

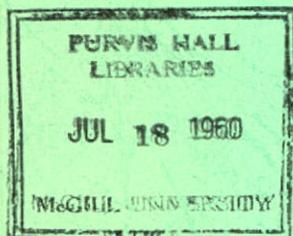
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NORGES BANK

(BANK OF NORWAY)

1959





NORGES BANK

(BANK OF NORWAY)

ESTABLISHED 1816

REPORT AND ACCOUNTS

FOR THE YEAR

1959

OSLO

NORGES BANKS SEDDELTRYKKERI

1960

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The Economic Situation.

*Address of Governor Erik Brofoss at the Meeting
of the Supervisory Council of Norges Bank on February 15, 1960.*

A continued up-trend has characterized economic developments in all western countries throughout 1959. Unemployment is considerably lower than during the 1958 recession, and production is now running at a higher level than in the previous peak year of 1957.

A favourable feature of the situation is that, so far, this growth has taken place without significant increases in prices.

To some extent this greater price stability is due to the industrial countries still enjoying on the whole unchanged and relatively low prices for raw materials coming from the underdeveloped countries.

A contributory factor is the substantial improvement in productivity engendered by the major investments during the previous boom period of 1955—57. Production could, therefore, be increased without creating problems of shortages which in turn release inflationary pressures.

In formulating economic policy much greater attention is now given to the maintenance of internal and external stability than was previously the case. Because of this consideration countries such as the United States, Germany, Sweden and the United Kingdom have already taken steps to put a brake on further expansion.

Restrictive measures of this nature might moderate the tempo of the further economic growth. But conditions nonetheless seem to favour a continued general expansion in 1960.

This anticipated favourable development can, however, be threatened by:

- 1) International recession effects resulting from measures applied by the leading industrial countries to counteract pressure problems.
- 2) Changes in the trade policies of the United States designed to relieve the country's payments deficit.
- 3) New hindrances on intra-European trade resulting from the division of Europe into trade blocks.

As regards (1). The authorities in Germany have found it necessary to put a brake on an expansion which is primarily supported by very large exports

and extensive house building. In many sectors capacity is fully exploited, and unemployment is now at a minimum. There are signs of rising prices, which can be reinforced by increases in wages. Even although consumption is still low, wage claims have, therefore, been met with requests from the authorities to the trade unions to show restraint. Monetary policy has been tightened by increases in interest rates and by imposing stiffer requirements as to the banks' minimum deposits in the central bank.

The restrictive measures have thus been motivated by the fear of internal inflationary pressures. But the German interest policy has at the same time had significant repercussions on the international exchange situation.

The fall in interest rates from the autumn of 1957 through the summer of 1959 led to an increase in German short-term investments abroad and to the financing of a larger part of the German foreign trade from internal sources. The increase in the interest rate has been followed by a flow of capital back to Germany.

In the United States short-term interest rates have reached a level higher than at any time in the past 30 years. This increase in the interest rate is to some extent a result of the technical-institutional measure that Congress has fixed a maximum rate of $4\frac{1}{4}$ per cent for Government bonds with a currency of 5 or more years. Towards the end of the year it became very difficult to float long-term Government bond issues. A steadily increasing part of the national debt, therefore, takes the form of short-term Treasury bills, which increase the liquidity and the lending capacity of the credit system.

The restrictive monetary policy has been particularly engendered by the need to slow down the internal expansion. But the interest policy would also seem to be in part motivated by the deficit on the American balance of payments. A higher interest rate has been used as a means of preventing the withdrawal of foreign short-term investments and transfers to gold.

A result of the interest policy as pursued in Germany and in the United States has been that the United Kingdom has experienced a drain of exchange reserves during the past 3 to 4 months. The balance on the external current account still shows a surplus and the loss is thus not due to developments in the exchange of goods and services. Repayments of debt to the United States, Canada, the Export-Import Bank and the increased quota in the International Monetary Fund explain some part of the fall in the reserves. But the most important cause is the capital movements resulting from the interest differences between the market in London and the financial centres in Germany and the United States.

This development seems to have been decisive for the U. K. decision to raise the official bank rate to 5 per cent. Internal expansion during the early months of the year had not been greater than could, in the light of several years of relatively poor production growth, now be considered to represent a well balanced expansion in the British economy. Statistical data at the beginning of 1960 on investment plans were, however, interpreted to mean that inflationary pressures could acquire greater force in the coming months. The official explanation for the increase in the official bank rate has, therefore, been that the authorities wanted as a precautionary measure to try to prevent an overburdening of the economy. But in the financial press it is pointed out that the increase in bank rate will not have any effect on consumption, and that it can

easily lead to a slowing down of the expansion in those sectors of heavy industry where extensions and renewals are most needed on the threshold of a free trade area.

Belgium too has found it necessary, out of regard for its international liquidity, to raise the official bank rate, in conflict with the apparent views of the authorities as to what they consider would be correct on the basis of an appraisal of the internal economic situation.

The British increase in bank rate gives no assurance that the «interest merry-go-round» will not continue at a still higher level. There is talk in the United States of the possibility of a further increase in the interest rate, which could release new chain reactions in Europe.

Should such a scramble for international liquidity develop, the instruments brought into use in a restrictive policy can as time goes on have unfavourable repercussions both on the level of activity in the individual countries and on international trade. The recession of 1957/58 was brought about in just this way, and was an example of such wavelike effects.

This situation illustrates just how little progress has been made in international economic cooperation as regards getting the individual countries, when planning their economic policies, also to consider the effects thereof on other nations. The attempts made by the OEEC to establish a Code of good behaviour for member countries have so far had only limited results.

As regards (2). The United States seems to be quite determined to correct the supposed imbalance in its external payments.

During 1958 the country's monetary gold reserves dropped by close to 2,300 million dollars. The fall in 1959 is estimated at about half as large as in 1958 (approximately 1,100 million dollars).

If the reduction in the gold reserves is accepted as an expression of weakness in the payments position of the United States, a misleading impression of the country's real payments position is easily obtained. Despite the loss of gold in the past two years the United States has steadily increased its net assets vis-à-vis the rest of the world. Since 1945 the United States has increased its net claims on other countries by more than 20 billion dollars. Even in 1958, when the decline in the gold reserves and the increase in short-term obligations were greatest, the net growth in claims on abroad amounted to more than 1.5 billion dollars.

In talking of a deficit in the United States external payments both the fact that the country has paid a higher subscription to the International Monetary Fund and the Development Loan Fund, and that American enterprises and citizens have found it profitable to invest money in other countries, are regarded as «loss items». Previously, investments have been mainly concentrated on oil extraction in South and Latin America and in joining in the rapid development of Canada. These two types of investment still dominate, but American firms seem, to an increasing extent, to be interested in investing within the areas of «the Six» and «the Seven».

There seems little justification for talking about «losses» in connection with direct revenue-giving and productive investments of this nature, even if they entail a decline in the gold reserves.

On its current trade and service balance with abroad the United States continues to have a surplus. In 1958 this surplus amounted to rather more than

5.4 billion dollars and in 1959 to about 2.5 billion. An increase of about 1 billion is expected in 1960. These surpluses prove that, in general, American industry and production cannot be said to be uncompetitive. It seems rather pointless to compare export figures for recent years with 1957 when exports were artificially swollen as a result of the Suez crisis.

The large deficit items in the balance of payments of the United States are the contributions for defence purposes abroad and development aid to the underdeveloped countries.

By bringing about a more equal distribution between the western countries of expenditures on common defence and on financial aid to the underdeveloped countries one would come to grips with the reasons for the alleged disequilibrium in the balance of payments position of the United States. Expenditure on both these items must be a common responsibility of the countries of the western world. Thanks to generous American aid in the first difficult post-war years the countries of Europe have developed a very much greater economic strength than before. It is then but a reasonable claim on the part of America that the European countries provide larger contributions to the common expenditures of the western world.

In this way it would also be possible to improve the present disequilibrium in the distribution of exchange income and expenditure arising from military defence measures in Europe. Germany has been supplied with enormous amounts of foreign exchange through the allied occupation of the country. This pumping in of dollars has contributed to creating great inequalities in the distribution of exchange reserves in Europe.

An equalisation of the burden in connection with defence cooperation and aid to the underdeveloped countries is not only called for by reasons of a fair sharing of common burdens, it would also have favourable effects on international economic developments.

On the other hand, it could have very unfavourable repercussions on these developments if the United States really carries through a programme which, according to an official announcement, shall be aimed at increasing the surplus on the American external trade and services balance by 2 billion dollars per annum.

As part of such a programme America has already taken steps to extend the system of tied loans. Imports of oil have been subject to control for some time. There is now talk of other protectionist measures. Demands have been submitted by American shipping companies that at least 50 per cent of commercial imports of oil shall be transported in American ships.

In this event the United States would chose a very different line from that followed by the European countries during the past ten years. Under the auspices of the OEEC there has since 1950 been implemented an extensive liberalization of trade between member countries. Even if one must regret that there is danger of a division of Europe into two trading blocks, it is nonetheless of principle importance that within these two groups there continues to be a gradual elimination of remaining import restrictions as well as of tariff hindrances. The tariff walls with which these groups surround themselves in relation to American goods are throughout much lower than the corresponding tariffs in the United States. Earlier discrimination against dollar goods has in the main now been removed by most countries.

The United States still holds half of the world's monetary gold. This gold

reserve (20,500 billion dollars) is as large as the country's gross short-term obligations abroad. Net assets amount to about 25,000 million dollars (December, 31, 1958).

For purposes of comparison it can be mentioned that the exchange reserves of the United Kingdom (gold plus exchange assets abroad) correspond to no more than between one third and one fourth of its obligations. The country has a substantial net debt abroad. Moreover, the exchange reserves also serve all the countries of the sterling area.

If the heralded American policy is carried through, with the conscious purpose of increasing the gold reserves of the United States, the countries which will have to bear the equivalent impairment of their balance of payments can, with even greater cause, maintain that they too must defend their far smaller gold and exchange reserves. The commercial exports of goods and services from the Western European countries to the United States do not yet cover more than about 80 per cent of imports from that country.

As regards (3). It is more-or-less impossible to say what the adverse effects on growth possibilities can be of the prospects of a division of Western Europe into two trade blocks.

Even supposing the suggested new organization, where the United States and Canada are members, is able to build a bridge between «the Six» and «the Seven», there seems reason to harbour a degree of scepticism, when the OEEC is to be watered down at the same time.

This Organization has played a central role in the economic development of Western Europe since World War II. It has been of particular importance for the smaller member countries.

The reason given for the reorganization of the OEEC is that the United States cannot participate in such a binding cooperation as represented by the organization in its present form. Considering that the international economic problems are of such a nature that they can be resolved only through a more binding cooperation, it is difficult to see how the new organization will be able to deal with present difficulties.

The implementation of the integration plans within the trade blocks in Europe can have negative repercussions on economic growth, in that the individual countries, in order to strengthen their relative competitive positions, pursue such restrictive economic and financial policies that expansion comes to a stop.

*

In raising the question of the future prospects of the Norwegian economy, in the light of this outline of the international background, it must first be stressed that recovery came late to Norway and that the growth has been relatively slow.

Since the economy of Norway is highly extrovert, it was inevitable that the international recession in 1957/58 should have substantial repercussions on the course of production in our export industries. Even after expansion began again in commodity production, the international depression still continues in maritime transport. The cyclical development peculiar to this industry is unavoidably of specific significance for our country, where about 45 per cent of gross export earnings are the product of our shipping.

This hanging back in one of our major industries has necessitated a more

restrictive monetary and fiscal policy in Norway than has been the case for most other countries.

It would presumably have been possible in 1958, and at the beginning of 1959, to have reached a higher volume of production and higher employment if endeavour had been made to counteract the poorer state of exports by increasing internal demand. Such a higher demand would, however, have in part been turned directly on foreign goods and services, and moreover higher domestic production would also in part have entailed higher imports of raw materials. Such a policy would inevitably have engendered a strain on the exchange reserves.

On January 1, 1958 exchange reserves amounted to about 2,100 million kroner, held by Norges Bank (about 860 million), the exchange banks (about 280 million) the shipping companies (about 730 million) and the insurance companies (about 230 million). A considerable part of these reserves must be regarded as working balances.

Against these reserves stood fixed obligations for ship contracts amounting to about 9,800 million kroner, as well as mortgage loans on the active merchant tonnage totalling 2,600 million kroner.

In these circumstances great care had to be exercised in relaxing the restrictive monetary and fiscal policy. Only an increase in exports could provide a safe basis for a new expansion.

It can now be established that the growth in commodity production has been mainly in the typical export industries. The fear, widely expressed in 1958 of poor competitive ability, has thus been proved unfounded. The deficit on the external commodity balance in 1959 (1,790 million kroner) was less than in any other year since 1951. It is of particular interest to note that the Norwegian production of textiles has increased much more than have imports, and that there has been a tangible increase in Norwegian exports of such items.

The exchange situation has developed more favourably than anticipated in 1958. The improvement in the exchange reserves is primarily the result of the easier situation on the international capital markets through 1958 until the summer of 1959, which has enabled the shipping companies to raise substantial loans abroad. Due to these operations, and through the raising of considerable private and public loans, total exchange reserves (Norges Bank, exchange banks, shipping companies) rose by altogether about 700 million kroner during 1958 and 1959. At the turn of 1959/60 exchange reserves amounted to about 2,800 million kroner, held by Norges Bank with 1,581 million kroner, the shipping companies with 648 million, the banks with 287 million and others with 282 million. During 1959 the EPU debt was redeemed to the extent of 126 million kroner, but at the end of the year it still totalled 495 million kroner.

There is a feeling of considerable security to be drawn from the knowledge that to a large extent exchange coverage is ensured for outstanding contracts. But in formulating monetary and fiscal policy stress must continue to be laid on the fact that as per January 1, 1960 outstanding deliveries from foreign yards totalled 6,000 million kroner. Loans raised on the active tonnage as of the same date amounted to 3,500 million kroner.

In this connection it must be remembered that the restrictive credit policy abroad can make it more difficult for the shipowners to raise new loans.

There would seem to be poor prospects for a significant improvement on the freight market. It can serve to illustrate how shipping is out of step with

general cyclical developments to mention that while freight earnings in 1957 were 3,375 million kroner from a merchant fleet which at the end of that year amounted to 8.6 million tons, earnings in 1960 are estimated at 3,000 million kroner from a fleet which at the end of the year is anticipated will total 11.2 million tons.

Even although consideration for substantial future obligations must continue to be given due weight in the formulation of economic policy, the higher exchange reserves will allow for greater freedom of manoeuvre. This applies both to the ability to pursue an active anti-cyclical policy in the event of a new international recession, and to the prospects for a relaxation of the restrictive fiscal and monetary policy.

The fiscal budgets for 1959/60 and for the second half of calendar 1960 will be less restrictive than in the immediate past. The relaxations in personal taxation, which became effective as from January 1, 1959, represent a reduction in taxation of 250 million kroner. The lowering of certain indirect taxes, the removal of the tax on undistributed profits (the fund tax) and the start on the elimination of tariffs vis-à-vis the EFTA countries will further reduce revenue from taxation by between 100 and 125 million kroner. The surplus on the current budgets was even in 1959 considerably less than in 1958. A further decline in this surplus must be expected in 1960. The Norwegian fiscal budget will, nonetheless, have a relatively greater contractive effect than the latest American budget, which has been described as a typical anti-inflationary budget. This American budget is incidentally of great principle interest. It is based on the conception that it is not only in the prevailing cyclical situation that it is necessary to budget with a large surplus from taxation revenues in excess of expenditures for the purchase of goods and services, but that a considerable surplus will also be called for as a permanent ingredient of fiscal policy.

Monetary policy in 1959 was modified to a considerable degree by the removal of the ceiling on bank lendings, simultaneously with a reduction of the savings banks' obligation to purchase Government bonds to 25 per cent of the increase in deposits.

For 1960 the obligation of the savings banks to purchase Government bonds has been further reduced to 15 per cent of the increase in deposits. The obligations of the insurance companies have been altered correspondingly.

These minor relaxations in monetary policy have been found justifiable in the light of the fact that in this country there cannot be said to be visible signs of such pressure problems as have made many countries introduce restrictive measures in recent months.

This different situation has determined the attitude taken to the question of bank rate and the rate of interest. Several countries have raised bank rate in the past few months, but we shall not automatically change interest rate in Norway just because other countries do so. If we do make any change here, it will be because we are faced with the same problems.

Information on industry's investment plans is incomplete, but available data would seem to indicate that there will be an increase in 1960 in relation to 1959. Investments, expressed in fixed prices, are, however, not likely to exceed the 1957 level. Production in the capital goods industry in the third quarter of 1959 was about the same as in the corresponding period of 1957.

There will presumably be some increase in the total volume of building. But as some unemployment exists in the building trades and there are also

considerable stocks of building materials, the expected increase in building activity is unlikely to lead to pressure problems of significance.

On the other hand, now that demands are being made in various quarters for a greater effort as regards housebuilding, there is every reason to bring to mind the pressure on the foreign economy, on prices and on wages, which was the result of the bulge in the volume of building in 1953—56. The very considerable increase in building activity in the educational sector in the last two years must be taken into consideration.

Unemployment is somewhat less than in 1958. But it is still markedly higher than during the previous boom period. The labour market should, therefore, not be so tight next summer either as it was in 1956/57.

The indices for wholesale prices and for the cost of living have remained stable throughout the year. The relatively modest subsidies introduced in the winter of 1959 have had a stabilizing effect. There is hardly any immediate danger of rising import prices upsetting this stabilization basis. Wage and price increases in other countries seem to have strengthened our relative competitive ability.

The increase in bank advances was somewhat greater than anticipated at the beginning of the year. On the other hand, credit expansion has been much less than in those countries which have now found it necessary to resort to restrictive action. Even although developments in 1959 have shown that the banks appraise their liquidity position less strictly than in the preceding year, it is of basic importance that during a boom period liquidity in the credit system is not expanded, which is what has happened in those countries which have introduced measures of restraint. The contractive budgets with their large surpluses on current accounts have in this connection played a major role.

The representatives of the banks in the Joint Consultation Council maintain that liquidity in the banking system is adequate only for a relatively slight increase in advances in the coming months.

In interest policy, decisive weight has in recent years been given to the rate of interest on long-term loans. This is, incidentally, in accord with the fundamental view on which the Radcliffe Committee builds in its report. The long-term interest rate is of greatest importance as regards the possibility of regulating liquidity in the banking system through national debt management. It is the long-term interest rate which can be used to influence investments.

The effective interest rate on long-term Government bonds has increased from about 3.5 per cent at the turn of 1954/55 to about 5 per cent at the end of 1959. Interest on loans for power plants has risen from 3.5 per cent to $5\frac{1}{4}$ — $5\frac{1}{2}$ per cent as normal rates.

This interest rate has been well suited to conditions on the bond market in 1959.

While approved bond issues in 1958 amounted to 485 million kroner and actual loans raised to 361 million kroner, the equivalent figures in 1959 were 561 and 560 million kroner, respectively.

It was possible to float these issues at, on the whole, unchanged interest terms. There has been no intervention either by the Government or by Norges Bank on the bond market, with a view to influencing quotations or the effective rate of interest. There has, nonetheless, been a tendency to a rise in prices and a decline in interest rates. That the authorities have agreed to no change in interest terms on Government loans to be issued in 1960, is explained by the

desire to contribute to stabilizing conditions on the bond market. It has, however, been found proper to acknowledge the tendency towards a decline in the effective rate of interest in that the insurance companies shall take over the 5 per cent loan at an issuing price of 101.

In interest policy in the United Kingdom consideration for capital movements, which are released by interest differentials between the major finance centres, plays an important role.

Short-term foreign investments in Norwegian banks and in bonds issued in kroner are so insignificant that the possibility of exchange loss through withdrawals is of no importance.

On the other hand, it is conceivable that the higher level of interest abroad can have an influence on the financing of our foreign trade (leads and lags). But this could only happen if Norwegian banks were able and willing to increase their advances for such financing. According to what the banks themselves maintain they will not be in a position to do so.

For these reasons, and also because it is desirable, in connection with the study by the Joint Consultation Council of monetary instruments, to elucidate the credit institutions' own, somewhat conflicting, views on interest rates, it has been decided that no change should be made in interest policy.

This standpoint is founded on the assumption that, through the agreements with the credit institutions, it will be possible to avoid a general expansion of credit.

The basis of monetary and credit policy in 1960 is thus that endeavour shall be made to keep the liquidity in the banking system at about the same level as during the past 2 to 3 years.

The banks are in agreement with this main policy principle. They have declared their understanding that the instalment payments received on Government loans shall be placed in new Government securities on the terms on which agreement has been reached.

On the other hand, Norges Bank must assume responsibility for maintaining liquidity at about the same level if deficits in the external economy should lead to such a sharp contraction of liquidity that lack of credit facilities has adverse effects on employment and production. The prerequisite for such supply of liquidity by Norges Bank is that the banks do not reduce their liquidity in order to build up assets abroad. Such short-term investments are now greater than necessary to meet the needs of working balances. A strain on the exchange reserves as a result of shifts in the financing of our foreign trade must first and foremost be reflected in a decline in these accounts.

The main line of monetary policy is thus to forestall a general credit expansion. It is particularly important to avoid any expansion of hire purchase credits and of personal loans.

There is agreement between the representatives of the credit institutions on the Joint Consultation Council and Norges Bank that for the present it would not be justifiable to stimulate demand for consumer goods by means of higher consumer credit. It cannot be the right moment to allow an expansion of consumption on the basis of an increase in the exchange reserves caused by short-term borrowing.

As it is, the relaxations in personal taxation will be reflected in higher consumption. The freeing of car sales will quite certainly act as a sharp stimu-

lant on a consumption which will impose particularly heavy demands on foreign exchange.

In the guiding principles sent by Norges Bank to the credit institutions, the banks are, therefore, requested to exercise restraint in the provision of consumer credits, including personal loans. (Item VI, 3 d in the Circular).

An artificial stimulation of consumption through consumer credits will, moreover, easily give the home market industries a misleading conception of marketing prospects in a future common market.

On the other hand, an important task for the credit institutions will be actively to assist the home industries in their readjustment to the changed situation arising from the transition to a free trade area. This can be done both through participation by the banks in the financing of the necessary investments in machinery and equipment, and through their support of the efforts of enterprises to reorganize for export. These tasks are mentioned in Item VI, 3 a of the Circular, where it is pointed out that realignment can lead to higher credit requirements for the financing of exports. This is particularly the case for medium-term credits for the export of capital goods.

The credit institutions must take greater interest in this responsibility than they so far seem to have done. New examples are constantly being seen of how actively the credit institutions in other countries are participating in the building up of a sales apparatus, and also in other ways trying to aid and support sales promotion designed to exploit the Norwegian market.

In order to carry out these tasks new credit institutions have been established in Denmark and also in other countries, which shall make funds available for the financing of market research and market preparation abroad. The idea of similar institutions in this country has been ventilated.

These questions will be taken up in the Joint Consultation Council in the near future.

Discussions of this matter will form part of the work being done by the Council on the study of the use of the instruments of monetary policy.

It is, however, not enough just to discuss the principles of monetary policy and the use of the individual instruments. It is equally important to take up the institutional problems for solution, in the same way as the Radcliffe Committee discussed whether the credit institutions in the United Kingdom are adequately developed.

A task of special importance is to endeavour to find a solution to the credit problems of the economically weaker districts. In these development areas there continues to be considerable idle manpower, for which job opportunities must be found through an active development policy. A selective credit policy in support of such a development policy will not entail the same inflationary problems as would a general credit expansion.

Our banking system is, on the one hand, highly decentralized with a large number of small banks. But, on the other hand, there is a very great concentration of total resources in a small number of banks in the larger towns. By establishing several State banks, and with the assistance of special institutions such as the Development Fund for Northern Norway, attempts have been made to relieve this weakness in our banking system as regards credits for investment purposes. The proposal presented to the Storting on an extension of the activity of the Bank for Industry, and on a reorganization of the Development Loan Fund, represents a step in the same direction.

But even if the raising of new industries is important for solving the problems of the development areas, efforts are called for also in other sectors. It would, therefore, seem necessary to discuss whether a general nation-wide development fund is required. Such a scheme would seem to be preferable to the establishment of several special funds as has been proposed.

Even if requirements of investment credits can be met in this way, there remains the problem of how industry in the development areas can be ensured adequate operational credits. The Development Fund for Northern Norway has to a large extent found it necessary to place deposits with banks in Northern Norway in order to enable them to provide operating credits to enterprises for which the Development Fund has provided the investment capital. The Fund's capital is thus tied up in purposes other than those intended, when the Storting passed the resolution establishing it.

Following the introduction of the arrangement whereby the local unemployment funds, as from January 1, 1960, came under joint administration in Norges Bank, the resources of the funds will, to a limited extent, be available for operational credits through deposits with the banks in the development areas.

The press discussion of this question indicates that there continues to be considerable misunderstanding of what this joint administration means.

The arrangement is that Norges Bank stands formally as owner of the assets of the funds. For their part the funds obtain a proportional share of the aggregate assets.

The individual funds are credited with the value of bonds at par. They will thus not be liable to any loss resulting from changes in the market rates of the bonds. Through the joint administration Norges Bank ensures the liquidity of the funds.

The transition to joint administration does not mean — as has been stated in the press debate — that deposits which the local funds have in the district banks will be transferred to Norges Bank. The deposits will remain in the banks, but Norges Bank acquires the right of disposal over them, instead of as previously the local fund having this right.

The primary basic principle for this management will be that in so far as the combined funds as a whole does not decline as a result of current expenses exceeding income, the existing deposits will not be touched. If certain funds have a surplus this shall be transferred to a cumulative account in Norges Bank, but this will be no more than a transfer and adjustment account.

Norges Bank has made the suggestion to the Ministry and the Directorate of Labour that the transfer of any surplus from the local funds should wait until the amount exceeds a certain minimum.

In 1956/57 the total increase in all the funds taken together amounted to 34 million kroner, in 1957/58 it was 20 million kroner and in 1958/59 probably around 10 million kroner. The growth is thus very closely dependent upon the extent of unemployment.

