take place periodically. In these processes, classifications, the quality and adequacy of the basic data and the methods of compilation are examined. The overall picture can change considerably after this main revision. The second type of revision is what we call current data revisions. These are revisions in time series caused by changes in the input data from indicatorbased statistics and preliminary estimations to final primary statistics.

General revisions of the system

Table 1 gives an overview of the three general revisions of the system which have been made in the last decade. The national accounts have been subjected to two of them and the financial accounts system to one. The table shows that it may take a considerable time before accounts are "final". The final versions of the national accounts, in particular, are available with such a long time lag that they have no direct relevance for current policy decisions at the time of their publication. The results of the revisions may, however, be relevant for a general understanding of economic processes. The revised national accounts form part of the basis for compiling preliminary national accounts statistics and are thus indirectly of significance for the assessment of the prevailing economic situation.

Chart 3 shows the effects of the revisions in 2002 and 2003 on the discrepancies between the non-financial and financial accounts. The discrepancies were substantially reduced during the period. In the first two years covered by the chart, the discrepancy increased somewhat. In 1996 it amounted to 3.3 percent of disposable income. The picture for the remainder of the revision period is substantially improved. The average absolute values of

Chart 3 Households and NPISH. Discrepancies¹ before and after revisions in 2002 and 2003. In billions of NOK (left) and discrepancies as percentage of disposable income (right)



Table 1. General revisions of the statistical system in the last ten years						
Finished	Released time series	Part of the system	Main objective			
June	1988 to 1992	National accounts	Implementation of			
1995		system, Statistics	SNA 93/ESA 95 and			
		Norway	data sources/statis-			
			tics not used as			
			input in old system			
June	1995 to 1999	National accounts	Implementation of			
2002		system, Statistics	new structural			
		Norway	business statistics			
October	1 st quarter 1996 to	Financial balance	Implementation of			
2003	2 nd quarter 2003	sheets and financial	ESA 95 and data			
		accounts, Norges	sources/statistics not			
		Bank	used as input in old			
			system			

the discrepancies, as a percentage of disposable income, decreased from 3.7 per cent to 0.7 per cent a year during the period 1998 to 2001.

The major changes in the general picture after the revisions in 2002 and 2003 are partly attributable to the implementation of new structural business statistics in non-financial accounts. New structural business statistics were established in the 1990s, but in the interests of maintaining long time series³, only development trends from the new statistics were implemented in the nonfinancial accounts during the 1990s (value indices combined with the existing value figures), while the implementation of new nominal value figures was postponed until the 2002 revision. This is of great importance for the discrepancy between the accounts, as the relationship between non-financial and financial accounts is based on differences between macroaggregates in nominal terms (see chapter 2). In the general revision of financial accounts in 2003 the main task was to implement new concepts and classifications and to adjust calculation methods, while the implementation of new statistics was a less central task. However, the incorporation of a new time series for foreign assets made an important improvement in financial accounts for the household sector⁴.

• Data revisions

In the financial accounts, data revisions are made continuously and revised primary statistics are implemented as soon as they are available. The first preliminary figures from the financial accounts for the first three quarters are available three months after the end of a quarter. This work is completed with the publishing of "Household sector, financial accounts". The first fourth quarter figures are available four months after the end of a year, while preliminary annual financial accounts for all institutional sectors are available with a time lag of six months. SN publishes the first preliminary annual data from the national accounts three months after the end of the year.

Both the financial and the non-financial accounts are

³ National accounts place great emphasis on long and consistent time series. Breaks in time series are avoided.

⁴ The results of the revision of the national accounts were presented for the year 1997. Households' final consumption expenditures and acquisition of non-financial assets were adjusted upwards, thereby reducing saving and net lending. Minor adjustments were made to disposable income. The saving rate was adjusted downwards 2.0 percentage points to 2.9 per cent in the revised version of the national accounts.

available in final versions with a time lag of two years. The revisions have been larger in the non-financial accounts than in the financial accounts. This can be explained by the fact that the core statistics in the financial accounts are available in final versions after a short time lag (four months). Experience from the years prior to 2002 and 2003 indicates that the discrepancies were reduced between the preliminary and the final versions of the accounts. After the finalisation of the last two general revisions, the picture has unfortunately deteriorated substantially. The discrepancies in both 2002 and 2003 was large, and in 2003 was as high as 3.7 per cent of disposable income.

3.2 Core statistics

Money and banking and securities market statistics are a central data source for the household financial accounts. These statistics comprise detailed counterpart sector information and cover financial instruments such as deposits, loans, insurance technical reserves, mutual fund shares and marketable instruments such as bonds and shares. The money and banking statistics are released on a monthly basis, while the securities market statistics are released on a quarterly basis. Analyses show that the real-time properties of these statistics are very good (see note 2). Revisions are mainly small and insignificant. Nor is there any indication that the revisions are systematic.

The money and banking statistics cover almost 95 per cent of the value of the household sector's total debt. The good real-time properties of these statistics imply that the debt side of the balance sheet is revised only to a limited extent and that the financial accounts with a short time lag provide a reliable picture of household sector debt. The money and banking and securities market statistics cover 80 per cent of the value of the household sector's financial assets. Revisions in net financial transactions relate almost without exception to the asset side of the balance sheet.

3.3 Harmonised classifications

One of the main tasks of the general revision of financial accounts in 2003 was to implement the ESA classifications of financial instruments and institutional sectors. The sector classification in FINSE following the revision is in line with the official institutional sector classification co-ordinated by SN. In the previous financial accounts system there were borderline problems caused by financial holdings corporations and financial auxiliaries. These sub-sectors were not specified in the old system and assets and liabilities were included in the non-financial sector's financial balance sheets. The implementation of new accounting statistics for these sub-sectors has made it possible to move them to the financial corporation sector. This has also improved the data basis for the financial accounts for the household sector, since the new accounting statistics provide counterpart information, which can be utilised in the compilations.

3.4 Non-harmonised compilation methods

One remaining task is to clear up the discrepancies for the financial corporation sector. The accounting statistics for this important sector are inputs for the compiling of both the non-financial and the financial accounts. The discrepancies are probably caused by non-harmonised compilation methods. Accounting statistics for financial corporations are important sources when the households sector's assets and liabilities are quantified, and nonharmonised compilation methods for these sectors may also cause discrepancies for the household sector. The problem is particularly relevant for the instrument insurance technical reserves and the flows (income and capital) associated with this instrument.

3.5 Lack of information, divergence in timing and valuation

The weakest points in the present system relate to household holdings of unquoted shares and foreign assets. There are few data sources with information on these assets and the compilations are based on weakly founded assumptions.

The main sources of data for quantifying foreign assets are balance of payments (BOP) statistics and tax return accounts statistics. The main data source for BOP is a payment-based international transaction reporting system⁵. Households are in principle included, but cannot be identified and transactions with the rest of world have to be estimated indirectly. The payment-based BOP statistics also deviate from the accrual accounting principle in the national accounts. The tax return accounts statistics provide direct information on households' foreign assets and liabilities. However, problems are linked to underestimated foreign assets as a result of unreported foreign assets and figures at assessment value, which diverge from the recommended market value.

Shares are derived using information from two sources: the Norwegian Business Register, where all shares issued by domestic joint-stock companies are registered, and the Norwegian Central Securities Depository (VPS), which provides data on shares quoted on the Oslo Stock Exchange (OSE) and unquoted shares registered in VPS on a voluntary basis. The VPS register is the source for compilations in the financial accounts of quoted and unquoted shares issued by joint-stock companies registered in VPS.

The VPS register cannot provide any data on the vast

 $^{^{5}}$ This will be changed to a survey-based direct reporting system from 2005 onwards.

majority of unquoted companies. The total holdings by private non-financial corporations and the household sector of shares not registered in the VPS can be estimated as a residual, by combining business register data with data from the VPS register and holdings of shares by other sectors. The residual is split between the two sectors and the estimations are executed in a simple manner; the data are valued in nominal terms and transactions are estimated as changes in stocks by convention.

The data problems associated with unquoted shares and foreign assets cause serious noise in the financial accounts data and place limitations on the utilisation of the data for policy purposes.

4. Experience of recent years

For the past year, the focus of work on the financial accounts has been concentrated on two issues. The first is related to an amendment of fiscal legislation, which consists of a proposed new rule for the taxation of dividends in the hands of shareholders. The other issue is the increased interest in the acquisition of real estate abroad.

4.1 The link between dividends and transactions in unquoted shares

During the four-year period 2000 to 2003, shareholders have withdrawn extraordinary large dividends from their corporations. The change in behaviour has been prompted by the proposed change in dividend taxation. A significant share of dividends is reinvested in corporations as equity and loans to corporations. The purpose is to avoid taxation in the future (i.e. withdrawal of equity is not subject to taxation). These financial resources are assumed not to contribute to consumption demand or acquisition of non-financial assets, but increase the household sector's saving and net lending.

Taxation of dividends in the hands of shareholders was introduced for a short period, from September 2000 to the end of 2001. The change in the tax regime significantly affected dividends received by the household sector. Dividends were sharply reduced in 2001, while dividend payments to shareholders were substantially higher in the years 2000, 2002 and 2003 compared with the previous four-year period from 1996 to 1999.

We have attempted to quantify the extraordinary dividends for the period 2000 to 2003. The estimates are based on the assumed relationship between dividends and annual results for selected joint-stock companies⁶. Results are shown in Chart 4, but must be interpreted with caution. According to the estimates, the household sector received more than NOK 50 billion in extraordinary dividends, which is 40 per cent of total dividends received in the four-year period. Adjusted saving rates – estimated as a percentage of disposable income on the

Chart 4 Households and NPISH. Saving rate (published) and saving rate adjusted for extraordinary dividends. Percentage of disposable income



basis of normal dividends – for the years 2002 and 2003 are 3.5 and 2.5 percentage points, respectively, lower than the official saving rates released by SN (see Chart 4). Tax return accounting statistics indicate that extraordinary dividends are reinvested in corporations⁷. The household sector's financial transactions in unquoted shares and loans to non-financial corporations are therefore adjusted upwards in the same proportion, i.e. 3.5 and 2.5 per cent of disposable income in 2002 and 2003, respectively.

4.2 The household sector's foreign assets

The household sector has changed its net foreign assets position during the last few decades.

Higher income and technological advances have increased both interest in and access to securities markets. Since these markets are to a large degree global markets, the threshold for acquiring foreign securities has been reduced. More frequent travelling abroad has also increased interest in buying real estate in other countries. This has led to the establishment of estate agents who specialise in selling foreign real estate to domestic households. This is part of the background for the initiative taken to improve the compilation of the household sector's foreign assets in connection with NB's general revision, which took place in 2002 and 2003. During the revision a project was launched. The main task was the estimation of a new time series for the household sector's foreign assets.

Chart 5 shows the effect of the revision on net foreign assets. The household sector's net foreign assets have been substantially adjusted upwards for the revision period, especially from the year 1997. Adjustments are due to the incorporation of tax account statistics and improved estimations⁸ of domestic households' acquisition of real estate abroad. Interest in foreign real estate

 7 Observations based on time series covering the period 1998 to 2002 for a sample consisting of 12 800 shareholders, which have been drawn from the tax return accounts statistics.

 $^{^{6}}$ The method is straightforward. Normal dividends are estimated in the same proportion to the companies' annual results as the observed average for the four-year period 1996 to 1999.

⁸ Estimates are made by combining tax return accounts statistics, price information from real estate agents and independent market surveys.



increased in the late 1990s and explains much of the development in net foreign assets shown in Chart 5. Asset transactions with the rest of the world, measured as a percentage of disposable income, were adjusted upwards by about 1 percentage point in the last year of the revision period.

5. Conclusion

The financial account for households and NPISH is regarded as important input to Norges Bank's monetary policy decisions. Our judgment is that the financial accounts provide a reliable description of households and NPISHs financial position and their financial transactions. This view is supported by reliable input statistics with good real-time properties, which cover the main financial instruments on the balance sheet with some few exceptions.

The problems relate to the asset side of the financial balance sheet and the discussion shows that there is still considerable potential for improvements. Financial assets with the weakest information base are unquoted shares and foreign assets. This is due to inadequate primary statistics in both the short- and long-term perspective and may explain much of the discrepancies. Nonharmonised compilation methods in the different parts of the statistical system may also contribute to observed discrepancies for households and NPISH.

However, the increase in the discrepancies in net lending has been considerable in recent years. Major upward revisions of transactions in unquoted shares and foreign assets have not prevented the observed discrepancies between non-financial and financial accounts from reaching historically high levels. This implies that other explanations have to be taken into account. These explanations may be found in the national accounts released by Statistics Norway.

The national accounts serve two main objectives. The system provides statistics on nominal values and growth rates for macroaggregates. However, in the current national accounts attention is paid to the recent economic developments and computation of economic growth trends is given priority at the expense of estimation of nominal values of macroaggregates. This particularly affects areas which are less thoroughly covered by statistics, such as households' and NPISHs' final use of goods and services. Important aggregates, such as household consumption expenditures and acquisition of non-financial assets, have to be compiled in an indirect manner (households and NPISHs are often regarded as the residual sector). Estimating the nominal values of these macroaggregates is particularly challenging. Underestimation of the nominal values of these final use components may be one explanation for the observed discrepancies.9

In attempting to respond to the problems described in the introduction, we would suggest that a major part of the discrepancies in net lending / net borrowing can probably be explained by lack of relevant statistical information on

- foreign assets,
- unquoted shares,
- the nominal value of household consumption expenditures and acquisition of non-financial assets, and by
- · non-harmonized compilations methods.

In our view, discrepancies between non-financial and financial accounts should be published. These discrepancies underline the need for awareness of quality issues in financial accounts for households and NPISHs. In future work, harmonising methods and principles for compiling of the financial corporation sector between non-financial and financial accounts will be an important task. A very important event will be the launch of a shareholder register, which will take place this autumn. The register will provide information on an area currently covered inadequately. Thus, a major objective in the forthcoming work is to renew efforts to reduce observed discrepancies.

References:

- Norges Bank (2003): "The reliability of today's financial macro-indicators". *Economic Bulletin* no. 3/2003
- Carson, Carol S., Sarmad Khawaja and Thomas K. Morrison (2003): "Revisions policy for official statistics: a matter of governance". Paper presented at the 54th Session of the International Statistical Institute, Berlin, Germany. IMF (2003).

⁹ Two factors can be put forward. The first concerns cross-border shopping. Cross-border shopping has grown to high proportions in recent years. The question is whether national accounts manage to incorporate all expenses attached to direct purchases abroad by resident households. The second concerns the extraordinary high dividends paid to households over the last four year period. A fair question is whether some of the dividends are used on the acquisition of valuables, and how this is dealt with in the national accounts.

