

Norges Bank's balance sheet

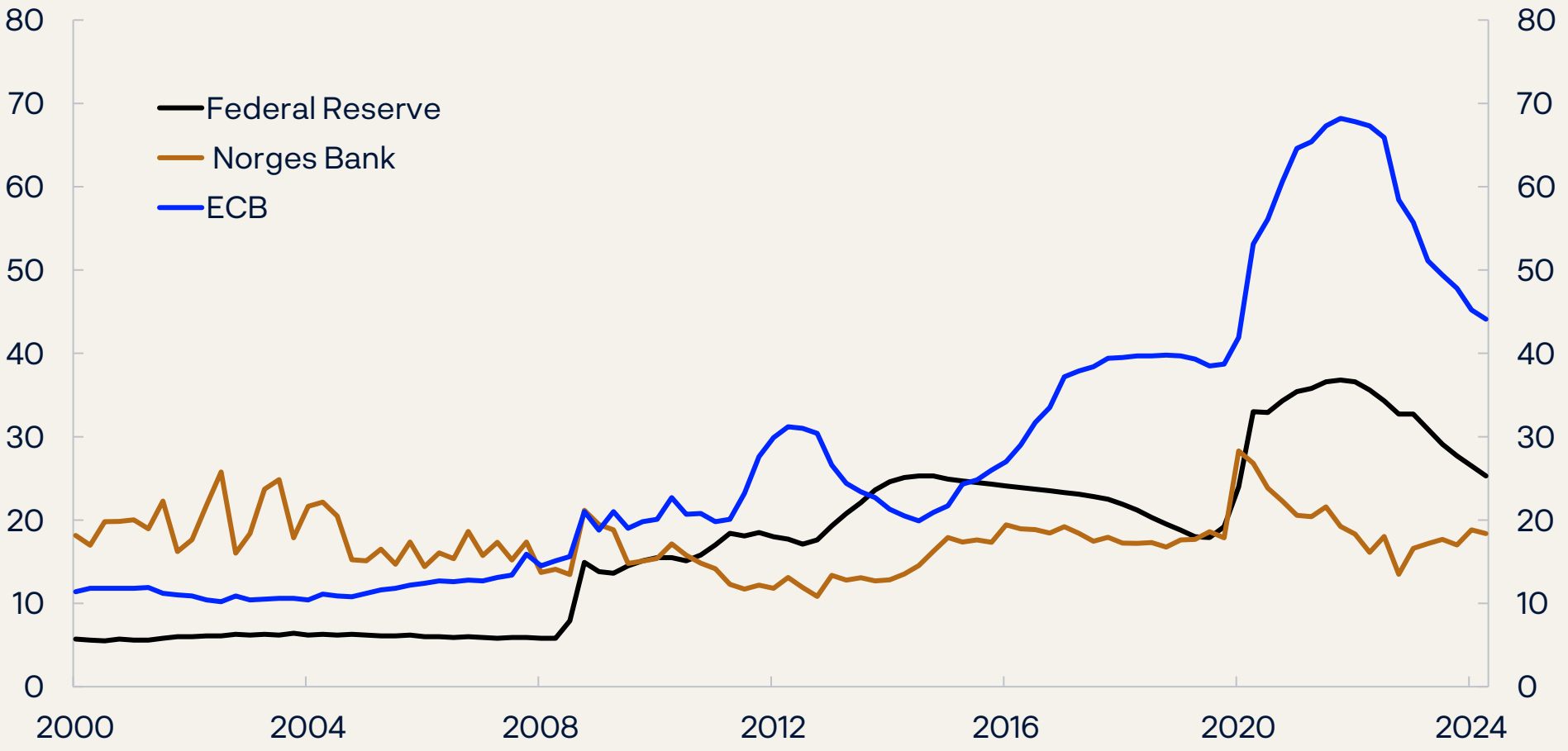
Central Bank Governor Ida Wolden Bache

Centre for Monetary Economics, 17 October 2024



Central bank balance sheets have changed

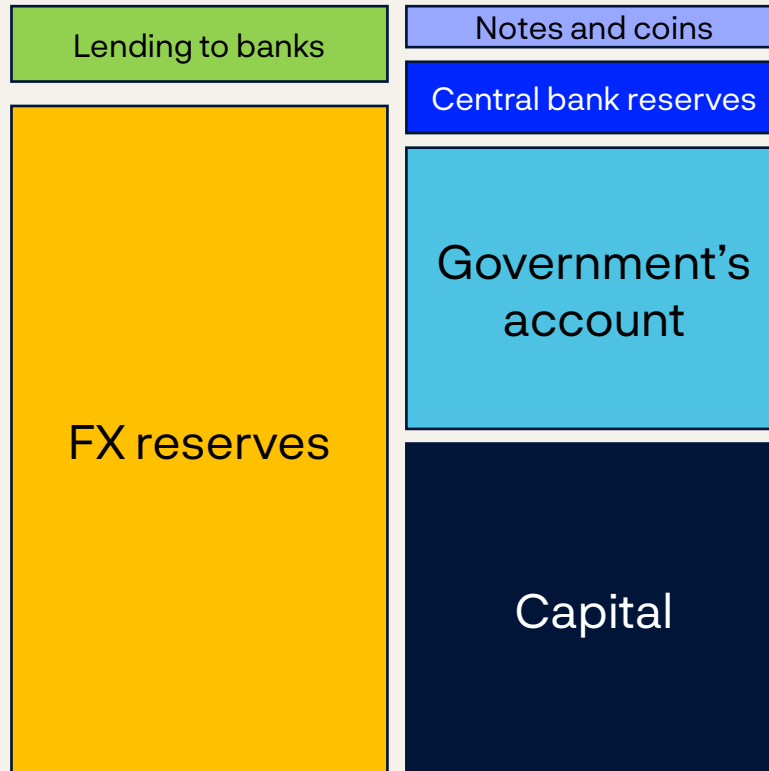
Total balance sheet. Percent of GDP