The major part of the increase should for some time to come be used as deposits with the banks in the development areas, in order to enable the banks to provide operating credits in excess of their ordinary lending capacity. Such an arrangement can, for example, be important in helping the banks to finance substantial extra activity in connection with the winter herring fisheries or in the event of heavy Lofot fishing or for the spring cod fishing in Finnmark.

Normally, in these circumstances the deposits will be made in the form of time deposits which are withdrawn when the credits are repaid.

The joint administration shall not provide direct loans. It shall thus not act as a new lending institution.

The Ministry and the Directorate of Labour assume that there should be no question of participating in subscription to bond loans for the financing of new enterprises in the development areas. Nor would there seem to be general need for placement of deposits for financing investment projects. Loans required for such purposes should be obtained by a further expansion of the special credit institutions which provide investment credits.

Authority to decide on the disposal of the funds' resources will continue to rest with the Ministry and the Directorate of Labour. A committee, the chairman of which is an official of Norges Bank, has been appointed to advise on management.

Credit facilities must be evened out between the various districts. It is also for the banks an important responsibility to contribute to a better distribution of credit provision than has existed hitherto. For the banking system as a whole, through the medium of inter-bank deposits, transfers continue to be made from the development areas, where the capital supply is poor, to areas where it is already satisfactory.

The structure of the banking system today is a hindrance to a satisfactory solution of the credit needs of the development areas. Discussion is, therefore, necessary of how this structure should be influenced. A system of large banks is conceivable, with a net of branches, either in the form of branch-offices or in the form of amalgamation with the large banks of existing banks. Local consolidation can be achieved, either by mergers or by an organized cooperation between the banks in the districts.

If such measures prove inadequate, the question arises of establishing a State Commercial Bank with the special function of helping to solve the credit problems of the development areas. An expansion of the activity of the Post Office Savings Bank could also be a possibility.

Expansion of the credit institutions along these lines and reorganization of the loan policies of the existing credit institutions will constitute an important part of the work to strengthen the basic conditions of industry in the development areas. This matter should have high priority in the coming years.

This is a task which will become of very particular importance if and when the country is again faced with a general economic recession. As previously mentioned, the larger exchange reserves allow for greater freedom of movement also in the pursual of a general anti-cyclical policy. But the availability of foreign exchange will continue to be the minimum factor. For this reason we should go in for a selective expansive policy concentrated on action in the development areas. A programme for such a selective expansive policy should form an integral part of the general anti-cyclical plan which the authorities should, even now, begin to prepare, in order to be ready for the next recessionary phase in economic developments.

A clarification of the question of the development of the credit institutions is also called for on grounds of the unrest evident in many places as regards the merger of banks, the taking over by larger banks of existing banks, or the establishment by the former of new branches.

An appraisal of the need for developing the credit institutions should be made either as part of or in connection with the report to be prepared by the Joint Consultation Council on its study of monetary policy instruments.

It is as yet too early to say anything specific as regards the contents of this study. But some provisional remarks on the kind of report which is planned can be of interest.

Norges Bank is now endeavouring to reach accord on a five-year general agreement, which would lay down certain main principles for monetary policy.

This procedure has been selected, *inter alia*, because the principles of monetary policy are as yet so inadequately elucidated, that, in the opinion of Norges Bank, it would not be right to decide on permanent legislation.

There is a very lively discussion going on in all countries concerning instruments of monetary policy. The report of the Radcliffe Committee represents a contribution of great value to this debate. But it can be difficult to draw from this report categorical conclusions. During a debate in the House of Commons the British Government declared its agreement with many of the views expressed by the Committee, but the Government also dissented from some of the Committee recommendations.

There has been much criticism in the financial press of both the theoretical basis on which the report builds and of the Committee's general recommendations for practical policy.

Moreover, the Radcliffe Committee report is very closely associated with institutional arrangements in Great Britain. British experiences cannot automatically be transferred to our country, where the institutional and structural conditions are quite different.

In these circumstances, there seems every reason carefully to consider whether the practice followed since 1955 of basing monetary policy on agreements between the credit institutions and the authorities should not continue to be pursued. But a firmer foundation must be created than that provided by one-year agreements. A general five-year «framework» agreement would meet this need.

All the parties represented on the Joint Consultation Council seem to be in accord that endeavour should be made to arrive at a general agreement of this nature.

There are, however, considerable differences of opinion also within the credit institutions on basic questions of principle, particularly regarding the institutional relationship between the official bank rate and interest rates on bank deposits and loans.

It can be difficult to reach accord on the provisions of a general agreement of this type. It will unavoidably bear the stamp of a compromise. Discussions on the agreement will thus take time, so that the study cannot be expected to be finished as early as previously anticipated.

For this reason, the terms and conditions of Government bond issues have been fixed for no longer than the first quarter of the year.

It is the assumption of the Joint Consultation Council that later, for example in 1962, a commission shall be appointed which, in the light of the experiences gained from the implementation of the agreement, shall discuss monetary policy questions on the pattern of the Radcliffe Committee.

Monetary and credit policy in Norway presents many problems of a special nature. The economy of the country is highly dependent on natural factors.

The yields of the fisheries, of agriculture, of forestry and output of hydro-electric power are all determined by wind and weather. The seasonal variations are very strongly reflected both in the real economy and in the monetary field. Fluctuations in the external economy have repercussions on all aspects of the national economy.

The general instruments are quite inadequate for mastering the constant changes and problems which arise in economic life due to these factors. This is not least the case for the instruments of monetary and credit policy. There will always be a need for cooperation between the authorities and the credit institutions as to the manner in which they shall, together, solve the concrete problems with which both parties will constantly be faced.

It is on this background that Norges Bank endeavours to maintain the existing good cooperation with the credit institutions and to create understanding and sympathy for a set of rules which all parties will bind themselves to respect in monetary and credit policy. It is these «rules of the game» which the general agreement should prescribe.

Norway's Economy in 1959.

Introduction.

At the turn of 1958 the economic situation was characterized by uncertainty. There could be no doubt about the upswing in the U. S. A., but the situation in Western Europe was less clear with cross-currents in the different countries. A rather pessimistic view was taken of Norway's position. The 1958 recession had been more pronounced in Norway than in the majority of other western countries and indications of recovery were weak. The preliminary estimate by the Central Bureau of Statistics pointed in the direction of a decline in the gross national product of close to 1 per cent from 1957 to 1958. Revised calculations, published a year later, showed, however, that there had been an increase of 0.7 per cent.

The quarterly national accounts figures, which are now being made available by the Central Bureau of Statistics, can help to improve the basis on which to plan economic policy. This will be of particular importance when there is a reversal in the business trend, as happened towards the end of 1958.

The recession in 1958 was in part connected with the general international down-turn. Although the volume of exports held firm, the repercussions on the earnings of the export industries were considerable. The deficit on the balance of payments was also substantial. The failure of the herring fisheries and the poor returns from whaling helped to intensify the recession. A further contributory factor was the relatively restrictive monetary and fiscal policy, which was motivated by the need to consider the exchange reserves position and the development of internal prices.

In the course of 1958 economic policy was to some extent realigned to promote a moderate stimulation of activity. An amount of 110 million kroner was appropriated for extraordinary employment measures, the sales tax on school and health service buildings was removed and the building quotas were increased. The credit agreement with the banks was modified so that certain loans were no longer included in the ceiling on advances. The commitment budgets of the State banks were raised by 46 million kroner.

The 1959 National Budget aimed at a continuation of this policy. Personal taxation was relaxed somewhat as from January 1, 1959, and public expenditure on purchases of goods and services was gradually stepped up. The ceiling on advances, contained in the credit agreement with the banks, was removed, and there was some relaxation in the obligations on the credit institutions to increase their holdings of Government bonds. The loan budgets of the State banks were increased in relation to 1958.

The expansion in the building and constructional sector, which was an important factor in the economic upswing in the first half of 1959, was closely allied to the anti-cyclical policy described above. Investments in public consumption capital increased from 1,185 million kroner in 1958 to 1,320 million in 1959. In the first quarter of 1959 the number of persons employed in public constructional activity was 8,500 higher than in the equivalent period of 1958. The start of new building projects was stimulated by the removal of the 10 per cent tax on school and health service buildings, by relaxations in the quantitative building controls, by increases in the loan quotas of the State banks and by a somewhat less restrictive monetary and fiscal policy.

The economic upswing abroad, which became steadily more pronounced during the first half of 1959, led to a considerable increase in demand for our export products. This meant an increase in activity in the export industries, which was of decisive importance for the economic developments as a whole. Production in the export industries in the first six months of 1959 was close to 8 per cent above the level of the equivalent period in 1958. In the home industries the corresponding figure was only just over 1 per cent.

The recession of 1958 must have had a considerable effect on the investment behaviour of enterprises, partly because of lower incomes in the export industries and partly through changes in the lending policies of the banks. The fact that fixed investments, excluding investments in ships, accounted for a smaller proportion of the gross national product in 1959 than previously can also indicate the existence of idle production capacity in many industries. Production in the capital goods industries did not pass the 1957 level until the fourth quarter of 1959, and imports of machinery, apparatus and transport equipment (excluding ships) was about unchanged from 1958 to 1959.

Stocks — particularly of raw materials — showed a very sharp increase in 1956, a year of international political conflicts. Thereafter there followed a period when raw material stocks were reduced and stocks of finished products increased. This trend was particularly pronounced during the first half of 1958. In the latter part of 1958 and in 1959 developments have led to a more normal stock situation, with an increase for raw materials and a decline for finished products. The increase in stocks in 1959 was estimated at 25 million kroner, whereas there had been a decline of 150 million kroner in the previous year.

The greater activity in the export industries and in the building and constructional sector, plus the relaxations in personal taxation and the higher consumer subsidies, created the basis for an increase in personal consumption, which became a major factor in the recovery in the second half of the year. Compared to 1958 consumption showed an increase of 3.8 per cent. Not since 1954 has there been such a sharp increase in consumption in the course of a single year. Consumption had fallen slightly, however, in 1958, so that taking the past three years together the average annual growth is no more than 1.8 per cent.

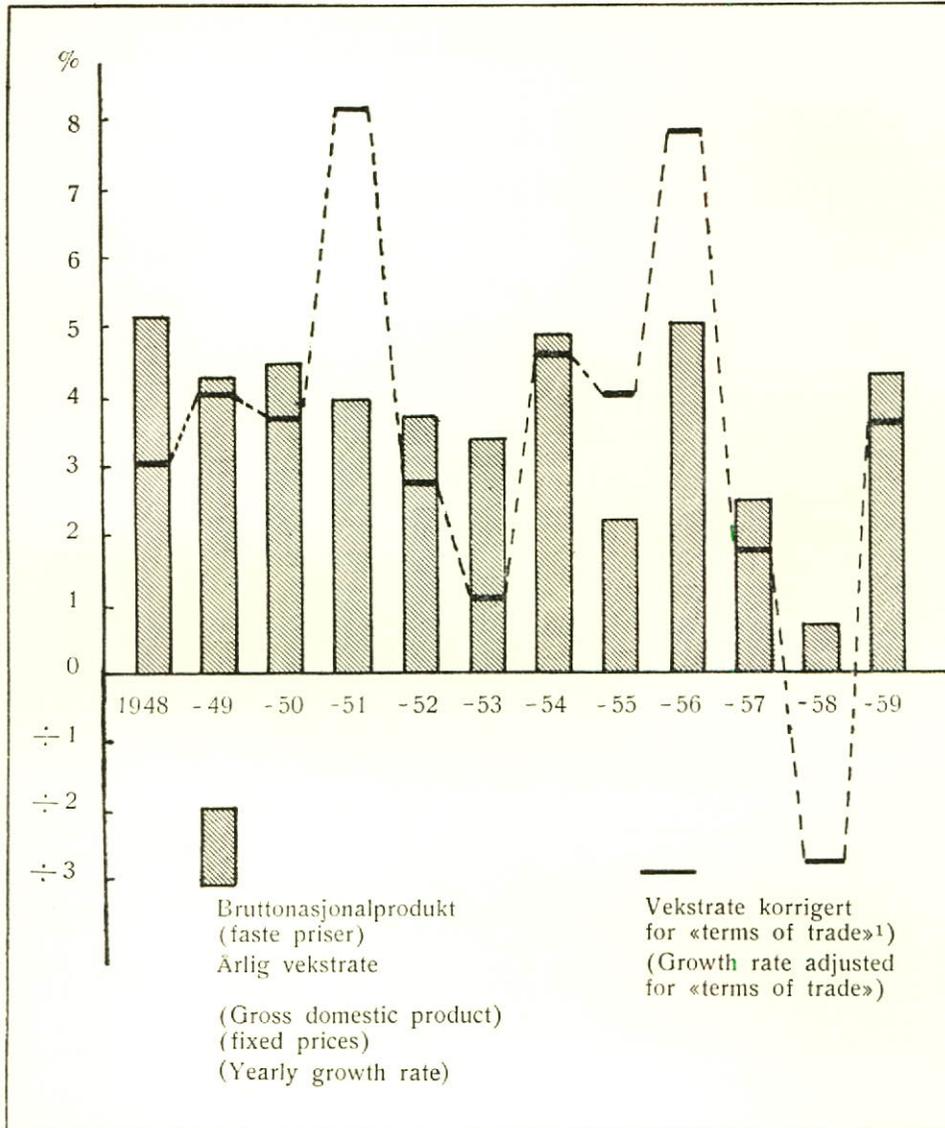
The increase in consumption brought with it a more general growth in production in manufacturing. Activity in the consumer goods industries showed a marked upswing, with a production growth of 7.7 per cent from the second half of 1958 to the second half of 1959. The increase in the export industries amounted to 7.4 per cent and in the capital goods industries to 1.9 per cent.

Recovery in Norway has lagged somewhat behind the other western countries. This can be seen, *inter alia*, from the fact that the increase in exports in the first half of 1959 was greater than the increase in imports so that the import surplus declined. During the second half of the year, however, there was a substantial increase in imports.

Less favourable terms of trade caused the deficit on the external account to be greater than would otherwise have been expected from the development in the volume of imports and exports. Had there been no change in terms of trade from 1958 to 1959 the deficit on the balance of goods and services would have been about 200 million kroner, while in fact it totalled 405 million kroner, as compared to 921 million in 1958. The explanation of this development is to be found in the considerable expansion which took place in the export indu-

stries during 1959. Both merchandise exports and exports of shipping services increased by close to 10 per cent in volume. Compared to 1957 the increase in the volume of exports was 12 per cent. As, however, export prices fell by 15 per cent the value of exports in 1959 was in fact 551 million kroner less than in 1957.

The gross national product, in fixed prices, increased by 4.4 per cent from 1958 to 1959. In the preceding year the rate of growth had, as mentioned, been 0.7 per cent.



¹) Growth rate after deduction of losses or addition of gains arising from changes in terms of trade. Otherwise fixed prices.

The production growth in 1959 was relatively high compared to previous years. Only four post-war years — 1947, 1948, 1954 and 1956 — have shown a markedly higher rate of growth in the gross national product. The picture, however, becomes less bright if the later years are seen as a whole. In the

six-year period 1954—1959 the annual rate of growth was 3.4 per cent as against 4.2 per cent in the period 1948—1953. In the last three years 1957—1959 the annual rate of growth has been no more than 2.6 per cent. As will be seen from the diagram on page 17 the rate of growth in the national product has shown greater annual variations since 1953 than in the immediate post-war years.

If the rate of growth in the national product is compared with changes in total terms of trade, it will be found that in 1959 about 17 per cent of the increase in the national product went to cover the loss resulting from changes in terms of trade. In 1958 the growth of production amounted to only close to 20 per cent of the loss in terms of trade. The curve in the diagram shows the annual rates of growth after deduction of losses or addition of gains resulting from changes in terms of trade. In the boom year of 1956 the country had the benefit of a considerable gain in the form of higher prices on top of a very sharp increase in production. In 1958 the position was reversed.

These relatively sharp fluctuations in terms of trade and real economic growth can easily give rise to a state of tension vis-à-vis e. g. the earnings of wages, which show a much steadier trend.

Previously, industrial production has normally expanded much more rapidly than the gross national product, and this was also the case in the four-year period 1952—1955, when the rates of growth were respectively 23 per cent and 15 per cent. In the period 1956—1959, however, it was the gross national product which showed the greatest increase, 13.5 per cent, as against 12 per cent for industrial production. In this period manufacturing industry has thus contributed to reducing the rate of growth in the national product. This is also the case for the traditional industries, such as farming, forestry, fishing and whaling, where over-all production was at about the same level in 1959 as in 1955 and 1951. It is thus the other industries, such as building and construction, electric power and water supply, commerce, transport and other services, which in recent years have made the greatest contribution to the growth in the gross national product.

On an assessment of the economic situation at the turn of 1959, the National Budget for 1960 takes the view that no special measures are called for, either to increase or to limit total demand. The guiding principles for economic policy in 1960, nonetheless, involve a continuation of the past two years' less restrictive fiscal and monetary policy. It is thus anticipated that taxation will account for a smaller proportion of the gross national product in 1960 than in 1959. The public sector will at the same time dispose of a slightly larger share of the total production of goods and services. The obligations of the banks under the terms of the credit agreement to purchase and hold Government bonds are further reduced. The budget for the State banks' total ordinary commitments is increased by 70 million kroner in relation to 1959. In addition thereto come the 83.6 million for the financing of the Tunnsjø hydro-electric development project.

The study made by the Ministry of Industry of the investment plans of enterprises in 1960 indicates that there will be a considerable increase in relation to 1959. Orders on the books of manufacturers and new orders increased from the third to the fourth quarters of 1959.

Production and Employment.

The factor income in *mining and manufacturing* increased in 1959 by 279 million kroner, or 4.1 per cent, so that the share of this sector in the total factor income remained unchanged. (Factor income equals the net national product minus indirect taxes plus subsidies).

The index of production of the Central Bureau of Statistics, which also includes gas and electricity plants, shows that there was an increase in total industrial production from 1958 to 1959 of 4.7 per cent. Compared to 1957 it was a growth of close to 2 per cent. The greatest expansion was, as could be expected, in those manufacturing industries which had been hardest hit by the recession of 1958. The following table shows the development of production in a number of industrial sectors. (1955 = 100.)

	1957	1958	1959
<i>All manufacturing industries</i>	110	107	112
Export industries	110	106	114
Home industries	110	107	111
Consumer goods industries	109	107	113
Capital goods industries	111	108	108
Pulp and paper industry	106	104	115
Basic chemicals industry	110	105	114
Basic metals industry	132	134	151
Iron and metal working industry	109	107	103
Non-metallic mineral products	109	112	121
Food and beverages industry	106	104	109
Textile industry	109	94	110
Garment industry	111	102	116
Gas and electricity plants	114	121	126

The increase in the demand for export commodities made a substantial contribution to the growth in manufacturing production. This was particularly the case in the first half of the year which showed a production improvement on the first half of 1958 of 7.8 per cent for the export industries and of 3.8 per cent for the consumer goods industries, while production in the capital goods industries declined by 1.5 per cent. During the second half of the year the increase in the export industries continued to be of the same order of magnitude, in fact 7.4 per cent. Activity in the home industries showed a marked upswing in this period with a production expansion of 7.7 per cent for consumer goods and of 1.9 per cent for capital goods. In assessing the figures for the latter manufacturing sector it must be remembered that the index of production in this case is principally calculated as an hours of work index so that changes in productivity are not reflected in the index figures. As long as production is growing per work hour, then the index will give somewhat too low a figure for the development of the volume of production.

The volume of production in mining and manufacturing fell by about 2.5 per cent from 1957 to 1958 and average employment declined by 2.8 per cent, from 384,500 in 1957 to 373,700 in 1958. The growth in production from 1958 to 1959 did not, on the other hand, lead to a corresponding increase in employment as a whole. During the first half of the year there were 6,400 fewer wage and salary earners employed in manufacturing than in the same period of 1958. In the second half of 1959 there was a considerable increase in employment in many sectors, and average employment was 5,650 higher than in the second half of the previous year.

The divergent developments in production and employment indicate that there has been a substantial improvement in productivity. This higher productivity has been particularly marked in the expanding capital-intensive industries. Primary iron and metal, for example, increased output by 14.4 per cent from 1957 to 1959 and employment by no more than about 2 per cent. But there has also been an extensive rationalization in the more labour-intensive industries. Production in the garment industry, for example, rose by 4.5 per cent from 1957 to 1959, despite a fall in employment of between 5 and 6 per cent.

Electricity production expanded by 5.5 per cent from 27,500 million kWh in 1958 to 29,000 kWh in 1959. Due to water shortages production was somewhat restricted during the later months of the year. Installed generator capacity has increased by 502,000 kW, or about 9 per cent during 1959.

The factor income of *agriculture* improved by 100 million kroner, or about 7 per cent, from 1958 to 1959. This increase was in the main due to price changes, since the volume of production showed a growth of no more than about 1 per cent. The drought did considerable damage to crops in the eastern and southern districts. In the rest of the country, however, farm yields were in part well above average. For the country as a whole plant production from cultivated land is estimated at 1,997 million fodder units. This is 3.4 per cent below the average for the last five years. The grain harvest declined from 489,000 tons in 1958 to 450,000 tons in 1959, while the average for the past five years has been 463,000. Hay production reached 2.8 million kilos, or 2.3 per cent more than in 1958. As for potatoes and root vegetables the yields were less than in 1958, while the production of other vegetables was unchanged. The fruit crop is estimated to have been 96,000 tons or the same as in 1958. In 1957 the fruit crop amounted to no more than 65,000 tons. The total yield of garden berries increased from 28,000 tons in 1958 to 30,000 tons in 1959.

The output of animal products was somewhat greater in 1959 than in the preceding year. Milk production increased by 40 million litres, or rather more than 2.5 per cent, despite a drop in the number of milk cows. Pork production also increased, by 4.7 per cent, and meat production was about 1.5 per cent higher. Egg production rose by close to 6 per cent.

The factor income of *forestry* totalled 852 million kroner, which is 100 million kroner, or close to 11 per cent, less than in 1958 and 170 million kroner less than in 1957. The decline is mainly the result of a lower volume of production, but last year there was also a slight price fall. Altogether 9.9 million m³ lumber were felled in the 1958—59 season as against 10.6 million in 1957—58 and 11.5 million in 1956—57. Working conditions in the 1958—59 season were on the whole good in the eastern and southern districts, so that the decline in the amount felled must be ascribed to marketing difficulties. Employment dropped from an average 36,400 in 1957 to 32,200 in 1959.

The factor income of the *fisheries* increased by more than 20 per cent, from 396 million kroner in 1958 to 478 million in 1959. But in 1956 the factor income was up to 535 million kroner. Well over half of the increase in income from 1958 to 1959 is due to higher prices. The total catch is estimated at 1,370,000 tons as against 1,239,000 tons in 1958, while the average catch in the period 1951—1955 was 1,658,000 tons. The low over-all result is because, as in 1958, the winter herring fisheries gave such poor results in relation to previous years. It was late in the season before the herring approached the

coast and weather conditions were adverse for purse seiners. The total catch of winter herring was close to 4.5 million hl as compared to 3.7 million in 1958 and 9.5 million on average in the period 1951—1955. The increase from 1958 led to an upswing in exports of fresh herring and in the production of canned herring, herring meal and oil. The fat herring fisheries gave a somewhat poorer yield than in the previous year, while there was an improvement of 11 per cent to close on 1,8 million hl for small herring. The Icelandic herring fisheries were about unchanged on the preceding season. The Lofoten and Finnmark cod fisheries produced altogether a catch of 140,000 tons, the same as in 1958. A steadily increasing amount of the catch is used in fresh form or as fillets, while klipfish production is steadily declining. The brisling fisheries were the best since 1953, and the yield of 130,000 hl is in marked contrast to the 1958 catch of 66,000. The capelin fisheries were in part hampered by poor weather and the catch was 814,000 hl as against 945,000 hl in the record year of 1958. The mackerel fishing resulted in a record yield of more than 17,000 tons, while the tuna catch fell by close to 20 per cent.

The results of the year's *sealing* were very good in 1959 especially off New Foundland. Altogether 292,000 seals were caught to a first hand value of 20.6 million kroner as against 261,000 animals and 17.1 million kroner in the previous year.

The Antarctic *whaling* gave a somewhat poorer result in the 1958—59 season than in previous seasons. Altogether 826,000 barrels of oil were produced as against 854,000 in 1957—58 and close to 1 million in the 1956—57 season. Norway's share of the total oil production expanded, however, from 36.8 per cent in 1957—58 to 38.4 per cent in 1958—59. The number of Norwegians employed in the Antarctic whaling increased by rather more than 100, mainly because of the start of operations from the land station at Husvik Harbour. The whale oil was sold at an average price of £ 73-2-4 per long ton as against £ 72-0-2 in the 1957—58 season. There was a substantial fall in the price paid for sperm oil. The total yield in value of the 1958—59 season was 218 million kroner as against 214 million kroner in the preceding season and 298 million kroner in 1956—57.

Building and constructional activity was at a high level in 1959. The factor income of this sector increased by 130 million kroner and its share of the total factor income rose from 8.3 per cent to 8.5 per cent. The floor area of new buildings started (excluding farm buildings) was 3,912,000 m² in 1959. This represents an increase on 1958 of 7.4 per cent and on 1957 of 2.2 per cent. Compared to 1958 the increase was particularly marked for business premises and shops (33.7 per cent) and other buildings which, inter alia, include public buildings (6.4 per cent). At the end of 1959 the area under construction was 7.5 per cent more than at the end of 1958. The number of persons employed in this sector, which had fallen slightly from 1957 to 1958, rose again by 1.6 per cent from 1958 to 1959.

The increase in constructional activity is primarily due to the public appropriations for employment purposes. About 38,000 persons were employed in public constructional work during the first quarter of 1959 as against 29,000 in the same period of the preceding year. The ordinary constructional activity for the year as a whole was somewhat below the level of 1958.