Eurostat (ESA 1995): European System of Accounts.

UN (SNA 1993): System of National Accounts.

IMF (2000): Monetary and Financial Statistics Manual.

HOUSEHOLDS AND NPISH. National accounts and financial accounts. In billions of NOK

Appendix:

Statistics Norway (2002): "Revised national accounts figures: Stronger growth in the 1990s". *Economic Survey* no 2/2002.

	2001	2002	2003
A. NATIONAL ACCOUNTS			
Disposable income	667	732	764
Adjustment, households pension funds	12	18	17
Final consumption expenditure	651	680	722
Saving	28	69	60
Capital transfers, net	-1	-1	-1
Net acquisition of non-financial assets	29	28	24
Net lending	-2	41	35
FINANCIAL ACCOUNTS			
Financial assets (stocks)	1370	1446	1602
Currency and deposits	481	530	556
Securities other than shares, excluding financial derivatives	22	23	28
Loans	9	16	23
Shares and other equity	152	159	188
Mutual funds shares	77	60	84
Insurance technical reserves	490	506	559
Other assets	140	152	164
Liabilities (stocks)	1011	1104	1214
Securities other than shares, excluding financial derivatives	0.0	0.1	0.2
Loans	934	1026	1137
Other liabilities	78	78	77
Net financial assets	359	342	388
Change in net financial assets	-34	-17	46
Net changes due to holdning gains/losses and oth. change in vol.	-32	-33	40
Net financial transactions	-2	16	7
мемо			
Resources	774	848	889
Disposable income, adjustment pen. funds & cap.transfers net	679	749	781
Net incurrence of liabilities	96	99	108
Uses	774	823	861
Final consumption expenditure	651	680	722
Net acquistion of non-financial assets	29	28	24
Net acquistion of financial assets	93	116	115
Statistical discrepancy (resources minus uses)	0	25	28
Sources: Statistics Norway and Norces Bank			

IMF (2003): Norway: Report on the Observance of Standards and Codes – Data Module; Response by the Authorities; and Detailed Assessment Using Data Quality Assessment Framwork.

New commemorative coins in connection with the centennial celebration 1905 – 2005

On 23 September Norges Bank issued the second coin set in the series of gold and silver coins to mark the centennial of the dissolution of the union between Norway and Sweden in 1905. The company Hundreårsmarkeringen – Norge 2005 AS is responsible for marketing and sales.

In 2005, it has been one hundred years since the dissolution of the union between Norway and Sweden. Pursuant to the Norges Bank Act provisions regarding commemorative coins, Norges Bank is issuing a series of commemorative coins to celebrate the centennial.

The coin series comprises three gold and three silver coins. The coins are being issued in cooperation with Hundreårsmarkeringen – Norge 2005 AS (Norge 2005), which is in charge of the official programme. Norge 2005 is responsible for the marketing and sale of the coins, and has made an agreement with Samlerhuset, which will be in charge of sales. The Official Sales Office for Centennial Coins has been established for the purpose.

The first pair of coins was issued on 27 November 2003 to commemorate the day in 1905 when King Haakon VII took his oath in the Storting. The second pair was issued on 23 September 2004, the day in 1905 when Norway and Sweden came to an agreement in Karlstad regarding a peaceful dissolution of the union.

The last pair will be issued on 7 June 2005, the centennial of the Storting resolution to dissolve the union between Norway and Sweden.

The gold coins have a nominal value of NOK 1 500 and will be minted in an issue limited to 10 000 coins. The silver coins have a nominal value of NOK 100 and will be minted in an issue limited to 65 000 coins. The coins will be struck at Den Kongelige Mynt AS (Royal Norwegian Mint).

The motif on the obverse (front) of the coin has been designed by former coin engraver Øivind Hansen. The motif on the front of the coin is the same for all of the coins and is a triple portrait of Norway's three kings during the period. The motif on the reverse (back) of the gold coins has been designed by sculptor Tomasz B. Ozdowski, while the motif on the reverse of the silver coins has been designed by Danuta Haremska. The motifs on the reverse of the coins depict Norway during a century of change, from an agricultural society to a modern society facing the challenges of a high-tech future.

Coin data:

Gold coin:

Diameter:	27 mm
Weight:	16.96 g
Alloy:	917/1000 Au, remainder Ag, i.e.
	15.55 g fine gold $(1/2 \text{ ounce})$
Edge:	Plain

Silver coin:

Diameter:	39 mm
Weight:	33.8 g
Alloy:	925/1000 Ag (sterling silver) 31.1
	fine silver (1 oz)
Edge:	Plain



Statistical annex

Financial institution balance sheets

- 1. Norges Bank. Balance sheet
- 2. Norges Bank. Specification of international reserves
- 3. State lending institutions. Balance sheet
- 4. Banks. Balance sheet
- 5. Banks. Loans and deposits by sector
- 6. Mortgage companies. Balance sheet
- 7. Finance companies. Balance sheet
- 8. Life insurance companies. Main assets
- 9. Non-life insurance companies. Main assets
- 10a. Securities funds' assets. Market value
- 10b. Securities funds' assets under management by holding sector. Market value

Securities statistics

- Shareholdings registered with the Norwegian Central Securities Depository (VPS), by holding sector. Market value
- 12. Share capital and primary capital certificates registered with the Norwegian Central Securities Depository, by issuing sector. Nominal value
- 13. Net purchases and net sales (-) in the primary and secondary markets of shares registered with the Norwegian Central Securities Depository, by purchasing purchasing, selling and issuing sector. Market value
- Bondholdings in NOK registered with the Norwegian Central Securities Depository, by holding sector. Market value
- Bondholdings in NOK registered with the Norwegian Central Securities Depository, by issuing sector. Nominal value
- 16. Net purchases and net sales (-) in the primary and secondary markets for NOK-denominated bonds registered with the Norwegian Central Securities Depository, by purchasing, selling and issuing sector. Market value
- 17. NOK-denominated short-term paper registered with the Norwegian Central Securities Depository, by holding sector. Market value
- 18. Outstanding short-term paper, by issuing sector. Nominal value

Credit and liquidity trends

- 19. Credit indicator and money supply
- 20. Domestic credit supply to the general public, by source
- 21. Composition of money supply
- 22. Household financial balance. Financial investments and holdings, by financial instrument
- 23. Money market liquidity

Interest rate statistics

- 24. Nominal interest rates for NOK
- 25. Short-term interest rates for key currencies in the Euro-market
- 26. Yields on Norwegian bonds
- 27. Yields on government bonds in key currencies
- 28. Banks. Average interest rates and commissions on utilised loans in NOK to the general public at end of quarter
- 29. Banks. Average interest rates on deposits in NOK from the general public at end of quarter
- 30. Life insurance companies. Average interest rates by type of loan at end of quarter
- 31. Mortgage companies. Average interest rates, incl. commissions on loans to private sector at end of quarter

Profit/loss and capital adequacy data

- 32. Profit/loss and capital adequacy: banks
- 33. Profit/loss and capital adequacy: finance companies
- 34. Profit/loss and capital adequacy: mortgage companies

Exchange rates

- 35. The international value of the krone and exchange rates against selected currencies. Monthly average of representative market rates
- 36. Exchange cross rates. Monthly average of representative exchange rates

Balance of payments

- 37. Balance of payments
- 38. Norway's foreign assets and debt

International capital markets

- 39. Changes in banks' international assets
- 40. Banks' international claims by currency

Foreign currency trading

- 41. Foreign exchange banks. Foreign exchange purchased/sold forward with settlement in NOK
- 42. Foreign exchange banks. Overall foreign currency position
- 43. Norges Bank's foreign currency transactions with various sectors

Norges Bank publishes more detailed statistics on its website, www.norges-bank.no. The Bank's statistics calendar, which shows future publication dates, is only published on this website.