Sources: Bloomberg, Statistics Norway and Norges Bank

Norges Bank's balance sheet

Stylised version

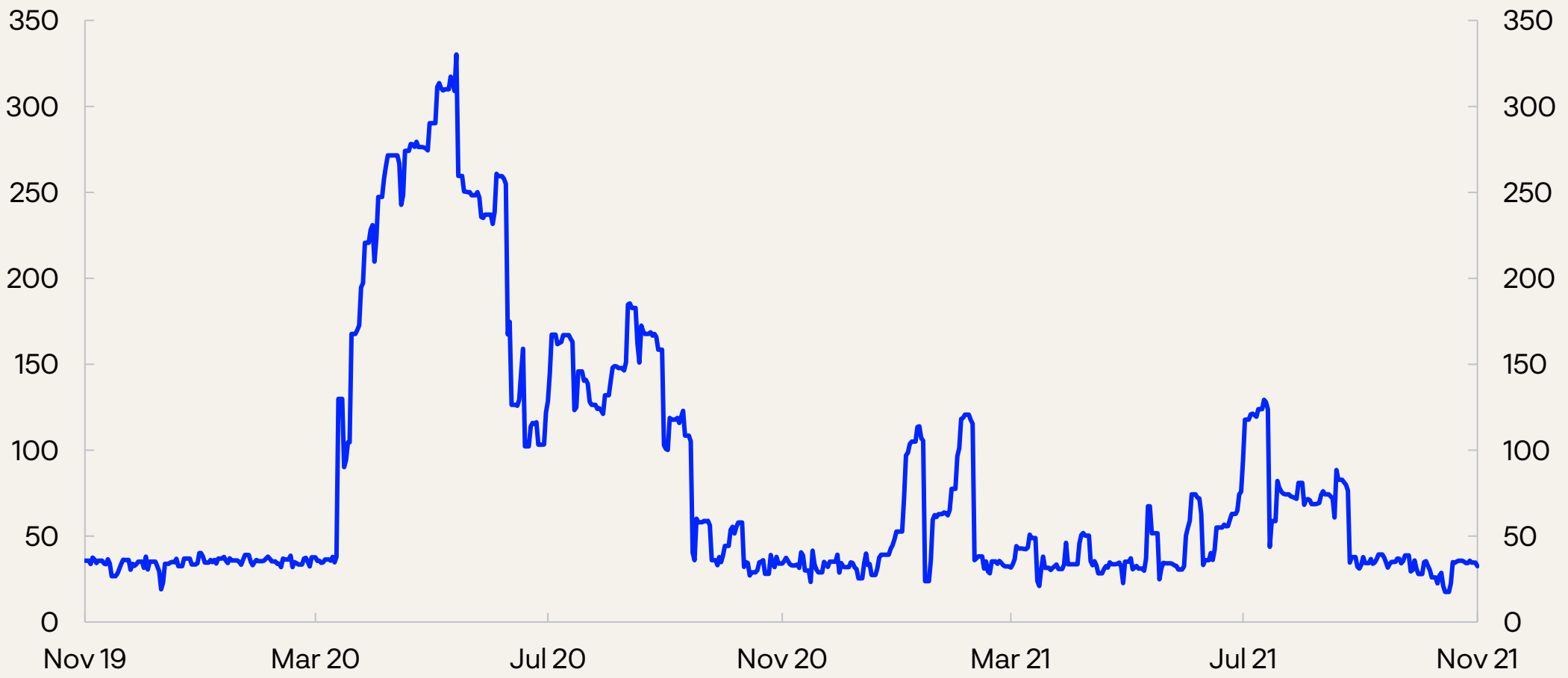


Central bank reserves are important for:

1. Interbank payment settlement
2. Effective transmission of monetary policy to market rates