The factor income of the *maritime transport* sector continued to show a

decline in 1959, and amounted to 1,416 million kroner, or 5.9 per cent of the total factor income, as against 1,660 million kroner and 7.2 per cent in 1958. In the peak year of 1957 the corresponding figures were 2,611 million kroner and 11.1 per cent. The drop in factor income in this sector is exclusively due to the price fall, since in both 1958 and 1959 there was a considerable growth in the size of the fleet actually employed. Laid-up tonnage increased all the same from an average 570,000 gross tons in 1958 to 860,000 tons in 1959. A trend towards less laid-up tonnage developed, however, in the course of the autumn.

Other transport, excluding maritime transport, increased its factor income by 77 million kroner, or 7 per cent. The number of passengers with the Norwegian State Railways fell by about 1.5 per cent from 1957—58 to 1958—59. Traffic measured in passenger kilometres, however, showed an insignificant increase. There was a drop of 7 per cent in volume and of rather more than 1 per cent in ton-kilometres for freight transport. This decline was entirely in respect of the ore traffic on the Ofot line, while elsewhere there was an improvement of about 3 per cent. The accounts of the State Railways showed a slight increase for both income and expenditure, while the deficit rose from 124.7 million kroner in 1957—58 to 125.9 million in 1958—59. There was about a 10 per cent increase per year in both 1957 and 1958 in the number of motor coaches. Preliminary data on rural bus traffic show the number of passengers to have been 1 per cent more and passenger kilometres 2 per cent more in 1958 than in 1957. There was a slight fall in freight transport. Air passenger traffic totalled 396.3 million passenger kilometres during the first 8 months of the year. This is an increase of 1.5 per cent from the corresponding period of 1958. There was a considerably greater expansion for both freight and mail transport.

Average *employment* in 1959 totalled 1,473,400, which represents an increase of 5,900 on 1958, but a decrease of 1,600 in relation to 1957. Registered unemployment fell from an average 23,600 in 1958 to 22,600 in 1959. Compared to 1957, however, there was an increase in the unemployment figure of 7,900. The increment to the labour force, according to the revised calculations of the Directorate of Labour, was about 12,000 in 1958 and 1959. These figures indicate that there exists a certain unemployment or under-employment not shown by the figures for registered unemployed.

The deflection in employment as between the various sectors followed in the main the same pattern in 1959 as in earlier years. Agriculture, forestry and personal services lost manpower (6,700), while there was a considerable expansion in general service activities, commerce (2,800), financial institutions etc. (1,100), public and private services (5,000) and public administration (600). The increase in building and construction (2,600) is mainly due to the extraordinary employment measures.

Employment in mining and manufacturing declined by 10,800 from 1957 to 1958, and in 1959 there was a further fall of about 200 to an average figure of 373,500. This is the result of developments in the first half of the year, since towards the end of the year there was a significant increase in employment in this sector.

There were fewer registered unemployed in most months of the year than in the corresponding months of 1958, and the fall in average unemployment was about 1,000. Disregarding employment resulting from the extraordinary em-

ployment measures, which increased from 1958 to 1959, unemployment in 1959 was, however, about 1,800 higher than in 1958.

At the close of 1959 there were 35,900 registered as wholly unemployed as against 41,800 at the end of the previous year. The decline in unemployment was most marked for workers in manufacturing (2,900) building and construction (1,250), for seamen and first-time seamen recruits (800) and casual workers (700). Unemployment among forestry workers, however, rose by 550.

The Balance of Payments on Current Account.

The deficit on current account declined from 1,096 million kroner in 1958 to 580 million kroner in 1959. Just as the substantial deficit in 1958 could mainly be ascribed to developments in the maritime transport sector, so can most of the decline in the deficit in 1959 be credited to shipping. Imports of ships fell by 247 million kroner, while ship exports rose by 29 million. As net freight earnings in foreign exchange also rose by 110 million kroner, the total increase in the net contribution of shipping to the balance of payments was 386 million kroner. The 1957 figure was, however, 1,166 million kroner higher than that for 1959. This clearly illustrates the effect on the balance of payments of the fall in freight incomes and the increase in ship imports from 1957 to 1958.

In the course of 1958 and 1959 the deficit on the merchandise balance declined by 422 million kroner, and not since 1951 has there been a year with a lower deficit than 1959.

Exports of goods and services, in 1955 prices, showed an expansion of 9.5 per cent from 1958 to 1959, while imports increased by 3.5 per cent. Calculated in 1955 prices there was an export surplus in 1959 amounting to 335 million kroner, as against a deficit of 359 million kroner in 1958, and in part even greater deficits in all the intervening years back to 1952.

The fact that the improvement from 1958 to 1959 in the balance of goods and services in current kroner was not greater is due to total terms of trade having deteriorated also in 1959. There was a sharper fall in export prices than in import prices, so that terms of trade worsened by about 1.5 per cent. Compared to the boom years of 1956—57 the deterioration was 10—12 per cent, corresponding to about 1,500 million kroner in value.

The table below shows the main components of the current balance of payments for 1957—59 and the National Budget forecasts for 1960 (figures in million kroner).

	1957	1958	1959	National Budget estimates 1960
<i>Imports:</i>				
Imports of merchandise ¹⁾	7,672	7,094	7,382	7,900
Imports of ships	1,566	2,328	2,081	1,900
Operational expenses of shipping abroad	2,845	2,545	2,600	2,800
Other imports	879	881	1,011	1,030
Imports — total	12,962	12,848	13,074	13,630

¹⁾ Include also imports/exports not covered by the trade statistics.

<i>Exports:</i>	1957	1958	1959	1960
Exports of merchandise ¹⁾	5,491	5,192	5,623	5,950
Exports of ships	432	177	206	200
Gross earnings of shipping abroad . .	6,220	5,385	5,550	5,800
Other exports	1,077	1,173	1,290	1,300
Exports — total	13,220	11,927	12,669	13,250
Surplus on balance of goods and services	+ 258	÷ 921	÷ 405	÷ 380
Surplus on balance of interest and donations	÷ 160	÷ 175	÷ 175	÷ 190
Aggregate surplus on current account	+ 98	÷ 1,096	÷ 580	÷ 570

¹⁾ Include also imports/exports not covered by the trade statistics.

The deterioration in total terms of trade from 1958 to 1959 is the result of developments in the shipping sector. For merchandise trade alone (excluding ships) there was, as in 1958, a slight improvement, as will be seen from the following table. (1955 = 100).

	Volume		Unit value		Terms of trade
	Imports	Exports	Imports	Exports	
1956	105	113	106	104	98
1957	107	115	111	107	96
1958	107	115	103	101	98
1959	117	128	98	99	101

Imports of merchandise excluding ships (according to the trade statistics) rose by 4 per cent from 7,032 million kroner in 1958 to 7,319 million kroner in 1959. This increase corresponds to close on 60 per cent of the fall in value from 1957 to 1958. The volume of imports, which was unchanged from 1957 to 1958, expanded by 9.3 per cent in 1959. As late as the first quarter of 1959 the volume of imports was below the level of the corresponding period of the previous year, but the later quarters showed a substantial increase. For almost all main groups of commodities import prices have fallen during the past two years.

A considerable part of the increase in imports is associated with the expansion in exports. Imports of ores and minerals, chemicals and base metals thus rose from 1,711 million kroner in 1958 to 1,811 million in 1959. Particularly for chemicals the increase in volume was substantial.

The recovery in the textile industry and the higher sales of clothing brought about an increase in imports of textile raw materials as well as of finished textiles, from 705 million kroner in 1958 to 840 million in 1959. This expansion just about counterbalances the previous year's decline. Since prices have fallen the volume of imports was well over the 1957 level.

Imports of machinery and mechanical equipment increased both in volume and value, while transport equipment (except ships) showed about a similar decline. The import volume for products of base metals was about 21 per cent lower than in 1958.

The price index for imported fuels was in 1959 24 per cent below the 1957 level. Despite an increase in the volume of imports, amounting to 4 per cent, the value was, therefore as much as 213 million kroner lower than in 1957.

Imports of foodstuffs have shown little change in value in the course of the past three years. Quantitatively there has, however, been an increase in relation to 1957.

Exports excluding ships (according to the trade statistics) expanded by 444 million kroner, or 8.6 per cent, from 5,137 million kroner in 1958 to 5,581 million kroner in 1959. The registered contraction of close to 300 million kroner from 1957 to 1958 has thus been re-won. The volume of exports, which was unchanged from 1957 to 1958, increased by 11.3 per cent in 1959. Apart from fish and fish products the prices of the principal export commodities have shown a falling trend.

Exports of base metals, which in 1956 outdistanced wood products as Norway's main export, amounted in 1959 to 1,473 million kroner as against 1,253 million kroner in 1958. There was an increase in volume of close to 23 per cent. Marketing conditions, which for several products were less favourable in 1958, improved considerably during 1959. This did not, however, bring about any increase in prices, which on average were 5 per cent lower than in 1958 and 18 per cent below the 1957 level.

The export value of paper and board rose from 516 million kroner to 576 million, while paper pulp experienced a decline from 522 million kroner to 509 million. There was an expansion in volume of respectively 18 per cent and 3 per cent.

Exports of fish and canned fish rose from 733 million kroner in 1958 to 780 million in 1959. The failure of the herring fisheries for the past two years has been reflected in the export figures for feeding stuffs. The exported volume was 31 per cent less in 1959 than in 1957.

Among the other exports there was a marked increase for fertilizers and other chemicals from 476 million kroner to 547 million. The surplus production of dairy products etc. found markets at relatively good prices, and the export value rose from 48 million kroner to 88 million. As for hides and skins there was an increase in export value from 104 million kroner in 1958 to 131 million in 1959.

There was an expansion of transactions with our principal trading partners from 1958 to 1959. Trade with European countries and North America increased by 6.7 per cent in value, whereas the increase in respect of other countries was only 0.3 per cent.

Within Europe there was a somewhat sharper increase in Norwegian trade with the EFTA-countries than with the members of the EEC. The following figures show developments in trade (excluding ships) with the two groups. (Million kroner).

	EFTA-countries ¹⁾			EEC-countries ²⁾		
	Imports	Exports	Import surplus	Imports	Exports	Import surplus
1956	2,282	1,988	294	2,152	1,291	861
1957	2,547	2,187	360	2,381	1,470	911
1958	2,425	1,962	464	2,266	1,413	853
1959	2,490	2,210	280	2,341	1,478	863

¹⁾ Austria, Denmark, Portugal, Sweden, Switzerland, U. K.

²⁾ Belgium, France, Italy, Luxembourg, Netherlands, Western Germany.

As regards imports there is no great difference in the shares taken by the two groups in Norway's foreign trade. Each provides between 30 and 35 per cent of Norway's imports. Of total exports close to 40 per cent goes to EFTA-countries and between 25 and 30 per cent to EEC-countries. The trade deficit is consequently substantially greater vis-à-vis the EEC-countries.

Imports from our principal individual suppliers, the United Kingdom and Western Germany, which each provides about $\frac{1}{6}$ of our imports, showed only a slight increase from 1958 to 1959. Exports to the same countries increased by from 13 to 16 per cent in the same period, so that the deficit in trade with the U. K. declined from 156 million kroner in 1958 to 11 million kroner in 1959 and with Western Germany from 480 million kroner to 379 million.

Exports to the U. S. A. have also shown a very substantial growth in the past two years. Since 1957 their value has risen by 200 million kroner, or 50 per cent. From 1958 to 1959 the increase was 122 million kroner or rather more than 25 per cent. Imports rose by 3.3 per cent, to 660 million kroner in 1959, but were considerably below the 1956—57 level. These changes meant that the deficit in our trading balance with the U. S. A. dropped from 405 million kroner in 1957 to 163 million in 1958 and to 63 million kroner in 1959.

The Development of Prices and Incomes.

The price level was relatively stable during 1959. National accounts figures show that there was a 2.1 per cent rise in internal prices from 1958 to 1959, as compared to increases of 3.9 per cent and 5.1 per cent in the immediately preceding years. The only post-war year with a lower price increase was 1953, with 1.9 per cent.

Import prices have been falling during the past two years and were in 1959 close to 12 per cent below the 1957 level. In the course of the autumn of 1959, however, raw material prices began to rise, and the National Budget anticipates higher import prices during 1960.

The index of wholesale prices fell as a result of lower import prices, from an average of 112 in 1957 to 110 in 1958. Wholesale prices as a whole have stayed at this latter level during 1959.

The index of the cost of living rose by 2.5 per cent, from an average of 159 in 1958 to 163 in 1959. The index figure for December 1959 was, however, only 0.6 per cent higher than the December 1958 figure. The upward movement in this period is primarily due to higher house rents (2.9 per cent) and increases in other expenditure (3.3 per cent). Fuel prices fell by 2.2 per cent and food prices by 1.1 per cent.

The Paulson Committee's report, submitted in December 1958 (a summary given in the 1958 Annual Report), formed the basis for discussions between representatives of the Government and the industrial organizations, aimed at finding ways to counteract a further rise in the level of costs and prices. These negotiations resulted in voluntary price cuts for certain commodities. As from March 1 consumer subsidies on milk and cheese were increased by an amount equivalent to an annual rate of 105 million kroner. The cost of living index was in this way reduced from 164 in February to 162 in March. In August—December the index rose again to 164. Both the farm organizations and the trade unions have the right, under the terms of their agreements which run until 1961, to demand negotiations on, respectively, prices and wages if the index of the cost of living hits 166.

In fiscal 1958—59 an amount of altogether 552 million kroner was applied to consumer subsidies, as compared to 892 million kroner in 1957—58. For 1959—60 appropriations for subsidies totalled 603 million kroner, or 122 million kroner more than in the preceding year.

According to preliminary data the *incomes of wage and salary earners* increased by 5.6 per cent, from 14,052 million kroner in 1958 to 14,843 million kroner in 1959. In the preceding year there had been an increase of 4.9 per cent. There were few tariff revisions in 1959, but as part of the reduction in the working week as from March 1, 1959 both hourly rates and piece rates were raised. Hours of work per week were cut from 48 to 45. Hourly rates were increased by $6\frac{2}{3}$ per cent and piece rates by 4.5 per cent, while weekly and monthly salaries remained unchanged.

The increases in wages granted in 1958 were not fully reflected in incomes until 1959. In view of the limited increase in wage rates and in the numbers of employed, part of the increase in incomes must be ascribed to a wage drift. Nominal incomes per wage earner rose by close to 5 per cent from 1958 to 1959. The improvement in real earnings can be estimated at 3 per cent, after allowing for the rise in prices and the changes in direct taxation and compulsory insurance premiums.

Earnings of the self-employed in agriculture, forestry and the fisheries increased in 1959 by 5 per cent to 2,107 million kroner. Earnings were nonetheless lower than in 1956 and 1957. The fact that the increase was no greater in 1959 was because of the considerable fall in forestry incomes also in that year, mainly as a result of the lower amount of lumber felled. The improvement in the earnings of agriculture was almost entirely due to higher prices, while the sharp increase in the earnings of the fisheries can be ascribed to both higher production and prices.

Other private incomes showed only an insignificant increase from 1958 to 1959 and were 904 million kroner below the 1957 level. If shipping is excluded there was an improvement in other private incomes of 6 to 7 per cent from 1958 to 1959.

The development outlined in the foregoing has meant that wages as a percentage of factor income have increased from 61.8 per cent in 1958 to 62.7 per cent in 1959. In the boom years of 1956 and 1957 the percentage was down to 57—58. These variations are primarily connected with developments in maritime transport.

The Use of the National Product.

The distribution of the national product according to use in 1955, 1958 and 1959 is shown in the following table.

	1955	1958		1959	
		1955 prices	Current prices	1955 prices	Current prices
Gross fixed capital formation ..	36.1	37.1	38.3	34.5	35.8
Investments in stocks	0.4	÷ 0.5	÷ 0.5	0.1	0.1
Public consumption	10.2	10.3	11.0	10.3	11.3
Private consumption	56.4	54.4	54.1	54.0	54.1
Domestic use of goods and services	103.1	101.3	102.9	98.9	101.3
Imports	÷ 41.4	÷ 42.3	÷ 40.2	÷ 41.9	÷ 38.5
Exports	38.3	41.0	37.3	43.0	37.2
Gross national product	100.0	100.0	100.0	100.0	100.0

As will be seen, the share taken by investments fell, whether calculated in fixed or in current prices, while there was little change in private and public consumption. The import surplus, in current prices, declined from 2.9 per cent of the gross national product in 1958 to 1.3 per cent in 1959. Reckoned in 1955 prices there was a reversal from an import surplus of 1.3 per cent of the gross national product in 1958 to an export surplus of 1.1 per cent in 1959.

Private consumption increased by 5.6 per cent, from 17,291 million kroner in 1958 to 18,263 million kroner in 1959. Expressed as a percentage of private disposable income, consumption amounted in both years to about 88 per cent as against 83 per cent in 1957. The price rise in consumer goods was approximately 2 per cent as compared to about 3.6 per cent in 1958. Measured in fixed prices consumption increased by 3.8 per cent — the highest rate of growth in 5 years. From 1957 to 1958 there had been a quantitative decline of about 0.3 per cent.

The expansion in the volume of consumption was particularly marked for beverages and tobacco (6.1 per cent) and clothing and footwear (7.6 per cent). The prices of these commodities have fallen slightly. Expenditure on food, which accounts for about 30 per cent of the total, rose by 6.2 per cent from 1958 to 1959, but as the rise in prices has been particularly strong in this sector, food consumption in fixed prices was lower than in 1956. Consumption of furniture and household appliances, which fell both in value and volume from 1957 to 1958, showed only a moderate quantitative upswing from 1958 to 1959.

Gross capital formation expanded by 0.4 per cent, from 12,074 million kroner in 1958 to 12,120 million in 1959, but the investment component fell from the record figure of 37.8 per cent to 35.9 per cent. Calculated in fixed prices, total investments declined by 1.4 per cent, and, excluding stocks, by 2.9 per cent from 1958 to 1959.

The fluctuations in investments in the past three years are mainly in respect of maritime transport. The order boom in 1955—56 resulted in a sharp rise in imports of ships in 1958. In 1959 there was a decline of rather more than 10 per cent, but the level was still well above that of 1956—57. Since the import proportion of investments in ships represents about 70 per cent, the repercussions on the internal level of activity are of limited extent. The output of the Norwegian yards has, however, been steadily increasing in recent years, and of a gross increment of 1,228,000 gross tons in 1959 no less than 275,000 tons were delivered from home yards. On the other hand, the production of the small ship builders, who specialize in meeting the needs of the fishing industry, has fallen sharply.

Investments in building and construction, which account for between 40 and 50 per cent of the total, showed little change from 1958 to 1959, but as already mentioned the upswing in building activity in the first half of the year acted as a powerful stimulant on the business trend.

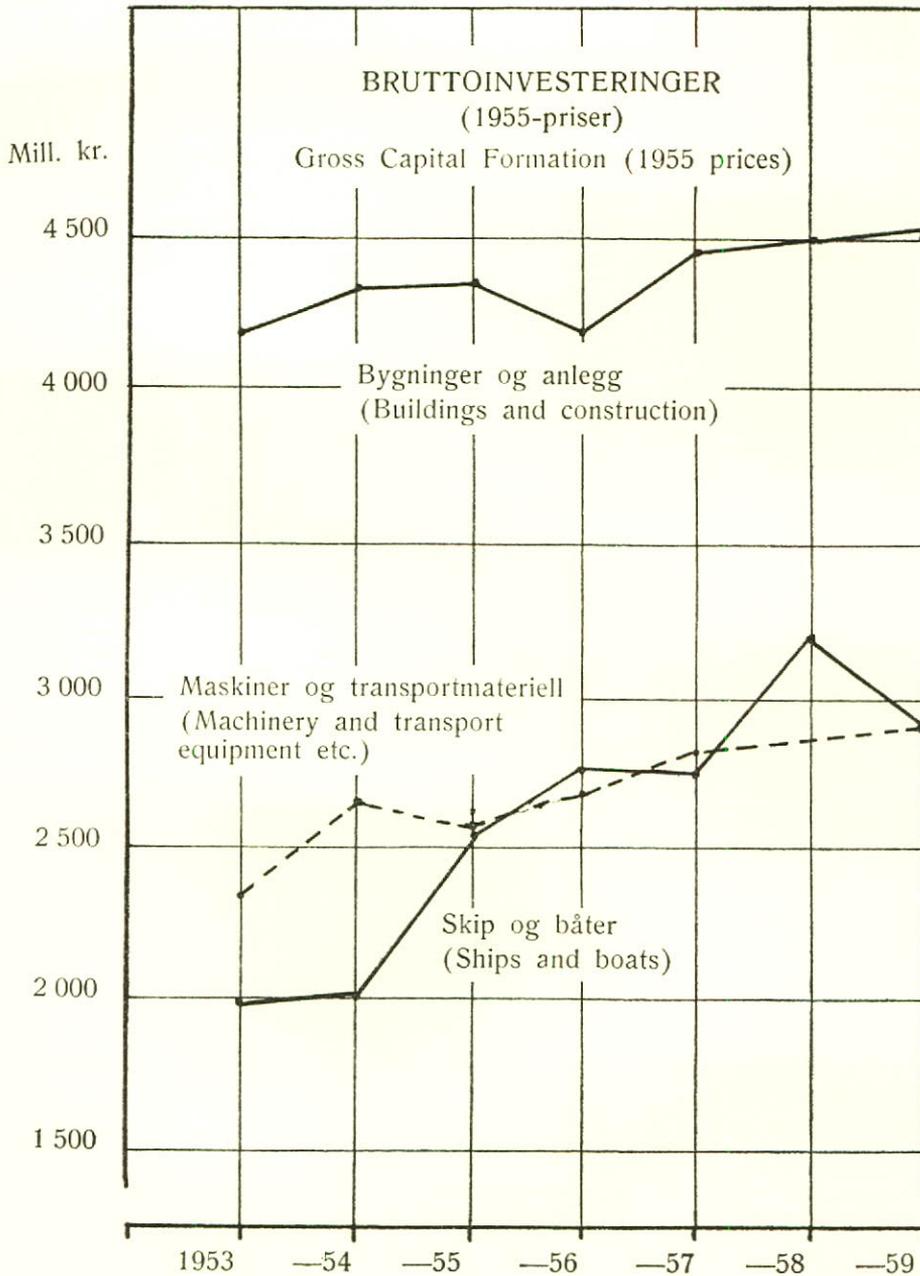
Investments in machinery, transport equipment etc. rose by 0.8 per cent in volume from 1958 to 1959 as against 1.3 per cent and 4.8 per cent in the immediately preceding years. Enquiries made in the autumn of 1959 indicated that the immediate future would see a substantial increase in such investments.

The reduction in stocks in 1958 contributed to intensify the recession in production. The revised national accounts figures, nonetheless, indicate that this factor has previously been attributed somewhat too great weight. The volume index of the Central Bureau of Statistics for stocks showed an increase

in the second half of 1958, but on an annual basis the decline in stocks is estimated at 150 million kroner in 1958. In 1959 there was an increase in stocks of about 25 million kroner.

Capital depreciation, which in addition to ordinary repair and maintenance also includes coverage for wear and tear and obsolescence, has in recent years shown a steady increase, both absolutely and relatively. In 1959 capital depreciation amounted to 6,896 million kroner, or 57 per cent of the gross investments as against 49 per cent in 1953. In relation to the gross national product the share represented by capital depreciation rose from 17.3 per cent in 1953 to 20.4 per cent in 1959. This is mainly due to the fact that in recent years there has been a sharper percentage growth in real capital than in the current production of goods and services.

The following diagram shows the development of investments according to type (in 1955 prices).



Public disposable income increased from 1958 to 1959 by 89 million kroner, or 1.5 per cent. The increase in *public consumption* was far greater, namely 328 million kroner, or 9.4 per cent (4.4 per cent in volume).

Public gross capital formation showed an increase of 154 million kroner, or 5.4 per cent. The growth was most marked for investments in public consumption capital, which increased by 135 million kroner or 11.4 per cent. Investments in public enterprises rose by 1.2 per cent, or 19 million kroner. The increase in the public use of goods and services, without a corresponding increase in public incomes, is a result of the less restrictive fiscal policy which was the major instrument in the anti-cyclical measures.

The *growth in public capital* fell from 2,298 million kroner in 1958 to 2,059 million kroner in 1959, while the *growth in private capital* rose from 2,343 million kroner to 2,525 million. The total increase in the national wealth thus showed a slight drop from 4,641 million kroner in 1958 to 4,584 million kroner in 1959.

Foreign Exchange.

The period since 1954 has been one of steadily rising exchange reserves, despite the fact that in three of the five years there have been substantial deficits on the current balance of international payments. While total exchange reserves at the close of 1954 amounted to close on 1 milliard kroner, they had risen by the turn of 1959 to 2,798 million kroner.

As will be seen from the chart on page 31, most of the increase in reserves is in respect of the holdings of Norges Bank. But the private banks, the shipping companies and the insurance companies have also been enabled to increase their holdings in view of the need for higher operational accounts and also to prevent too sharp an expansion of domestic liquidity.