Financial institution balance sheets

Table 1. Norges Bank. Balance sheet. In millions of NOK

FINANCIAL ASSETS Provign sorts 250 971 249 920 278 900 221 TF 275 567 International reserves 230 941 249 892 278 865 291 893 2275 567 Other assets 33 37 35 283 39 Government Petroleum Fund investments 844 587 892 475 942 016 953 981 971 708 Domestic claims and other assets 23 281 23 382 22 492 26 62 22 822 Cans 12 552 594 98 15 508 14 488 8 48 97 Other claims 1901 1775 119 1202 1202 Fixed assets 1969 1245 010 1317 100 1247 38 1245 682 LABILITES AND CAPITAL 1060 53 602 72 809 74 022 58 183 Borpostis 266 506 506 1019 1055 Borrowing 497 76 51 096 70 025 55 125 Borrowing 197 93 226 991 192 33 240 478 93		31.12.2003	31.05.2004	30.06.2004	31.07.2004	31.08.2004
Foreign isosts 250 975 249 920 278 960 921 177 275 567 International reserves 250 941 249 920 278 965 291 993 275 523 Other assets 33 37 35 283 39 Government Petroleum Fund investments 844 587 892 475 942 016 953 981 9717 708 Domestic chains and other assets 39 195 86 093 40 553 39 754 33 928 Socurities 23 281 23 382 22 492 22 636 22 8 62 Chars 12 552 59 498 15 508 14 488 8 497 Other claims 1901 1775 1119 1209 1202 Fixed assets 14 61 14 39 14 448 64 449 TOTAL ASSETS 136 077 170 1 45 602 1019 1055 Derovising 51 963 53 602 72 809 74 022 58 183 Derovising 255 566 586 1019 1055 Derovis	FINANCIAL ASSETS					
Interminant reserves 220 941 249 802 278 865 291 803 275 528 Other assets 33 33 33 283 39 Obmersite claims and other assets 39 195 86 093 40 553 39 754 33 3228 Securities 23 281 23 382 22 192 22 626 22 822 Leans 12 552 594 98 14 488 84 87 Other claims 1901 1775 110 1202 1202 Field asers 1401 1439 1432 1440 64 479 TOTAL ASSETS 1308 907 1245 010 1317 100 1347 358 1345 682 LIBUITES AND CAPITAL Encignitabilities 51 965 566 586 1019 1055 Borrowing 207 52 865 566 586 1019 1055 Borrowing 207 28 88 311 309 304 201 717 1710 1710 Other Inbilities 199 303 200 916 193 353	Foreign assets	250 975	249 929	278 900	292 177	275 567
Other assets 33 37 35 283 99 Government Petroleum Fund investments 844 587 892 475 942 016 953 981 9717 708 Domestic claims and other assets 39 195 86 093 40 553 39 754 33 928 Conservation and the assets 12 252 59 498 15 563 61 448 84 479 Other claims 1 901 1 775 1 119 1 432 1 407 Costs 1 74 151 16 513 55 632 61 446 64 479 TOTAL ASSETS 1 74 151 16 513 55 662 58 68 1 049 1 052 Deposits 256 566 58 68 1 019 1 055 51 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 55 1 52 56 1 53 83 1 019 1 05 33 34 1 97 947 1 700 1 700	International reserves	250 941	249 892	278 865	291 893	275 528
Government Petroleum Fund investments 844 587 892 475 942 016 953 981 971 708 Domestic chims and other assets 33 195 86 693 40 533 39 754 33 282 Loans 12 552 59 498 15 508 114 488 84 97 Other claims 1901 1775 1119 1200 1202 Exel assets 14 61 1439 14.44 64 479 TOTAL ASSETS 1308 907 1245 010 1317 100 1347 358 1345 682 LIMITTES AND CAPITAL 506 566 586 1019 1055 Borrowing 49776 51 096 70 025 70 225 55 125 Other Liabilities 267 288 311 369 344 Counterpart of Spesial Drawing Rights allocation in IMF 1664 1652 1707 1710 1700 Government Veroleum Fund deposits 844 587 892 475 942 016 953 981 971708 Domestic liabilities 123 463 14 533 14 53 13	Other assets	33	37	35	283	39
Domestic claims and other assets 39 195 86 093 44 9533 39 754 33 928 Socurities 23 281 23 382 22 402 22 602 22 822 Cams 12 552 59 498 15 508 11 488 8497 Other claims 1901 1775 1119 1209 1202 Fixed assets 14 61 1439 1149 1432 1440 Costs 174 151 16 513 55 632 61 446 64 479 TOTAL ASSETS 1308 907 1245 010 1317 100 1347 358 1345 682 LABILITIES AND CAPITAL 52 65 56 65 586 1019 1055 Borrowing 49 776 51 096 70 025 70 925 51 52 Other liabilities 207 288 311 350 324 Counterpart of Spesial Drawing Rights allocation in IMF 1664 1652 1707 1710 1700 Domestic liabilities 19193 226 901 193 363 240 478 143 191	Government Petroleum Fund investments	844 587	892 475	942 016	953 981	971 708
Securities 23 281 23 382 22 492 22 626 22 820 Canas 12 2552 59 498 15 508 14 488 8497 Other claims 1 901 1 775 1 119 1 209 1 202 Fixed asets 1 461 1439 1434 1432 1407 Costs 174 151 16 513 55 632 61446 64 479 TOTAL ASSETS 1308 907 1 245 010 1317 100 1347 358 1345 682 LABILITIES AND CAPITAL Foreign liabilities 51 963 53 602 72 809 74 022 58 183 Deposits 256 566 586 1019 1055 Soft 266 1019 1055 Soft 276 51 096 70 205 79 925 55 125 Other liabilities 267 288 311 369 304 Counterpart of Spesial Drawing Rights allocation in IMF 1664 1652 1707 1710 1700 Torout of Spesial Drawing Rights allocation in IMF 1664 1652 1707 1710 1700 Covernment Petroleum Fund deposits 844 587 892 475 942 016 953 981 971708 Domestic liabilities 191 993 236 901 193 363 204 078 197 347 Notes and coins in circulation 46 249 43 162 43 704 43 735 43 191 Other deposits 28 343 11 961 16 527 16 244 778 443 1735 43 191 Notes and coins in circulation 46 239 43 10 22 398 (124 776 116 108 Other deposits 28 343 11 961 16 327 16 324 18 434 Borrowing 8229 8229 40 009 4217 16 5104 103 105 106 104 453 735 Equity 46 213 46 213 46 213 46 213 46 213 44 213 43 483 Valuation adjustments 123 469 9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 088 477 416 TOTA LIABILITIES AND CAPITAL 1308 907 1245 010 1317 100 1347 358 13483 Valuation adjustments 123 469 9 205 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 088 477 416 TOTA LIABILITIES AND CAPITAL 28 13 46 213	Domestic claims and other assets	39 195	86 093	40 553	39 754	33 928
Laans 12 552 59 498 15 508 14 488 8 49 7 Pixed assets 1 461 1 439 1 434 1 432 1 407 Costs 174 151 16 513 55 632 61 446 64 479 TOTAL ASSETS 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 LABILITIES AND CAPITAL E E E E 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 LABILITIES AND CAPITAL E	Securities	23 281	23 382	22 492	22 626	22 822
Other claims 1 901 1 775 1 119 1 209 1 209 Fixed assets 1 461 1 439 1 432 1 407 Costs 174 151 16 513 55 632 61 446 64 479 TOTAL ASSETS 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 LIABILITIES AND CAPITAL Energin liabilities 256 536 02 72 809 74 022 58 183 Deposits 2506 70 005 70 205 70 225 53 125 Other liabilities 267 288 311 369 304 Couterpart of Spesial Drawing Rights allocation in IMF 1 664 1 6527 1 707 1 710 1 700 Government Petroleum Fund deposits 844 587 892 475 942 016 953 981 971 708 Domestic liabilities 191 993 236 901 193 363 204 078 197 347 Notes and coins in circulation 46 249 43 162 44 3 704 43 234 43 194 Other deposits 28 343 11 96	Loans	12 552	59 498	15 508	14 488	8 497
Fixed assets 1 461 1 439 1 434 1 432 1 407 Costs 174 151 10 513 55 632 61 446 64 479 TOTAL ASSETS 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 LIABILITTES AND CAPITAL 51 963 53 602 72 809 74 022 55 183 Derogin liabilities 256 566 586 1 019 1 055 Borrowing 49 776 51 096 70 205 70 925 55 1 25 Other liabilities 267 288 311 369 304 Counterpart of Spesial Drawing Rights allocation in IMF 1 664 1 652 1 707 1 710 1 700 Most and consin circutation 46 249 43 162 43 704 43 735 43 191 Totes and consin circutation 46 213 46 213 46 213 46 213 46 213 44 6 213 44 6 213 44 6 213 44 6 213 44 6 213 44 6 213 44 6 213 44 6 213 44 6 213 44 6 213 44 6 213 44 6 213 44 2 13 44 2 13 44 2 14 97 55 5 275 <	Other claims	1 901	1 775	1 119	1 209	1 202
Costs 174 151 16 513 55 632 61 446 64 479 TOTAL ASSETS 1308 907 1245 010 1317 100 1347 358 1345 682 LIABILITIES AND CAPITAL 51 963 53 602 72 809 74 022 58 183 Deposits 256 556 510 96 70 205 70 925 55 125 Ornering liabilities 267 288 311 369 304 Counterpart of Spesial Drawing Rights allocation in IMF 1664 1652 1707 1710 1700 Government Petroleum Fund deposits 844 587 892 475 942 016 953 981 971 708 Domestic liabilities 191 993 236 901 193 363 204 078 197 347 Notes and coins in circulation 46 249 43 162 43 704 43 735 43 191 Other deposits 28 343 119 61 16 327 16 324 18 93 Other deposits 28 343 13 961 16 327 16 324 44 6213 Other deposits 23 469	Fixed assets	1 461	1 439	1 434	1 432	1 407
TOTAL ASSETS 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 LIABILITIES AND CAPITAL 51 963 53 602 72 809 74 022 58 183 Deposits 256 566 586 1019 1055 Borrowing 49 776 51 096 70 025 70 925 55 125 Other liabilities 267 288 311 369 304 Counterpart of Spesial Drawing Rights allocation in IMF 1664 1652 1707 1710 1700 Government Petroleum Fund deposits 844 587 892 475 942 016 953 981 971 708 Treasury 108 586 172 810 123 363 204 078 197 347 Notes and coins in circulation 46 243 43 162 43 704 43 735 43 191 Other deposits 28 343 11 961 16 327 16 324 18 434 Borrowing 8 229 8 229 4 009 4 217 4 661 Other deposits 28 143 16 321 46 213	Costs	174 151	16 513	55 632	61 446	64 479
LABILITIES AND CAPITAL Foreign liabilities 51 963 53 602 72 809 74 022 58 183 Deposits 265 566 586 1 019 1 055 Borrowing 49 776 51 096 70 205 70 205 55 125 Other liabilities 267 288 311 369 304 Counterpart of Spesial Drawing Rights allocation in IMF 1 664 1 652 1 707 1 710 1 700 Government Petroleum Fund deposits 844 587 892 475 942 016 953 981 971 708 Domestic liabilities 191 993 326 901 193 363 204 078 197 347 Notes and coins in circulation 46 249 43 162 43 704 43 735 43 191 Treasury 108 586 72 810 125 736 124 776 116 108 Other deposits 283 43 11061 16 327 16 324 18 434 Borrowing 8 229 8 229 4 009 4 217 4 6611 Other debt 586 739 3927 15026 14 953 Equity	TOTAL ASSETS	1 308 907	1 245 010	1 317 100	1 347 358	1 345 682
Foreign labilities 51 963 53 602 72 809 74 022 58 183 Deposits 256 566 586 1 019 1 055 Borrowing 267 288 311 369 304 Counterpart of Spesial Drawing Rights allocation in IMF 1 664 1 652 1 707 1 710 1 700 Government Petroleum Fund deposits 844 587 892 475 942 016 953 981 971 708 Domestic Biblities 191 993 236 901 193 363 204 078 197 347 Notes and coins in circulation 106 586 172 810 123 396 124 776 116 108 Other deposits 28 343 11961 16 327 16 324 18 434 Borrowing 8 229 8 229 4 009 4 217 4 661 Other debt 586 739 3927 15026 14 953 Equity 46 213 46 213 46 213 43 483 Valuation adjustments 123 469 -9 295 31 892 27 025 27 5	LIABILITIES AND CAPITAL					
Deposits 256 556 586 1019 1055 Borrowing 49 776 51 096 70 205 70 925 55 125 Other Habilities 267 288 311 369 304 Counterpart of Spesial Drawing Rights allocation in IMF 1 664 1 652 1 707 1 710 1 700 Government Petroleum Fund deposits 844 587 892 475 942 016 953 981 971 708 Domestic Habilities 191 993 236 901 193 363 204 078 197 347 Notes and coins in circulation 46 249 43 162 43 704 43 735 43 191 Treasury 108 586 172 810 125 396 124 776 116 108 Other deposits 28 343 11 961 16 327 16 324 18 434 Borrowing 8 229 8 209 4009 4 217 4 66 213 Valuation adjustments 123 469 -9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 038 47 416 Other deposits 1 318 997 1 245 010 </td <td>Foreign liabilities</td> <td>51 963</td> <td>53 602</td> <td>72 809</td> <td>74 022</td> <td>58 183</td>	Foreign liabilities	51 963	53 602	72 809	74 022	58 183
Borrowing 49 776 51 096 70 205 70 925 55 125 Other liabilities 267 288 311 369 304 Counterpart of Spesial Drawing Rights allocation in IMF 1664 1652 1707 1710 1700 Government Petroleum Fund deposits 844 587 892 475 942 016 953 981 971 708 Domestic liabilities 191 993 236 901 193 363 204 078 197 347 Notes and coins in circulation 46 249 43 162 43 704 43 735 43 191 Treasury 108 586 172 810 125 396 124 776 116 108 Other deposits 28 343 11 961 16 327 16 324 18 43 44 Borrowing 8 229 8 229 4 009 4 217 4 661 Other debt 5 86 7 39 3927 15026 14 953 Equity 46 213 46 213 46 213 46 213 46 213 46 213 46 213 46 213 46 213 46 213 46	Deposits	256	566	586	1 019	1 055
Other liabilities 267 288 311 369 304 Counterpart of Spesial Drawing Rights allocation in IMF 1664 1652 1707 1710 1700 Government Petroleum Fund deposits 844 587 892 475 942 016 953 981 971 708 Domestic liabilities 191 993 236 901 193 363 204 078 197 347 Notes and coins in circulation 46 249 43 162 43 704 43 735 43 191 Treasury 108 586 172 810 125 396 124 776 116 108 Other deposits 28 343 11 961 16 327 16 324 18 434 Borrowing 8 229 8 229 4 009 4 217 4 661 Other debt 586 739 3927 15026 14 953 Equity 46 213 46 213 46 213 46 213 46 213 46 213 46 213 46 213 46 213 46 213 46 203 47 416 TOTAL LIABILITIES AND CAPITAL 1308 907 1245 010 1317 10	Borrowing	49 776	51 096	70 205	70 925	55 125
Counterpart of Spesial Drawing Rights allocation in IMF 1 664 1 652 1 707 1 710 1 700 Government Petroleum Fund deposits 844 587 892 475 942 016 953 981 971 708 Domestic liabilities 191 993 236 901 193 363 204 078 197 347 Notes and coins in circulation 46 249 43 162 43 704 43 735 43 191 Treasury 108 586 172 810 125 396 124 776 116 108 Other deposits 28 343 11 961 16 327 16 324 18 434 Borrowing 8 229 8 229 40 09 4 217 4 661 Other debt 586 739 3927 15026 14 953 Equity 46 213 46 213 46 213 46 213 43 483 Valuation adjustments 123 469 -9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 038 47 416 Otted: unpaid shares in the BIS 275 275	Other liabilities	267	288	311	369	304
Government Petroleum Fund deposits 844 587 892 475 942 016 953 981 971 708 Domestic liabilities 191 993 236 901 193 363 204 078 197 347 Notes and coins in circulation 46 249 43 162 43 704 43 735 43 191 Treasury 108 586 172 810 125 396 124 776 116 108 Other deposits 28 343 11 961 16 327 16 324 18 434 Borrowing 8 229 8 229 4000 4 217 4 661 Other debt 586 739 3927 15026 14 953 Equity 46 213 46 213 46 213 46 213 46 213 46 213 44 583 Valuation adjustments 123 469 -9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 038 47 416 Other depositis and forward exchange contracts sold 53 004 114 962 111 172 114 576 06 400 Derivatives and forward exchange co	Counterpart of Spesial Drawing Rights allocation in IMF	1 664	1 652	1 707	1 710	1 700
Domestic liabilities 191 993 236 901 193 363 204 078 197 347 Notes and coins in circulation 46 249 43 162 43 704 43 735 43 161 Treasury 108 586 172 810 125 396 124 776 116 108 Other deposits 28 343 11 1961 16 327 16 324 18 434 Borrowing 8 229 8 229 4 009 4 217 4 661 Other debt 586 739 3927 15026 14 953 Equity 46 213 46 213 46 213 46 213 43 433 Valuation adjustments 123 469 -9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 038 47 416 TOTAL LIABILITIES AND CAPITAL 1308 907 1245 010 1317 100 1347 358 1345 682 Commitments 1 275 275 275 275 275 275 100 589 Derivatives and forward exchange contracts sold 53 004 <td>Government Petroleum Fund deposits</td> <td>844 587</td> <td>892 475</td> <td>942 016</td> <td>953 981</td> <td>971 708</td>	Government Petroleum Fund deposits	844 587	892 475	942 016	953 981	971 708
Notes and coins in circulation 46 249 43 162 43 704 43 735 43 191 Treasury 108 586 172 810 125 396 124 776 116 108 Other deposits 28 343 11 961 16 327 16 324 18 434 Borrowing 8 229 8 229 4 009 4 217 4 661 Other debt 586 739 3927 15026 14 953 Equity 46 213 46 213 46 213 46 213 43 735 43 483 Valuation adjustments 123 469 -9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 038 47 416 TOTAL LIABILITIES AND CAPITAL 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 Commitments 275	Domestic liabilities	191 993	236 901	193 363	204 078	197 347
Treasury 108 586 172 810 125 396 124 776 116 108 Other deposits 28 343 11 961 16 327 16 324 18 434 Borrowing 8 229 8 229 4 009 4 217 4 661 Other debt 586 739 3927 105 324 14 953 Equity 46 213 46 213 46 213 46 213 46 213 46 213 43 483 Valuation adjustments 123 469 -9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 038 47 416 TOTAL LIABILITIES AND CAPITAL 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 Commitments 275 275 275 275 275 106 400 Derivatives and forward exchange contracts sold 53 004 114 962 111 712 114 276 96 400 Derivatives and forward exchange contracts sold 236 920 551 139 525 164 504 782 483 176 Derivatives and forward exchange contracts sold 236 920 551 139 525 164 504 782 <td>Notes and coins in circulation</td> <td>46 249</td> <td>43 162</td> <td>43 704</td> <td>43 735</td> <td>43 191</td>	Notes and coins in circulation	46 249	43 162	43 704	43 735	43 191
Other deposits 28 343 11 961 16 327 16 324 18 434 Borrowing 8 229 8 229 4 009 4 217 4 661 Other debt 586 739 3927 15026 14 953 Equity 46 213 46 213 46 213 46 213 46 213 43 483 Valuation adjustments 123 469 -9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 038 47 416 TOTAL LIABILITIES AND CAPITAL 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 Commitments Allotted, unpaid shares in the BIS 275 275 275 275 275 100 589 Derivatives and forward exchange contracts sold 53 004 114 962 111 712 114 276 96 400 Derivatives and forward exchange contracts sold 236 920 551 139 525 164 504 782 483 176 Derivatives and forward exchange contracts purchased 248 582 553 548 511 711 503 429 495 561 Rights ¹⁾ International reserves: Interna	Treasury	108 586	172 810	125 396	124 776	116 108
Borrowing Other debt 8 229 586 8 229 739 8 229 3927 4 009 15026 4 217 14 953 Equity 46 213 46 213 46 213 43 483 Valuation adjustments 123 469 -9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 038 47 416 TOTAL LIABILITIES AND CAPITAL 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 Commitments Allotted, unpaid shares in the BIS 275 275 275 275 275 International reserves Derivatives and forward exchange contracts sold 53 004 114 962 111 712 114 276 96 400 Derivatives and forward exchange contracts purchased 55 485 109 807 105 385 114 659 100 589 Government Petroleum Fund Derivatives and forward exchange contracts purchased 236 920 551 139 525 164 504 782 483 176 Derivatives and forward exchange contracts purchased 248 582 553 548 511 711 <td>Other deposits</td> <td>28 343</td> <td>11 961</td> <td>16 327</td> <td>16 324</td> <td>18 434</td>	Other deposits	28 343	11 961	16 327	16 324	18 434
Other debt 586 739 3927 15026 14 953 Equity 46 213 46 213 46 213 46 213 46 213 43 483 Valuation adjustments 123 469 -9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 038 47 416 TOTAL LIABILITIES AND CAPITAL 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 Commitments 275 275 275 275 275 275 275 International reserves 200 807 104 962 111 712 114 276 96 400 050 682 051 139 525 164 504 782 483 176 050 689 000 589 000 589 000 589 000 589 000 589 000 589 000 589 000 589 000 589 03 429 495 561 Derivatives and forward exchange contracts sold 236 920 551 139 525 164 504 782 483 176 000 589 6000 Derivatives and forward exchange contracts purchased 248 582	Borrowing	8 229	8 229	4 009	4 217	4 661
Equity 46 213 46 213 46 213 46 213 46 213 46 213 43 483 Valuation adjustments 123 469 -9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 038 47 416 TOTAL LIABILITIES AND CAPITAL 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 Commitments	Other debt	586	739	3927	15026	14 953
Valuation adjustments 123 469 -9 295 31 892 27 025 27 544 Income 50 682 25 115 30 807 42 038 47 416 TOTAL LIABILITIES AND CAPITAL 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 Commitments 275 275 275 275 275 275 275 International reserves 200 807 104 962 111 712 114 276 96 400 96 400 98 7 105 385 114 659 100 589 600 807 105 385 114 659 100 589 600 807 105 385 114 659 100 589 600 807 105 385 114 659 100 589 600 807 105 385 114 659 100 589 600 807 105 3429 495 561 Derivatives and forward exchange contracts sold 236 920 551 139 525 164 504 782 483 176 688 Derivatives and forward exchange contracts purchased 248 582 553 548 511 711 503 429 495 561 Rights ¹⁾ International reserves:	Equity	46 213	46 213	46 213	46 213	43 483
Income 50 682 25 115 30 807 42 038 47 416 TOTAL LIABILITIES AND CAPITAL 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 Commitments 275 275 275 275 275 275 International reserves 200 807 114 962 111 712 114 276 96 400 Derivatives and forward exchange contracts sold 53 004 114 962 111 712 114 276 96 400 Derivatives and forward exchange contracts purchased 55 485 109 807 105 385 114 659 100 589 Government Petroleum Fund 0 0 236 920 551 139 525 164 504 782 483 176 Derivatives and forward exchange contracts purchased 248 582 553 548 511 711 503 429 495 561 Rights ¹⁾ International reserves: 0 0 236 553 5 336 3 400 2 744 Options sold 646 5 083 5 336 3 400 2 744 Options sold 4 324 33 001<	Valuation adjustments	123 469	-9 295	31 892	27 025	27 544
TOTAL LIABILITIES AND CAPITAL 1 308 907 1 245 010 1 317 100 1 347 358 1 345 682 Commitments Allotted, unpaid shares in the BIS 275 275 275 275 275 275 114 725 96 400 Derivatives and forward exchange contracts sold 53 004 114 962 111 712 114 276 96 400 96 400 96 400 9807 105 385 114 659 100 589 Government Petroleum Fund 90 807 105 385 114 659 100 589 Government Petroleum Fund 925 164 504 782 483 176 945 561 925 515 504 782 483 176 945 561 949 5561 945 561 949 5561 945 561 948 582 553 548 511 711 503 429 495 561 949 5561 948 582 953 548 511 711 503 429 495 561 949 5561 Rights ¹⁾ International reserves: 0 940 555 948 55 948 55 948 55 948 55 948 55 948 55 948 55 948 55 948 55 948 55 948 56 94 55 948 5	Income	50 682	25 115	30 807	42 038	47 416
Commitments 275 275 275 275 275 Allotted, unpaid shares in the BIS 275 275 275 275 275 International reserves Derivatives and forward exchange contracts sold 53 004 114 962 111 712 114 276 96 400 Derivatives and forward exchange contracts purchased 55 485 109 807 105 385 114 659 100 589 Government Petroleum Fund U U U U U U Derivatives and forward exchange contracts sold 236 920 551 139 525 164 504 782 483 176 Derivatives and forward exchange contracts purchased 248 582 553 548 511 711 503 429 495 561 Rights ¹⁾ International reserves: U U U U U Options sold 646 5 083 5 336 3 400 2 744 3 801 Government Petroleum Fund: U U U U U U Options sold 647 6 355 4 896 4 151 3 801 Government Petroleum Fund: U U<	TOTAL LIABILITIES AND CAPITAL	1 308 907	1 245 010	1 317 100	1 347 358	1 345 682
Allotted, unpaid shares in the BIS 275 275 275 275 275 275 International reserves 53 004 114 962 111 712 114 276 96 400 Derivatives and forward exchange contracts purchased 55 485 109 807 105 385 114 659 100 589 Government Petroleum Fund	Commitments					
International reserves Derivatives and forward exchange contracts sold 53 004 114 962 111 712 114 276 96 400 Derivatives and forward exchange contracts purchased 55 485 109 807 105 385 114 659 100 589 Government Petroleum Fund	Allotted, unpaid shares in the BIS	275	275	275	275	275
Derivatives and forward exchange contracts sold 53 004 114 962 111 712 114 276 96 400 Derivatives and forward exchange contracts purchased 55 485 109 807 105 385 114 659 100 589 Government Petroleum Fund Derivatives and forward exchange contracts sold 236 920 551 139 525 164 504 782 483 176 Derivatives and forward exchange contracts purchased 248 582 553 548 511 711 503 429 495 561 Rights ¹⁾ International reserves: Options sold 646 5 083 5 336 3 400 2 744 Options purchased 647 6 355 4 896 4 151 3 801 Government Petroleum Fund: Options sold 4 324 33 001 35 644 22 755 18 362 Options sold 4 331 46 515 36 879 31 896 29 545	International reserves					
Derivatives and forward exchange contracts purchased 55 485 109 807 105 385 114 659 100 589 Government Petroleum Fund 236 920 551 139 525 164 504 782 483 176 Derivatives and forward exchange contracts purchased 248 582 553 548 511 711 503 429 495 561 Rights ¹⁾ International reserves: Options sold 646 5 083 5 336 3 400 2 744 Options purchased 647 6 355 4 896 4 151 3 801 Government Petroleum Fund: U	Derivatives and forward exchange contracts sold	53 004	114 962	111 712	114 276	96 400
Government Petroleum Fund Derivatives and forward exchange contracts sold 236 920 551 139 525 164 504 782 483 176 Derivatives and forward exchange contracts purchased 248 582 553 548 511 711 503 429 495 561 Rights ¹⁾ International reserves: Options sold 646 5 083 5 336 3 400 2 744 Options purchased 647 6 355 4 896 4 151 3 801 Government Petroleum Fund: Options sold 4 324 33 001 35 644 22 755 18 362 Options purchased 4 331 46 515 36 879 31 896 29 545	Derivatives and forward exchange contracts purchased	55 485	109 807	105 385	114 659	100 589
Derivatives and forward exchange contracts sold 236 920 551 139 525 164 504 782 483 176 Derivatives and forward exchange contracts purchased 248 582 553 548 511 711 503 429 495 561 Rights ¹⁾ International reserves: Options sold 646 5 083 5 336 3 400 2 744 Options purchased 647 6 355 4 896 4 151 3 801 Government Petroleum Fund: Options sold 4 324 33 001 35 644 22 755 18 362 Options purchased 4 331 46 515 36 879 31 896 29 545	Government Petroleum Fund					
Derivatives and forward exchange contracts purchased 248 582 553 548 511 711 503 429 495 561 Rights ¹⁾ International reserves: 495 561 Options sold 646 5 083 5 336 3 400 2 744 Options purchased 647 6 355 4 896 4 151 3 801 Government Petroleum Fund: 862 515 36 879 31 896 29 545	Derivatives and forward exchange contracts sold	236 920	551 139	525 164	504 782	483 176
Rights ¹⁾ International reserves: Options sold 646 5 083 5 336 3 400 2 744 Options purchased 647 6 355 4 896 4 151 3 801 Government Petroleum Fund: Options sold 4 324 33 001 35 644 22 755 18 362 Options purchased 4 331 46 515 36 879 31 896 29 545	Derivatives and forward exchange contracts purchased	248 582	553 548	511 711	503 429	495 561
International reserves: 646 5 083 5 336 3 400 2 744 Options sold 647 6 355 4 896 4 151 3 801 Government Petroleum Fund: 7 7 7 8 8 151 3 801 Options sold 4 324 33 001 35 644 22 755 18 362 18 362 31 46 515 36 879 31 896 29 545	Rights ¹⁾					
Options sold 646 5 083 5 336 3 400 2 744 Options purchased 647 6 355 4 896 4 151 3 801 Government Petroleum Fund: 9 9 9 9 9 18 362 Options purchased 4 324 33 001 35 644 22 755 18 362 Options purchased 4 331 46 515 36 879 31 896 29 545	International reserves:					
Options purchased 647 6 355 4 896 4 151 3 801 Government Petroleum Fund: 0 4 324 33 001 35 644 22 755 18 362 Options purchased 4 331 46 515 36 879 31 896 29 545	Options sold	646	5 083	5 336	3 400	2 744
Government Petroleum Fund: 4 324 33 001 35 644 22 755 18 362 Options purchased 4 331 46 515 36 879 31 896 29 545	Options purchased	647	6 355	4 896	4 151	3 801
Options sold 4 324 33 001 35 644 22 755 18 362 Options purchased 4 331 46 515 36 879 31 896 29 545	Government Petroleum Fund:					
Options purchased 4 331 46 515 36 879 31 896 29 545	Options sold	4 324	33 001	35 644	22 755	18 362
	Options purchased	4 331	46 515	36 879	31 896	29 545

