

## Markets

# Foreign exchange reserves

Management of the foreign exchange reserves

2024 Q4

25 February 2025

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# Main points

NOK 789.0bn

Market value of the foreign exchange reserves

-0.1%

Return on the foreign exchange reserves in international currency terms

4.1%

Return on the foreign exchange reserves in NOK terms

2.2%

Return on equity investments in international currency terms

-0.7%

Quarterly return on fixed income investments in international currency terms

# Management of the foreign exchange reserves

The foreign exchange reserves are to be sufficiently liquid to be available for use in foreign exchange market transactions as part of the conduct of monetary policy or with a view to promoting financial stability and to meet Norges Bank's international commitments. The aim of the management of foreign exchange reserves is the highest possible return within the applicable limits.

## Composition

The reserves are divided into an equity portfolio, a fixed income portfolio and a petroleum buffer portfolio. The foreign exchange reserves may be invested in cash deposits, Treasury bills, government bonds and equities listed on a regulated and recognised exchange.

The fixed income portfolio's benchmark index is a market-weighted index of all nominal government bonds with a residual maturity of between one month and 10 years issued in local currency by China, France, Germany, Japan, the UK and the US.

The equity portfolio's benchmark index is a market-weighted, tax-adjusted global equity index for medium and large-sized companies limited to nine currencies. The strategic equity allocation of the total equity and fixed income portfolio is 20%.

The petroleum buffer portfolio is intended to receive foreign currency from the State's Direct Financial Interest in petroleum activities (SDFI) and transfers from the Government Pension Fund Global (GPF), as well as to smooth the government's need for converting foreign currency and NOK. The petroleum buffer portfolio is invested in short-term fixed income instruments. No benchmark index has been set for the petroleum buffer portfolio.

## Foreign exchange reserves

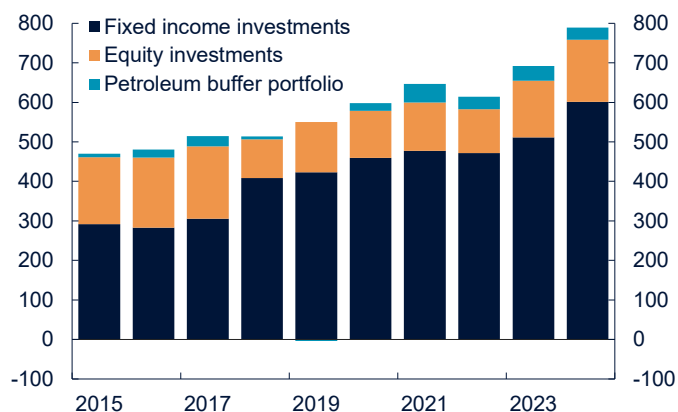
The market value of the foreign exchange reserves was NOK 789.0bn at the end of 2024 Q4, an increase of NOK 7.1bn in Q4. The return in international currency terms reduced the value of the equity and fixed income portfolio by NOK 0.7bn. A weaker krone increased the value by NOK 30.4bn. Net transfers amounted to NOK 0.8bn. The value of the petroleum buffer portfolio decreased by NOK 23.4bn. In NOK terms, the return amounted to 3.4bn, while net transfers totalled -26.8bn.

# NOK 789.0bn

in market value, up NOK 7.1bn in 2024 Q4

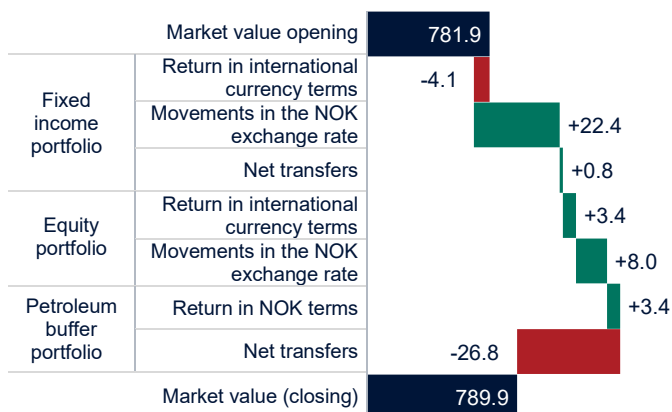
**CHART 1 Composition of the foreign exchange reserves**