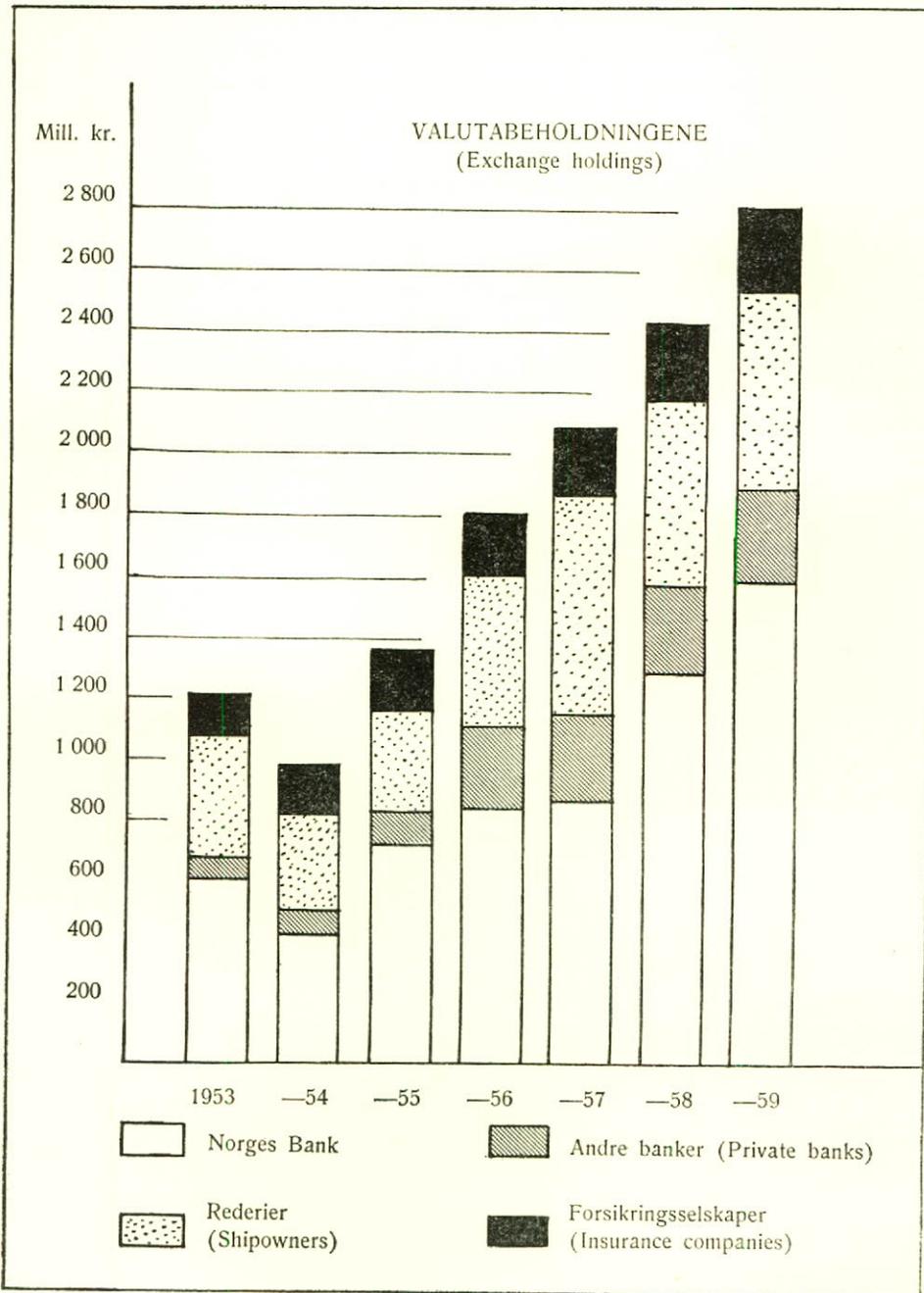
Exchange reserves rose by 372 million kroner in 1959, which compares with an increase of 329 million in the preceding year. The distribution of the reserves as well as the changes which took place during 1959 will be seen from the following table (million kroner):

	1/1-1959	31/12-1959	Changes
Norges Bank	1,281	1,580	+ 299
Other banks	279	287	+ 8
Shipping companies	612	648	+ 36
Insurance companies	254	283	+ 29
	2,426	2,798	+ 372

The increase in the exchange reserves in the years 1955—59 of 1.8 milliard kroner and the total deficit on the current balance of payments in the same period of close to 2.4 milliard kroner, altogether 4.2 milliard kroner, have been met by a registered net import of capital from abroad of 3.5 milliard kroner. The remaining 700 million kroner represent an «unexplained difference» in the external account of the Central Bureau of Statistics. It is not known how much of this unexplained difference can be ascribed to net capital import in the form of commodity credits in connection with exports and imports, and how much is due to deficiencies in the statistical data on which is based the balance of payments on current account prepared by the Bureau.

Developments in the value of exports and imports of goods and services as registered in the balance of payments statistics of the Bureau have been

described in the preceding section on «The balance of payments on current account». There is, however, little direct correlation between the deficits on the current balance in the Bureau's accounts and the movements in the exchange



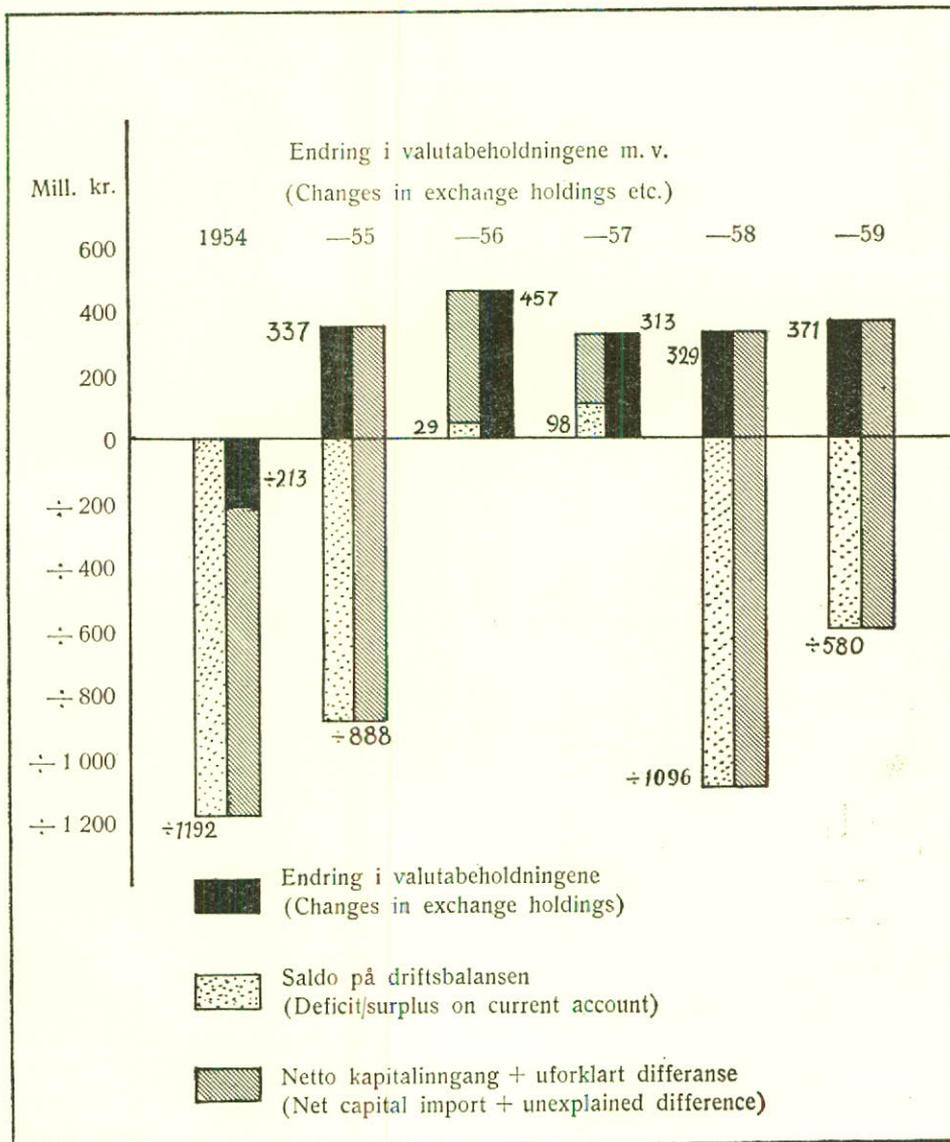
reserves. This is due to the substantial changes from year to year in net imports of capital from abroad. The position is illustrated in the chart on page 32, which shows the deficit on the current account, the net capital import and the unexplained difference (according to the Bureau's external account) and changes in the exchange reserves.

Most of the capital imported is registered in the payments statistics of Norges Bank. Some part consists, however, of those commodity credits which

are neither registered in the Bureau's statistics nor in Norges Bank's payments statistics. Commodity credits of this type are included in the item «unexplained difference» in the external account of the Bureau. Credits granted to Norwegian shipping companies by foreign shipyards are also a form of commodity credits which are not registered in the statistics, but by comparing payments with the value of imports the Bureau arrives at a net figure for capital imports in respect of maritime transport, which includes the credits from foreign shipyards.

An increase in commodity credits in connection with imports manifests itself in making the Bureau's value figures for commodity imports higher than the current payments for imports, also after adjustments have been made for different methods of computation. This was demonstrated particularly clearly for imports of ships, where the value of imported ships in 1958 was 2,328 million kroner and in 1959 2,081 million, while current payments on ships were respectively 1,935 million kroner and 1,578 million kroner.

This time lag between actual imports/exports and payments for the years 1958 and 1959 finds expression in the fact that the Bureau's current account



operates with a substantially higher deficit than do Norges Bank's figures for payments.

As is shown by the following figures the net import of capital was at the same time much higher in the Bureau's capital account:

	Million kroner	
	1958	1959
Net imports of capital according to Bureau statistics	1,228	903
Net imports of capital according to Norges Bank statistics . .	697	422
Difference	531	481
Of which difference between current payments and actual imports and exports of ship	515	530

Payments made for imported ships were considerably lower than was the value of ship imports in these two years. In 1958 the import value, according to the Bureau's statistics, was 393 million kroner and in 1959 as much as 503 million kroner more than payments made according to the statistics of Norges Bank. Furthermore, payments in 1958 for ships exported were 122 million kroner lower than the Bureau's figures for exports of ships. The corresponding figure for 1959 was 27 million kroner less than the Bureau's figure.

By comparing payments for ships with the actual value of the additions to and the reduction in the Norwegian merchant fleet, the credits (net import of capital) granted in connection with deliveries of ships can be calculated. It should in principle be possible to apply the same procedure to the other items in the external account. In practice, however, this would require very comprehensive recalculations, and it would be difficult to determine just how much of the difference is due to credit supply and how much to deficient statistical material.

The deficit on the current balance in the external account of the Bureau for 1959 was 580 million kroner as against 1,096 million in the preceding year. The payments statistics of Norges Bank show that the deficit in current payments was much less in both years, namely 389 million kroner in 1958 and 67 million kroner in 1959. The review on page 34 gives the figures for 1959 according to Norges Bank's payments statistics. It is divided into regional areas and broken down for exports, imports, freight earnings and payments for ships (figures in million kroner).

The increase in freight earnings is due entirely to a higher volume of freights. The decline in net payments for ships can, to some extent, be ascribed to lower imports of ships. It is, however, also connected with the sharp reduction of the past two years in the volume of ship contracts. Whereas in 1956 there was a net increase in contracts placed with foreign yards amounting to 4,680 million kroner, there was a fall of 73 million kroner in 1958 and an increase of 516 million in 1959. This development is illustrated in the value figures for ships being built for Norwegian account in foreign shipyards. The total of the contract amount for dry cargo ships and tankers per September 30, 1957 was 10,191 million kroner. A year later it had been reduced to 8,082 million kroner, and by September 30, 1959 was down to 5,948 million kroner. This is a direct result of the sharp fall in new contracts as well as of the very high deliveries of the past two years. This development explains the decline in instalment payments.

Area	Exports	Net freight earnings	Imports	Net imports of ships	Total current payments
<i>EEC-countries</i>					
1958	1,319	298	1,996	751	÷ 1,314
1959	1,331	271	2,164	611	÷ 1,310
Changes	+ 12	÷ 27	÷ 168	+ 140	+ 4
<i>EFTA-countries</i>					
1958	2,008	1,497	2,461	1,107	÷ 31
1959	2,180	1,551	2,542	884	+ 229
Changes	+ 172	+ 54	÷ 81	+ 223	+ 260
<i>Eastern Europe</i>					
1958	264	36	292	8	+ 16
1959	311	51	318	17	+ 42
Changes	+ 47	+ 15	÷ 26	÷ 9	+ 26
<i>U. S. A. and Canada</i>					
1958	321	632	646	54	+ 485
1959	459	684	718	59	+ 603
Changes	+ 138	+ 52	÷ 72	÷ 5	+ 118
<i>Other countries</i>					
1958	362	÷ 5	296	—	+ 129
1959	401	12	362	4	+ 110
Changes	+ 39	+ 17	÷ 66	÷ 4	÷ 19
<i>Grand total</i>					
1958	4,739	2,534	5,966	1,935	÷ 389
1959	5,151	2,640	6,444	1,578	÷ 67
Changes	+ 412	+ 106	÷ 478	+ 357	+ 322

Payments in connection with commodity exports, excluding ships, increased by 412 million kroner from 1958 to 1959. On the other hand, there was an increase in payments for commodity imports, excluding ships, of 478 million kroner. According to the Bureau's external account the value of commodity exports, excluding ships, expanded by 444 million kroner and that of imports by 287 million kroner.

Implicit in this somewhat divergent development in the two series must be a certain increase in export credits and also a sharp decrease in those commodity credits which Norway has received in connection with imports from abroad. This reduction in commodity credits, which has clearly taken place during 1958 and 1959, finds expression as a decline in the «unexplained difference», which dropped from 197 million kroner in 1958 to 48 million kroner in 1959.

A look at developments for the individual countries of the Common Market show that the deficit in payments vis-à-vis the Netherlands was reduced from 370 million kroner to 328 million kroner. Inter alia, because of the French stabilization measures in 1959, the payments situation here showed a deterioration of 88 million kroner. The improvement in the payments position with the EFTA-countries, amounting to 260 million kroner, was in part due to the surplus in current payments vis-à-vis the sterling area in Europe having increased by 150 million kroner, as a result of the lower ship payments and higher export and freight earnings. Furthermore, the deficit with Sweden declined by 108 million kroner, primarily because of the fall in payments for ships. In relation

to the other OEEC-countries no changes of significance in the payments position have been registered.

As mentioned above there was a decline in imports of capital from 1958 to 1959. The following table provides a review of capital movements according to Norges Bank's payments statistics. (Figures in million kroner.)

	1958	1959
Surplus (deficit) on current account	÷ 389.1	÷ 67.2
Public loans	272.2	70.9
Redemption of public loans	÷ 147.9	÷ 120.3
Redemption of consolidated EPU debt (net)	÷ 85.9	÷ 126.3
EPU credit	157.1	—
Loans raised by shipping companies	801.1	886.2
Redemption of loans raised by shipping companies ..	÷ 445.6	÷ 493.3
Other inflows of capital	525.2	594.6
Other outflows of capital	÷ 382.3	÷ 389.0
Agio/arbitrage (net)	3.4	÷ 0.9
Net inflow/outflow of capital (÷)	697.3	421.9
Difference in statistics	20.4	16.7
Changes in exchange reserves	328.6	371.4

The capital account according to the statistics of the Bureau shows, as mentioned above, far higher figures for the inflow of capital than do the statistics of Norges Bank. According to the former, the net inflow of capital was 1,228 million kroner in 1958 and 903 million kroner in 1959. There was a concurrent decline in the «unexplained difference» of 197 million kroner to 48 million kroner.

There were no changes of significance in the net import of capital by the shipping sector as a whole. It showed an increase from 821 million kroner in 1958 to 877 million in 1959. There was a considerable expansion in ship-owners' credits with foreign yards and a slightly lesser increase in their registered loans raised abroad. Moreover, there was a decline in the capital import of the shipping companies and of Norwegian shipyards resulting from a decrease in the difference between redemption payments on loans in connection with exports of ships and disbursements of new loans from 114 million kroner in 1958 to 19 million kroner in 1959.

It was more particularly public capital imports from abroad which showed a decline from 1958 to 1959. Public borrowing, including EPU credit and with deduction of instalment payments, gave a capital inflow in 1958 of 170 million kroner net. Developments were reversed in 1959 to a capital outflow of 227 million kroner net, in other words a reversal amounting to 400 million kroner in relation to the preceding year. This was mainly due to the termination of the European Payments Union. In 1958 Norway had gross drawings on the credit quota in EPU of 157 million kroner. Similar credit possibilities did not exist in 1959, as the European Monetary Agreement, unlike the EPU, contains no provision for automatic credits. Coincident with the disappearance of the EPU credits, redemption payments on the consolidated EPU debt increased from 86 million kroner to 126 million kroner. Other public loans abroad showed a simultaneous sharp fall, from 282 million kroner to 71 million kroner.

Other long-term loans raised abroad, including loans to public enterprises, were higher in 1959. The import of capital thus obtained, minus instalment payments, increased from 52 million kroner in 1958 to 202 million kroner in 1959.

There was a net decline in the item «Other known capital imports» from 185 million kroner to 51 million kroner.

This fall is entirely due to changes in private short-term loans abroad, which dropped from 358 million kroner in 1958 to 131 million kroner in 1959. There was a simultaneous reduction in repayments on these loans, so that there was a net decline from a capital inflow of 100 million kroner in 1958 to a capital outflow of 53 million kroner in 1959. Borrowing abroad for the financing of imports was particularly high in 1958, totalling 202 million kroner. This gave a net capital inflow of 46 million kroner. There was a radical change in the position during 1959. Borrowing fell to 57 million kroner while repayments simultaneously amounted to as much as 121 million kroner. In this development lies the explanation of the greater part of the change in the net figures for private short-term borrowing abroad.

The changes which have taken place in this short-term borrowing must be closely associated with the developments on the Norwegian and foreign capital markets. Whereas credit conditions were easier in a number of other countries in 1958 there was a lesser change in the liquidity of the banks and the general public in Norway. 1959 saw the development of restrictive tendencies on foreign capital markets, while there was no similar movement in Norway. Developments here were rather the contrary, and the increase in bank loans exceeded that of the previous year. It was easier for Norwegian importers and exporters to raise credits in Norway and they did not find it necessary to the same extent to go abroad for credit. The situation will be the same for other firms and enterprises which have made use of the opportunity to raise loans abroad when loan openings have been more difficult in Norway.

The tightening of the foreign capital markets, concurrently with certain relaxations in Norway, can also explain part of the change in the «unexplained difference». There must have been an abbreviation of the credit periods previously obtained by Norwegian importers, while at the same time Norwegian exporters have probably been able to offer better conditions to their customers in other countries. From this would arise the deflection already mentioned, that payments for imports increase more quickly than the value of the merchandise imports, while payments for exports show less of an increase than the value of the merchandise export.

The assumptions of the National Budget for 1960 should entail a slight increase in the exchange reserves. The current balance is expected to show a deficit of 570 million kroner and redemption payments on public and private loans, including the EPU debt, are estimated at 354 million kroner. Altogether, this results in an amount of rather more than 920 million kroner, which must be met by borrowing or other inflow of capital, if the exchange reserves are to be maintained at the same level in 1960. Known private and public loans, excluding the loans raised by the shipping companies, are expected to bring in 440 million kroner in 1960. Of this total, an amount of 245 million kroner represents public loans solely for hydro-electric development projects. Of private borrowing totalling about 195 million kroner, an amount of 100 million kroner

concerns imports of aircraft, 45 million kroner the extension of the aluminium industry and 35 million kroner the building of the ESSO refinery.

Imports of ships are expected to fall in 1960 to 1,900 million kroner, while at the same time current payments on ships will increase somewhat (cf. the figures below). This involves a lower direct credit inflow in connection with imports of ships. A decline is also forecast in the net borrowing abroad of shipping companies, so that the total net inflow of capital is expected to drop to 500 million kroner in 1960.

Borrowing abroad as described above should provide cover for the debt redemption payments falling due in 1960 and also for the anticipated deficit on the current account. The development of the exchange reserves will depend, on the one hand, on whether these estimates hold true and, on the other, of the situation in 1960 in regard to private short-term borrowing and commodity credits.

The figures below show the exchange obligations of the shipping companies on ships under contract and already delivered. According to the outstanding contracts on September 30, 1959 ships for 5,948 million kroner were ordered abroad. Of this total, an amount of 5,472 million kroner was unpaid, while the debt on ships delivered amounted to 3,735 million kroner. Total obligations per September 30, 1959 thus amounted to 9,207 million kroner.

The following figures show payments made on ships during the past two years and payments obligations in future years (million kroner):

1958	1959	1960	1961	1962	1963	1964 and later
1,935	1,578	1,670	1,573	1,600	1,335	2,564

Among other contractual obligations in the coming years the full extent of which is known, are payments in connection with the bilateral settlement of the EPU debt. On the termination of the European Payments Union the individual member country's debts and claims were transformed to bilateral credits. Negotiations have been conducted between debtors and creditors for the settlement of these credits, which were concluded on April 30, 1959. Norway reached agreement with both creditors and debtors. The previous agreements of 1954 and 1956 with the Netherlands, Belgium, Sweden, Germany and Switzerland on repayment of EPU debt on a bilateral basis were incorporated in the negotiations on the final settlement arrangements.

The annual net payments resulting from redemption of bilateral credits is distributed thus (million kroner):

1959	1960	1961	1962	1963	1964	1965	1966	Total
126.2	124.0	116.7	91.0	78.3	66.9	14.8	4.0	621.9

To these figures must be added 71.4 million kroner which Norway received as a loan on the establishment of the Payments Union in 1950. This loan was transferred to the European Monetary Fund on the termination of the Union and shall be repaid in gold in thirteen annual instalments, the first of which falls due on December 27, 1961.

A review is given below of Norway's bilateral credit arrangements with the other EPU-countries:

Liabilities and assets in units of account (dollars).

<i>Liabilities:</i>	Amount	Repayment period	Interest	Other data
Belgium/Luxembourg	13,829,569	4½ years	1)	10% cash.
Denmark	934,970	3 »	2¾%	
Greece	370,536			Cash.
Italy	4,586,155	3 »	2¾%	
Netherlands	12,384,821	6 »	4%	3¼% for the previously consolidated debt.
U. K.	3,992,627	7 »	4%	
Switzerland	4,669,215	3¼ »	3¼%	
Sweden	5,494,600	7 »	4%	
Western Germany	52,433,008	6 »	4%	
Austria	1,686,040	3 »	2¾%	
<i>Assets:</i>				
France	12,424,205	6 »	4%	
Iceland	31,789			Cash.
Portugal	286,548			Cash.
Turkey	577,712	7 »	2¾%	

¹⁾ Interest varying from 2 to 3½ per cent.

The European Monetary Agreement.

Spain became a member of the OEEC and of the European Monetary Agreement in 1959. Spain's contribution to the European Fund has been put at 7.5 million units of account. With a view to bringing members' contributions to the Fund more in line with the external economic position of the individual countries, the contributions of France and Western Germany have been raised from 42 million units of account to 50 million, Italy's from 15 million units of account to 25 million, while Great Britain's has been reduced from 86,575,000 to 60,575,000 units of account. The current distribution of contributions thus becomes the following:

(Figures in million units of account.)

Belgium/Luxembourg	30.0	Portugal	5.0
Denmark	15.0	Spain	7.5
France	50.0	U. K.	60.575
Greece	2.850	Switzerland	21.0
Iceland	1.0	Sweden	15.0
Italy	25.0	Turkey	3.0
Netherlands	30.0	Western Germany	50.0
Norway	15.0	Austria	5.0

A new article has been added to the Agreement, which opens up the possibility of financing the Fund by means of extraordinary credits.

Up until January 8, 1960 Austria, Belgium, France, Germany, Italy, the Netherlands, Portugal, Sweden, Switzerland and the U. K. had paid in altogether 33 million units of account to the Fund. By the same date the Fund had granted a credit to Spain of 75 million units of account and given an undertaking of a further 25 million during 1960 as might be decided by the OEEC, while Turkey

had received a credit of 21.5 million units of account. Spain has drawn out 24 million and Turkey 21 million units of these credits. Greece was granted a credit of 15 million units of account, but this was not utilized and at the request of Greece was cancelled in December 1959.

Liberalization. In December 1959 the Council of the OEEC agreed on a code of liberalization for capital movements. The OEEC is also studying the question of a code of liberalization for transactions in securities.

As from July 29, 1959 travellers arriving in Norway may bring with them in Norwegian notes up to 1,000 kroner.

Convertibility. As from July 21, 1959 and December 1, 1959, respectively, Spain and Yugoslavia have been included in the convertible area for Norwegian kroner. The bilateral agreements with these countries expired on the same dates.

Payments Agreements. A brief review is given below of developments during 1959 in Norway's payments agreements with countries outside the OEEC area.

Brazil. There is no currently valid payments agreement. Payments between Norway and Brazil have also in 1959 been made according to the principles of the bank agreement which expired on January 31, 1957. Right from the beginning of the year the Norwegian debit balance on the clearing account was steadily falling and by the year's end the account showed a minor balance in favour of Norway.

Offers of nordollars in Brazil have been unlimited. The agio (auction price) has fluctuated greatly with extremities of 120 and 220 cruz per nordollar. At the end of the year the auction price was 160.

Bulgaria. Payments Agreement of December 2, 1955. There has been little movement on this account. Throughout the year it has stayed within the swing credit limit of 1 million kroner. Two three-months swap transactions for \$ 65,000 and \$ 45,000 were made during the year.

Israel. Payments Agreement of May 4, 1953. The payments picture is highly seasonal and shows more-or-less the same movements as in previous years, with a rising Norwegian debit balance during the early months of the year (fruit imports) and an increasing Norwegian credit balance in the latter part of the year. The swing credit has not been exceeded at any time during the year.

Yugoslavia. The Payments Agreement of August 30, 1946 expired on December 1, 1959 when Yugoslavia was included in the convertible area for Norwegian kroner. Movements on the clearing account have been even and uneventful. Norway's credit balance at November 30, about \$ 142,000, shall be met in convertible currency before May 31, 1960.

Poland. Payments Agreement of December 21, 1949. Whereas the payments situation of the past few years has unvaryingly shown a Norwegian credit balance, sometimes far in excess of the swing credit, the account for 1959 shows a Norwegian debit balance from March to August. This displacement during the first half of the year of a Norwegian credit of about 4.5 million kroner by a debit of about 5.5 million was due to sugar imports, for which an amount of about 10 million kroner had been paid up to the end of June.

Rumania. Payments Agreement of May 18, 1954. The account has, with minor exceptions only, shown a balance in favour of Norway throughout the year. The situation calls for no special comment.