3. Norges Bank's ability to support financial stability

Central bank reserves during the pandemic

In billions of NOK. 1 November 2019 – 1 November 2021



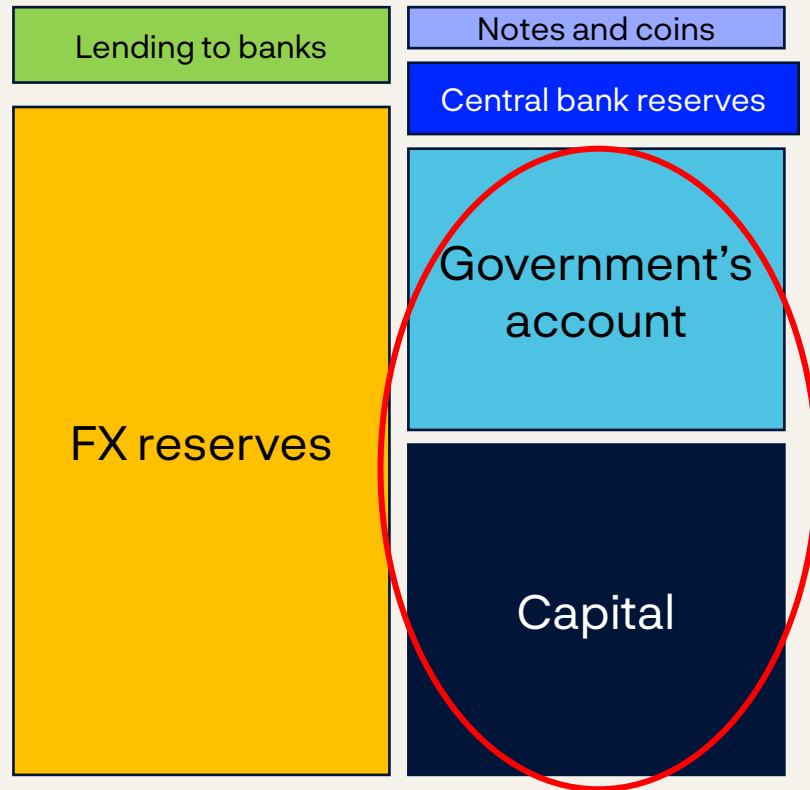
Source: Norges Bank

Why do we want a small supply of central bank reserves in normal times?