¹⁾ Options presented in terms of market value of underlying instruments as from December 2003.

Table 2.	Norges Bank.	Specification	of international	reserves.	In millions of N	IOK

	31.12.2003	31.05.2004	30.06.2004	31.07.2004	31.08.2004
Gold	3 142	563	287	287	0
Special drawing rights in the IMF	2 237	2 015	2 043	2 041	2 054
Reserve position in the IMF	6 641	6 213	6 3 3 9	6 089	6 166
Loans to the IMF	703	673	659	629	619
Bank deposits abroad	92 681	108 998	135 488	133 472	105 894
Foreign Treasury bills	744	168	189	158	221
Foreign Treasury notes	107	0	0	0	0
Foreign certificates	1 315	860	845	813	813
Foreign bearer bonds ¹⁾	109 063	96 361	98 132	99 517	114 441
Foreign shares	33 566	45 978	49 103	50 987	51 901
Accrued interest	742	-11 938	-14 221	-2 099	-6 581
Total	250 941	249 891	278 864	291 894	275 528

¹⁾ Includes bonds subject to repurchase agreements

Source: Norges Bank

Table 3. State lending institutions. Balance sheet. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Cash holdings and bank deposits	2 172	2 1 3 0	2 542	2 250	2 396
Total loans	190 988	191 526	191 220	189 541	189 393
Of which:					
To the general public ¹⁾	188 726	189 323	188 541	186 850	186 607
Claims on the central government and					
social security administration	-	-	-	-	-
Other assets	6 736	6 699	4 844	5 885	4 700
Total assets	199 896	200 355	198 606	197 676	196 489
Bearer bond issues	29	29	25	24	20
Of which:					
In Norwegian kroner	29	29	25	24	20
In foreign currency	-	-	-	-	-
Other loans	191 056	191 539	189 764	188 204	188 341
Of which:					
From the central government and					
social security administration	191 056	191 539	189 764	188 204	188 341
Other liabilities, etc.	4 494	5 844	5 455	6 081	5 064
Share capital, reserves	4 317	2 943	3 362	3 367	3 064
Total liabilities and capital	199 896	200 355	198 606	197 676	196 489

¹⁾ Includes local government administration, non-financial enterprises and households

Sources: Statistics Norway and Norges Bank

Table 4. Banks.¹⁾ Balance sheet. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Cash	4 515	4 112	4 980	4 157	4 633
Deposits with Norges Bank	40 119	34 092	26 784	27 772	18 046
Deposits with Norwegian banks	29 494	25 354	19 982	23 586	32 390
Deposits with foreign banks	37 061	32 315	56 636	43 252	54 376
Treasury bills	8 866	10 469	7 288	7 170	7 280
Other short-term paper	7 129	7 977	7 394	4 695	13 626
Government bonds etc. ²⁾	3 702	4 561	5 529	7 070	7 300
Other bearer bonds	103 103	98 869	105 734	108 253	117 941
Loans to foreign countries	49 951	46 814	51 186	52 883	61 235
Loans to the general public	1 144 220	1 163 475	1 186 076	1 212 904	1 245 328
Of which:					
In foreign currency	89 541	88 806	85 731	88 128	85 142
Loans to mortgage and finance companies, insurance etc. ³⁾	107 062	107 895	108 890	120 103	125 617
Loans to central government and social security admin.	528	286	139	546	706
Other assets ⁴	161 368	162 731	143 010	162 244	144 833
Total assets	1 697 118	1 698 950	1 723 628	1 774 635	1 833 311
Deposits from the general public	788 394	773 152	786 014	798 519	833 570
Of which:					
In foreign currency	22 286	23 892	24 001	27 405	29 771
Deposits from Norwegian banks	33 835	29 953	21 756	27 284	33 702
Deposits from mortg. and fin. companies, and insurance etc. ³⁾ Deposits from central government, social security	46 820	44 247	47 767	50 318	51 924
admin. and state lending institutions	7 341	7 770	10 090	8 423	8 305
Funds from CDs	66 344	66 759	70 673	71 972	73 819
Loans and deposits from Norges Bank	7 436	7 224	19 995	6 816	18 745
Loans and deposits from abroad	215 315	199 767	220 247	235 694	246 764
Other liabilities	423 870	459 640	435 074	463 036	449 293
Share capital/primary capital	28 553	28 667	28 530	31 276	29 316
Allocations, reserves etc.	75 228	75 351	76 999	77 681	79 480
Net income	3 982	6 420	6 483	3 616	8 393
Total liabilities and capital	1 697 118	1 698 950	1 723 628	1 774 635	1 833 311
Specifications:					
Foreign assets	160 569	154 257	193 506	186 196	206 036
Foreign debt	431 702	434 835	467 134	501 660	504 770

¹⁾Includes commercial and savings banks

²⁾ Includes government bonds and bonds issued by lending institutions.

³⁾ Includes mortgage companies, finance companies, life and non-life insurance companies and other financial institutions.

⁴⁾ Includes unspecified loss provisions (negative figures) and loans and other claims not specified above.

Sources: Statistics Norway and Norges Bank

Table 5. Banks.¹⁾ Loans and deposits by sector²⁾. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Loans to:					
Local government (incl. municipal enterprises)	8 759	7 965	8 095	9 304	9 234
Non-financial enterprises ³⁾	371 478	364 038	356 454	358 150	360 523
Households ⁴	763 983	791 472	821 527	845 450	875 570
Total loans to the general public	1 144 220	1 163 475	1 186 076	1 212 904	1 245 328
Deposits from:					
Local government (incl.municipal enterprises)	40 540	39 051	38 459	41 849	43 031
Non-financial enterprises ³⁾	221 815	220 971	234 273	233 651	234 836
Households ⁴	526 038	513 129	513 282	523 019	555 704
Total deposits from the general public	788 394	773 152	786 014	798 519	833 570

¹⁾ Includes commercial and savings banks

²⁾ Includes local government administration, non-financial enterprises and households.