Soviet-Russia. Payments Agreement of December 27, 1946. The considerable fluctuations in payments, which have been a feature of previous years, were not in evidence in 1959. The account, which has shown a Norwegian debit of between 30 and 40 million kroner throughout the year, was about the same at the end of the year as it had been at the beginning.

Spain. The Payments Agreement of January 27, 1951 expired on July 21, 1959 when the convertible area for Norwegian kroner was extended to include Spain. The account has shown a constant credit balance in favour of Norway, partly in excess of the swing credit. On the termination of the agreement Spain owed Norway about 5 million kroner. According to the agreement with the OEEC, Spain shall, in principle, repay its debts over a period of 4 years, and agreements shall be made bilaterally with each country. No agreement had been made with Norway by the end of the year.

Czechoslovakia. Payments Agreement of November 17, 1953. Throughout the year the account has shown a balance in favour of Norway. By the end of the year repayments had reduced this balance to 1 million kroner which is the lowest figure since April 1957.

Eastern Germany. As in previous years payments have been effected through a compensation agreement between Norsk Kompensasjonsselskap A/S, Oslo and Kammer für Aussenhandel, Berlin. During most of the year Eastern Germany has been in debt to Norway, sometimes in excess of the swing credit of 7.5 million kroner.

Hungary. Payments Agreement of August 27, 1946. The payments situation has no special points of interest. With the exception of a minor Norwegian debit balance in October-November, the account has shown a balance in favour of Norway, which exceeded the swing credit in March-April.

The Foreign Exchange Market in 1959. Following the introduction by a number of countries in December 1958 of partial convertibility, the Norwegian authorities had to consider the policy to be adopted in regard to rates of exchange. A fixed pound rate at about par value, kr. 20 to the £, could be maintained with the result that dollars and other currencies quoted on the Oslo Børs (Exchange) would move in keeping with the position of the pound sterling on the international market. Another alternative was to keep a fixed rate with U. S. dollars. This would in turn lead to movements in the pound rate as a result of variations in the rate between the pound and the dollar. A third possibility was to quote the Norwegian krone in an intermediate position between the pound and the dollar according to the situation at different times.

The official policy in 1959 as regards the rate of exchange has been to associate the Norwegian krone and the pound sterling, without thereby being bound to a fixed pound rate. In periods of sharp fluctuations on the international exchange market in the quotations of dollars to the pound, endeavour has been made to weaken the effects of such swings on the rates in Norway by spreading them between these two currencies.

From a closer inspection of the developments of the rates of exchange in Oslo during 1959, it will be seen that the pound sterling has in the main been quoted somewhat above parity of kr. 20 to the £. In certain periods of March, April and May, when the pound was standing strong vis-à-vis the dollar, with quotations close to the upper limit of \$ 2.82 per £, the pound quotation in Oslo rose to 20.05 while that for the dollar dropped to 7.12.

In accordance with the regulations of the European Monetary Agreement, EMA, Norway has fixed outer limits for the quotation in dollars which can thereby move between kr. 7.09 and 7.20 per \$. This corresponds to a margin of about 0.75 per cent on both sides of a parity of kr. 7.14286. The margins for the pound sterling and most of the other currencies quoted in Oslo are about twice as great as for dollars, but in practice it is highly unlikely that the outer limits will be reached for these currencies. As will be seen from the table on page 42 movements in the rates of most of the currencies during 1959 were relatively modest and stayed well within the official margins. The Canadian dollar, which is moving freely without upper or lower margins has fluctuated more, with a peak quotation of 7.55½ as against 7.48 in 1958.

U. S. dollar rate in London at the turn of 1958 was around parity of 2.80, but climbed during January to 2.8090. In other words, the pound sterling strengthened its position vis-à-vis the dollar in the first month of the year following the transition to partial convertibility on December 29, 1958. The British gold and exchange holdings increased during the spring, and the pound steadily improved its standing in relation to the dollar. In the middle of April the pound/dollar rate in London stood at 2.81¾ which was the peak quotation for the year.

In August the pound began to show a weakening trend. Part of the explanation was seasonal factors and part the higher interest level in the U. S. A. The announcement of a new Parliamentary election in October also created some uncertainty around the pound. With the Conservative victory the pound again strengthened its position vis-à-vis the dollar.

Towards the end of the year the pound showed a weaker tendency on the international exchange market, and the dollar rate in London reached the lowest point for the year on December 5 at 2.79⅝.

During 1959 the rates of exchange were affected more than before by short-term capital movements between the principal financial centres, brought about by differences in the rates of interest. This development was reflected in the exchange rates, particularly as between pound, dollar, Swiss francs and German marks.

On November 6, the Swedish central bank, Sveriges Riksbank, extended the outer limits for dollar quotations in Sweden. The new limits for the Swedish kroner became 5.1350 and 5.2125, i. e. 0.75 per cent on each side of dollar parity as against the previous 0.035 per cent.

Spain became a member of the OEEC and the EMA on July 18. The Spanish peseta was devalued at the same time by 30 per cent, so that the new parity rate is 60 pesetas per U. S. dollar. As, however, the peseta was not made convertible, in line with the currencies of the other member countries, it is not officially quoted on the Oslo Børs (Exchange).

As from January 1, 1960 France introduced «Nouveaux Francs», which is the official designation of the new monetary unit. The new French franc equals 100 «old» francs and the exchange rate on the Oslo Børs (Exchange) January 2, 1960 was kr. 146.00 per 100 new francs.

The table on page 42 gives a review of the official sales rates on Oslo Børs (Exchange) during 1959, showing rates at the beginning and end of the year, as well as highest and lowest quotations in the course of the year:

	2/1-59	Highest	Lowest	31/12-59
1 £	20.01½	20.05	20.00	20.01
100 French frcs.	1.459	1.462	1.454	1.461
100 Belgian frcs.	14.34	14.34½	14.26½	14.34½
100 Dutch gld.	189.25	190.05	188.80	190.00
1 U. S. \$	7.14½	7.15¾	7.12	7.15½
1 Can. \$	7.43	7.55½	7.28	7.52½
100 Swiss frcs.	165.85	166.10	164.45	165.75
100 Swedish kr.	138.10	138.35	137.80	138.30
100 Danish kr.	103.60	103.80	103.40	103.75
100 Italian lire	1.147	1.155	1.147	1.155
100 Port. esc.	25.20 ¹⁾	25.20	25.02	25.02
100 German marks	171.10	171.85	170.50	171.80
100 Austrian sch.	27.62	27.77	27.54	27.62
100 Finnish marks	2.25 ²⁾	2.25	2.23½	2.24
100 Czech. kcs.	99.20	99.20	99.20	99.20

¹⁾ First quoted 6/1-59. ²⁾ First quoted 13/1-59.

The Development of Liquidity.

In the course of 1959 Norges Bank purchased foreign exchange from the private banks and the general public for a net amount of 505 million kroner, as against 415 million kroner in the preceding year. Since the net foreign exchange holdings of the private banks have not declined during the year, the exchange thus sold by the banks to Norges Bank must be currency which the banks' clients have sold to them. Exchange sold to Norges Bank has in total been adequate not only to neutralize the withdrawal of liquidity by the Government, but also to allow of a net increase of 258 million kroner in the domestic liquid assets of the private banks and the general public. Of this total an amount of 164 million kroner has been reflected in an increase in notes in circulation.

The figures for withdrawals by central Government transactions show that the fiscal policy in 1959 was somewhat less restrictive than in 1958. Total withdrawals by the Government were rather more than 300 million kroner less than in 1958, despite the increase in Government borrowing by 225 million kroner.

The following table illustrates the effects of the transactions of the central Government and of Norges Bank on liquidity funds. (Figures in million kroner.)¹⁾

Supplied (+)	1958	1959				
		1st qu.	2nd qu.	3rd qu.	4th qu.	Total
Withdrawn (+)						
<i>A. The Government.</i>						
1. Cash surplus or deficit on current budget, State enterprises and plants, various special accounts, etc.	+ 772	+ 221	+ 185	18	34	+ 354
2. Redemption of internal loans and purchase of bonds	393	89	179	51	101	420
3. Government loans to the State banks	446	27	148	88	273	536
4. Various credits to the Treasury on current account	+ 149	+ 62	+ 62	+ 32	7	+ 149
5. Domestic loans raised by the Government	+ 513	+ 254	+ 184	+ 165	+ 135	+ 738
Total	+ 595	+ 421	+ 104	+ 40	280	+ 285

B. *Norges Bank.*

1. Net purchase of foreign exchange	415	—	216	117	172	505
2. Release of blocked taxation funds	58	55	4	2	—	50
3. Net increase in securities excl. Treasury bills	÷ 9	—	1	÷ 6	÷ 4	÷ 9
4. Advances and discounts..	15	÷ 13	53	÷ 17	÷ 26	÷ 3
Total	479	31	274	96	142	543
C = A + B	÷ 116	÷ 390	170	56	422	258

Of which by:

1. Changes in the note circulation	43	÷ 159	79	33	211	164
2. Changes in deposit accounts of the banks in Norges Bank	÷ 5	÷ 299	64	24	285	74
3. Changes in holdings of Treasury bills in the hands of banks and the private sector	÷ 156	81	28	÷ 12	÷ 93	4
4. Other changes	—	÷ 13	÷ 1	11	19	16

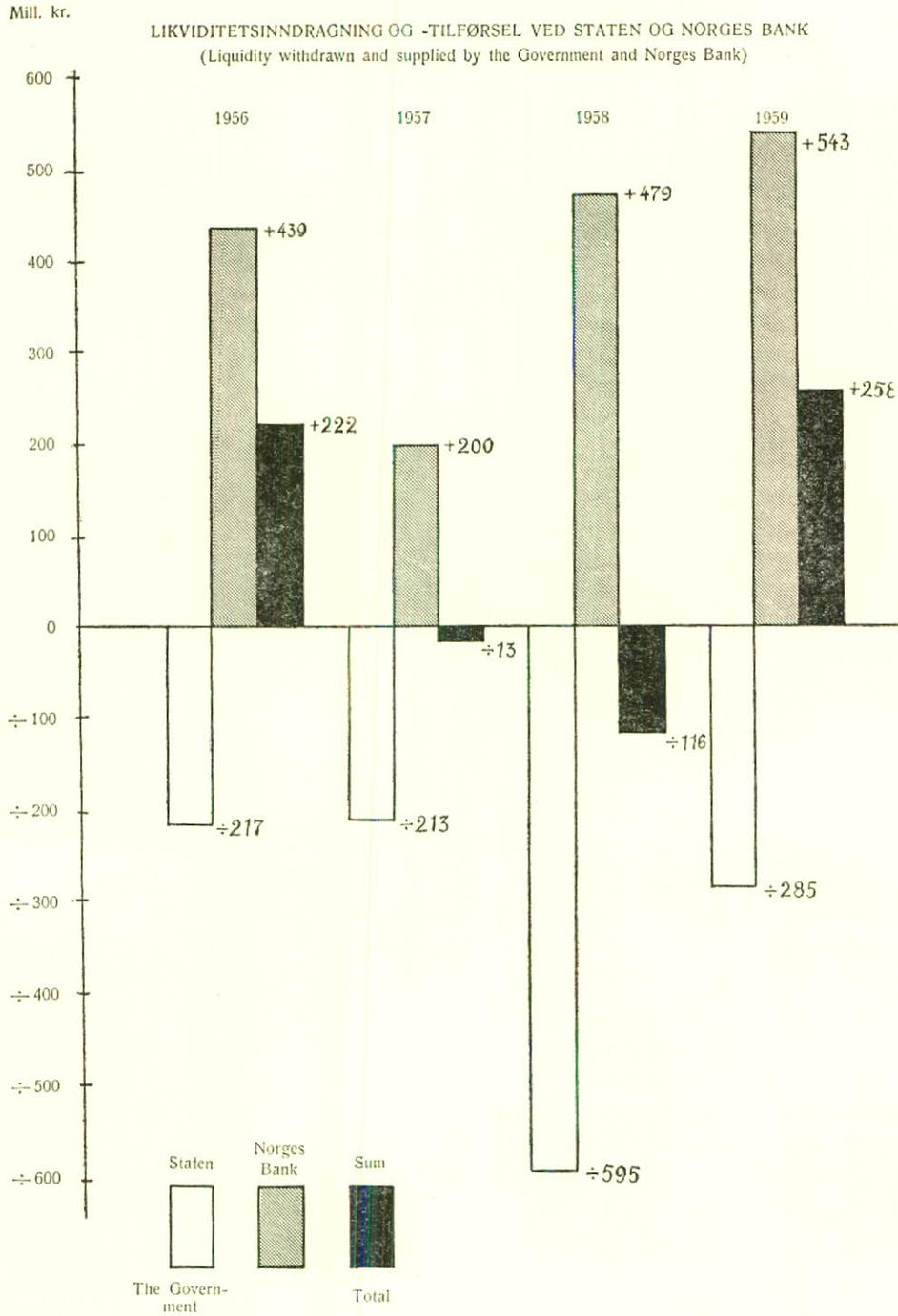
¹⁾ Figures adjusted in respect of a technical computation difference between Norges Bank and the Postal Transfer Account, which was previously reflected in the liquidity figures.

In certain months of 1959 Norges Bank's loans have been considerably higher than in the previous year. These short-term and very pronounced swings in advances are due to changes in the private banks' short-term liquidity loans in Norges Bank.

Changes in liquidity month by month will be seen from the following table:

	Caused by			Reflected in			
	A. The Government	B. Norges Bank	C = A + B	Notes in circulation	Bank deposits	Holdings of Treasury bills	Other changes
<i>1959:</i>							
January	÷ 240	÷ 69	÷ 309	÷ 223	÷ 138	83	÷ 31
February	÷ 90	51	÷ 39	÷ 4	÷ 35	3	÷ 3
March	÷ 91	49	÷ 42	68	÷ 126	÷ 5	21
April	7	58	65	20	110	÷ 51	÷ 14
May	÷ 226	159	÷ 67	÷ 49	÷ 102	63	21
June	115	57	172	108	56	16	÷ 8
July	÷ 72	26	÷ 46	9	÷ 29	÷ 40	14
August	168	÷ 20	148	÷ 4	135	11	6
September ..	÷ 136	90	÷ 46	28	÷ 82	17	÷ 9
October	80	÷ 74	6	22	÷ 8	÷ 6	÷ 2
November ..	÷ 198	71	÷ 127	÷ 11	÷ 74	÷ 65	23
December ..	398	145	543	200	367	÷ 22	÷ 2
Total	÷ 285	543	258	164	74	4	16

The chart below gives an illustration of the development of liquidity in the years 1956—1959.



Public Finances.

According to an amendment to the Constitution of February 10, 1959, the fiscal year shall, as from 1961, be the same as the calendar year. The fiscal budget now submitted to the national assembly shall thus be operative as from July 1, 1960, and cover only the latter half of that year. The budget for

1959—60 has the following main figures, which are shown in comparison with the accounts for the two preceding fiscal years and the estimates for the second half of 1960. (Million kroner):

	Account 1957—58	Account 1958—59	Budget 1959/60	Proposed budget 2nd half 1960
Current income	5,761	5,983	5,801	2,962
Current expenditure	5,057	5,141	5,120	2,620
Surplus on current account . .	704	842	681	342
Capital expenditure on enter- prises and constructional projects etc.	401	424	620	301
Fiscal surplus	303	418	61	41
Redemption of debt (net)	498	623	575	285
Cash surplus	÷ 195	÷ 205	÷ 514	÷ 244

Of the 1959—60 capital expenditure, an amount of 89 million kroner is to finance the increase in Norway's quota in the International Monetary Fund and 2 million kroner for share subscription in the International Bank for Reconstruction and Development.

It is evident from the table that the 1959—60 budget is considerably less restrictive than the account for 1958—59. This is also seen from the review given above of the development of liquidity. The cash deficit is expected to be somewhat lower than the budget figure, since loan redemption payments will be less than the budget estimate.

As from 1959 a change has been made in the method of financing the old age pension. While it was until then financed in part by means of direct income taxes, as from 1959 it is financed by payment of social security premiums graded in three income groups. The share paid by the employer is 60 per cent of the premium. For 1959 income from premiums and contributions from employers are estimated at about 450 million kroner, or approximately 130 million kroner more than the old age pension and war pension levy amounted to in 1958.

This change in financing renders difficult any comparison of the taxes in 1959 with those in previous years. The various tax reliefs introduced in 1959 are estimated to represent an amount of about 250 million kroner. The direct state and local authority taxes brought in 3,994 million kroner in 1959 or about 385 million kroner less than in 1958.

Indirect tax revenues, on the other hand, showed an increase of 222 million kroner to 3,918 million kroner. 109 million kroner of this increase was from the general sales tax and 88 million kroner was revenue from the taxes on motor vehicles and gasoline. The fall in the revenue from direct taxes and the increase in income from the indirect taxes represented together a decline in total tax revenue of 165 million kroner. Total taxes as a percentage of the gross national product declined from 25.3 per cent in 1958 to 23.4 per cent in 1959, which is about the same as in 1956, i. e. before the transition to the system of taxation on current income — pay as you earn.

On the other hand, social security premiums showed an increase of 545 million kroner to 1,379 million kroner. Together, taxes and security premiums

increased in 1959 by 380 million kroner to 9,291 million kroner, according to preliminary estimates. This is a rise of 4.3 per cent from the preceding year. Due to a sharper growth in the gross national product, taxes and security premiums as a percentage of the gross national product dropped, however, from 27.9 per cent to 27.5 per cent. The corresponding figure for 1956 was 25.2 per cent.

Social security benefits totalled rather more than 1,800 million kroner in 1959 and are expected to climb to 1,900 million kroner in 1960.

Of total transfers of income to the public sector, including social security premiums, of 9,709 million kroner in 1959, an amount of 3,816 million kroner went to income transfers to the private sector. The difference between these figures — the public disposable income — was 5,893 million kroner.

Public civil consumption rose by 266 million kroner and the defence sector's use of goods and services increased by 62 million kroner to 1,053 million kroner. Public savings declined by 239 million kroner to 2,059 million kroner. This was reflected in a lower net financial investment, as public net real investment showed an increase of 149 million kroner, of which 108 million kroner represent public consumption capital and 41 million kroner were in respect of publically owned enterprises, excluding investments in state-owned joint stock companies.

Of a total gross fixed investments in 1959 of 12,095 million kroner, rather more than 75 per cent was made by the private sector, just over 12 per cent by the municipalities and the remaining almost 13 per cent by the State, including state-owned enterprises. A substantial part of public investments is in respect of power development. The growth in 1959 in installed generator capacity in hydro-electric power stations is estimated at 502,000 kW, and investments in electricity production at 779 million kroner, or about the same as investments in this sector in each of the two preceding years. The graduation in recent years towards concentrating power development in fewer and larger projects has had the consequence that the inter-municipal power plants have floated loans on the bond market to a greater extent than previously. During 1959 bearer bonds for about 135 million kroner for power development were approved, and the advances of the Municipal Bank for the same purpose totalled 39 million kroner. An amount of 120.6 million kroner has been entered on the loan budget of the Municipal Bank for 1960 for loans to hydro-electric power development schemes, transmission lines, etc. This includes the loan to the Tunnsjø development project.

Government loans. Including 20 million kroner of the State Railways' loan for the abridgement of the rail route to Bergen, which has been paid in to the Treasury as a current account loan, total ordinary payments on Government loans in 1959 were 738 million kroner.

The Government provided in the same period loans to the State banks of 536 million kroner and repaid 420 million kroner of consolidated debt. Under the terms of the credit agreement for 1959 the life insurance companies should subscribe 85 million kroner to Government loans and also increase their holdings of Government and Government-guaranteed bonds by at least 60 million kroner. From the table below it will be seen that the insurance companies actually subscribed altogether 107 million kroner to the 5 per cent 1959 loan, i. e. 22 million kroner more than their obligations under the agreement.

Paid in by	Total amount (Million kroner)	Loan	Amount million kroner
Savings banks	268	Premium bond loan 1957	1
		» » » 1957	2
		4% 1957 (Tokke)	1
		4½% 1958	5
		4½% 1959	196
		5% 1959	29
		3% 1959 I	26
		3% 1959 II	8
Commercial banks	194	Premium bond loan 1956	2
		» » » 1957	2
		» » » 1958	19
		3% 1959 I	40
		3% 1959 II	36
		5% 1959	7
		4½% 1959	88
Life insurance companies	107	5% 1959	107
Post Office Savings Bank	75	5% 1959	75
Other sources	94	4½% 1959	1
		4% 1957 (Tokke)	51
		Premium bond loan 1956	1
		» » » 1957	5
		» » » 1958	1
		Savings bond loan	5
		3% 1959 I	4
		3% 1959 II	6
		Rail route to Bergen's abridgement	20
Total	738		

The savings banks subscribed 268 million kroner to Government loans during 1959, of which 196 million kroner went to the 4½ per cent 1959 loan. The savings banks were, however, not under any obligation to make subscriptions to new Government loans, but should increase their holdings of Government and Government-guaranteed bonds by an amount corresponding to 25 per cent of the increase in deposits.

The 3 per cent 1959 I and 1959 II loans were primarily designed for the commercial banks, which have contributed altogether 76 million kroner to them. 88 million kroner were subscribed to the 4½ per cent 1959 loan. A substantial portion of this amount was subscribed by Fellesbanken for account of savings banks. Certain other commercial banks' subscriptions have also to some extent been on behalf of clients.

On the loan for the Tokke power development scheme an amount of 135 million kroner had been paid in by January 1, 1960, of a total subscription of about 237 million kroner.

Interest terms on Government loans were the same in 1959 as in 1958. As in earlier years the 5 per cent loan maturing in 35 years has a fixed rate of interest, while the 4½ per cent loan has a discount clause, so that the interest rate is at all times 1 per cent above Norges Bank's discount rate, with a minimum rate of 4½ per cent. In 1960 the 5 per cent loan will be issued at 101 while the 4½ per cent loan (with discount clause) will be the subject of discussion with the savings banks after the first half of the year.

By the end of 1959 the Government had used its loan authority for raising internal loans as follows (million kroner):

Authority	Date	Amount	Per 31/12-1959	
			Used	Un-utilized
Consolidated debt	25/2-59	600	452	148
Lottery bond issues	21/2-58	150	75	75
Savings bond loans	16/6-56	165	63	102
Short-term loans:				
a) From Government institutions and Government administered funds ..	21/2-58	2,000	1,728	272
b) From other sources	16/6-56	650	161	489
Loan to finance Tokke power plant ..	23/4-56	240	237	3
Government advances to the State banks	25/2-59	4,800	4,665	135

Proposition No. 73 of January 15, 1960 to the Storting proposed that the Ministry of Finance be granted parliamentary authority to raise consolidated debt for an effective amount of up to 600 million kroner. The unused amount of 148 million kroner of the loan authority of February 25, 1959 would expire simultaneously. The Ministry of Finance should also be granted authority to raise lottery bond loans for 150 million kroner, while the current authority to raise such loans — 75 million kroner — is rescinded. The proposition further proposes that the authority of the Ministry of Finance to raise short-term loans from Government institutions and Government administered funds be increased by 300 million kroner to 2,300 million kroner, and the authority to make advances to the State banks from the Treasury cash holdings by 600 million kroner to 5,400 million kroner.

Treasury Bills. Peak circulation during 1959 of Treasury bills was reached on July 9 with an amount of 158.9 million kroner and the lowest point was noted on January 2, with 45.4 million kroner. The only Treasury bills in circulation during 1959 were three months bills at 2 per cent interest.

The following table shows development during the year (figures in million kroner).

Date	Circulation	Of which held by		
		Banks	Others	Norges Bank
2/1 -59	45.4	42.7	2.7	0
31/1 -59	129.2	126.7	2.5	0
28/2 -59	132.1	130.1	2.0	0
31/3 -59	126.8	126.8	0	0
30/4 -59	75.8	74.8	1.0	0
31/5 -59	137.0	131.0	6.0	0
30/6 -59	154.9	133.9	21.0	0
31/7 -59	115.4	95.4	20.0	0
31/8 -59	125.6	110.6	15.0	0
30/9 -59	142.4	123.9	18.5	0
31/10-59	137.0	116.5	20.5	0
30/11-59	72.7	52.2	20.5	0
31/12-59	49.6	44.6	5.0	0

As will be seen from the table there was again a sharp fall in circulation of Treasury bills towards the end of the year, as a result of the banks' cash needs and their traditional desire to have large assets in Norges Bank for the end of year statement of accounts.

The State Banks. The commitment budget for the State banks for 1959 was originally fixed at 706 million kroner, but it was raised in the course of the year to just over 737 million kroner, as a result of the increase in the budgets of the Municipal Bank and the Fisheries' Bank. Actual commitments in 1959 totalled 742 million kroner.

The increase in loans granted and the method of financing them during the past two years are shown in the following table (figures in million kroner).

	1958 Accounts	1959 Preliminary accounts
Disbursements of loans from the State banks	641	653
Less redemption payments received	181	195
Increase in loans	460	458
Redemption on bond debt	87	88
Other disbursements	—	32
Total financial requirements of the State banks	547	578
Met by:		
Government loans	446	536
Loans from Post Office Savings Bank	42	36
Bond issues	26	6
Other sources	33	—

Source: National Budget 1960.

In 1959 the Government advanced to the State banks 536 million kroner as against 446 million kroner in 1958. As shown in the above section on the development of liquidity the Government's own loan receipts (apart from credits on current account) were a little over 200 million kroner more than the Government's loans to the State banks.

By the end of 1959 the State banks had been granted the following loans from the Government:

The Norwegian State Housing Bank	3,006.0	mill. kroner
The Norwegian Bank for Smallholdings and Dwellings . .	668.0	» »
The Mortgage Bank of the Kingdom of Norway	150.0	» »
The Municipal Bank of Norway	525.0	» »
The Norwegian Bank for Industries	118.0	» »
The Norwegian State Fisheries' Bank	107.8	» »
The Students' Credit Institution	86.5	» »
The Institution for Operating Credits in Agriculture	4.0	» »
Total of loans	4,665.3	mill. kroner

Report No. 6 (1959—1960) to the Storting on the industrial development of the rural districts proposed that the scope of the activities of the Bank for Industries should be extended. During the autumn session the Storting approved the necessary amendment to the Act concerning the Bank for Industries, whereby the Bank could extend its operations. The Bank remains a joint stock company with the participation of private capital (B capital), but the share capital is to be extended from 30 to 40 million kroner distributed as before between the Government and the private sector.