- Banks should manage own liquidity risk
- Norges Bank should avoid affecting risk premiums in money and capital markets
- Payment settlement and monetary policy do not require a large supply of central bank reserves

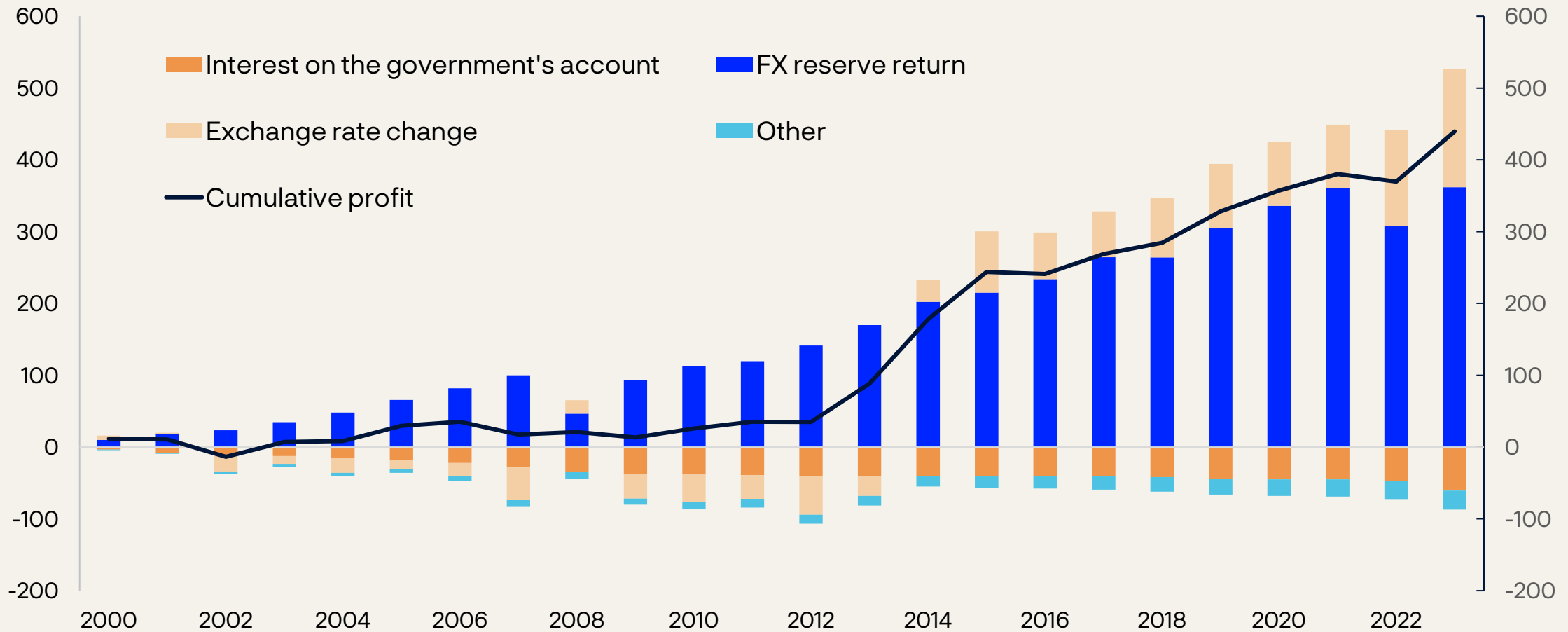
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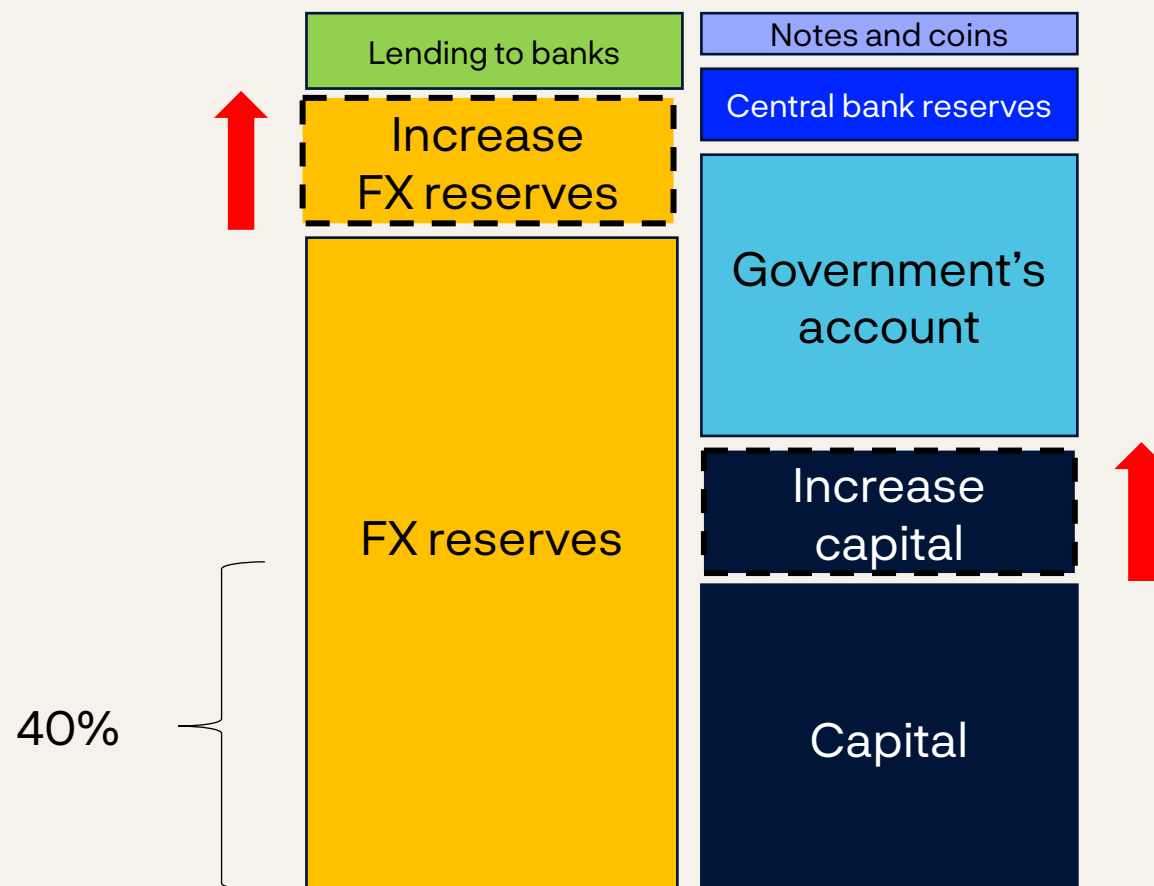