³⁾ Includes private enterprises with limited liability etc., and state enterprises.

⁴⁾ Includes sole proprietorships, unincorporated enterprises and wage earners, etc.

Sources: Statistics Norway and Norges Bank

Table 6. Mortgage companies. Balance sheet. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Cash and bank deposits	5 730	3 613	2 926	3 519	3 084
Notes and certificates	5 926	2 626	970	852	2 166
Government bonds ¹⁾	941	665	1 296	680	1 122
Other bearer bonds	57 401	56 802	53 979	58 051	60 538
Loans to:					
Financial enterprises	31 018	33 764	36 617	41 048	41 311
The general public ²⁾	193 656	198 596	210 435	216 425	222 139
Other sectors	9 941	9 760	9 195	9 224	9 443
Others assets ³⁾	5 089	4 833	6 180	9 462	7 623
Total assets	309 702	310 659	321 598	339 261	347 426
Notes and certificates	37 832	28 173	32 440	32 757	26 303
Bearer bonds issues in NOK ⁴⁾	59 131	58 227	57 544	56 761	53 665
Bearer bond issues in foreign currency ⁴⁾	104 622	110 587	110 490	122 970	135 009
Other funding	91 765	96 326	103 000	108 981	115 930
Equity capital	12 709	13 002	12 273	12 571	12 889
Other liabilities	3 643	4 344	5 851	5 221	3 630
Total liabilities and capital	309 702	310 659	321 598	339 261	347 426

¹⁾ Includes government bonds and bonds issued by state lending institutions.

²⁾ Includes local government administration, non-financial enterprises and households.

³⁾ Foreign exchange differences in connection with swaps are entered net in this item. This may result in negative figures for some periods.

⁴⁾ Purchase of own bearer bonds deducted.

Sources: Statistics Norway and Norges Bank

Table 7. Finance companies. Balance sheet. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Cash and bank deposits	2 277	2 471	1 947	2 380	2 365
Notes and certificates	125	99	103	141	129
Bearer bonds	0	0	0	0	0
Loans ¹⁾ (gross) to:	91 124	91 840	92 956	98 070	102 425
The general public ²⁾ (net)	87 747	88 363	89 102	93 313	96 677
Other sectors (net)	3 237	3 311	3 683	4 540	5 517
Other assets ³⁾	2 440	2 210	2 606	2 679	3 018
Total assets	95 966	96 620	97 612	103 270	107 937
Notes and certificates	0	0	0	0	0
Bearer bonds	533	533	533	533	533
Loans from non-banks	11 939	11 628	11 172	12 461	12 734
Loans from banks	70 413	70 372	71 648	74 688	78 005
Other liabilities	4 944	5 619	6 029	6 722	7 174
Capital, reserves	8 137	8 468	8 230	8 866	9 491
Total liabilities and capital	95 966	96 620	97 612	103 270	107 937

¹⁾ Includes subordinated loan capital and leasing finance.

²⁾ Includes local government administration, non-financial enterprises and households.

³⁾ Includes specified and unspecified loan loss provisions (negative figures)

Table 8. Life insurance companies. Main assets. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Cash and bank deposits	15 204	13 998	21 557	21 252	20 000
Norwegian notes and certificates	29 537	32 025	29 484	16 743	22 731
Foreign Treasury bills and notes	9 133	5 071	7 473	5 872	2 555
Norwegian bearer bonds	139 788	144 077	140 295	146 591	147 247
Foreign bearer bonds	104 317	104 633	108 540	123 189	130 335
Norwegian shares, units, primary capital certificates and interests	35 454	39 559	47 853	55 122	49 816
Foreign shares, units, primary capital certificates and interests	40 229	41 861	50 052	54 704	61 560
Loans to the general public ¹⁾	23 660	23 599	20 628	20 263	19 737
Loans to other sectors	665	692	676	711	685
Other specified assets	54 847	55 798	53 731	54 719	52 958
Total assets	452 834	461 313	480 289	499 166	507 624

1) Includes local government administration, non-financial enterprises and households

Source: Statistics Norway

Table 9. Non-life insurance companies. Main assets. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Cash and bank deposits	7 220	6 722	7 583	7 095	8 179
Norwegian notes and certificates	12 330	13 681	12 465	11 423	12 539
Foreign notes and certificates	951	1 193	1 072	654	1 260
Norwegian bearer bonds	14 679	14 862	16 764	19 776	18 730
Foreign bearer bonds	14 765	12 475	11 403	12 179	12 750
Norwegian shares, units, primary capital certificates, interests	7 153	7 301	7 863	8 653	8 734
Foreign shares, units, primary capital certificates, interests	5 529	6 139	6 471	7 104	7 757
Loans to the general public $^{1)}$	1 129	1 173	1 285	1 308	1 287
Loans to other sectors	278	264	206	203	207
Other specified assets	45 414	44 944	41 615	47 425	43 496
Total assets	109 448	108 754	106 727	115 820	114 939

¹⁾ Includes local government administration, non-financial enterprises and households.

Source: Statistics Norway

Table 10a. Securities funds' assets. Market value. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Bank deposits	5 737	4 602	5 992	6 312	7 132
Treasury bills, etc. ¹⁾	5 292	5 855	4 158	4 772	4 131
Other Norwegian short-term paper	21 373	22 491	25 185	21 817	21 218
Foreign short-term paper	388	469	614	232	236
Government bonds, etc. ²⁾	4 121	4 080	4 469	4 974	5 435
Other Norwegian bonds	26 972	25 806	26 715	28 824	30 379
Foreign bonds	4 313	5 180	6 752	6 859	6 950
Norwegian equities	20 731	23 326	28 871	32 242	32 627
Foreign equities	32 583	36 195	43 581	51 975	53 674
Other assets	3 082	3 394	3 718	4 038	4 157
Total assets	124 593	131 399	150.056	162 044	165 937

¹⁾Comprises Treasury bills and other certificates issued by state lending institutions.

²⁾Comprises government bonds and bonds issued by state lending institutions.

Sources: Norges Bank and Norwegian Central Securities Depository

Table 10b. Securities funds' assets under management by holding sector. Market value. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Central government and social security administration	691	704	726	982	1 169
Banks	2 209	1 645	1 844	684	676
Other financial enterprises	14 658	16 204	25 921	26 364	27 048
Local government admin. and municipal enterprises	10 497	10 775	12 944	11 998	12 413
Other enterprises	22 903	23 607	27 869	27 436	28 161
Households	66 344	70 372	72 793	83 969	85 247
Rest of the world	4 642	5 094	4 605	7 266	7 880
Total assets under management	121 943	128 402	146 702	158 699	162 593

Sources: Norges Bank and the Norwegian Central Securities Depository

Securities statistics

Table 11. Shareholdings registered with the Norwegian Central Securities Depository (VPS), by holding sector. Estimated market value. In millions of NOK

Holding sector	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Central government and social security administration	230 564	228 580	279 981	312 837	313 479
Norges Bank	2	2	3	3	3
State lending institutions	14	18	20	21	20
Banks			12 980	24 336	24 831
Savings banks	3 176	3 350			
Commercial banks	18 521	10 731			
Insurance companies	21 053	23 254	27 214	29 197	29 701
Mortgage companies	32	30	7	7	7
Finance companies	2	2	2	3	2
Mutual funds	23 310	26 280	31 769	34 870	35 122
Other financial enterprises	48 594	48 764	49 070	37 883	35 501
Local government administration and municipal enterprises	3 805	3 890	4 765	4 977	4 726
State enterprises	6 354	6 677	6 755	8 282	8 731
Other private enterprises	137 008	143 478	145 887	156 172	162 929
Wage-earning households	44 307	47 553	47 000	52 080	50 028
Other households	2 005	1 981	2 234	2 445	2 365
Rest of the world	193 777	209 647	228 064	250 851	271 278
Unspecified sector	487	720	543	526	502
Total	733 011	754 955	836 296	914 490	939 225

Sources: Norwegian Central Securities Depository and Norges Bank

Table 12. Share capital and primary capital certificates registered with the Norwegian Central Securities Depository, by issuing sector. Nominal value. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Banks			27 512	29 983	30 146
Savings banks	11 422	11 511			
Commercial banks	15 845	15 845			
Insurance companies	2 525	2 528	2 530	2 700	1 584
Mortgage companies	2 194	2 194	2 194	2 194	2 244
Finance companies	5	5	5	5	5
Other financial enterprises	20 114	20 092	16 861	17 120	17 069
Local government administration and municipal enterprises	2	2	2	197	197
State enterprises	18 268	18 268	18 273	18 277	18 277
Other private enterprises	49 646	45 814	45 220	45 511	45 588
Rest of the world	5 631	5 422	5 224	6 296	7 206
Unspecified sector	0	4	0	0	0
Total	125 652	121 684	117 821	122 284	122 317

Sources: Norwegian Central Securities Depository and Norges Bank

Table 13. Net purchases and net sales (-) in the primary and secondary markets of shares registered with the
Norwegian Central Securities Depository, by purchasing, selling and issuing sector¹⁾.Estimated market value. In millions of NOK

2004 Q2							Pu	ırchasin	g/ selling	sector							
	Cent.gov't									Local			Wage-		Rest		
	and		State		Insur.	Mort.	Fin.		Other	gov't &		Other	earning	Other	of		
	social	Norges	lending		com-	com-	com-	Secur.	financ.	munic.	State	private	house-	house-	the	Unsp.	
Issuing sector	security	Bank	inst.	Banks	panies	panies	panies	funds	enterpr.	enterpr.	enterpr.	enterpr.	holds	holds	world	sector	Total ²⁾
Banks	0	0	0	171	-56	0	0	-170	79	-16	-1	-58	43	-3	30	0	17
Insurance companies	0	0	0	0	-3	0	0	2	0	-10	0	7	4	0	1	0	0
Mortgage companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial enterpr.	1 613	0	0	1 0 4 1	138	0	0	-327	34	-51	-1	-134	-377	-1	-1 410	-5	521
Local gov't. admin. and																	
municipal enterprises	0	0	0	1	-1	0	0	0	0	-15	-1	-3	8	0	10	1	0
State enterprises	-7 748	0	0	4 550	-6	0	0	-127	-209	-61	1 105	-477	-622	-111	3 864	-3	155
Other private enterprises	5 123	0	-4	6 553	240	0	0	841	-1 676	-48	-187	-2 799	64	-81	8 761	15	16 800
Rest of the world	-684	0	0	7 300	-880	0	0	-1 136	-454	-36	0	-491	-645	73	-1 101	-5	1 940
Unspecified sector	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	-1 697	0	-4	19 615	-569	0	0	-917	-2 227	-237	915	-3 954	-1 525	-124	10 154	3	19 434

¹⁾ Issues at issue price + purchases at market value - sales at market value - redemptions at redemption value.

²⁾ Total shows net issues in the primary market. Purchases and sales in the secondary market result in redistribution between owner sectors, but add up to 0.

Sources: Norwegian Central Securities Depository and Norges Bank

Table 14. Bondholdings in NOK registered with the Norwegian Central Securities Depository,by holding sector. Market value. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Central government and social security administration	25 942	27 183	28 630	28 173	28 049
Norges Bank	3 863	8 275	6 549	8 884	7 571
State lending institutions	145	141	126	122	105
Banks			83 504	82 415	90 254
Savings banks	37 036	34 638			
Commercial banks	49 945	45 872			
Insurance companies	204 979	208 000	213 906	224 418	221 806
Mortgage companies	17 522	16 348	16 912	16 983	16 630
Finance companies	58	63	61	127	110
Mutual funds	31 639	30 387	30 897	34 734	37 329
Other financial enterprises	7 993	8 245	5 231	5 877	8 042
Local government administration and municipal enterprises	22 568	22 801	23 283	22 187	22 943
State enterprises	2 976	2 813	6 087	2 585	2 756
Other private enterprises	25 578	23 075	24 451	24 968	25 201
Wage-earning households	17 232	18 125	20 134	21 269	22 390
Other households	6 341	6 4 3 6	6 933	6 990	7 448
Rest of the world	71 333	74 887	78 992	78 628	77 176
Unspecified sector	216	270	216	213	228
Total	525 366	527 559	545 910	558 573	568 038

Sources: Norwegian Central Securities Depository and Norges Bank

Table 15. Bondholdings in NOK registered with the Norwegian Central Securities Depository, by issuing sector. Nominal value. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Central government and social security administration	144 841	149 395	152 392	157 946	157 012
State lending institutions	173	169	148	144	123
Banks			159 244	163 638	174 496
Savings banks	90 704	88 407			
Commercial banks	68 764	70 132			
Insurance companies	435	317	317	252	252
Mortgage companies	64 573	62 856	62 854	62 996	58 968
Finance companies	500	500	500	500	500
Other financial enterprises	2 667	2 617	2 619	2 619	2 699
Local government administration and municipal enterprises	48 600	48 661	51 652	57 326	58 505
State enterprises	33 024	32 415	32 721	29 215	33 107
Other private enterprises	41 156	38 999	40 220	34 085	36 035
Households	196	196	213	213	213
Rest of the world	14 230	16 397	17 792	19 156	21 096
Unspecified sector	239	0	0	0	0
Total	510 101	511 059	520 673	528 090	543 006

-

Sources: Norwegian Central Securities Depository and Norges Bank

Table 16. Net purchases and net sales (-) in the primary and secondary markets for NOK-denominated bondsregistered with the Norwegian Central Securities Depository, by purchasing, selling and issuing sector.¹⁾Market value. In millions of NOK

2004 Q2	Purchasing/ selling sector																
Issuing sector	Cent.gov't and social	Norges	State lending	Banks	Insur. com-	Mort. com-	Fin. com-	Secur.	Other financ.	Local gov't & munic.	State	Other private	Wage- earning house-	Other house-	Rest of the	Unsp.	Total ²⁾
Central government	security	Dalik	mst.	Daliks	panies	panies	panies	Tunus	enterpr.	enterpr.	enterpr.	enterpr.	noius	noius	world	sector	Total
and social security admin.	-1 085	1 080	0	1 741	2 729	-322	-3	1 320	-101	-171	-45	324	10	340	-1 185	2	4 632
State lending inst.	0	0	-21	-3	-1	0	0	0	0	0	0	0	0	0	0	0	-25
Banks	-15	0	0	2 162	6 902	484	22	3 259	806	-94	-19	-120	1 594	181	701	14	15 875
Insurance companies	0	0	0	-20	10	0	0	10	0	0	0	5	0	0	-5	0	0
Mortgage companies	-59	0	0	-528	-2 103	-391	-1	-352	33	-265	29	-446	-55	-63	915	-1	-3 287
Finance companies Other financial	0	0	0	-30	-43	0	0	26	0	-1	0	0	0	0	47	0	0
enterprises Local gov't. admin.	0	0	0	-233	-354	0	0	-55	1 073	-75	0	-6	0	-55	-26	0	269
enterprises	281	0	0	702	-1 401	-3	-6	428	412	136	0	-210	9	-30	-152	1	168
State enterprises Other	436	0	0	2 158	1 292	53	0	221	210	-190	-3 191	28	15	163	-812	1	384
private enterprises	-376	0	0	1 316	955	0	0	735	209	90	-8	1 118	36	-9	-864	-1	3 202
Households	0	0	0	0	0	0	0	0	0	0	0	1	-1	0	0	0	0
Rest of the world	3	0	0	-85	1 292	0	39	1 011	165	97	4	285	500	27	-40	6	3 304
Unspecified sector	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	-814	1 080	-21	7 179	9 278	-179	50	6 603	2 809	-474	-3 230	979	2 107	555	-1 420	21	24 523

¹⁾ Issues at issue price + purchases at market value – sales at market value – redemptions at redemption value.