Market value of each portfolio at year-end. 2015–2024. In billions of NOK



**Chart 2 Change in market value**

In billions of NOK. 2024 Q4



**TABLE 1 Market value of the foreign exchange reserves**

In billions of NOK. 2024 Q4 and 2024

	2024 Q4				2024			
	Fixed income investments	Equity investments	Petroleum buffer portfolio	Foreign exchange reserves	Fixed income investments	Equity investments	Petroleum buffer portfolio	Foreign exchange reserves
Market value (opening)	582.1	145.7	54.2	781.9	511.3	143.1	37.7	692.1
Market value (closing)	601.1	157.1	30.8	789.0	601.1	157.1	30.8	789.0
<b>Change in market value</b>	<b>19.1</b>	<b>11.4</b>	<b>-23.4</b>	<b>7.1</b>	<b>89.8</b>	<b>14.0</b>	<b>-6.9</b>	<b>96.9</b>
Return in NOK terms	18.2	11.4	3.4	33.1	55.6	45.6	7.5	108.7
Net transfers	0.8	0.0	-26.8	-26.0	34.3	-31.7	-14.4	-11.8

**TABLE 2 Details of fixed income and equity investments**

2024 Q4 and 2024

	2024 Q4			2024		
	Fixed income investments	Equity investments	Total	Fixed income investments	Equity investments	Total
<i>In billions of NOK</i>						
Return in NOK terms	18.2	11.4	29.7	55.6	45.6	101.2
Return in international currency terms	-4.1	3.4	-0.7	11.2	31.2	42.4
Movements in the krone exchange rate	22.4	8.0	30.4	44.4	14.4	58.8
<i>In percent</i>						
Return in international currency terms	-0.7	2.2	-0.1	2.0	22.2	6.2
Return in NOK terms	3.1	7.8	4.1	10.7	33.8	15.4
Relative return in NOK terms (bps)	1.1	5.0		2.9	7.4	
Expected relative volatility in NOK terms (annualised, bps)	2.0	4.3				

## Fixed income investments

The market value of the fixed income investments was NOK 601.1bn at the end of 2024 Q4, an increase of NOK 19.1bn from the previous quarter. The return in international currency terms reduced the value by NOK 4.1bn, equivalent to -0.7%. A weaker krone increased the value by NOK 22.4bn. Net inflows to the fixed income portfolio amounted to NOK 0.8bn, reflecting transactions with the IMF.

# NOK 601.1bn

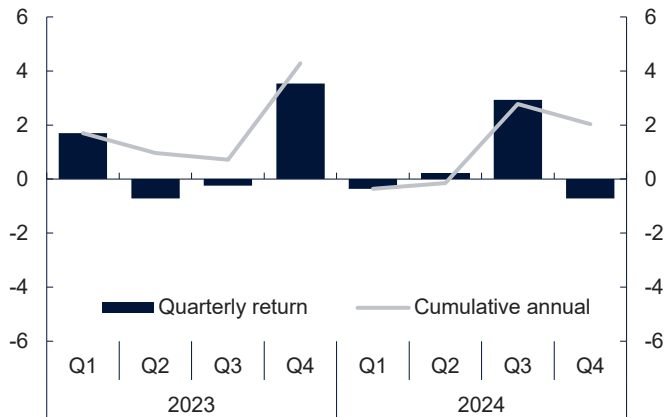
in market value, up NOK 19.1bn from the previous quarter

# -0.7%

return in international currency terms

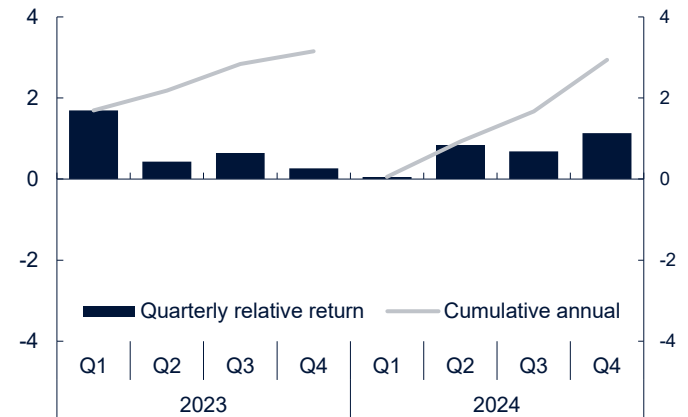
**CHART 3 Return on fixed income investments**