Returns on FX reserves have been high

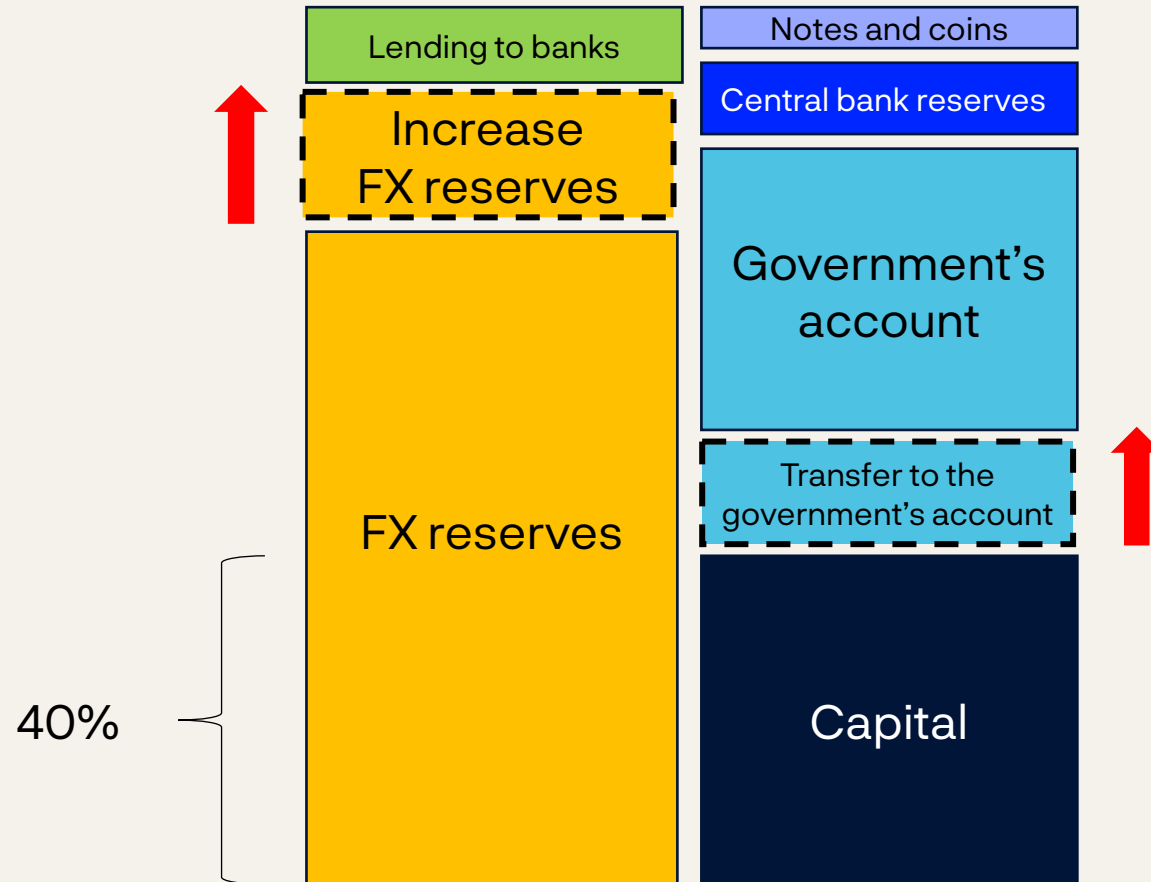
Norges Bank's profit. In billions of NOK. Cumulative since 2000.



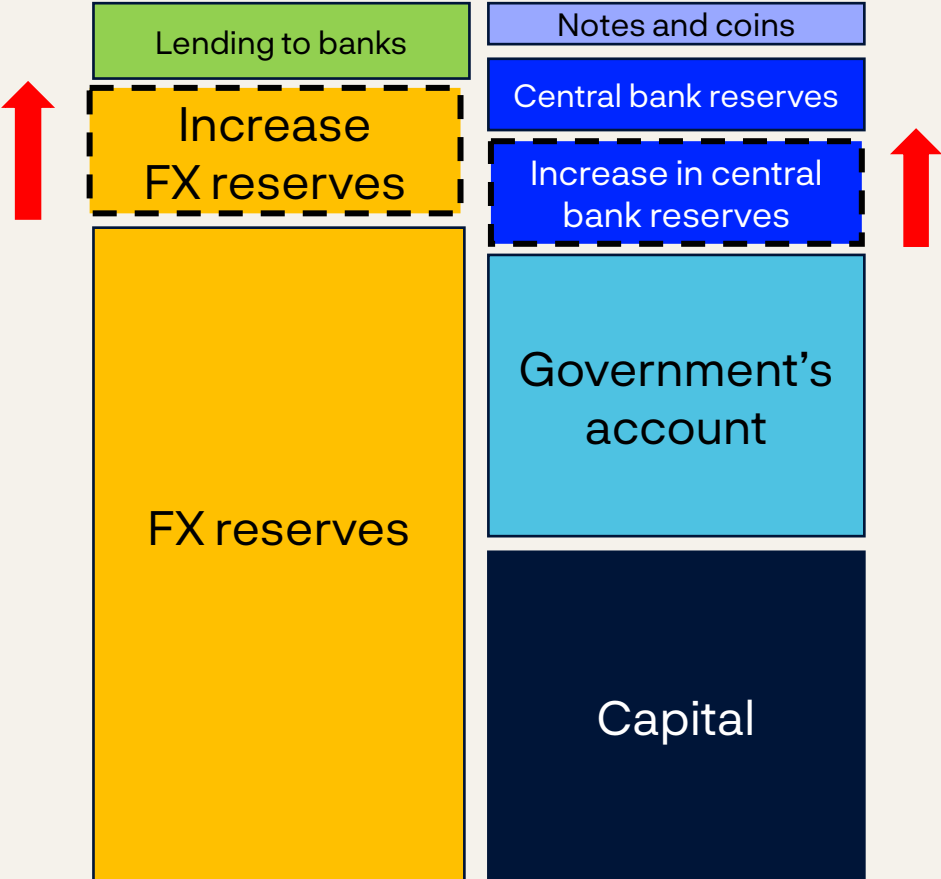
When FX reserves increase, the balance sheet expands