²⁾ Total shows net issues in the primary market. Purchases and sales in the secondary market result in redistribution between owner sectors, but add up to 0.

Sources: Norwegian Central Securities Depository and Norges Bank

Table 17. NOK-denominated short-term paper registered with the Norwegian Central Securities
Depository by holding sector. Market value. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Central government and social security administration	11 198	9 257	1 443	1 744	1 379
Norges Bank	3 513	10 288	7 471	6 689	10 232
State lending institutions	0	0	0	0	0
Banks			16 439	13 355	19 510
Savings banks	3 890	3 924			
Commercial banks	9 589	12 333			
Insurance companies	50 388	58 291	53 719	44 357	46 338
Mortgage companies	5 014	3 247	1 778	2 139	2 710
Finance companies	41	36	41	17	17
Mutual funds	27 000	28 802	29 881	26 993	25 364
Other financial enterprises	2 758	3 695	3 286	4 264	5 411
Local government administration and municipal enterprises	3 543	2 296	2 031	2 146	1 826
State enterprises	6 696	4 293	6 473	5 284	2 563
Other private enterprises	3 786	3 676	3 761	5 049	2 064
Wage-earning households	258	237	160	41	37
Other households	1 376	1 152	1 293	889	852
Rest of the world	8 838	9 249	10 423	10 058	9 192
Unspecified sector	5	0	0	0	0
Total	137 893	150 775	138 200	123 024	127 495

Sources: Norwegian Central Securities Depository and Norges Bank

Issuing sector	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Central government and social security administration	64 500	79 784	68 013	62 332	66 426
Counties	502	334	404	574	694
Municipalities	4 814	4 913	5 468	5 531	5 251
State lending institutions	0	0	0	0	0
Banks	38 223	38 832	42 602	38 203	44 251
Commercial banks	8 090	6 010	7 713		
Savings banks	30 133	32 822	34 889		
Mortgage companies	6 767	3 568	5 843	3 260	1 317
Finance companies	0	0	0	0	0
Other financial enterprises	0	0	19	19	19
State enterprises	2 960	3 280	2 860	2 510	2 310
Municipal enterprises	6 751	6 621	6 276	6 3 2 6	5 681
Private enterprises	7 674	8 065	6 674	6 299	8 062
Rest of the world	4 220	4 090	3 493	3 723	2 000
Total	136 411	149 487	141 652	128 777	136 011

¹⁾Comprises short-term paper issued in Norway in NOK by domestic sectors and foreigners and paper in foreign currency issued by domestic sectors.

Credit and liquidity trends

Table 19. Credit indicator and money supply

				Percentage growth							
	Volume	e figures at end NOKbn	of period	Over	r past 12 mor	iths	Over past 3 annualise	months, d rate ⁴⁾			
	C2 ¹⁾	C3 ²⁾	M2 ³⁾	C2 ¹⁾	C3 ²⁾	M2 ³⁾	C2	M2			
December 1995	936.0	1 120.2	530.3	4.9	4.7	6.0	5.4	1.3			
December 1996	992.5	1 212.9	564.4	6.0	5.6	6.4	7.8	4.6			
December 1997	1 099.1	1 362.2	578.5	10.2	10.1	1.8	10.1	3.0			
December 1998	1 192.8	1 520.9	605.3	8.3	12.3	4.4	6.4	5.4			
December 1999	1 295.0	1 699.5	670.1	8.4	8.2	10.5	9.9	8.4			
December 2000	1 460.9	1 923.1	731.8	12.3	10.6	8.8	12.0	7.3			
December 2001	1 608.2	2 096.3	795.4	9.7	7.1	9.3	9.0	10.5			
December 2002	1 724.9	2 187.9	855.3	8.9	6.5	8.3	9.8	9.0			
April 2003	1 765.6	2 250.2	844.5	8.1	5.8	5.9	6.8	2.0			
May 2003	1 779.7	2 250.5	850.7	8.3	6.0	5.8	7.0	3.1			
June 2003	1 795.7	2 286.9	871.0	7.6	5.5	2.9	7.5	3.2			
July 2003	1 797.5	2 282.4	870.9	7.5	5.3	3.9	6.7	3.0			
August 2003	1 811.2	2 304.2	867.2	7.5	5.3	4.6	6.6	2.6			
September 2003	1 817.4	2 286.7	855.3	7.6	5.1	4.1	6.8	2.5			
October 2003	1 829.2	2 309.0	868.9	7.6	5.2	2.8	7.5	1.8			
November 2003	1 842.0	2 305.0	856.9	7.0	4.5	3.3	7.3	2.9			
December 2003	1 847.2	2 295.0	873.1	6.9	4.1	1.9	7.0	1.8			
January 2004	1 864.0	2 318.1	880.3	6.9	3.9	1.3	6.6	0.8			
February 2004	1 874.8	2 329.0	877.2	7.1	3.9	2.0	7.0	1.2			
March 2004	1 883.1	2 327.3	886.7	7.1	3.9	3.7	7.2	6.6			
April 2004	1 895.2	2 348.9	883.8	7.2	3.9	4.6	7.7	12.1			
May 2004	1 910.1	2 356.4	889.6	7.1	3.9	4.6	8.3	13.4			
June 2004	1 931.5		919.0	7.6		5.6	9.1	9.0			
July 2004	1 938.6		912.6	7.8		4.8					

 $^{1)}$ C2 = Credit indicator. Credit from domestic sources; actual figures.

 $^{2)}$ C3 = Total credit from domestic and foreign sources; actual figures.

³⁾ M2 = Money supply (see note to Table 21).

⁴⁾ Seasonally adjusted figures

Source: Norges Bank

Table 20. Domestic credit supply to the general public¹⁾, by source. In millions of NOK. 12-month growth as a percentage

	31.12.2	001	31.12.2	002	31.12.2	003	31.07.2	004
	Amount	%	Amount	%	Amount	%	Amount	%
Private banks	1 030 694	9.6	1 097 144	8.2	1 185 722	7.8	1 257 599	9.1
State lending institutions	176 494	5.1	185 932	5.3	188 593	1.4	185 821	-0.9
Mortgage companies	167 698	15.6	182 006	10.9	210 326	15.3	223 520	13.9
Finance companies	79 474	14.6	83 234	9.9	89 257	7.0	91 116	9.6
Life insurance companies	24 482	0.2	23 124	-5.5	20 628	-10.8	20 270	-14.3
Pension funds	3 742	7.1	3 936	5.2	3 936	0.0	3 936	0.0
Non-life insurance companies	934	-43.4	919	-1.6	1 285	39.8	1 310	14.9
Bond debt ²⁾	89 671	8.2	107 399	19.8	114 147	6.3	122 096	8.5
Notes and short-term paper	23 752	-2.1	26 145	10.1	19 614	-25.0	20 492	-8.6
Other sources	11 227	69.8	15 036	33.1	13 646	-9.2	12 432	-17.8
Total domestic credit $(C2)^{3}$	1 608 168	9.7	1 724 875	8.9	1 847 154	6.9	1 938 593	7.8

¹⁾Comprises local government administration, non-financial enterprises and households

²⁾ Adjusted for non-residents' holdings of Norwegian private and municipal bonds in Norway.

³⁾ Corresponds to Norges Bank's credit indicator (C2).

Table	21.	Composition	of money	supply, In	millions	of NOK
Table	~	composition	ormoney	Suppry. III	minons	

Actual figures at end of period	Notes and coins	Transaction account deposits	M1 ¹⁾	Other deposits ²⁾	CDs	M2 ³⁾	Change in M2 last 12 months, total
December 1005	42.060	179 652	217 727	206 700	15 721	520.257	28.052
December 1993	42 009	178 033	217 727	290 799	13 / 31	550 257	26 932
December 1996	43 324	208 073	247 938	294 /41	21 686	564 365	34 108
December 1997	46 014	227 382	269 597	2/8/41	30 200	5/8 538	14 1/3
December 1998	46 070	237 047	279 189	292 820	33 322	605 331	26 793
December 1999	48 020	300 128	343 494	295 820	30 802	670 116	64 785
December 2000	46 952	328 816	371 339	326 350	34 152	731 841	61 725
December 2001	46 633	344 110	386 148	370 171	39 048	795 367	63 526
December 2002	44 955	360 341	400 623	409 704	45 001	855 328	59 961
April 2003	40 151	354 819	391 090	417 290	36 141	844 521	44 388
May 2003	41 244	360 530	397 834	416 160	36 736	850 730	45 022
June 2003	41 253	386 637	423 926	414 995	32 107	871 028	26 544
July 2003	41 101	380 559	417 465	421 656	31 773	870 894	33 809
August 2003	40 724	374 424	411 388	425 179	30 603	867 170	40 809
September 2003	40 262	375 762	412 349	411 515	31 433	855 297	34 594
October 2003	40 816	384 107	421 197	416 966	30 757	868 920	24 249
November 2003	41 806	379 363	417 288	407 412	32 234	856 934	27 769
December 2003	46 249	387 309	428 996	407 337	36 806	873 139	17 811
January 2004	42 801	388 505	427 385	419 593	33 284	880 262	13 670
February 2004	42 224	393 706	432 244	415 276	29 726	877 246	18 479
March 2004	41 872	398 672	436 799	416 023	33 895	886 717	32 407
April 2004	42 057	391 151	429 453	428 562	25 775	883 790	39 269
May 2004	43 162	393 995	432 802	425 358	31 404	889 564	38 834
June 2004	43 704	428 318	467 918	418 672	32 459	919 049	48 021
July 2004	43 735	422 138	461 641	419 277	31 643	912 561	41 667

¹⁾ Narrow money, M1, comprises the money-holding sector's stock of Norwegian notes and coins plus the sector's

transaction account deposits in Norges Bank, commercial banks and savings banks (in NOK and foreign currency).

²⁾ Excluding restricted bank deposits (BSU, IPA, withholding tax accounts, etc).

³⁾ Broad money, M2, comprises the sum of M1 and the money-holding sector's other bank deposits and CDs (in NOK and foreign currency) excluding restricted bank deposits (BSU, IPA, withholding tax accounts, etc).

Source: Norges Bank

Table 22. Household financial balance. Financial investments and holdings, by financial instrument. In billions of NOK

		Financial investments					Holdings				
		Year		Q	1		Year		At 31	March	
	2001	2002	2003	2003	2004	2001	2002	2003	2003	2004	
Currency and deposits	34.5	48.3	25.2	4.4	6.4	481.4	529.9	556.5	534.6	563.1	
Securities other than shares	6.7	1.9	2.8	1.4	0.1	21.6	23.0	27.9	24.5	28.3	
Shares and other equity	3.9	16.3	21.5	5.1	5.9	152.4	158.9	188.1	162.7	197.8	
Mutual funds shares	1.9	-2.1	4.2	-0.1	2.1	76.9	59.8	84.3	61.6	90.1	
Insurance technical reserves	40.1	32.0	42.6	11.4	13.9	490.0	506.3	558.8	517.4	577.0	
Loans and other assets ¹⁾	6.4	19.3	18.6	10.9	5.4	148.2	168.1	186.7	179.0	192.2	
Total assets	93.5	115.7	115.0	33.1	33.7	1 370.4	1 446.0	1 602.3	1 479.7	1 648.4	
Loans from banks (incl. Norges Bank)	67.3	72.0	92.2	12.2	22.9	660.4	727.8	822.1	741.8	845.9	
Loans from state lending institutions	7.7	7.5	2.5	3.0	-0.1	148.5	156.0	158.5	159.1	158.4	
Loans from private mortgage and finance											
companies	14.1	13.8	15.9	3.9	3.5	67.7	80.5	96.2	84.6	99.8	
Loans from insurance companies	-0.6	0.4	-1.7	0.5	0.1	16.1	16.5	14.7	17.0	14.8	
Other liabilities ²⁾	7.2	5.7	-0.5	-4.7	-6.0	118.7	123.2	122.8	118.8	116.9	
Total liabilities	95.7	99.4	108.4	15.0	20.4	1 011.4	1 104.0	1 214.2	1 121.2	1 235.8	
Net financial investments / assets	-2.2	16.3	6.6	18.1	13.3	358.9	342.0	388.1	358.5	412.6	

¹⁾ Loans, accrued interest, holiday pay claims and tax claims.

²⁾Other loans, securities other than shares, tax liabilities and accrued interest.

Table 23. Money market liquidity. Liquidity effect from 1 January to end period. In millions of NOK

	1.1 -	31.12	1.1 - 31.08		
Supply+/withdrawal-	2002	2003	2003	2004	
Central government and other public accounts					
(excl. paper issued by state lending institutions and government)	5 950	-13 408	6 710	-14 341	
Paper issued by state lending institutions and government	-13 598	-41 322	-42 668	-4 178	
Purchase of foreign exchange for Government Petroleum Fund	56 545	14 620	14 620	9 600	
Other foreign exchange transactions	421	0	0	75	
Holdings of banknotes and coins ¹⁾ (estimate)	1 741	-1 337	4 1 3 1	2 871	
Overnight loans	0	0	0	0	
Fixed-rate loans	-15 140	12 000	0	-4 000	
Other central bank financing	-18 700	18 716	18 755	189	
Total reserves	17 219	-10 731	1 548	-9 784	
Of which:					
Sight deposits with Norges Bank	17 219	-10 731	1 548	-9 784	
Treasury bills	0	0	0	0	
Other reserves (estimate)	0	0	0	0	

¹⁾ The figures are mainly based on Norges Bank's accounts. Discrepancies may arise between the bank's own statements and banking statistics due to different accruals.