Percent. In international currency terms



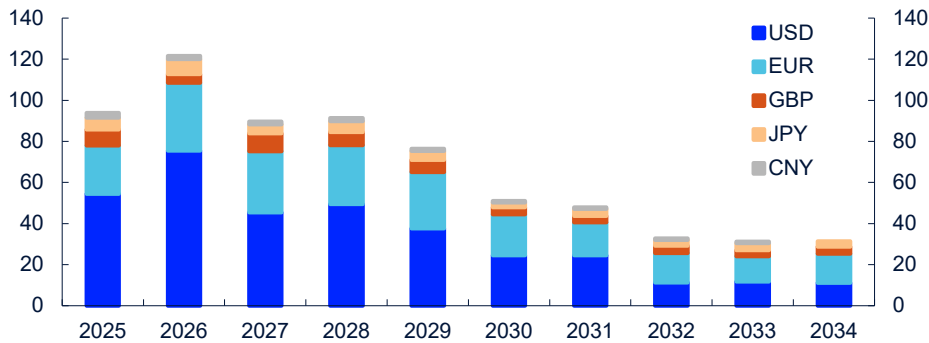
**CHART 4 Relative return on fixed income investments**

Basis points. In NOK terms



**CHART 5 Principal and coupon due per year**

In billions of NOK



## International currency

The foreign exchange reserves are held for the purpose of crisis management. Movements in the krone exchange rate will affect Norges Bank's equity but not the Bank's ability to meet commitments in foreign currency. The petroleum buffer portfolio, which is not held for the purpose of crisis management, is excluded from the measurement of return in international currency terms.

**TABLE 3 Fixed income investments by currency**

Market value in billions of NOK. 31 December 2024

	Market value	Share	Duration	Yield
Total	601.1	100.0	3.5	3.4
CNY	12.2	2.0	3.6	1.3
EUR	203.7	33.9	3.9	2.4
GBP	42.2	7.0	3.7	4.3
JPY	42.1	7.0	3.9	0.6
USD	300.9	50.1	3.1	4.4

**US** US government bonds rose markedly in 2024 Q4. Long-term yields ended the quarter around 80 basis points higher, while yields with shorter maturities rose somewhat less. The Federal Reserve cut its policy rate by 25 basis points in both November and December. Investments denominated in USD earned a return of -1.2% in Q4.

**-1.2%**

return on USD investments in 2024 Q4

**Europe** European long-term government bond yields rose by around 25 basis points in Q4, while short-term yields ended the quarter approximately unchanged. The ECB lowered its deposit facility rate twice during the quarter, to 3.0% percent. Investments denominated in EUR earned a return of -0.1% in Q4.

**-0.1%**

return on EUR investments in 2024 Q4

**UK** UK government bond yields rose in Q4. The increase was most pronounced for yields with longer maturities, which increased more than 50 basis points. The Bank of England lowered Bank Rate by 25 basis points to 4.75%. Investments denominated in GBP earned a return of -0.8% in Q4.

**-0.8%**

return on GBP investments in 2024 Q4

**Japan** Japanese government bond yields rose by around 20 basis points in Q4. The Bank of Japan (BoJ) kept the policy rate unchanged at 0.25%. Investments denominated in JPY earned a return of -0.8% in Q4.

**-0.8%**

return on JPY investments in 2024 Q4

**China** Chinese government bond yields continued to fall in Q4, by around 40 basis points. The decline was most pronounced for yields with shorter maturities. Investments denominated in CPY achieved a return of 2.2% in Q4.

**2.2%**

return on CNY investments in 2024 Q4

## Equity investments

The market value of the equity portfolio was NOK 157.1bn at the end of 2024 Q4, an increase of NOK 11.4bn since the end of Q3. The return in international currency terms increased the market value by NOK 3.4bn, while a weaker krone, in isolation, increased the value of the portfolio by NOK 8.0bn.