The limits within which the Bank can raise loans has been increased to an amount corresponding to 10 times the share capital, as against the previous 8. The Bank's statutory fund has increased from about 7 million kroner on January 1, 1951 to about 23.5 million kroner on January 1, 1959. The Bank shall be able to grant loans up to 70 per cent of the assessed value of real estate (fixed capital) and 50 per cent of the assessed value of machinery and equipment as against previous limits 60 and 40 per cent. Under the terms of the amended legislation the Bank may also grant supplementary loans, provided the Development Fund acts as guarantor. No such supplementary loan may be granted for more than 25 per cent of assessed value, and the total of the ordinary loan plus supplementary loan must not in any instance exceed 90 per cent of the assessed value of fixed capital and 75 per cent of the assessed value of machinery and equipment.

In 1960 there is expected to be a net increase in the advances of the State banks of 543 million kroner and capital requirements are estimated at 677 million kroner. Loans from the Government will be required to meet between 550 and 600 million kroner of this amount. The loan from the Municipal Bank for the Tunnsjø hydro-electric development project of 83.6 million kroner is expected to be met through loans from the Government, in association with the Government's own loans in Sweden.

Of the total loans paid out by the State banks amounting to 653 million kroner in 1959, payments from the two banks which finance housing accounted for 384 million kroner or more than half of the total. Of the remainder, the Municipal Bank was responsible for 102 million kroner. This bank is heavily engaged in the financing of power development.

The table on page 51 shows the loans approved and disbursed by the State banks in 1958 and 1959 (million kroner).

Deposits in the Norwegian *Post Office Savings Bank* rose by 92 million kroner during 1959 and at the end of the year totalled 631 million kroner. Of the deposit funds, 261 million kroner were invested in bearer bonds and 335 million kroner in loans, 40 million kroner of which as credits to the Treasury on

	Loans approved		Loans disbursed	
	1958 Accounts	1959 Preliminary accounts	1958 Accounts	1959 Preliminary accounts
The Norwegian State Housing Bank ¹⁾	337	382	323	303
The Norwegian Bank for Smallholdings and Dwellings ¹⁾	80	92	79	81
The Mortgage Bank of the Kingdom of Norway	16	18	16	17
The Municipal Bank of Norway	102	106	79	102
The Norwegian Bank for Industries	25	35	23	33
The Norwegian State Fisheries' Bank ²⁾	36	39	45	35
The Institution for Operating Credits in Agriculture		³⁾	13	16
Post Office Savings Bank	15	15	24	18
The Students' Credit Institution	44	55	39	48
Total	655	742	641	653

- ²⁾ Interest-bearing loans.
- ²⁾ Total of 1st, 2nd and 3rd priority loans.
- ³⁾ Net increase 1.5 million kroner.
- ⁴⁾ Net increase 2.0 million kroner.

current account. Apart from 29 million kroner to the State banks the remainder of the loans were given as mortgage loans.

Deposits in the *Postal Transfer Account* rose by 68 million kroner in 1959 to 980 million kroner. Of deposits in the Postal Transfer Account at the end of the year, 113 million kroner were invested in bearer bonds and 755 million kroner were credits to the Treasury on current account.

Credit Policy.

In the autumn of 1958 some minor adjustments of monetary and fiscal policy were made to counteract employment difficulties in the 1958—59 winter. Part of the extraordinary appropriations for this purpose were utilized in the early months of 1959. As shown in the above section dealing with liquidity developments, these employment measures did not entail any expansion of liquidity in the banking system. The liquidity of the private sector increased somewhat, however, through the year. Thus notes in circulation have on average been 145 million kroner higher in 1959 than in the preceding year. As will be understood from the following section on the private banks, there has been little change in bank liquidity from 1958 to 1959. The easier marketing conditions for bonds characterized the credit market in 1959 and the rate of interest showed a mildly falling trend. Interest terms in the Government's open loans for the private banks and the insurance companies were, however, maintained unchanged through 1959.

Following discussions in the Joint Consultation Council in December, the guiding principles for credit policy in 1960 were prepared. The contents of the agreement will appear from the following circular of December 22, 1959 sent by Norges Bank to the commercial banks and the savings banks, and to the life insurance companies, covering lending policy etc. during 1960.

I.

«It was mentioned in the Circular of Norges Bank of January 27, 1959 (guiding principles for lending activity etc. during 1959) that, in accordance with the proposal of the representatives of the private banks in the Joint Consultation Council a technical enquiry had been undertaken of the monetary and credit policy instruments, which could appropriately be used to influence the credit situation. This study cannot be completed until some time early in 1960. The representatives of the credit institutions and the authorities on the Joint Consultation Council have, therefore, agreed that also in the coming year monetary policy shall be based on an agreement.

II.

The background of the 1959 agreement was in part formed by the marked tendencies towards stagnation and decline in production, developments which had characterized the Norwegian economy in the first three quarters of 1958. This set-back was closely connected with the international recession, which for Norway was particularly evident in the deterioration in the export sector, partly because of lower demand and partly because of the failure of the herring fisheries.

In drafting the agreement in January 1959 it was found essential to give major consideration to the exchange position and to the considerable deficit on the balance of payments which had to be expected from the very large imports of ships.

It was, therefore, not found justifiable to aim at the formulation of a policy which would stimulate demand in general, but special short-term measures were taken to counteract the employment problems expected to make their appearance in the course of the winter.

The principles guiding the activities of the private banks were modified by the removal of the previous ceiling on advances. It was assumed that the liquidity of the credit system was so tight that it could do no more than provide the basis for a lesser increase in loans which could be regarded as justified. The principles, therefore, aimed at ensuring that the liquidity of the banking system could be maintained more-or-less unchanged.

As their contribution to such a liquidity policy the commercial banks and the savings banks, as well as the life insurance companies, undertook to maintain their holdings of Government and Government-guaranteed bonds by re-investing in new Government bonds receipts from redemption payments.

The savings banks declared their willingness to increase their holdings of Government and Government-guaranteed bonds by at least 25 per cent of any increase in deposits.

The life insurance companies would make new subscriptions to Government loans for at least 85 million kroner as well as increase their holdings of Government and Government-guaranteed bonds by at least 60 million kroner.

It was also found justifiable to expand somewhat the limits on bond issues in pursuance of par. 3 of the Interest Act.

III.

The improvement in business conditions which began during the last quarter of 1958 continued throughout 1959, and has been reflected in higher production and employment and in a substantial increase in Norwegian export

earnings. An increase in the demand for tonnage has been noted on the freight market in recent months and somewhat fewer ships have been laid-up.

As far as can be judged, the credit agreement has functioned satisfactorily in the past year. Conditions have been easier on the bond market, with a falling trend in the interest rate. Most issues have been substantially over-subscribed.

Liquidity in the banking system has been maintained at about the 1958 level.

The increase in loans by the commercial and savings banks was somewhat greater than in 1958. The basically unchanged liquidity in the banking system has thus not been a hindrance for an increase in advances, or the floating of bond loans for larger amounts than in 1958.

IV.

Also at the turn of 1959 there are many uncertainties complicating an appraisal of likely economic developments in 1960. But, on the whole, it would seem reasonable to count on favourable trends for most of the year with good marketing conditions for the major Norwegian exports. Increasing production and trade will also have a stabilizing effect on the freight market, despite the considerable surplus of tonnage which must be expected to endure for some time to come.

The prospects for the home industries would seem rather more uncertain, even taking into account the fact that the effects of integration plans in Europe, the removal of discrimination on dollar imports, etc., are not likely to be felt with their full weight in the course of the first year.

V.

Exchange reserves increased in 1959. This growth in exchange holdings came about in part through considerable loans abroad for ship imports. Furthermore, the payments statistics of Norges Bank for the first three quarters of 1959 showed a minor surplus, as against a deficit of 300 million kroner in the same period of 1958.

Even although there has been an improvement in both the exchange holdings and in the situation of the external economy, monetary and credit policy in 1960 must be so designed as to prevent the appearance of new pressure problems in the external economy caused by a too expansive policy. Economic growth which is too strong can also give rise to a pressure on prices which can in turn lead to wage adjustments and a general increase in the level of Norwegian costs. On the threshold of a free trade association it seems very important to avoid such a development.

In formulating monetary and credit policy for 1960 due consideration must be given to the fact that the credit institutions will, under the influence of the favourable economic prospects, set a less strict standard for their liquidity position. In these circumstances Norges Bank considers that also in 1960 credit policy must be based on the assumption that the liquidity of the banking system be maintained at its present level. In the event that this results in too severe a credit restriction, so that marketing prospects, manpower and productive capacity cannot be fully utilized, there will be full opportunity later to make the necessary re-adjustments.

As in previous years the development of the state of liquidity in the banking system is dependent on the fiscal policy of the central Government, particularly as regards redemption of Government debt and the capital requirements of the

Subscriptions to Government loans can continue to be made by payment on account in Norges Bank, through banks or approved brokers. In the case of the short-term loans, other subscribers than the banks and the insurance companies can arrange subscription through payment on account in Norges Bank, or through other banks or approved brokers. The Ministry of Finance reserves the right to suspend subscriptions.

A more detailed review of loan terms etc. is given in a separate announcement.

The Joint Consultation Council has given its approval to the guiding principles as explained above and recommends their observance.»

Activities of the Commercial Banks and the Savings Banks.

Liquidity. The bank statistics of the Central Bureau of Statistics show the total holdings of most liquid assets of the commercial banks and the savings banks in each of the past five years to have been as follows (million kroner):

	1955	1956	1957	1958	1959
Cash in hand	241	262	295	263	260
Norges Bank	683	680	719	767	762
Postal transfer accounts	27	31	45	29	38
Treasury bills	149	177	145	43	44
Total	1,100	1,150	1,204	1,102	1,104

As will be seen from the figures there have only been minor changes in holdings at the end of the various years. But fluctuations have been considerable in the course of the individual years. These changes are due to seasonal movements in the note circulation and in bank advances, the effects on liquidity of the taxation payment schedules and of the other transactions of the Government and Norges Bank.

The quarterly figures for the most liquid assets of the commercial banks and the savings banks show the order of magnitude of the effects on bank liquidity (million kroner):

	31/12 1958	31/3 1959	30/6 1959	30/9 1959	31/12 1959
<i>Commercial Banks:</i>					
Cash in hand	143	139	136	135	145
Norges Bank	661	267	356	371	659
Postal transfer accounts	19	19	23	17	27
Treasury bills	26	99	112	86	25
Total	849	524	627	609	856
Obligatory reserves	196	212	213	232	215
Net liquid funds	653	312	414	377	641

	31/12 1958	31/3 1959	30/6 1959	30/9 1959	31/12 1959
<i>Savings Banks:</i>					
Cash in hand	120	104	107	102	115
Norges Bank	106	66	61	53	103
Postal transfer accounts	10	9	13	9	11
Treasury bills	17	15	22	26	19
Total	253	194	203	190	248
Obligatory reserves	29	28	29	31	30
Net liquid funds	224	166	174	159	218
Total liquid funds for both bank groups	1,102	718	830	799	1,104
Obligatory reserves	225	240	242	263	245
Net liquid funds	877	478	588	536	859

As in 1958 the liquidity strain was great in March, when the total liquid holdings of the banks fell to 718 million kroner. The lowest point, however, was reached in November with 670 million kroner. The increase of 434 million kroner to 1,104 million kroner, which took place in December, was mainly the result of a sharp supply of liquidity from the Government. Sales of foreign exchange by the commercial banks also contributed to the increase in liquidity during December. While the banks' assets in foreign banks — after deduction of deposits in foreign currencies — stayed around 450—550 million kroner throughout the year (at the end of 1958 and 1959 the figures were 544 and 535 million kroner respectively), deposits of foreign banks in Norwegian banks showed a steady increase from 220 million kroner at December 31, 1958 to 341 million kroner a year later. The development is associated with the service provided by Norwegian banks in regard to raising of loans from foreign banks for Norwegian shipping companies.

In appraising the liquidity figures for the two bank groups, account must be taken of the fact that the bulk of the savings banks' liquid assets are placed as deposits in the commercial banks. At the end of 1959 such deposits amounted to 700 million kroner as against 706 million kroner twelve months earlier. Fluctuations during the year were, however, considerable. The peak was reached in August with 783 million kroner, while the lowest amount was in March with 655 million kroner. Corresponding deposits of the commercial banks in the savings banks amounted to 52 million kroner in both years.

It will be seen from the above tables that the banks' holdings of liquid assets, as in previous years, were considerably in excess of the statutory minimum reserve requirements. As a result of variations in the basis of calculation, however, obligatory reserves have varied in size during the year. The total minimum reserve requirement for those commercial and savings banks which are covered by the legislation (57 and 182 banks respectively as of January 1, 1959) has been between a maximum of 263 million kroner and a minimum of 231 million kroner. On average, bank deposits with Norges Bank in excess of the statutory minima have similarly been between 138 and 387 million kroner. Maximum and minimum points for surplus reserves in 1958 were 398 million kroner and 162 million kroner respectively (cf. tables in the tabular appendices).

But despite the fact that the banks, as a whole, have at times had considerable surplus reserves in relation to the statutory requirements, it is evident that some banks have had difficulty in maintaining through the year

adequate deposits in Norges Bank to meet the minimum legal requirements. The figures for short-falls in reserve deposits have been somewhat higher than in 1958. The short-falls generally represented relatively modest amounts, but there were also peaks of 6—7 million kroner.

In one way the system as practiced in Norway makes it reasonable to see deficiencies in statutory reserves in direct correlation with the liquidity loans the banks can raise in Norges Bank without formalities for up to 3 months. In other countries which have introduced the deposit reserves system, banks with short-falls in reserves are charged interest at a penal rate, which is normally considerably higher than the official discount rate of the central bank. Norges Bank charges interest on deficient reserves at the current discount rate. A logical conclusion would be that were banks charged a higher interest on deficiencies, they would, instead of running a «deficit» in the statutory reserves, make greater use of the liquidity loans which Norges Bank can provide and of short-term loans from other banks.

The banks' applications for liquidity loans and Norges Bank's commitments of such loans in 1959 have been somewhat lower than in 1958, but the banks have made more use of the credits so granted than in 1958.

The following table shows the quarterly figures for the advances of Norges Bank to the banks in 1958 and 1959 (million kroner):

	1959		1958
	Approved	Utilized	Utilized
March	68.4	5.0	10.0
June	103.6	41.1	4.3
September	101.8	45.3	8.6
December	46.0	6.5	5.3

Loans. The representatives of the private banks on the Joint Consultation Council were of the opinion, when the credit agreement for 1959 was being negotiated, that the liquidity in the banking system had fallen to such a low level that there could be only a limited increase in bank loans in the light of the anticipated cyclical development. On the basis of this appraisal, the authorities concurred in an agreement which involved the removal of the previous ceiling on advances.

As in earlier years the commercial banks had a sharp seasonal increase in loans during the first five months of the year, a slight decline in the summer months and a new increase through the autumn, with a sharp decline in December. From 5,101 million kroner at the turn of the year, total advances (excluding loans to the State banks) rose to 5,514 million kroner by May 31. This represents an expansion of 8.1 per cent as against 11.6 per cent and 6.2 per cent in the corresponding periods of 1957 and 1958.

The seasonal fall in advances during the summer months of 1959 was relatively modest, nor was the autumn increase so pronounced as in previous years.

There was a usual sharp fall in advances in December. The decrease was about 220 million kroner in both 1958 and 1959. At the end of 1959 advances by the commercial banks (excluding loans to the State banks) were 256 million kroner, or 5.0 per cent, higher than at the end of the previous year. In 1958 the increase in the loans of the commercial banks amounted to 149 million kroner, or 3.0 per cent, on the preceding year.

The following table shows total advances of the commercial banks at the end of each year in the period 1955—59 (million kroner):

	1955	1956	1957	1958	1959
Mortgage loans	799	798	763	799	785
Credit lines	2,635	2,431	2,564	2,584	2,649
Other loans	1,358	1,520	1,625	1,718	1,923
Total	4,792	4,749	4,952	5,101	5,357

The figures for the loans of the savings banks are not influenced by seasonal fluctuations. Advances have shown a steady increase from month to month during the past five years. At the end of 1959 the total loans of the savings banks (excluding advances to the State banks) were 365 million kroner, or 8.2 per cent, higher than on December 31, 1958. During 1958 the increase in the loans of the savings banks was 290 million kroner, or 7.0 per cent.

The total loan portfolio of the savings banks is made up of various types of loans as shown in the following table (excluding loans to the State banks). The figures in million kroner are for the end of each year from 1955—1959 inclusive.

	1955	1956	1957	1958	1959
Mortgage loans	1,931	2,106	2,338	2,516	2,746
Credit lines	677	652	634	674	733
Other loans	1,093	1,125	1,170	1,242	1,318
Total	3,701	3,883	4,142	4,432	4,797

The annual increase in the period 1955—1958 was mainly in respect of mortgage loans where the savings banks, in the credit agreement, were accorded a certain flexibility in increasing their advances. A large part of the increase in 1959 has also been for mortgage loans, but credit lines and other forms of loans have had a somewhat sharper expansion than in the immediately preceding years.

Credit lines in the savings banks are not subject to pronounced seasonal movements, and the increase has been steady and even from 1957 onwards.

Deposits. Total deposits in the commercial and savings banks, excluding interbank deposits, have risen during 1959 by 672 million kroner, or 5.4 per cent. The corresponding figures for 1958 were 115 million kroner, and 1.0 per cent. The commercial banks accounted for 293 million kroner of the increase in 1959 and the savings banks for 379 million kroner. In 1958 there was a decline of 167 million kroner for the commercial banks, while the savings banks had experienced an increase of 282 million kroner.

Developments for the various forms of deposits will be seen from the following tabular presentation of the quarterly figures (million kroner):

	31/12 1958	31/3 1959	30/6 1959	30/9 1959	31/12 1959
<i>Commercial Banks.</i>					
Sight deposits	1,916	1,798	2,017	1,903	2,111
Time deposits	479	476	427	382	359
Savings deposits	1,748	1,789	1,793	1,824	1,833
6 months' notice	1,192	1,199	1,224	1,251	1,325
Total commercial banks	5,335	5,262	5,461	5,360	5,628

Savings Banks.

Sight deposits	615	532	609	593	627
Time deposits	25	25	30	32	26
Savings deposits	4,377	4,447	4,441	4,507	4,586
6 months' notice	2,006	2,061	2,073	2,090	2,163
Total savings banks	7,023	7,065	7,153	7,222	7,402
Total savings and commercial banks	12,358	12,327	12,614	12,582	13,030

The increase of 293 million kroner in deposits in the commercial banks was made up of 195 million kroner in sight deposits, 85 million in savings deposits and 133 million kroner in 6 months' notice deposits, while time deposits declined by 120 million kroner. Time deposits in the commercial banks have thus been reduced by altogether 357 million kroner in the course of three years. Savings and 6 months' deposits showed a relatively steady increase during 1959. In the preceding year there was a fall of 22 million kroner in savings deposits and of 93 million kroner in deposits on 6 months' notice. Also during 1959 there were very considerable fluctuations in sight deposits. For the most part these swings are associated with the tax payment periods.

Of the increase of 379 million kroner in deposits in the savings banks during 1959, sight deposits accounted for 12 million kroner, time deposits for 1 million kroner, savings deposits for 209 million kroner and deposits on 6 months' notice for 157 million kroner. The increase was steady throughout the year, and the rate of growth reached the pre-1958 level. In that year the increase in deposits in the savings banks was, as mentioned, 282 million kroner, as against 398 million kroner in 1957 and 364 million kroner in 1956.

Securities. During 1959 the commercial banks' portfolio of securities increased for the first time since 1954. The 1959 credit agreement provided for the reinvestment, in new bonds of the same category, of redemption payments received on Government and Government-guaranteed loans and also the maintenance by the commercial banks of those holdings of Government and Government-guaranteed bonds which the banks had on December 1, 1958.

Developments in the portfolio of securities of the commercial banks during 1959 were as follows (figures in million kroner):

	Holdings 31/12-58	Holdings 31/12-59	Changes
Bearer bonds	571	636	+ 65
Of which:			
Government bonds	236	341	+ 105
State banks' and other Government-guaranteed bonds	71	85	+ 14
Shares	92	112	+ 20
	663	748	+ 85

There was also an increase in the savings banks' portfolio of securities during 1959. The credit agreement for that year in respect of the savings banks contained the same assumption as for the commercial banks, that payments received in redemption of Government and Government-guaranteed loans would be invested in new bonds of the same type. Furthermore, each savings bank should increase its holdings of Government and Government-guaranteed bonds

by at least 25 per cent of any increase in deposits from the general public. During 1959 there was a growth of 57 million kroner in the savings banks' holdings of Government and Government-guaranteed bonds, which corresponds to 15 per cent of the increase in deposits. In 1958, when the credit agreement called for an increase in the portfolio of Government and Government-guaranteed bonds of 50 per cent of any growth in deposits, the actual increase represented 22 per cent of the increase in deposits. Whether or not the assumptions of the credit agreement can be said to have been fulfilled in this respect depends, inter alia, on the interpretation of the phrase «any increase in deposits». If addition of interest, for example, is not counted as representing an increase in deposits in this connection the percentage figure is higher than that laid down in the credit agreement.

The figures below show developments in the savings banks' holdings of securities during 1959 (million kroner):

	Holdings 31/12-58	Holdings 31/12-59	Changes
Bearer bonds	1,939	1,977	+ 38
Of which:			
Government bonds	1,333	1,374	+ 41
State banks bonds and other Govern- ment-guaranteed bonds	210	226	+ 16
Shares	35	37	+ 2
	<u>1,974</u>	<u>2,014</u>	<u>+ 40</u>

Paragraph 3 of the Interest Act. The Bond Market etc.

Internal bearer bond debt amounted at the end of 1958 to 8,400 million kroner. Of this total 5,384 million kroner, or 64 per cent, consisted of Government and Government-guaranteed loans and loan flotations of the State banks. How this total of bonds is distributed over the major holders will be seen from the figures below.

	Million kroner	Percentage
Commercial banks	584	7
Savings banks	1,992	24
Life insurance companies	2,374	28
Non-life insurance companies	36	½
Public and social insurance funds	1,105	13
Private pension funds	440	5
Postal Transfer Accounts and Post Office Savings Bank	314	4
The Treasury	123	1½
Others	1,432	17
	<u>8,400</u>	<u>100</u>

Payments on bond issues during the past three years have been as follows (million kroner):

	Government loans	Other loans	Total
1957	487	341	828
1958	513	361	874
1959	717	559	1,276

Payments on power loans subscribed by future consumers of electricity (e. g. the Tokke power loan) are included in the figures in the latter table, while they are not included in the statistics on issues prepared by the Bureau

of Statistics. According to these latter, internal bond loans were floated during 1959 for a total of 1,203 million kroner. Since redemption and purchase of own internal bonds totalled 711 million kroner, the net growth was 492 million kroner giving a total debt on January 1, 1960 of 8,892 million kroner. In 1958 the net increase in outstanding bond debt was 193 million kroner.

The bank statistics of the Bureau show that the portfolios of bonds held by the insurance companies, the commercial and savings banks, the Post Office Savings Bank and the Postal Transfer Account increased in 1959 by altogether 272 million kroner as against 104 million kroner in the preceding year. The increase in bond debt in relation to the issue statistics was thus 220 million kroner more than the increase in the financial institutions' portfolios according to the bank statistics. This development strengthens the general impression that the non-financial sector's demand for bonds was higher in 1959 than in previous years. But the financial institutions have nonetheless more than doubled the increase in their holdings in relation to 1958.

Approvals and issues since the Interest Act came into force up until the end of 1959 will be seen from the following figures.

	Approvals	Issues
	Million kroner	
1954	598	404
1955	180	319
1956	316	278
1957	326	341
1958	485	361
1959	560	559
	<u>2,465</u>	<u>2,262</u>

The Ministry of Finance has, on the recommendation of Norges Bank, approved the following loan issues in 1959:

	Interest	Term	Amount
	Per cent	Years	Million kr.
1. <i>Power development sector:</i>			
Municipality of Arendal	5½	20	2
Bergenshalvøens komm. kraftselskap	5½	15	5
Municipality of Fana	5½	20	3
Haugesund E-verk	5½	20	4
Bergenshalvøens komm. kraftselskap	5½	20	10
Municipality of Trondheim	5½	20	15
Ramfoss Kraftlag	5½	18	9
Sjøfossen Kraftlag og A/L Salten Kraftsamband	5¼	10	5.4
Lyse Kraftverk	5½	20	27.1
Opplandskraft	5½	20	30
Interessentskapet Vrangfoss	5½	22	24
Others			0.7
			<u>135.2</u>
2. <i>Manufacturing sector:</i>			
A/S Norsk Jernverk (Steel plant)	5	25	25
A/S Follum Fabrikker (Pulp and paper) ..	5¾	17	12
A/S Akers mek. Verksted (Ship-building and engineering)	5¾	20	30
Marinens Hovedverft (Navy main docks)	5	25	25
			<u>92</u>

3. <i>Municipal sector:</i>			
Municipality of Fana	5½	20	5
» » Fredrikstad	5½	19	3.4
» » Bergen	5½	20	20
» » Bærum	5¼	12	5.9
» » Bærum	5½	20	5.8
» » Bamble and Brevik	5½	18	9
» » Tromøy	5¼	12	1.4
			50.5
4. <i>Other sectors:</i>			
A/S Norske Shell	5¾	20	30
Norges Statsbaner (State Railways)	5	25	40
Interkommunalt Vannverk, Stavanger (Intermun. water works)	5½	15	2.5
Others			0.9
			73.4
5. <i>Credit associations and ship financing institutions:</i>			
Credit associations (quotas)			96.3
Ship financing institutions (quotas)			113.0
			209.3
Grand total approved for all groups 1959			560.4

The favourable interest on bond loans has been a contributory factor in the demand for such issues in 1959. Altogether loans for 280 million kroner were issued by public subscription. Total subscriptions to these loans were 1,112 million kroner. The very great support given to certain loans towards the end of the subscription period must to some extent be ascribed to the fact that the loans were expected to be oversubscribed and quotas to be cut. Along with the ESSO Refinery loan at 6 per cent the Government-guaranteed loans at 5 per cent maturing in 25 years were the heaviest in demand. Interest in new issues remained very much alive even towards the end of the year. In the Lyse loan for 27.1 million kroner and the Opplandskraft loan for 30 million kroner, issued in November and December, 54 and 130 million kroner, respectively, were subscribed.