Source: Norges Bank

Interest rate statistics

Table 24. Nominal interest rates for NOK. Averages. Per cent per annum

							Interest rate on	Interest rate on
	1.	month	3-1	month	12-	month	loans in	deposits with
	NIDR	NIBOR	NIDR	NIBOR	NIDR	NIBOR	Norges Bank	Norges Bank
April 2003	5.6	5.4	5.5	5.3	5.2	5.0	7.5	5.5
May 2003	5.3	5.2	5.1	4.9	4.7	4.5	7.0	5.0
June 2003	4.7	4.5	4.3	4.0	3.8	3.6	6.8	4.8
July 2003	4.1	4.0	3.6	3.5	3.4	3.2	6.0	4.0
August 2003	3.5	3.3	3.3	3.1	3.4	3.2	5.4	3.4
September 2003	3.0	2.9	3.0	2.8	3.2	3.0	4.8	2.8
October 2003	2.9	2.8	3.0	2.9	3.2	3.1	4.5	2.5
November 2003	2.9	2.8	3.1	2.9	3.2	3.1	4.5	2.5
December 2003	2.9	2.8	2.8	2.6	2.9	2.8	4.4	2.4
January 2004	2.5	2.3	2.4	2.3	2.5	2.3	4.2	2.2
February 2004	2.3	2.1	2.1	2.0	2.2	2.1	4.0	2.0
March 2004	2.1	1.9	2.0	1.8	2.1	1.9	3.8	1.8
April 2004	2.1	2.0	2.1	2.0	2.3	2.2	3.8	1.8
May 2004	2.1	2.0	2.1	2.0	2.4	2.3	3.8	1.8
June 2004	2.2	2.0	2.2	2.0	2.5	2.4	3.8	1.8
July 2004	2.1	2.0	2.1	2.0	2.3	2.2	3.8	1.8
August 2004	2.1	2.0	2.2	2.0	2.4	2.2	3.8	1.8

Note: NIDR = Norwegian Interbank Deposit Rate, a pure krone interest rate

NIBOR = Norwegian Interbank Offered Rate, constructed on the basis of currency swaps

							Interest rate differential
	DKK	GBP	JPY	SEK	USD	EUR	NOK/EUR
April 2003	2.6	3.6	0.0	3.5	1.3	2.5	2.6
May 2003	2.5	3.6	0.0	3.3	1.2	2.4	2.4
June 2003	2.2	3.6	0.0	2.9	1.1	2.1	1.8
July 2003	2.1	3.4	0.0	2.8	1.1	2.1	1.2
August 2003	2.1	3.5	-0.1	2.8	1.1	2.1	0.9
September 2003	2.1	3.6	0.0	2.8	1.1	2.1	0.6
October 2003	2.1	3.8	0.0	2.8	1.1	2.1	0.6
November 2003	2.2	3.9	-0.1	2.8	1.1	2.1	0.6
December 2003	2.2	4.0	0.0	2.8	1.1	2.1	0.4
January 2004	2.1	4.0	0.0	2.7	1.1	2.1	0.1
February 2004	2.1	4.1	0.0	2.5	1.1	2.1	-0.2
March 2004	2.1	4.3	0.0	2.3	1.1	2.0	-0.3
April 2004	2.1	4.3	0.0	2.1	1.1	2.0	-0.2
May 2004	2.2	4.5	0.0	2.1	1.2	2.1	-0.2
June 2004	2.2	4.7	0.0	2.1	1.5	2.1	-0.2
July 2004	2.2	4.8	0.0	2.1	1.6	2.1	-0.2
August 2004	2.1	4.9	0.0	2.1	1.7	2.1	-0.2

Table 25. Short-term interest rates¹⁾ for selected currencies in the Euro-market. Per cent per annum

¹⁾ Three-month rates, monthly average of daily quotations.

Sources: OECD and Norges Bank

	3-year	5-year	10-year
April 2003	4.9	5.0	5.3
May 2003	4.4	4.6	5.0
June 2003	3.7	4.0	4.5
July 2003	3.8	4.3	4.9
August 2003	3.9	4.4	5.0
September 2003	3.7	4.3	4.9
October 2003	3.9	4.4	4.9
November 2003	3.9	4.4	5.0
December 2003	3.5	4.1	4.8
January 2004	3.2	3.7	4.5
February 2004	2.8	3.4	4.3
March 2004	2.7	3.3	4.1
April 2004	3.1	3.9	4.7
May 2004	3.3	4.1	4.9
June 2004	3.3	4.1	4.7
July 2004	3.1	3.8	4.5
August 2004	3.0	3.6	4.3

Table 26. Yields on government bonds¹⁾. Per cent per annum

¹⁾ Whole-year interest rate paid in arrears. Monthly average. As of 1 January 1993 based on interest rate on representative bonds weighted by residual maturity.

Table 27. Yields on government bonds ¹¹ in se	selected countries. Per cent per annum
--	--

							Interest rate
						_	differential
	Germany	Sweden	France	UK	Japan	US	NOK/DEM ²⁾
April 2003	4.2	4.8	4.2	4.4	0.7	4.0	1.1
May 2003	3.9	4.4	3.9	4.1	0.6	3.5	1.1
June 2003	3.7	4.2	3.7	4.0	0.6	3.3	0.8
July 2003	4.1	4.4	4.0	4.3	1.0	4.0	0.8
August 2003	4.2	4.7	4.2	4.5	1.1	4.4	0.8
September 2003	4.3	4.8	4.2	4.6	1.4	4.3	0.7
October 2003	4.3	4.9	4.3	4.9	1.4	4.2	0.6
November 2003	4.5	5.0	4.4	5.0	1.3	4.3	0.5
December 2003	4.4	4.9	4.3	4.9	1.4	4.3	0.4
January 2004	4.3	4.7	4.2	4.8	1.3	4.1	0.3
February 2004	4.2	4.6	4.1	4.8	1.2	4.1	0.1
March 2004	4.0	4.4	4.0	4.7	1.4	3.8	0.1
April 2004	4.2	4.6	4.2	4.9	1.5	4.3	0.5
May 2004	4.3	4.7	4.3	5.1	1.5	4.7	0.6
June 2004	4.4	4.8	4.4	5.2	1.8	4.8	0.3
July 2004	4.3	4.6	4.3	5.1	1.8	4.5	0.2
August 2004	4.2	4.5	4.1	5.0	1.6	4.3	0.1

¹⁾ Government bonds with 10 years to maturity. Monthly average of daily quotations.

²⁾ Differential between yields on Norwegian and German government bonds with 10 years to maturity.

Sources: OECD and Norges Bank

	•		•		-			
			Ι	Loans, excl.	non-accrua	l loans		
		Leed		Non- financial private	-	Credit lines	Repayment loans	
	Total	govern-	enter-	enter-	House-	Overdrafts and	Housing	Other
	loans	ment	prises	prises	holds	building loans	loans	loans
2003 Q2								
Commercial banks	6.60	6.43	5.39	6.61	6.60	8.33	6.42	6.39
Savings banks	7.09	5.40	6.88	7.54	6.97	9.33	6.69	7.50
All banks	6.85	6.01	5.78	6.98	6.81	8.79	6.58	6.87
2003 Q3								
Commercial banks	5.00	4.29	4.09	5.19	4.92	6.84	4.70	5.04
Savings banks	5.44	4.02	4.24	6.14	5.27	8.11	4.96	6.06
All banks	5.23	4.16	4.14	5.57	5.12	7.42	4.85	5.48
2003 Q4								
Commercial banks	4.48	4.41	3.50	4.59	4.44	6.51	4.20	4.51
Savings banks	4.96	3.35	3.85	5.61	4.81	7.59	4.51	5.56
All banks	4.73	3.89	3.64	4.99	4.65	7.03	4.37	4.96
2004 Q1								
All banks	4.35	2.98	3.14	4.59	4.29	6.76	4.01	4.56
2004 Q2								
All banks	4.03	2.84	2.88	4.32	3.95	6.50	3.67	4.28

Table 28. Banks. Average interest rates and commissions on utilised NOK loansto the general public at end of quarter. Per cent per annum.

			Non-				
		Local	financial	Non-financial		Deposits on	
	Total	govern-	public	private	House-	transaction	Other
	deposits	ment	enterprises	enterprises	holds	accounts	deposits
2003 Q2							
Commercial banks	3.92	4.24	3.89	3.70	4.02	3.18	4.77
Savings banks	3.84	4.51	4.28	3.92	3.76	2.64	4.56
All banks	3.88	4.42	4.03	3.78	3.87	2.95	4.65
2003 Q3							
Commercial banks	2.26	2.82	2.55	2.12	2.29	1.88	2.69
Savings banks	2.27	2.97	2.76	2.36	2.19	1.58	2.66
All banks	2.27	2.91	2.60	2.21	2.23	1.76	2.67
2003 Q4							
Commercial banks	1.81	2.48	2.16	1.81	1.77	1.63	2.03
Savings banks	1.87	2.53	2.37	1.91	1.80	1.32	2.17
All banks	1.84	2.51	2.25	1.84	1.79	1.50	2.12
2004 Q1							
All banks	1.42	1.93	1.68	1.37	1.40	1.14	1.66
2004 Q2							
All banks	1.25	1.81	1.73	1.24	1.20	1.00	1.48

Table 29. Banks. Average interest rates on deposits in NOK from thegeneral public at end of quarter. Per cent per annum

Source: Norges Bank

Table 30. Life insurance companies. Average interest rates by type of loan at end of quarter.Per cent per annum

	Housing	Other	Total
	loans	loans	loans
30.06.2003	5.7	6.0	5.9
30.09.2003	4.3	5.5	4.9
31.12.2003	4.1	5.3	4.7
31.03.2004	3.7	5.2	4.5
30.06.2004	3.6	5.1	4.4

Source: Norges Bank

Table 31. Mortgage companies. Average interest rates, incl. commissions on loans to private sector at end of quarter. Per cent per annum

		Loans to	
	Housing	private	Total
	loans	enterprises	loans
30.06.2003	6.6	6.8	6.3
30.09.2003	6.0	6.1	5.6
31.12.2003	5.5	5.7	5.2
31.03.2004	5.1	5.4	4.5
30.06.2004	4.8	4.9	4.1

Profit/loss and capital adequacy data

Table 32. Profit/loss and capital adequacy: banks¹⁾. Percentage of average total assets

			Q	2
	2002	2003	2003	2004
Interest income	7.5	5.8	6.6	4.2
Interest expenses	5.4	3.9	4.6	2.4
Net interest income	2.1	1.9	2.0	1.8
Total other operating income	0.7	0.9	0.8	0.9
Other operating expenses	1.8	1.6	1.6	1.6
Operating profit before losses	1.0	1.2	1.1	1.0
Recorded losses on loans and guarantees	0.5	0.4	0.5	0.1
Ordinary operating profit (before taxes)	0.6	0.7	0.6	1.1
Capital adequacy ratio ²⁾	12.2	12.4	11.9	12.0
Of which:				
Core capital	9.6	9.7	9.3	9.4

¹⁾Parent banks (excl. foreign branches) and foreign-owned branches / subsidiary banks.

²⁾ As a percentage of the basis of measurement for capital adequacy.

Source: Norges Bank

Table 33. Profit/loss and capital adequacy: finance companies¹⁾.Percentage of average total assets

			Q	2
	2002	2003	2003	2004
Interest income	9.7	8.5	9.2	7.0
Interest expenses	5.6	3.8	4.6	2.1
Net interest income	4.1	4.7	4.6	4.9
Total other operating income	2.5	2.3	2.1	1.6
Other operating expenses	4.1	4.0	3.9	3.3
Operating profit before losses	2.5	3.0	2.8	3.2
Recorded losses on loans and guarantees	0.6	1.0	1.0	0.7
Ordinary operating profit (before taxes)	1.9	2.0	1.9	2.5
Capital adequacy ratio ²⁾	10.9	10.9	10.0	10.8
Of which:				
Core capital	9.3	9.4	8.5	9.1

¹⁾All Norwegian parent companies (excl. OBOS) and foreign-owned branches.

²⁾ As a percentage of the basis of measurement for capital adequacy.

Source: Norges Bank

Table 34. Profit/loss and capital adequacy: mortgage companies¹⁾.Percentage of average total assets

			Q	2
	2002	2003	2003	2004
Interest income	5.3	4.4	4.8	3.4
Interest expenses	4.7	3.8	4.1	2.8
Net interest income	0.7	0.7	0.7	0.6
Total other operating income	-0,0	0.0	0.0	0.0
Other operating expenses	0.2	0.1	0.1	0.1
Operating profit before losses	0.5	0.5	0.6	0.5
Recorded losses on loans and guarantees	0.0	0.0	0.0	0.0
Ordinary operating profit (before taxes)	0.5	0.5	0.6	0.5
Capital adequacy ²⁾	12.7	12.2	12.5	12.3
Of which:				
Core capital	10.4	9.6	10.0	9.5

¹⁾ All Norwegian parent companies.

²⁾ As a percentage of the basis of measurement for capital adequacy.

Exchange rates

	Trade- weighted							
	krone	1	100	1	100	100	1	
	exchange rate ¹⁾	EUR	DKK	GBP	JPY	SEK	USD	
April 2003	97.78	7.8316	105.47	11.37	6.02	85.56	7.22	
May 2003	97.10	7.8711	106.01	11.04	5.80	85.97	6.80	
June 2003	100.77	8.1622	109.93	11.63	5.91	89.51	7.00	
July 2003	102.57	8.2893	111.52	11.84	6.14	90.24	7.29	
August 2003	102.40	8.2558	111.08	11.81	6.24	89.37	7.41	
September 2003	102.15	8.1952	110.34	11.76	6.36	90.37	7.31	
October 2003	102.26	8.2278	110.74	11.80	6.42	91.32	7.04	
November 2003	101.95	8.1969	110.22	11.83	6.41	91.14	7.01	
December 2003	101.55	8.2414	110.74	11.74	6.22	91.34	6.71	
January 2004	105.45	8.5925	115.36	12.42	6.41	94.04	6.81	
February 2004	107.82	8.7752	117.77	12.96	6.51	95.63	6.94	
March 2004	105.34	8.5407	114.65	12.72	6.42	92.49	6.97	
April 2004	103.00	8.2938	111.42	12.46	6.43	90.47	6.92	
May 2004	101.55	8.2006	110.21	12.21	6.10	89.83	6.83	
June 2004	102.74	8.2856	111.45	12.47	6.24	90.62	6.83	
July 2004	104.82	8.4751	113.98	12.73	6.32	92.16	6.91	
August 2004	103.06	8.3315	112.04	12.45	6.19	90.70	6.84	

Table 35. The international value of the krone and exchange rates against selected currencies.Monthly average of representative market rates

¹⁾The nominal effective krone exchange rate is calculated on the basis of the NOK exchange rate against the currencies of Norway's 25 main trading partners, calculated as a chained index and trade-weighted using the OECD's weights. The weights, which are updated annually, are calculated on the basis of each country's competitive position in relation to Norwegian manufacturing. The index is set at 100 in 1990. A rising index value denotes a depreciating krone.