The return on the equity portfolio in international currency terms was 2.2%. North-American equities posted a return of 5.1%, Asian equities posted -1.9% and European equities -7.5%. Consumer goods equities posted the strongest return in Q4, at 10.2%. The technology sector made the largest contribution to the return on the portfolio, at 2.3 percentage points, with a return of 7.8% in Q4. Equities in the materials sector posted the weakest return in Q4, at -13.5%.

# NOK 1571bn

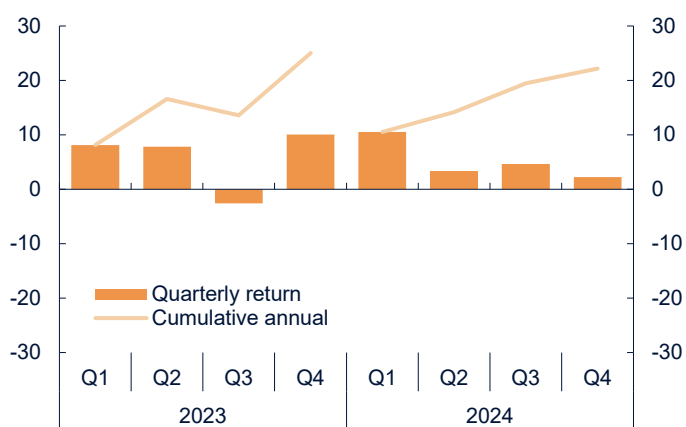
in market value, up NOK 11.4bn from the previous quarter

# 2.2%

return in international currency terms

**CHART 6 Return on equity investments**

Percent. In international currency terms



**CHART 7 Relative return on equity investments**

Basis points. In NOK terms



**TABLE 4 Equity investments by sector and currency**

Market value in billions of NOK. 31 December 2024

Sector	Market value	Share	Currency	Market value	Share
Basic materials	4	2%	AUD	3	2 %
Durable goods	24	15%	CAD	4	3 %
Consumer goods	7	4%	CHF	4	2 %
Energy	5	3%	DKK	1	1 %
Financials	22	14%	EUR	12	8 %
Healthcare	17	11%	GBP	5	3 %
Industrials	20	12%	JPY	10	7 %
Real estate	3	2%	SEK	1	1 %
Technology	48	31%	USD	116	74 %
Telecommunications	4	2%			
Utilities	3	2%			



## Petroleum buffer portfolio

The market value of the petroleum buffer portfolio was NOK 30.8bn at the end of 2024 Q4, a decline of NOK 23.4bn. During Q4, NOK 74.6bn worth of foreign exchange was purchased from the State's Direct Financial Interest (SDFI), and NOK 115.2bn worth of foreign exchange was transferred to the GPFG. At the same time, Norges Bank purchased NOK 13.8bn worth of foreign exchange in the market.<sup>1</sup> The return on the portfolio came to NOK 3.4bn, primarily owing to a weaker krone.

**TABLE 5 Cash flow and return on the petroleum buffer portfolio**

In billions of NOK. Per quarter and annual total. 2024

	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2024
Net transfer	-26.8	1.8	8.0	2.6	-14.4
<i>FX purchases from the SDFI</i>	74.6	74.4	70.8	77.4	297.2
<i>FX purchases in the market</i>	13.8	26.4	28.8	21.4	90.4
<i>Transfers to the GPFG</i>	-115.2	-99.0	-91.6	-96.2	-402.0
Return in NOK	3.4	0.7	-0.6	4.0	7.5

Transferred foreign exchange to the GPFG equivalent to

**NOK 115.2bn**

Purchased foreign exchange from the SDFI equivalent to

**NOK 74.6bn**

Purchased foreign exchange in the market equivalent to

**NOK 13.8bn**

<sup>1</sup> These cash flows are a part of the petroleum fund mechanism. More information on the petroleum fund mechanism can be found on Norges Bank's website: <https://www.norges-bank.no/en/topics/liquidity-and-markets/Foreign-exchange-purchases-for-GPFG/>

## Financial risk

The foreign exchange reserves are invested in foreign currency, while Norges Bank's liabilities are mainly denominated in NOK. This means that movements in the krone exchange rate will have a considerable impact on Norges Bank's earnings in NOK terms. A stronger krone will reduce the krone value of the foreign exchange reserves, while a weaker krone will increase the krone value. For the purpose of crisis management, however, the krone value of the foreign exchange reserves will be of secondary importance. Excluding changes in the krone value, the financial risk associated with the foreign exchange reserves comprises market, credit and counterparty risk.