The table below shows approvals and issues in accordance with paragraph 3 of the Interest Act (million kroner):

	Loans approved under § 3 of the Int. Act	Issues in 1959 of loans approved in				Total
		1956	1957	1958	1959	
Counties and municipalities	50.5	—	—	12.5	55.5	68.0
Municipal and county-municipal power development	111.2	8.9	6.4	13.2	50.8	79.3
Power dev. by private sector	24.0	—	—	15.0	—	15.0
State banks	—	—	—	6.4	—	6.4
<i>Credit associations:</i>						
Real estate	96.3	—	—	—	96.6	96.6
Shipping	113.0	21.6	—	28.4	52.4	102.4
<i>Other sectors:</i>						
Manufacturing	92.0	—	1.4	50.7	119.0	171.1
Other industries	73.4	—	—	—	20.2	20.2
Total	560.4	30.5	7.8	126.2	394.5	559.0

There has also been a high demand for the bonds of the real estate credit associations during 1959, and most of the associations applied for an increase in their annual quotas. In the light of the easier conditions on the capital market, Norges Bank took the view that an increase in the issues of the credit associations was hardly likely to cause difficulties to other loan issues. On the recommendation of Norges Bank the Ministry of Finance gave its approval to quota extensions of altogether 36 million kroner. The sale of bonds increased in relation to 1958 by an equivalent amount, or by about 56 per cent.

The capital requirements of the ship financing institutions increased less than expected in 1959. Only one of these institutions, Shipowners' Credit Association, Kristiansand S. found it necessary to have its quota increased by 13 million kroner, from 30 to 43 million kroner. The relatively modest increase in the institutions' bond sales must be assessed in the light of the comprehensive private borrowing abroad in 1958.

The quotas and bond sales of the various credit associations during 1959 will be seen from the figures below:

	Quotas	Sales
	Million kroner	
<i>I. Credit associations:</i>		
Norwegian Urban Credit Associations	28	29.2
Norwegian Mortgage Association for Trade and Industry	40	39.6
Norwegian Credit Association for Agriculture and Forestry	11	10.8
Norwegian Mortgage Association for Second Mortgages	13.5	13.5
Norwegian Mortgage Association for Second Priority Loans in Agriculture and Forestry	1.5	1.5
Merchants' Credit Association	2	2.0
	96	96.6
<i>II. Ship financing institutes:</i>		
Shipowners' Credit Association	43	40.7
Norwegian Ships' Mortgage Company A/S	14	6.1
Norwegian Ships' Mortgage Bank A/S	40	40.0
Norwegian Ships' Mortgage Association	16	15.4
A/S Sunnmøre Kreditbank	—	0.2
	113	102.4
Total of I and II	209	199.0

The agreement for 1959 between the Ministry of Finance and the life insurance companies and between the Ministry and the savings banks as to participation in Government loans assumed somewhat less restrictive provisions than the 1958 agreement, and unchanged rates of interest. No alteration was, therefore, made in the terms of the loans approved under paragraph 3 of the Interest Act. The assumptions regarding participation by the savings banks, the commercial banks and the life insurance companies in Government and Government-guaranteed loans were further relaxed in the 1960 agreement, while the interest terms remained more-or-less as they were. As considerable amounts will also be required in 1960 for loans approved under paragraph 3 of the Interest Act, inter alia, for the capital needs of the Norwegian shipbuilding industry, it is assumed that, as in previous years, the credit institutions will contribute to the placement of such loans.

The *bond market* has been stable in 1959, and prices have shown a rising trend. This will be seen from the movements during 1959 shown below in the prices of certain Government loans which are considered to be typical:

Loans	Price per 1/1-59	Price per 30/6-59	Price per 31/12-59
4 per cent 1955/75	95 $\frac{5}{8}$	96	96 $\frac{1}{2}$
3 per cent 1954/74	89 $\frac{1}{4}$	89 $\frac{3}{4}$	89 $\frac{3}{4}$
2 $\frac{1}{2}$ per cent 1954/64	95 $\frac{1}{4}$	96 $\frac{1}{4}$	96
2 $\frac{1}{2}$ per cent 1946/76, series 3, 4, 5, 6 and 7	82 $\frac{1}{4}$	83 $\frac{5}{8}$	83 $\frac{3}{4}$

Dealings on Oslo Børs (Exchange) in quoted Government and Government-guaranteed loans have, however, been limited, due to insignificant amounts of bonds on offer. On the other hand, there has, as mentioned above, been a lively open market with great interest in the many new loan issues bearing favourable interest terms. It is clear that the public more than in previous years has begun to take an interest in bonds, and quite naturally the high-interest bearing securities have been attractive.

Government lottery bonds were much in demand throughout the year at steadily rising prices. The 1957 and 1958 series were, for example, sold as high as kr. 54, i. e. 108 per cent.

The Stock Market. The share prices showed quite a pronounced upswing during the latter half of 1959 and the total index of the Central Bureau of Statistics was on average for the year close to 6 per cent higher than in 1958. The table below shows the changes in the over-all index and in the component indices in the last three years:

	1957	1958	1959	Percentage change	
				1957/58	1958/59
Mining and manufacturing	220	188	212	÷ 14.5	12.8
Maritime transport	355	272	270	÷ 23.4	÷ 0.7
Whaling	692	500	522	÷ 27.7	4.4
Banks	156	144	155	÷ 7.7	7.6
Insurance	197	177	191	÷ 10.2	7.9
Total	295	239	253	÷ 19.0	5.9

Dealings in securities by brokers during 1959 amounted to 1,664 million kroner as against 1,387 million kroner in the preceding year. Dealings in bonds and shares on the *Oslo Stock Exchange* during 1959 totalled 31.3 million kroner (shares 15.0 million kroner and bonds 16.3 million kroner) as against 32.4 million kroner in 1958 (shares 12.8 and bonds 19.7 million kroner).

The Oslo Bankers' Clearing House transactions continued to increase in 1959, reaching 22,593 million kroner as against 21,169 million kroner in the preceding year.

Banking Legislation.

Following is full text of the statement of the Board of Norges Bank, dated September 2, 1959, regarding the report of the Monetary and Banking Commission, dated December 19, 1958, concerning new legislation for the savings banks and commercial banks.

«The report of December 19, 1958, from the Monetary and Banking Commission was received for comment by the Bank with letter of April 18, 1959 from the Ministry of Finance. The report deals with:

- 1) Legislation concerning the savings banks.
- 2) Legislation concerning the commercial banks.

By way of introduction, the Board of the Bank would remark that the draft laws proposed seem in the main to aim at a revision of the current legislation concerning the savings and commercial banks with a view to adjusting these laws to present conditions. The amendments proposed to the current regulations do not appear to be particularly comprehensive, and most banks would have little difficulty in adjusting to them. A number of detailed regulations contained in the current legislation have been cut out. Norges Bank considers this an improvement.

By proposing the establishment by law of an extended sphere of activity for the savings banks, the draft laws have observed the gradual elimination which in practice has taken place of the dividing line between the activities of the savings banks and the commercial banks.

An objection to such increasing similarities in the activity fields of the two bank categories would be that the savings banks to a larger extent than the commercial banks provide capital for the financing of the State banks. It is natural for most savings banks to place a considerable part of their assets in Government securities. In view of the growth in the activities of the State banks the co-operation of the savings banks is necessary here.

On the other hand, in many districts the savings banks conduct business practically as commercial banks. Nor would it be realistic to expect the needs of those districts for commercial credits and banking services to be met without the aid of the savings banks. It would not be very reasonable to prevent this by legislative provisions which would too severely limit the sphere of activity of the savings banks.

Norges Bank cannot see that the Commission has given any reply to the following concrete questions in the introduction to the Royal Decree under which the Commission was appointed:

- 1) Concerning the role of the credit transactions of the banks in the direction of economic activity.
- 2) Our decentralized banking system and lack of coordination in the lending policy of the banks.
- 3) The possibility of introducing Government guarantees for deposits, possibly for specific categories of deposits.
- 4) The extent to which and the form in which access should be opened for assessment from a general economic policy point of view of the lending policy of the banks.
- 5) How far the credit transactions of the banks satisfactorily meet the credit requirements of the various parts of the country.
- 6) What can be done to strengthen the individual banks by the introduction of co-operative measures between them.
- 7) Whether, and if so to what extent, banking activity should be taken over by, and in future reserved for, the public sector.

Although some of these points are in part covered in the discussions of the various individual sections of the draft laws, no over-all evaluation has been given of the whole problem complex which is mentioned here.

The Board of the Bank fully realizes the difficulty of giving exhaustive answers to a number of these questions. Nonetheless, it was natural to expect that these central problems would have been given attention in the light of the Commission's mandate and of the structure of the Norwegian banking system.

The banking service is poorly developed in certain districts, and it is the general opinion in many districts that the banks are unable to satisfy the neces-

sary credit requirements. This is the case in Northern Norway, where Norges Bank has taken an active part in providing credit facilities, both directly and in co-operation with the local banks. The Development Fund for Northern Norway also makes a considerable contribution by placing deposits in Northern Norway banks and thereby providing them with funds to meet necessary credit requirements, both seasonal needs arising particularly from the fisheries and the more permanent requirements associated with the development of the economy of the region. This form for capital supply lies, strictly speaking, outside the proper functions of the Development Fund, but has been found to be necessary, since the banks could in no other way have been able to solve the credit problems.

It is desired in this connection also to point out that some of the major commercial banks, particularly in Oslo and Bergen, act as central institutes for the banks in the countryside and administer a substantial part of the liquid reserves of these banks. This is also true of the banks in Northern Norway. The funds which the major banks thus receive, are to a considerable extent disposed in such a way that the economy of the district is hampered by shortage of capital.

In the proposed new legislation for the savings banks the Commission touches on the above problems in a separate paragraph concerning Fellesbanken¹⁾ and the liquidity of the savings banks. The Commission stresses the role of Fellesbanken as an organ for equalization of the liquidity of the savings banks and quotes the following section from paragraph 5 in the by-laws of Fellesbanken:

«As one of the main functions of the Bank is to act as connecting link between the country's savings banks, and as it must be assumed that it thereby receive capital from the whole country, it shall, in administering its capital resources bear in mind that these should as far as possible benefit the interested institutes, having regard both to the size of the savings banks and to their sphere of activity, as well as to the need for capital at different times in the various parts of the country. Thus the Bank shall endeavour both commercially, financially and economically to furnish the interested savings banks such support that not only the banks' own progress and prosperity are promoted, but also the activity in the various sectors of industry.»

The Commission adds, «this provision in the by-laws is still valid. The shares of the Bank are held in their entirety by the savings banks. The latter appoint the directors of the Bank and can give it binding instructions, so that it can best fulfill its function as supporter of the savings banks and help in the fulfillment of their responsibilities».

The position to which the Commission here makes reference does not, as a matter of course, provide sufficient guarantee that a reasonable share of the assets of Fellesbanken are or will be used in such a way as to benefit the industries of the districts. Such an end presumes active efforts by the local savings banks towards obtaining the co-operation of Fellesbanken.

Particularly in regard to Northern Norway, where the banking system is clearly underdeveloped and where capital supplies from the banks in Southern Norway cannot be counted upon for the financing of new activity, it would be an advantage if the district banks had their own central institute, which could administer the liquid reserves of the banks. The best arrangement would presumably be the establishment of such an institute by the local savings banks and commercial banks in unison. Thereby the liquid reserves of the banking system throughout the area could benefit the industrial enterprises of the region. Moreover, such a central institute could also, in a relatively simple way, act as agent for the credit facilities extended by Norges Bank to the industries of Northern Norway, so that Norges Bank would not require to have direct contacts with

¹⁾ A commercial bank owned by savings banks.

the major part of the banks in the area. Furthermore, such an institute would be in a better position to act as agent for the transfer of capital from the banking system in the south of the country to Northern Norway than the individual local northern banks. Another possible solution would be that Fellesbanken established its own branch in Northern Norway, say in Tromsø, and that the funds coming into this branch from the savings banks should be assigned primarily to Northern Norway.

In discussing measures to improve credit conditions in Northern Norway the question of the contribution to be made by the Post Office Savings Bank is also relevant. Norges Bank has previously asked for discussion of the possibility of the partial substitution of the deposits of the Development Fund with banks in Northern Norway by deposits from the Post Office Savings Bank. This suggestion has so far been refused. If the credit problems in the area can be solved in another way, for example, by measures such as those mentioned above, then this course would be preferable. But should this not succeed, the Board would consider it necessary to have discussed what can be done in other ways by the public authorities to help in improving the credit conditions in this part of the country.

A solution which has from time to time been mentioned in public discussions is the establishment of a State commercial bank, the principal purpose of which would be to grant credit facilities in the capital-weak areas. It would be possible, on the longer term, to solve the problems by means of such a new creation. It must be realized, however, that such a new banking institute would, for some considerable time, have difficulty in acquiring adequate funds, unless it could be based on loans, as are the other State banks, or on deposits from public funds.

Whether it would be possible an expedient to let the Post Office Savings Bank take on the functions of a commercial bank in the rural districts is also a question which should be discussed. With its well-developed technical apparatus the Post Office Savings Bank has shown that it is able to obtain considerable supplies of new funds — also in Northern Norway. Consideration might be given to agreeing to an extension of the sphere of activity of this bank to include the provision of working capital in the three northernmost countries. An activity of this nature could be administered relatively inexpensively and simply by means of offices established for this purpose and connected with some of the larger Post Offices in that part of the country. It is the opinion of the Board of Norges Bank that such an initiative would blunt the edge of the criticism of the Post Office Savings Bank, namely that it draws funds out of the capital-weak districts. Even although this criticism can generally not be regarded as valid, in so far as the funds are returned via the State banks for the financing of investment, it is difficult to dismiss the problem which is accentuated by the activity of the Post Office Savings Bank — that the Northern Norway banks are not able to acquire adequate financial means for satisfying the credit requirements of the area for working capital.

It would also have been appropriate in this connection to discuss what guiding principles should in future be adopted for the establishment of new banks, the opening of branches of existing banks, amalgamations and mergers of existing banks. Under the provisions of paragraphs 8 and 31 in the draft law on commercial banks, permission must have been granted by the King before new banks and/or new branches of existing banks are opened, amalgamations and/or mergers made. According to paragraph 8, 2nd part, permission for the establishment of a new bank, sub-office or branch shall be refused if the bank does not meet the criteria laid down in the law, if its capital is not considered to be in reasonable balance to the activity to be carried out by the bank, or if the establishment of the bank, sub-office or branch is not considered to be in accordance with the public interest. These regulations do not appear to give any reliable basis for assessing what guiding principles should be followed in decisions on such matters. Since the Commission has not discussed these questions, its report consequently does not give any guidance thereon. The Board would, in this connection, call attention to the fact that a number of

applications for concessions for the establishment of new bank branches are awaiting decision. Some of these applications have been temporarily laid aside because of the strong opposition they have aroused, particularly from local competitor banks and from the local authorities and organizations which desire to support the local banking institutes.

In the light of the practice hitherto followed, the Board assumes that the expansion in the districts of the major banks will continue. If such a development is not desired, guidance must be provided by the authorities as to how it is intended to deal with such applications in future. In the opinion of the Board it would be expedient to have discussed and a decision taken on the following alternatives for the development to be aimed at:

- 1) A centralized banking system based on the present major banks with a net of branches which would gradually cover the whole country. (The banks would virtually have to be given a free hand to establish branches when a reasonable demand could be demonstrated, and competition between the banks would, in the last resort, decide which banks would succeed in maintaining independent activity and which would merge with others.)
- 2) A development of the banking system by districts based on the presumption that banking activity in the districts should preferably be reserved for the banks already operating in the respective districts, inter alia, by granting them priority in the establishment of branches in their natural geographic areas of activity. Mergers of banks on a regional basis would be stimulated.
- 3) Applications for concessions for the establishment of branches to be decided as hitherto after a concrete assessment in each individual case without being bound in advance by specific guiding principles. The main weight would have to be given to whether or not the local authorities and organizations support the application.

The Board is fully aware that the problems touched upon here are not likely to be resolved by means of legislation, nor would the Board wish to suggest this. It is, however, considered proper to point out the problems in order to underline that the Norwegian banking system — with its present structure — does not, in the opinion of the Board, satisfactorily meet the credit requirements of all parts of the country and of all industries. On the long term, however, the authorities should be able to some extent to assist in the promotion of a structural change in so far as this is considered expedient. But the condition must be that the problems which arise shall be the subject of open discussion between representatives of the authorities and of the banks. The achievement of a general understanding on the guiding principles to be followed for the future as regards concession applications would be of major importance.

The proposal made by the majority of the Commission to the effect that one-fourth of the supervisory council of commercial banks with total resources of or exceeding 100 million kroner shall be appointed by the King, and that of the minority, that the King shall appoint one board member with deputy (possibly 2 members with deputies if the board has more than 5 members) in banks with total resources of 500 million kroner or more, have been interpreted by the Board as the Commission's reply to the question of whether and to what extent banking activity should be taken over by and for the future reserved for the public sector.

The Commission has not entered into any broad discussion of this question, but has limited itself in a general argument to referring to the fact that the banks' semipublic character calls for an organizational set-up with a wider basis than is necessary for other companies. Reference is also made to the fact that a large number of the population of the country in their capacity as bank depositors have a direct interest in the activities of the banks, in addition to the general interest they as employees and self-employed have in the satisfactory functioning of the banking system. The importance of the role of the banks in

business cyclical developments, for the value of money and for the economic expansion of the districts is also stressed.

There can hardly be any difference of opinion as to the banks occupying a special position in the economic life of the country. In their capacity as administrators of the savings of the general public the banks will, of necessity, exert a powerful influence on economic developments. On the other hand, they are subject to relatively strict and detailed legislation which regulates their activity.

Norway will, like other countries, require to make use of a number of monetary policy instruments — interest policy, for example, or legislation on reserve requirements, on obligatory investments in bonds, interest legislation, market operations and other more direct instruments, in addition to agreements between the authorities and the credit institutions on monetary and credit policy. By these means the authorities can exert a considerable influence on the granting of credit.

The question of the place of these instruments in the Norwegian credit system is at present being examined in the Joint Consultation Council. The Board finds no reason to examine them further in this connection.

The question of publically appointed members of the supervisory councils of the banks (possibly boards) is, in the opinion of the Board, primarily of a general political nature, and one on which Norges Bank finds no reason to express an opinion.

In favour of publically appointed representatives on the board of the major banks it is argued that these organs are composed of representatives of a relatively narrow range of interests. In view of the legislative provisions at present in force for election of the boards of commercial banks, which are moreover included in the draft law now put forward, these organs can well acquire the character of interest groups. Even if it cannot be demonstrated that this has been detrimental either to the banks themselves or to the public interest, the rules which should apply to election to these posts should be carefully considered. It must be regarded as a reasonable demand that the responsible top organs of the banks, the dispositions of which mean so much for the individual industrialist, and which have a considerable influence on the economic development of the nation, should consist of independent individuals with no personal or other special interest vis-a-vis the bank. Members of boards, controlling committees, supervisory councils etc. may not, under the terms of the proposal, participate in discussion of and decisions on matters in which they are personally interested — cf. paragraph 17 of the draft law. The bank may not grant a loan to or provide guarantee for the chairman of the supervisory council or member of the board, controlling committee etc. or provide such service to a company in which any of the above are legally liable members or board members, unless collateral for the loan or guarantee complies with specific requirements. This regulation does not, however, apply to bills covering purely commodity transactions (paragraph 25).

These regulations do not prevent board members and members of other organs from being substantial borrowers from the banks. Norges Bank would point out that there may be grounds for tightening the rules concerning the access of the above mentioned members to loans in the bank in which they serve. Reference is made to the regulations in the present law concerning Norges Bank, which are also mentioned in the draft law on the monetary system and Norges Bank — cf. report of the Monetary and Bank Commission of June 8, 1953. Paragraph 24, 2nd part of the draft law is as follows:

«The bank may not grant loans against a bill or other loan document which commits a member of the Board. Nor may a loan document be accepted by the branch offices if it imposes a commitment on a member of the branch board. The same conditions apply to documents which impose a commitment on companies or associations in which members of the Board or the branch boards have a prominent financial interest.»

This regulation makes it impossible for borrower interests to exert an influence on the management of Norges Bank. These rules must be said to be based on a correct principle. The Board is aware that a similar regulation in banking legislation would make it difficult for the banks to have elected as members of their boards persons who, in their capacity as industrialists, presumably should have the best qualifications for assessing industry's problems and possibilities. In weighing this consideration against that of the complete independence of the board members, the question is, may it not be correct to attach the greater importance to the second of these considerations. Without taking a definite stand on this question, the Board of Norges Bank has, nonetheless, found it correct to point out that the criticism — justified or not — now made of the present composition of the boards of the main commercial banks would then lose its force.

The Board has also found wanting in the report a closer discussion of the importance of the State banks for the spread of funds to capital-poor areas, their dependence on acquisition of funds by means of bond issues, and the consequent need for co-ordination of activity with the credit institutions which receive savings from the general public in the form of deposits or insurance premiums.

On the whole, the impression is that the Commission's proposals for amendments to the current legislation are not based on a comprehensive evaluation of what modern bank legislation should aim at in the light of the structural nature of our monetary and credit system and of our industries, of the shortage of capital in certain areas of the country and of the general objectives of our economic policy. There remains, therefore, a certain doubt as to whether the proposed new bank legislation is adequately founded and as to whether it could both continue valid for a considerable number of years and continue to meet the requirements which effective legislation in this sphere aims at.

The Board would have preferred this new legislation to have been assessed in a wider context and in closer association with:

- 1) The Commission's previous report (in 1953) on legislation concerning the Monetary System and Norges Bank.
- 2) The report of the State Banks Commission of October 15, 1955.
- 3) The study of index regulated forms of saving.
- 4) The Joint Consultation Council's study of monetary policy instruments.

The Board desires, therefore, to indicate the possibility of having evaluated by a «Co-ordinating Commission» the reports not yet finally dealt with, which concern our monetary and credit system, including the law concerning Norges Bank. At a time when monetary and credit policy in all countries is being reviewed and debated, and where new creations are expected of great significance for real economic development, no commitment should be made to approve statutory provisions which may well prove to be inexpedient or directly unfavourable in the course of a few years.

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Following these more general remarks on the Commission's report, it is desired to make certain comments on individual paragraphs in the draft laws.

Savings Banks Law — Paragraph 22. This paragraph, which corresponds to paragraph 30 in the present law, lays down that a savings bank shall not be able to raise a loan for the purpose of expanding its activity. It may, on the other hand, borrow to meet withdrawals of deposits or other incidental and temporary needs of money. Regarded as a statutory regulation this would seem to be rather imprecisely expressed, and doubt will easily arise on its interpretation. Moreover, the Board is not fully convinced that this regulation should be retained in a new law concerning the savings banks. It is little in accord with the closer rapprochement between the savings and the commercial banks

which the draft law otherwise endeavours to promote. If a savings bank is to be permitted to carry on its activity according to substantially the same guiding principles as a commercial bank, and many savings banks in the country must be said to do this, the logical consequence should also be drawn therefrom and a savings bank permitted to raise a loan in other financing institutes, if necessary in Norges Bank, to meet seasonal credit requirements for working capital in industry.

As has been pointed out in the foregoing, the banking system is poorly developed in certain parts of the country and the commercial banks cannot by far meet all the credit requirements which normally would be satisfied by these banks. The assistance of the savings banks in credit provision is essential in this connection. It would increase the possibilities of the savings banks for satisfying credit requirements if they could periodically be provided with funds in the form of loans from other credit institutions.

In order to make it possible to even out the seasonal variations in credit provisions as between the various parts of the country and the industries, the prohibition in law which prevents the savings banks from raising loans should now, in the opinion of the Board, be relaxed. The Board finds it difficult to accept the argument propounded by the majority of the Commission in justification of this prohibition, that the raising of a loan by a savings bank will normally be a warning that all is not well with the bank. A practical example is that a savings bank, in order to be able to grant equipment loans to fishermen, needs to raise loans in Norges Bank for shorter periods. The idea cannot be entertained that such borrowing is to be regarded as a warning of unsatisfactory conditions in the bank. If a savings bank must refuse to grant such a loan because it is prevented by this prohibition from raising the necessary means by borrowing, and the fisherman in question cannot obtain a loan elsewhere, it may entail effects detrimental to the community.

Savings Bank Law — Paragraph 23. Paragraph 23, pt. 1, 3rd part lays down that deposits in another bank — except Norges Bank and a bank in which savings banks hold all the shares — shall not exceed the savings bank's own funds. The regulation corresponds to the current law's paragraph 38. So far as is understood this regulation has not been enforced with any strictness, which seems to indicate the practical need for more flexible regulations.

It has been pointed out above that the idle funds of the district banks are, to a great extent, deposited with the large banks, which has entailed that the savings of the districts are used for financing typical urban industries. According to the draft law exception shall be made for savings banks' deposits with Fellesbanken. This stipulation can, in the opinion of the Board, lead to a further concentration in Fellesbanken of the savings of the districts. In this connection the Board would point out that a regional co-operation has been established in certain districts between the commercial and the savings banks, whereby the commercial banks have received deposits from the savings banks in the district, which they have been able to use for financing economic activity in the district concerned. A strict enforcement of the regulation in paragraph 23 would prevent such a co-operation, which in the view of the Board is a sensible measure designed to make full use of the district's own liquid resources.