Further information can be found on Norges Bank's website (www.norges-bank.no).

Source: Norges Bank

Table 36. Exchange cross rates. Monthly average of representative exchange rates

	GBP/USD	EUR/GBP	USD/EUR	EUR/JPY	JPY/USD
April 2003	1.5736	0.6890	1.084	130.0741	119.97
May 2003	1.6227	0.7130	1.157	135.6071	117.20
June 2003	1.6612	0.7017	1.166	138.0045	118.38
July 2003	1.6235	0.7004	1.137	134.9582	118.69
August 2003	1.5926	0.6991	1.113	132.2774	118.80
September 2003	1.6093	0.6969	1.122	128.9269	114.95
October 2003	1.6760	0.6976	1.169	128.1083	109.57
November 2003	1.6888	0.6927	1.170	127.8064	109.25
December 2003	1.7496	0.7022	1.228	132.4419	107.81
January 2004	1.8223	0.6921	1.261	134.1105	106.34
February 2004	1.8683	0.6768	1.265	134.7664	106.57
March 2004	1.8268	0.6712	1.226	133.0724	108.53
April 2004	1.7999	0.6655	1.198	129.0620	107.75
May 2004	1.7872	0.6714	1.200	134.3959	112.00
June 2004	1.8272	0.6642	1.214	132.8262	109.44
July 2004	1.8422	0.6657	1.226	134.0781	109.32
August 2004	1.8188	0.6693	1.217	134.5203	110.50

Balance of payments

Table 37. Balance of payments. In millions of NOK

			January	y-June
	2002	2003	2003	2004
Goods balance	186 875	191 102	95 192	103 986
Service balance	22 836	21 835	11 985	15 651
Net interest and transfers	-13 632	-11 729	-10 960	-14 427
Current account balance	196 079	201 208	96 217	105 210
Distributed among:				
Petroleum activities	256 128	277 318	133 087	144 432
Shipping	19 298	18 780	8 484	12 427
Other	-79 347	-94 890	-45 354	-51 649
Net capital transfers	-431	4 724	-680	-430
Net investment in financial assets	195 648	205 932	95 537	104 780
Capital account \ Net capital outflow	195 648	205 932	95 537	104 780
Distributed among:				
Norwegian foreign investment	376 845	314 167	203 621	298 268
Foreign investment in Norway	263 819	170 757	133 673	202 918
Unallocated (incl. errors and omissions)	82 622	62 522	25 589	9 430
Distributed by purpose:				
Direct investment	27 341	2 525	-13 714	-17 482
Portfolio investment	184 122	45 507	118 761	44 775
Other investment in financial assets	-144 209	93 394	-24 796	65 568
International reserves	45 772	1 984	-10 303	2 489
Unallocated (incl. errors and omissions)	82 622	62 522	25 589	9 430
Distributed by sector:				
Government administration ¹⁾	143 422	138 747	90 121	75 742
Norges Bank	30 460	13 289	-960	3 976
Banks	-73 450	-26 863	-10 083	-14 966
Insurance	56 238	28 122	16 958	40 983
Other financial enterprises	-28 605	-27 673	-19 255	-14 893
Non-financial enterprises etc.	-15 039	17 789	-6 833	4 508
Unallocated (incl. errors and omissions)	82 622	62 522	25 589	9 430

¹⁾ Including the Petroleum Fund

Sources: Statistics Norway and Norges Bank

Table 38. Norway's foreign assets and debt. In billions of NOK

	3	1.12.2002		3	1.12.2003			30.06.2004	
	Assets	Debt	Net	Assets	Debt	Net	Assets	Debt	Net
Government administration ¹⁾	838.1	281.4	556.7	1 165.0	371.9	793.1	1 438.7	537.6	901.1
Norges Bank	226.7	64.4	162.3	254.6	62.2	192.4	263.8	65.7	198.1
Banks	125.8	371.8	-245.9	193.4	473.1	-279.7	207.1	509.9	-302.9
Insurance	171.5	25.5	146.0	220.3	25.8	194.6	9.8	5.2	4.6
Other financial enterprises	110.6	176.3	-65.7	117.1	217.5	-100.5	116.5	206.9	-90.4
Non-financial enterprises etc.									
- Public enterprises	120.3	112.1	8.1	147.3	111.5	35.8	166.7	106.7	59.9
- Private enterprises	352.7	406.7	-54.0	338.2	412.9	-74.6	321.5	422.8	-101.2
- Households and non-profit organisations	63.9	11.4	52.5	74.2	11.6	62.7	79.6	11.7	67.9
Unallocated (incl. errors and omissions)	0.0	0.0	0.0	62.5	0.0	62.5	72.0	0.0	72.0
All sectors	2 009.5	1 449.5	560.0	2 572.7	1 686.5	886.2	2 675.7	1 866.6	809.0

1) Including the Petroleum Fund

Norges Bank calculates the holdings figures on the basis of Statistics Norway's annual census of foreign assets and liabilities and sectoral statistics for financial enterprises. These are combined with the figures on changes in the form of transaction and valuation changes from the balance of payments.

Sources: Statistics Norway and Norges Bank

International capital markets

Table 39. Changes in banks' international assets.¹⁾ In billions of USD

				(Q1	Outstanding
	2001	2002	2003	2003	2004	At 31.03.04
Total Of which vis-à-vis:	859.4	740.1	1 076.6	336.3	1 180.8	17 185.2
Non-banks Banks (and undistributed)	442.1 417.3	315.2 425.0	545.5 531.0	201.1 135.2	402.9 777.9	6 101.0 11 084.2

1) International assets (external positions) comprise

- cross-border claims in all currencies

- foreign currency loans to residents

- equivalent assets, excluding lending

Source: Bank for International Settlements

Table 40. Banks' international claims by currency. Percentage of total international assets

		Decembe	r		Q1
	2001	2002	2003	2003	2004
US dollar (USD)	45.2	41.9	39.4	41.3	40.1
Deutsche mark (DEM)					
Swiss franc (CHF)	2.1	2.0	1.8	2.0	1.7
Japanese yen (JPY)	6.2	5.6	4.9	5.2	4.6
Pound sterling (GBP)	5.4	5.3	5.5	4.0	6.0
French franc (FRF)					
Italian lira (ITL)					
ECU/EURO ¹⁾	28.9	33.6	37.6	34.8	36.9
Undistributed ²⁾	12.2	11.6	10.8	12.7	10.7
Total in billions of USD	11 625.6	13 370.5	15 979.1	13 991.6	17 185.2

¹⁾ From January 1999.

²⁾ Including other currencies not shown in the table, and assets in banks in countries other than the home countries of the seven currencies specified.

Source: Bank for International Settlements

Foreign currency trading

		Purch	ased net fro	om:		Purchased gr	ross from:	Sold gro	oss to:
	Central gov't ²⁾	Other financial inst. ³⁾	Non- financial sector	Foreign sector	Total	Non- financial sector	Foreign sector	Non- financial sector	Foreign sector
July 2003	0.1	16.3	30.6	117.4	164.4	60.1	573.6	29.5	456.2
August 2003	0.1	14.5	35.9	118.2	168.7	62.1 591.8		26.2	473.6
September 2003	0.1	18.6	32.7	131.1	182.5	64.2 631.2		31.5	500.1
October 2003	0.1	-10.8	31.6	17.4	38.3	63.7570.463.3547.4		32.1	553.0
November 2003	0.1	-26.6	30.7	118.4	122.6			32.6	429.0
December 2003	0.1	-19.2	42.9	118.2	142.0	74.5	514.1	31.6	395.9
January 2004	0.0	-9.9	52.4	103.7	146.2	83.2	485.1	30.8	381.4
February 2004	0.0	-1.8	52.3	81.3	131.8	92.2 440.9		39.9	359.6
March 2004	0.0	10.8	47.1	133.4	191.3	87.9 475.5		40.8	342.1
April 2004	0.0	26.4	39.0	124.1	189.5	78.0	455.8	39.0	331.7
May 2004	0.0	20.3	39.3	130.7	190.3	78.6	452.1	39.3	321.4
June 2004	0.0	18.8	48.0	134.5	201.3	81.9	428.1	33.9	293.6
July 2004	0.0	15.6	49.8	116.2	181.6	81.6	359.5	31.8	243.3

Table 41. Foreign exchange banks. Foreign exchange purchased/sold forward with settlement in NOK.¹⁾ In billions of NOK at end of month

¹⁾ Excl. exchange rate adjustments.

²⁾Central government administration, social security administration and Norges Bank.

³⁾ Incl. possible discrepancies between forward assets and forward liabilities within the category of foreign exchange banks.

Source: Statements from commercial and savings banks (registered foreign exchange banks) to Norges Bank

Table 42. Foreign exchange banks. Overall foreign currency position. In millions of NOK

	30.06.2003	30.09.2003	31.12.2003	31.03.2004	30.06.2004
Foreign assets, spot	241 242	223 877	249 446	243 887	265 472
Foreign liabilities, spot	388 607	392 606	418 306	460 346	459 173
1. Spot balance, net	-147 365	-168 729	-168 860	-216 459	-193 701
2. Forward balance, net	97 941	189 974	124 179	201 952	193 924

,								,								
I	2002	2003							Neek in 2	2004						
	1-52	1-52	24	25	26	27	28	29	30	31	32	33	34	35	36	1-36
1. Norwegian customers	48	14	-0.1	-18.8	32.0	-4.4	22.0	-24.5	-5.9	-0.6	-22.8	4.5	11.3	6.6	2.1	23.4
Net spot ¹⁾	10	-1	0.2	-20.3	36.8	-6.5	21.5	-26.3	-4.7	3.2	-20.8	-1.6	4.8	8.9	-3.2	12.0
Net forward ¹⁾	38	15	-0.3	1.6	-4.8	2.2	0.5	1.8	-1.2	-3.8	-2.0	6.1	6.5	-2.3	5.3	11.4
- Change in purchase contracts ²⁾	-12	-72	1.7	4.7	-1.7	0.7	1.1	-0.2	0.4	-2.7	2.3	-0.6	-0.6	-2.7	-1.3	4.9
- Change in sales contracts ³⁾	26	-87	2.0	3.2	3.1	-1.4	0.6	-2.0	1.7	1.1	4.3	-6.7	-7.1	-0.4	-6.6	-6.5
2. Foreign sector	-81	-45	-2.0	18.9	-25.7	1.7	-25.1	18.1	2.8	1.4	9.5	-3.3	-14.3	-4.4	-8.4	-42.4
Net spot ¹⁾	-18	15	5.0	-10.8	-18.3	-5.3	-25.3	15.3	-2.7	1.7	-1.7	3.2	-2.7	-6.3	-1.9	-35.3
Net forward ¹⁾	-63	-60	-7.0	29.8	-7.4	7.0	0.2	2.8	5.5	-0.3	11.2	-6.5	-11.6	1.9	-6.5	-7.1
- Change in purchase contracts ²⁾	-126	-184	18.3	-1.5	-16.1	-14.6	-7.7	-17.5	13.3	-21.5	23.2	8.0	-39.3	17.5	-28.4 -	183.4
- Change in sales contracts ³⁾	-189	-124	25.4	-31.3	-8.6	-21.6	-7.9	-20.3	7.8	-21.2	12.0	14.5	-27.8	15.5	-21.9 -	176.3
3. Norges Bank	53	13	0.0	0.0	0.0	0.4	1.3	1.3	1.3	1.4	0.8	0.7	0.5	0.6	1.9	10.0
Net spot ¹⁾	53	13	0.0	0.0	0.0	0.4	1.3	1.3	1.3	1.4	0.8	0.7	0.5	0.6	1.9	10.0
Net forward ¹⁾	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Change in purchase contracts ²⁾	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Change in sales contracts ³⁾	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other																
Increase in Norwegian customers' net																
currency claims on banks	-11	-2	4.2	2.4	-6.5	1.1	-1.5	-1.7	2.8	-1.6	7.2	-1.3	0.4	2.5	0.1	24.1
Increase in banks' total positions	4	-1	1.2	0.2	-0.4	0.6	0.1	-0.4	-0.5	-0.4	0.8	0.0	0.8	-0.9	2.5	2.1
Specification of foreign sector spot:																
Net NOK claims on banks ⁴⁾	-13	35	10.4	-10.4	-17.8	-6.0	-9.1	11.4	-3.0	3.8	-0.4	-0.4	-3.7	-5.7	-2.4	-29.6
VPS-registered shares ⁵⁾	-2	-16	-4.9	-1.6	-1.0	0.8	-18.4	2.1	0.2	-1.4	-2.4	-0.1	0.5	0.4	1.2	-15.5
VPS-registered bonds ⁵⁾	ċ	-5	-0.3	-0.4	1.2	0.1	1.9	1.6	-0.1	-0.8	1.2	1.3	0.6	0.1	-0.3	5.2
VPS-registered notes and certificates ⁵⁾	1	2	-0.2	1.5	-0.7	-0.1	0.4	0.2	0.1	0.0	-0.1	2.4	-0.2	-1.1	-0.5	4.6
Foreign sector purchases of VPS-reg. securities, total	ı		88.4	64.0	69.4	55.9	103.2	66.0	54.9	54.0	57.0	69.0	56.0	47.7	52.2 2	245.8
Foreign sector sales of VPS-registered securities, total			83.1	63.5	68.9	56.7	87.0	6.69	55.1	51.9	55.7	72.6	56.9	47.0	52.6 2	240.1
¹⁾ Positive figures denote that the sectors in question purchase fo	oreign currency	/ from Norwegi	an banks.													

Table 43. Norges Banks' foreign currency transactions with various sectors. In billions of NOK

²⁾ Positive figures denote that the sectors in question increase their contracts for purchase of NOK, and negative figures denote a decline in purchase contracts.

³⁾ Positive figures denote that the sectors in question increase their sales contracts in NOK, and negative figures denote a decline in sales contracts.

⁴⁾ Positive figures denote a reduction of NOK deposits from the foreign sector in Norwegian banks.

⁵⁾ Positive figures denote net sales of VPS-registered securities by the foreign sector.

141

B-blad/Economique

Returadresse: Norges Bank Postboks 1179 Sentrum N-0107 Oslo Norway