The foreign exchange reserves' market risk is determined by the composition of investments and movements in equity prices, interest rates and credit spreads. For equity and fixed income investments, expected absolute volatility at the end of 2024 Q4, excluding exchange rate movements, was 17.6% and 2.1%, respectively. Both equity and fixed income portfolios are managed to track the benchmark closely. At the end of Q4, expected relative volatility for equity and fixed income investments was 0.04 and 0.02 percentage point, respectively.

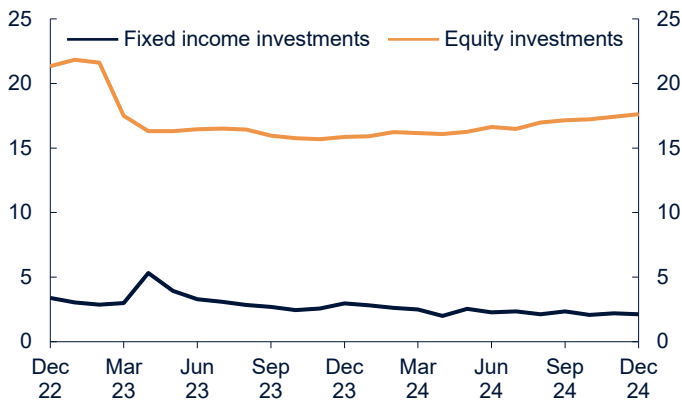
Credit and counterparty risk is defined as the risk of losses if issuers or counterparties default on payment obligations. The credit risk on bond and Treasury bill investments in the foreign exchange reserves is low. The lowest credit ratings from the three largest rating agencies Fitch, Moody's and Standard & Poor's are equivalent to AAA for the German government, AA+ for the US government, AA- for the French government, AA- for the UK government, A+ for the Chinese government and A for the Japanese government.

## Expected relative volatility

Under the Executive Board's principles for the foreign exchange reserves, maximum expected relative volatility is set at 50 basis points for both fixed income and equity portfolios. This means that the return on the portfolio relative to the benchmark index is expected to be within  $\pm 50$  basis points in two out of three years.

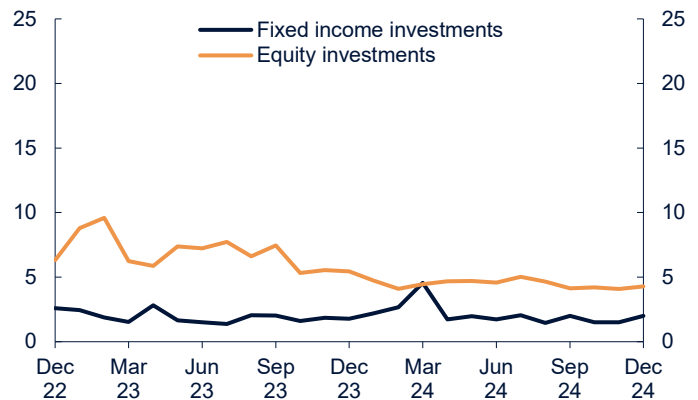
**CHART 8 Expected absolute volatility**

Percent. Excluding exchange rate movements



**CHART 9 Expected relative volatility**

Basis points. Including exchange rate movements



# Commitments to the IMF

Pursuant to the Central Bank Act, Norges Bank shall administer the rights and obligations incumbent on Norway as a consequence of its membership of the International Monetary Fund (IMF). This membership entails a standing commitment to furnish foreign exchange for IMF loans to member countries.

Loan resource commitments under the quota, the New Arrangements to Borrow (NAB), bilateral agreements and the Poverty Reduction and Growth Trust (PRGT) totalled SDR 10 823m at 31 December 2024. At the end of 2024 Q4, the IMF had drawn SDR 1 554m and the total remaining amount that can be drawn under these arrangements is SDR 9 553m. The quota subscription, which determines a country's standing in the IMF, applies to all member countries, but participation in the funding of the IMF's borrowing arrangements is voluntary. The size and liquidity of the foreign exchange reserves are assessed to be sufficient to meet Norges Bank's international commitments.