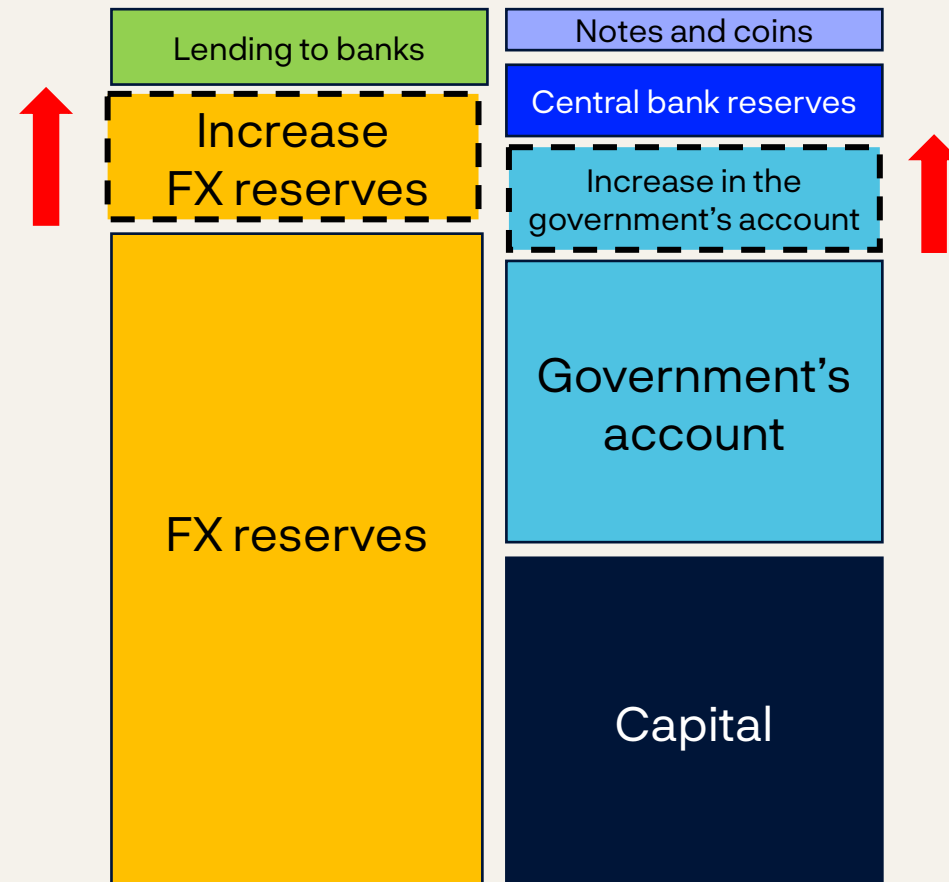
Transfer to the government's account



When the government spends money, central bank reserves increase



The government raises government debt corresponding to the transfer from Norges Bank



What will the balance sheet look like ahead?

Under the current framework, there are primarily two alternatives:

1. Let further growth in FX reserves appear somewhere else on the liabilities side of the balance sheet
2. Adjust the asset side of the balance sheet by selling foreign currency in the market

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