Total commitments

**SDR 10.8bn**

Amount drawn

**SDR 1.6bn**

## **Special Drawing Rights (SDRs)**

The SDR is an instrument the IMF can use to allocate international liquidity. The value of the SDR is based on a basket of five currencies: USD, EUR, JPY, GBP and CNY.

At 31 December 2024, SDR 1 = NOK 14.82

**TABLE 6 Details of IMF lending programmes. In thousands of SDRs**

	Agreed amount	Amount drawn	Amount remaining	Change in amount drawn in 2024 Q4	Change in amount drawn in 2024
<b>Total</b>	<b>10 823 080</b>	<b>1 553 828</b>	<b>9 553 894</b>	<b>-21 781</b>	<b>-104 544</b>
Quota	3 754 700	965 357	2 789 343	-15 316	-94 728
NAB	3 933 380	0	3 933 380	0	-3 962
Bilateral agreements	2 585 000	0	2 585 000	0	0
PRGT*	550 000	588 471	246 171	-6 465	-5 854

\*The agreed amounts under the PRGT only include the 2020 and 2022 arrangements. The 2016 arrangement can no longer be drawn on. The same applies for the total remaining amount that can be drawn. Amount drawn includes all arrangements.

**TABLE 7 Details of SDR holdings. In thousands of SDRs**

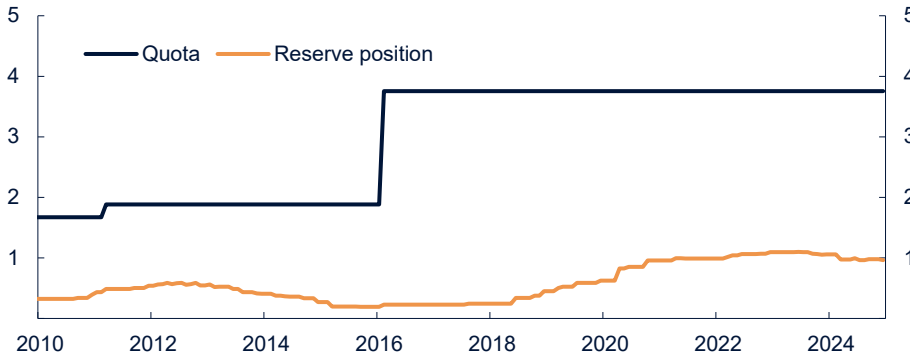
	SDR allocations	SDR holdings	Remaining voluntary purchases	Change in holdings in 2024 Q4	Change in holdings in 2024
SDR holdings	<b>5 161 781</b>	<b>5 467 433</b>	<b>2 275 238</b>	<b>-18 192</b>	<b>-2 228</b>

## Commitments to the IMF

**Quota subscriptions** are the IMF's primary source of funding and primarily reflect the member country's relative size in the global economy. Norway's quota subscription is SDR 3 755m. The amount drawn (reserve position) was reduced by SDR 15.3m in 2024 Q4.

### CHART 10 Quota

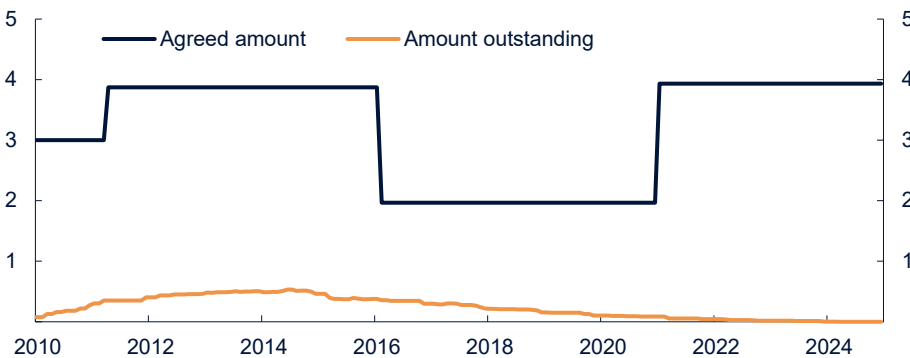
In billions of SDRs



**NAB** (New Arrangements to Borrow) represents the IMF's second line of defence. Under the NAB, a number of member countries and institutions are committed to lending additional resources to the IMF. The IMF Executive Board must specifically decide to activate the NAB to fund new lending by drawing on the NAB. The government, represented by the Ministry of Finance, is the IMF's contractual counterparty. Commitments under the NAB amounted to SDR 3 933m at the beginning of 2024 Q4. No amounts were drawn from the NAB in Q4.

### CHART 11 NAB

In billions of SDRs



**Bilateral agreements** serve as the IMF's third line of defence after quota subscriptions and the NAB. The current agreement entered into force on 1 January 2021 and has a borrowing facility of SDR 2 585m. In December 2024, the agreement was extended further until the quota increase under the IMF's 16th General Review of Quotas becomes effective or, at the latest, 31 December 2027. At the end of 2024 Q4, no amounts had been drawn on this agreement. Norges Bank is the IMF's contractual counterparty under the bilateral borrowing agreement. Norges Bank's borrowing agreements with the IMF are subject to the approval of the Ministry of Finance (cf Section 3-10, Subsection 2, of the Central Bank Act).

## Reserve position

The reserve position is equal to the amount drawn on Norway's quota and corresponds to the difference between the quota and the IMF's krone deposit with Norges Bank.

## Interest rate on the arrangements

Norges Bank receives SDR interest payments on the reserve position, the NAB, the PRGT and SDR holdings, and pays the SDR interest rate on SDR allocations. The SDR interest rate is a weighted average of the yields on three-month government securities in the countries/currency areas included in the SDR basket. The floor for the SDR interest rate is 0.05%. For the reserve position, an interest deduction is applied for any burden sharing.

## Burden sharing mechanism

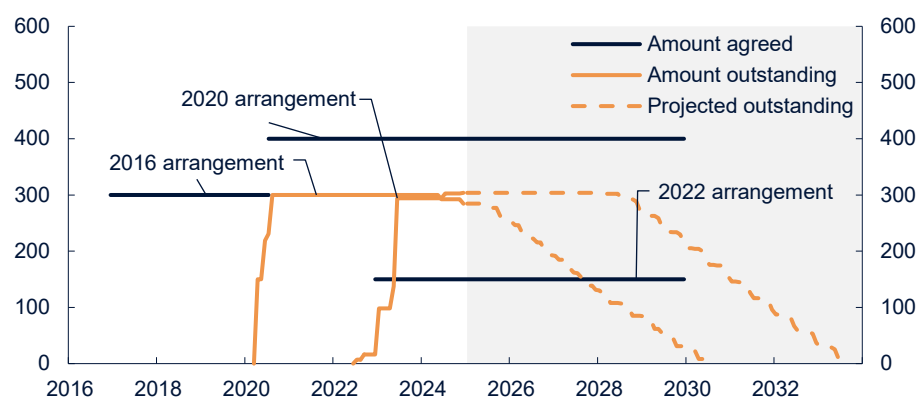
Under the burden sharing mechanism, member debtors and lenders share the cost of settling overdue obligations on outstanding credit to the IMF through an interest rate adjustment.

The basis for the calculation is the reserve position less SDR 60m. The reason for the deduction is that, prior to 1978, only 75% of the quota was included in the calculation.

**PRGT** is the IMF's main vehicle for concessional financing for low-income member countries. The Ministry of Finance has signed borrowing arrangements with the PRGT. In 2016, Norway entered a borrowing arrangement for SDR 300m. The facility is fully drawn and under the arrangement, only repayments will be made. In 2020, a borrowing arrangement for SDR 400m was entered into. A total of SDR 1.2m was drawn under this arrangement in 2024 Q4. In December 2022, an additional borrowing arrangement for SDR 150m was entered into. This arrangement had not been drawn on at the end of Q4. Norges Bank is the agent for PRGT loans and administers the commitments.

**CHART 12 PRGT agreements**

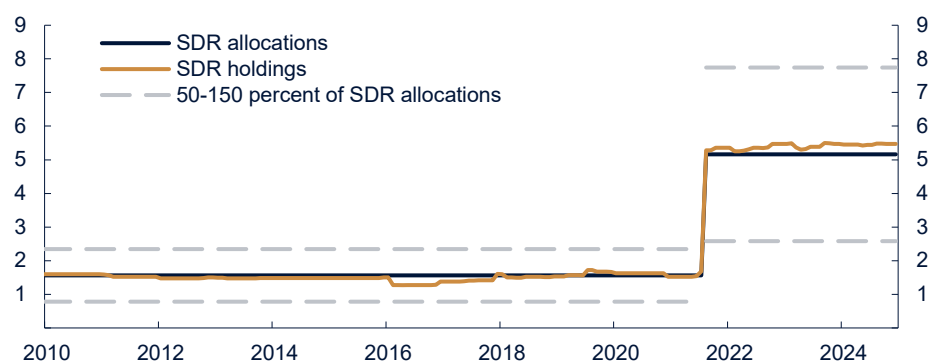
In millions of SDRs



**SDR holdings** are allocated by the IMF to member countries. Member countries, the IMF and prescribed holders may change their SDR holdings by purchasing from or selling to each other. Some member countries and prescribed holders have entered agreements with the IMF on participating in SDR trading arrangements intended to support SDR liquidity. In 2009, Norges Bank entered into such an agreement with the IMF on the voluntary purchase and sale of SDRs, as long as holdings remain within 50%–150% of SDR allocations. Thus, Norges Bank's holdings shall be between SDR 2 581m and SDR 7 743m. Purchases of SDRs are charged to the foreign exchange reserves. The agreement also gives Norges Bank the right to sell SDRs. In 2024 Q4, SDR holdings were decreased by SDR 18.2m. At the end of Q4, Norway's holdings of SDRs amounted to SDR 5 467m.

**CHART 13 SDR holdings**

In billions of SDRs



**Prescribed holders of SDRs**

Prescribed holders of SDRs are 20 official entities authorised by the IMF Executive Board to hold SDRs, although they do not receive SDR allocations.

Prescribed holders:

- Four currency union central banks
  - European Central Bank
  - Bank of Central African States
  - Central Bank of West African States
  - Eastern Caribbean Central Bank
- Twelve development institutions
  - African Development Bank
  - African Development Fund
  - Asian Development Bank
  - Caribbean Development Bank
  - Development Bank of Latin America
  - European Bank for Reconstruction and Development
  - Inter-American Development Bank
  - International Bank for Reconstruction and Development
  - International Development Association
  - Islamic Development Bank
  - Nordic Investment Bank
  - International Fund for Agricultural Development
- Four intergovernmental monetary institutions
  - Arab Monetary Fund
  - Bank of International Settlements
  - European Investment Bank
  - Latin American Reserve Fund

# Annex

**TABLE I Return on the foreign exchange reserves**

Percent. Annualised values in international currency terms. 31 December 2024

		Past year	Past three years	Past five years	Past 10 years
<b>Foreign exchange reserves</b>		<b>6.2</b>	<b>1.4</b>	<b>2.7</b>	<b>3.4</b>
Fixed income investments	Portfolio	2.0	-0.5	0.0	0.6
	Benchmark index	2.0	-0.6	0.0	0.6
	Relative return (bps)	2.7	4.3	2.8	0.0
Equity investments	Portfolio	22.2	8.3	12.8	11.5
	Benchmark index	22.1	8.3	12.7	11.4
	Relative return (bps)	6.7	6.4	7.9	9.6

**TABLE II Duration of and yield on fixed income investments**

Past five quarters

	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4
<b>Duration</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>
CNY	3.6	3.7	3.7	3.7	3.6
EUR	3.9	3.9	3.9	3.9	3.9
GBP	3.7	3.9	3.8	3.9	3.8
JPY	3.9	3.9	4.0	3.9	4.1
USD	3.1	3.2	3.1	3.1	3.2
<b>Yield</b>	<b>3.4</b>	<b>3.1</b>	<b>3.7</b>	<b>3.6</b>	<b>3.3</b>
CNY	1.3	1.8	1.9	2.1	2.3
EUR	2.4	2.4	2.9	2.8	2.4
GBP	4.3	4.0	4.3	4.1	3.7
JPY	0.6	0.4	0.5	0.3	0.2
USD	4.4	3.9	4.8	4.6	4.2