Savings Bank Law — Paragraph 26 | Law concerning Commercial Banks — Paragraph 22. Liquidity Regulations. In accordance with the present regulations it is a basic rule required that the banks shall ensure that they have at all times the means to meet their obligations on maturity. In addition thereto a number of more mechanical requirements are imposed in regard to the banks' liquidity, which are meant to be minimum requirements. The regulations are practically identical for the two bank groups. This means a tightening of liquidity requirements for the savings banks.

It should be emphasized that the main rule in the first part of the paragraph in the laws is the most significant. The more detailed liquidity requirements, to the effect that the most liquid assets of a bank shall maintain a definite balance to the bank's sight deposits, excluding sight deposits from other

banks, net obligations to banks on sight terms or with not more than one month's notice and other debts to banks, and the other requirements listed in the paragraphs mentioned, neglect to take account of several important factors.

No regard has thus been paid to the credit lines granted by the banks, although it is clear that such credits can often entail just as great strains on liquidity as the obligations recorded on the liability side of the balance sheet. Should the banks have to maintain a liquidity reserve against approved lines of credit, the result would probably be that the ceilings of such credits would be kept at a lower and more realistic level. This of course applies first and foremost to the commercial banks, but is also applicable to those savings banks which operate with considerable credit lines to industry.

It appears from the report that there have been differences of opinion among the Commission members regarding whether or not to include unutilized credit lines in calculating the statutory cash reserves. The Commission came, however, to the conclusion that it was not necessary to include this item in the calculation base for this purpose.

It is desired to mention in this connection that in the report from the Committee on Monetary Policy Reserve Requirements (submitted December 18, 1956) the question of whether the base for calculation of such reserve requirements ought to include approved but unutilized credit lines was discussed. A majority of the Committee considered that even although considerable technical difficulties would be involved in implementing this procedure, new legislation on reserve requirements should give access to including unutilized credit lines in the calculation base. The majority pointed out that it is of particular importance in a period of credit expansion that credit lines granted be kept down to the necessary low level.

A minority opposed this proposal on the basis that it would complicate the calculations if unutilized credit lines are included. The minority also pointed out that unutilized credit lines are, regarded purely from a book-entry angle, not at all a uniform conception in the various banks.

No mention is made in the report of how far deposits which are blocked in Norges Bank under the law concerning reserve requirements shall be considered as liquid assets in terms of the draft bank laws. There is naturally a difference between monetary policy reserve requirements and bank liquidity requirements, but a certain correlation cannot be disregarded, a correlation which could justify discussion of this question in the preamble to the draft laws. It seems clear that an increase of the monetary policy reserve requirements would affect the bank's liquidity. Whether this should have consequences for the minimum requirements for bank liquidity as listed in the draft law should be discussed.

The importance of the composition of loans is stressed in the preamble to the laws as is also the normal repayment of loans. It is, *inter alia*, stated that the loans of the commercial banks have substantially higher liquid quality than is the case for the loans of the savings banks. There is reason to consider this statement with some scepticism, and it is at any rate far from being a general rule. A very significant portion of the credit lines of the commercial banks are in reality frozen loans, which should have been given in corresponding loan forms and subject to fixed redemption obligations.

There has of recent years in many savings banks been a change in previous practice according to which no partial redemption of 1st priority mortgage loans was required. If this new arrangement becomes a general rule it will have great significance as a liquidity factor in the total loan bulk of the savings banks.

For information, a review is given on page 74 of the holdings of securities per December 31, 1958, of the commercial and savings banks in certain countries.

It will be seen from the table that the holdings of securities, including Government securities, of the Norwegian commercial banks are at a much lower level than is the case for the commercial banks of the other countries included in this review.

	Government securities as per cent of total resources	Government securities as per cent of time deposits	Total securities as per cent of total deposits
<i>U. S. A.</i>			
Commercial banks	28	105	44
Mutual savings banks	19	21	38
<i>England</i>			
London clearing banks	35	110	46
National savings ¹			
<i>West-Germany</i>			
Kreditbanken (Commercial banks) ..	9	25	27
Sparkassen (Savings banks)	9	13	20
<i>Sweden</i>			
Affärsbankerna (Commercial banks)	26	37	32
Sparebankerna (Savings banks)	7	—	10
<i>Denmark</i>			
Privatbankene (Commercial banks) ..	8	18	28
Sparekasserne (Savings banks)	21	24	23
<i>Norway</i>			
Forretningsbankene (Commercial banks)	4	10	13
Sparebankene (Savings banks)	21	24	28
<i>Netherlands</i>			
Commercial banks	37	143	53
General savings banks	39	142	52

¹ This definition covers the following: Trustee Savings banks, Post Office Savings Bank, Savings Certificates and Defence Bond. Trustee Savings banks are required to pass their deposits to the National Debt Commissioners for investment, depositors being guaranteed repayment by the Government.

The Board of Norges Bank has considered it correct to draw attention to this situation, which is of major importance in any assessment of the liquidity position of Norwegian commercial banks. Should there develop a liquidity crisis in the Norwegian banking system, the commercial banks would be in a very exposed position, due to their not having securities as the basis for borrowing in the central bank. The commercial banks would simultaneously have to face being drained of liquid funds through withdrawals of deposits by the savings banks. As is known, these deposits amount to very considerable sums in the major commercial banks.»

Accounts of Norges Bank etc.

Comments on the Balance Sheet.

Assets:

Gold holdings declined in 1959 by 55.1 million kroner and amounted at the end of the year to 129.6 million kroner at a price of kr. 4,960 per kilo. The fall represents the counterpart of 25 per cent of the increase in Norway's quota in the International Monetary Fund. The gold was sold to the central Government at market price and as it was entered in the accounts at kr. 4,960 per kilo there was an agio gain for the Bank of 34.2 million kroner, which has been transferred to the Adjustment fund.

Holdings of coin showed an increase of 1.9 million kroner, due to the Bank having taken over the central Government's coin holdings at the Head Office as from December 31, 1959. This transfer was made in connection with the change-over to direct distribution from the Royal Mint to the Bank's branch offices.

Foreign assets totalled 1,620 million kroner, which was an increase on 1958 of 181.9 million kroner. An amount of 174.2 million kroner of this increase was in respect of foreign securities and 21.1 million kroner deposits in foreign banks, while clearing assets declined by 13.3 million kroner. The increase in foreign securities was entirely accounted for by an increase in dollar bonds amounting to 26.5 million dollars. Due to lower bond prices there was at the end of 1959 a capital loss of 11 million kroner which has been debited to the Adjustment fund.

Norges Bank's liabilities abroad declined in the same period by 740 million kroner to 110 million kroner. The primary change here is due to the transition from the European Payments Union (EPU) to the European Monetary Agreement (EMA), whereby the EPU debt was taken over by the central Government. The clearing debt declined by 49.1 million kroner to 49 million, and the deposits of foreign banks in Norges Bank dropped by 53 million kroner to 25.8 million kroner. Furthermore, the account for forward sales of foreign exchange fell by about 27.8 million kroner.

Norwegian securities showed a reduction of 7.3 million kroner to a figure of 189 million kroner. For sinking fund purposes Norges Bank purchased bonds during 1959 for about 37.7 million kroner and sold to the Ministry of Finance for about 34 million kroner. Holdings of bonds purchased for sinking fund use have thus risen by about 3.7 million kroner and amount to about 20.1 million kroner. Of Norges Bank's portfolio of securities bonds have been sold or drawn for redemption for an amount of 14.3 million kroner. There was an appreciation in holdings at December 31, 1959 of 3.3 million kroner, which has been credited to the Adjustment fund. The Bank's portfolio of securities thus showed a decline of 11 million kroner in relation to the preceding year.

Loans granted by Norges Bank during 1959 evidenced greater fluctuations than in the previous year. According to the monthly figures loans reached their peak at the end of May at about 152.6 million kroner, and their lowest point at the end of February at about 83.3 million kroner. At the close of 1959 total loans amounted to about 99.5 million kroner, which is approximately 2.3 million kroner lower than at the end of the preceding year. The distribution of the loans over the various branch offices and the Head Office will be seen from the figures on page 76 (thousands of kroner):

	Granted	Utilized
Arendal	115	115
Bergen	14,437	7,012
Bodø	15,841	5,321
Gjøvik	1,000	644
Hammerfest	8,889	6,567
Kristiansund N.	8,151	1,948
Stavanger	4,150	4,150
Tromsø	19,777	13,372
Trondheim	7,855	6,671
Vardø	24,331	13,288
Ålesund	11,355	8,995
Head Office	99,692	31,406
Total	215,593	99,489

The branch offices in Halden, Fredrikstad, Drammen, Larvik, Skien, Kristiansand S., Haugesund, Hamar and Lillehammer had no loans outstanding on December 31, 1959.

No changes of significance were made in the guiding principles for the loan policies of the Bank during 1959. Continued co-operation with the private banks in Northern Norway is favoured for the financing of enterprises in the fisheries sector and other industry, and certain new agreements on joint account have been made. In Southern Norway endeavour is made to maintain the principle that participation by Norges Bank shall take the form of liquidity loans to the private banks.

Norges Bank's loans to industry, directly and in co-operation with the private banks, have on average been slightly lower than in 1958. The monthly average was around 85.6 million kroner as against 87.2 million kroner in 1958.

The Government-guaranteed fisheries loans have been managed according to the same general lines as in preceding years. The Government guarantee of 60 million kroner has been adequate to meet loan requirements. The individual loans, however, show a rising trend due to higher raw material prices as well as higher processing costs. At the end of 1959 the amount utilized was about 32.2 million kroner as against about 29.2 million kroner at the close of the preceding year.

A break-down of advances of Norges Bank by industries shows that loans to agriculture and the fisheries continue to dominate. Including manufacturing and commercial activities directly connected with agriculture and the fisheries, 37.2 per cent of total loans on December 31, 1959 were granted for agricultural purposes and 46.3 per cent to the fisheries sector.

Loans to industry in Northern Norway amounted on December 31, 1959 to 42 per cent of total loans as against 38.5 per cent at the close of the preceding year.

The advances of Norges Bank to the private banks have been described in the preceding section on the activities of the private banks.

Norges Bank's dividend on shares in the Bank for International Settlements was 6 per cent, the same as in 1958.

Liabilities.

The *share capital* of the Bank remains unchanged at 35 million kroner. The Adjustment fund was credited with 34.2 million kroner from the sale of gold to the Treasury and debited with a net 7.7 million kroner in connection

with foreign and domestic securities. There was thus a net increase in this fund of 26.5 million kroner whereby it reached 160.7 million kroner. There were no changes during 1959 in the other funds of the Bank.

Sight deposits increased from 2,799 million kroner to 3,480 million kroner. This was a growth of about 681 million kroner made up as follows:

The current accounts of the central Government increased by 717 million kroner. Of this total 495.2 million kroner represent the counterpart of the EPU credit, which as of June 30, 1959 was transferred to a separate current account for the Government (original amount 548 million kroner). The Treasury current account has been credited with about 586.6 million kroner from Government loans, 29.9 million kroner from war damage levy and 20.2 million kroner of counterpart funds for investment and defence purposes. On the other hand, 531.3 million kroner have been transferred from the Treasury account to the State banks, and of this amount 291 million kroner were for the Norwegian State Housing Bank. The account for Treasury bills showed an increase of 4 million kroner to 49.6 million kroner.

Other public accounts declined by 69.2 million kroner. Deposits of the commercial banks in Norges Bank rose by 74.7 million kroner, while those of the savings banks practically speaking were unchanged on the preceding year. Other Norwegian and foreign accounts declined by approximately 40 million kroner net.

The Bank's responsibilities in regard to current guarantees have declined by about 11 million kroner to approximately 17.5 million kroner.

The entries «Due to foreign banks» and «Liabilities under clearing agreements» have been treated in the preceding section on assets.

The assets of Norges Bank have not been pledged as collateral for any claims and there are no endorsements or guarantee obligations which are not evident from the books.

The note circulation rose during 1959 by about 164 million kroner to approximately 3,670 million kroner and on December 22, 1959 stood at its highest point of 3,780 million kroner.

Comments on the Profit and Loss Account.

On average, the advances of Norges Bank during 1959 have been at a somewhat higher level than in the preceding year and interest earnings have risen by about 429,000 kroner to 4,047,000 kroner.

Agio earnings dropped 335,000 kroner to 1,352,000 kroner. This decline is mainly due to the transition from EPU to EMA. Under the European Payments Union currency could be purchased automatically at par, but under the European Monetary Agreement market rates must be paid. Some part of the decline in agio earnings can also be ascribed to the general contraction in the margins between buyer and seller prices.

Returns on foreign assets (balances with foreign banks, foreign securities and Norwegian securities in foreign currencies) were about 11 million kroner higher in 1959, reaching 40.3 million kroner. This increase is due to an expanded portfolio and higher interest rates abroad.

Interest received on Norwegian securities in Norwegian currency increased by 1,646,000 kroner to 5,455,000 kroner. The major part of this growth in interest earnings is due to interest accruing from the Government and Govern-

ment-guaranteed bonds which Norges Bank took over from the Treasury on April 30, 1958, and which are in 1959 included in their full amount.

Earnings from exchange commission increased by 76,000 kroner, reaching 3,966,000 kroner in all. Earnings on clearing commission fell by about 431,000 kroner to 525,000 kroner, the reason being lower commission rates. From the turn of the year 1958—59 rates were reduced to $\frac{1}{4}\%$ in the case of Greece and Turkey. Moreover, the clearing agreements previously in existence with Spain and Yugoslavia were terminated in the second half of 1959.

Administration expenses showed an increase of 1.8 million kroner in relation to the previous year and amounted in 1959 to 21,468,000 kroner. The growth in costs of administration is due to higher contributions to the Pension fund, some increase in wages and salaries in connection with the new wage regulations and also the costs of the renewal of equipment for the note printing office.

In accordance with the earlier resolution of the Supervisory Council, it is assumed that also in 1959 some part of the Bank's earnings will be transferred to the State, pending amendment of the provisions of paragraphs 39 and 40 of the Norges Bank Act. The Board of Governors has found it most appropriate that the transfer continues to be made on the same principles as in previous years. The transfer to the State in 1959 will total 12,752,907.64 kroner.

Distribution of the surplus. The net surplus for 1959 totalled 17,284,836.29 kroner. The recommendation of the Board of Governors as to the disposition of this surplus has been approved by the Supervisory Council. The following allocations have been made:

Surplus	kr. 17,284,836.29
1) To the Building fund	kr. 6,000,000.—
2) To the Adjustment fund	» 5,000,000.—
3) To the Housing fund for the staff	» 2,500,000.—
4) To a holiday resort for the staff	» 500,000.—
	» 14,000,000.—
Of the remaining	kr. 3,284,836.29
is distributed as 8 per cent dividend	» 2,800,000.—
The remainder	kr. 484,836.29

is carried forward.

After the above transfers are made the Building fund will total approximately 22,900,000 kroner. The following new buildings are planned and will be completed during the next 2—3 years: Hammerfest branch about 2.3 million kroner, Vardø about 2 million kroner, Stavanger about 4.5 million kroner, extension of the Head Office (note printing office) about 5 million kroner, addition to the note printing office about 850,000 kroner, rebuilding of the Ålesund branch premises about 250,000 kroner. The Vardø premises are expected to be finished during the autumn of 1960, Hammerfest in the early summer of 1961, Stavanger at the end of 1961 or beginning of 1962, the Head Office by the summer of 1962. The addition to the note printing office is almost finished. The alterations at Ålesund will probably be completed in the course of the present half-year. Plans also exist for new premises in Tromsø.

Following the above-mentioned transactions in 1959 the Adjustment fund rose to 160.7 million kroner. As the fund shall be the equivalent of at least one

fifth of the Bank's portfolio of domestic and foreign securities and other assets in foreign currency, 5 million kroner of the year's surplus have been allotted to the fund, thus bringing it up to in all 165.7 million kroner.

The Branch Offices of Norges Bank.

The question of the responsibilities of the branch offices outside Oslo has been a matter of study for some time. Inter alia, the Government Directorate of Rationalization has, at the request of the Bank, made an investigation with a view to determining whether there are grounds for establishing closer co-operation with the State banks' branch offices. The Directorate came to the conclusion that, because of the essentially different methods of work of the various banks, co-operation at the local level was not likely to offer substantial advantages. In view of this conclusion no further action has been taken in this respect.

During discussion of this matter by the Supervisory Council, however, the question was raised as to whether the present area divisions of the Bank are expedient and in keeping with the requirements of the time. The Board of Governors was requested to study whether one or several branches might be amalgamated, and whether new branches were required in districts now without branch offices.

These questions have since been the subject of discussion by the administration of the Bank and by the Board of Governors. Conferences have also been held with representatives of the boards of the branches which there might be a question of closing.

Authority to make decisions on the opening or closing of branches is, according to the present regulations, vested in the Supervisory Council «in co-operation with the Board of Governors» (Norges Bank Act, paragraph 27, E). The question of where Norges Bank should operate branches is, however, a matter of public interest. It is considered that no alteration should be made in the existing arrangements unless there is general agreement in the Ministry and in the Storting on the changes to be made. In this event, the Bank will co-operate fully in finding the most rational and expedient solution.

It is the opinion of the Board of Governors that it would be of value in this connection to have the views of persons not directly connected with the administration of the Bank before any decisions are taken. Norges Bank has, therefore, discussed with the Ministry of Finance the question of having appointed a committee to consider this whole matter.

Reference is further made to the tabular appendices.

Oslo, 31st December, 1959.
15th March, 1960.

THE BOARD OF GOVERNORS OF NORGES BANK.

Erik Brofoss.

Knut Getz Wold.

Gunnar Hvattum.

Olav Larssen.

Olav Bruvik.

K. Skjæveland.

ACCOUNTS
OF
NORGES BANK

FOR THE YEAR 1959

Expenditures.

Profit and loss account

	Kroner	Øre
Administration expenses:		
Salaries and wages kr. 13,892,323.84		
Other administration expenses » 7,575,623.38		
Expenses incidental to the note issue .. » 4,805,574.26		
Interest and commission to the State:		
Interest on counterpart of foreign loans kr. 10,508,130.99		
50% of Norges Bank's earnings from exchange and clearing commis- sion in 1959 » 2,244,776.65		
	12,752,907.64	
Other expenses » 2,265.41		
	39,028,694	53
Contribution to the buildings fund kr. 6,000,000.00		
» to the adjustment fund » 5,000,000.00		
» to the staff's housing fund .. » 2,500,000.00		
» to a holiday resort for the staff » 500,000.00		
Distributed as 8 per cent dividend » 2,800,000.00		
Carried forward to next year » 484,836.29		
	17,284,836	29
	56,313,530	82

TABLES

Table 1.

The balance sheet of Norges Bank as at December 31st.

	1939	1955	1956	1957	1958	1959
	Figures in 1,000 kroner.					
<i>Assets:</i>						
Gold stock	120,051	184,750	184,750	184,750	184,750	129,613
Foreign assets:	185,385	882,077	977,459	1,016,963	1,438,062	1,620,015
<i>Of which:</i>						
Balances held abroad and short-term foreign investm.	85,977	222,626	155,383	179,734	308,987	330,008
Foreign securities	12,762	614,184	733,083	774,085	1,087,423	1,261,572
Funds temporarily invested in gold	86,646	23,905	59,693	21,681	6,829	6,941
Balances held under clearing agreements		21,362	29,300	41,464	34,823	21,494
Norwegian securities	102,644	93,259	106,576	100,112	196,322	189,056
Domestic bills etc.	252,069	14,990	19,517	15,727	22,744	14,627
Advances	55,903	104,830	96,204	66,981	76,223	84,962
Divisionary coins	832	1,486	1,314	1,610	1,672	3,514
Deposits with Postal Check Office Government consolidated account ¹⁾		5,546,135	5,546,136	5,545,359	5,440,125	5,440,125
Sundry assets	65,912	81,180	92,442	121,636	122,870	75,290
Total	782,796	6,931,857	7,055,914	7,111,546	7,489,703	7,626,434
<i>Liabilities:</i>						
Share capital	35,000	35,000	35,000	35,000	35,000	35,000
Reserve fund	14,750	15,950	27,000	29,000	35,000	35,000
Contingency fund	5,000	15,000	25,000	25,000	22,000	22,000
Adjustment fund	2,174	39,000	133,922	144,588	134,146	165,683
Dividend regulation fund	550					
Buildings fund	776	17,800	17,734	17,591	17,591	22,904
Notes in circulation	574,714	3,299,339	3,496,356	3,463,090	3,505,866	3,669,666
Divisionary notes in circulation		5,680	5,618	5,575	5,539	5,509
Sight deposits:	85,401	2,342,168	2,431,458	2,533,224	2,798,748	3,480,379
<i>Of which:</i>						
Government deposits	7,285	1,054,538	1,109,409	1,163,922	1,372,109	2,089,314
Other public accounts		574,403	552,725	540,008	675,535	606,332
Norwegian banks	}	640,443	608,105	638,035	632,759	706,938
Other Norw. accounts		45,002	128,221	162,684	106,239	62,074
Foreign accounts		27,782	32,999	28,575	12,107	15,722
Cheques outstanding	1,813	7,370	6,290	2,675	5,358	2,197
Foreign liabilities	9,889	211,205	159,003	214,447	240,468	110,487
<i>Of which:</i>						
Due to foreign banks	9,889	77,773	11 403	87 336	78,795	25,785
Liabilities under clearing agreements		79,368	97 338	74 389	98,100	48,952
Foreign exchange sold forward		54,063	50 262	52 722	63,572	35,750
Due to EPU		801,243	645,586	546,043	609,929	
Sundry liabilities	52,728	142,102	72,947	95,312	80,058	77,609
Total	782,796	6,931,857	7,055,914	7,111,546	7,489,703	7,626,434

¹⁾ Occupation account before April 30, 1958.

Table 2. **The balance sheet of Norges Bank in the year**

	31st January	28th February	31st March	30th April	30th May
<i>Assets:</i>					
Gold stock	184,750	184,750	184,750	184,750	184,750
Foreign assets ¹⁾	1,314,270	1,315,463	1,327,353	1,324,341	1,398,322
Norwegian securities	193,748	194,321	195,122	192,861	193,548
Domestic bills etc.	13,742	17,376	14,097	12,580	62,142
Advances	72,324	65,846	74,620	80,144	90,418
Divisionary coins	2,700	2,904	2,512	2,316	2,099
Government consolidated account	5,440,125	5,440,125	5,440,125	5,440,125	5,440,125
Sundry assets	77,295	81,196	101,777	67,752	89,056
Total	7,298,954	7,301,980	7,340,356	7,304,869	7,460,461
<i>Liabilities:</i>					
Share capital	35,000	35,000	35,000	35,000	35,000
Reserve fund	35,000	35,000	35,000	35,000	35,000
Contingency fund	22,000	22,000	22,000	22,000	22,000
Adjustment fund	134,146	134,146	134,146	134,146	134,146
Buildings fund	17,591	17,591	17,591	17,591	17,591
Notes in circulation	3,283,096	3,278,841	3,346,542	3,362,873	3,318,337
Divisionary notes in circulation	5,538	5,528	5,527	5,527	5,527
Sight deposits ²⁾	2,928,436	2,961,142	2,892,204	2,926,578	3,089,581
Cheques outstanding	7,849	4,656	2,990	11,043	5,656
Foreign liabilities ³⁾	119,976	120,655	157,775	92,077	132,893
Due to EPU ⁴⁾	619,855	617,841	607,787	594,412	580,953
Sundry liabilities	90,468	69,580	83,793	68,622	83,778
Total	7,298,954	7,301,980	7,340,356	7,304,869	7,460,461
¹⁾ <i>Of which:</i>					
Balances held abroad and short-term foreign investments	252,527	233,405	269,711	150,118	238,709
Foreign securities	1,021,759	1,040,593	1,010,474	1,132,809	1,125,702
Temporarily invested in gold	6,902	6,993	6,994	6,988	7,074
Balances held under clearing agreements	33,082	34,472	40,174	34,426	26,837
²⁾ <i>Of which:</i>					
Regulation account	50,465	50,465	50,465	50,465	50,465
Counterpart funds of FOA-grants	794	794	794	794	794
» » » loans abroad	682,836	682,836	691,245	691,662	691,662
» » » EPU credit					
Countervalue of Treasury bills	129,150	132,050	126,750	75,750	139,000
Other Government deposits	772,715	956,603	758,864	950,668	917,831
Total of State accounts	1,635,959	1,822,747	1,628,117	1,769,339	1,799,751
Other public accounts	713,299	608,113	864,038	647,909	883,596
Domestic banks	497,455	460,232	333,214	443,844	341,801
Other Norwegian deposits	61,826	57,494	56,640	55,760	54,158
Foreign deposits	19,898	12,557	10,195	9,726	10,274
³⁾ <i>Of which:</i>					
Due to foreign banks	10,981	12,586	12,819	9,107	10,642
Liabilities under clearing agreements ..	92,207	93,471	97,830	76,551	87,844
Foreign exchange sold forward	16,788	14,598	47,126	6,419	34,407

⁴⁾ On February 28, 1959, the name was changed to Net debt to OEEC-countries after liquidation of EPU.

1959 (figures in 1,000 kroner).

30th June	31st July	31st August	30th September	31st October	30th November	31st December
184,750	129,613	129,613	129,613	129,613	129,613	129,613
1,391,416	1,448,411	1,417,555	1,462,149	1,474,669	1,521,466	1,620,015
196,161	193,498	189,317	189,978	190,817	188,512	189,056
51,762	19,231	19,143	53,161	26,963	16,000	14,627
89,934	75,517	71,724	71,623	63,183	74,685	84,962
2,216	2,001	1,917	1,989	1,747	1,785	3,514
5,440,125	5,440,125	5,440,125	5,440,125	5,440,125	5,440,125	5,440,125
60,528	53,804	63,365	71,493	72,526	71,320	144,522
7,416,892	7,362,200	7,332,758	7,420,131	7,399,644	7,443,507	7,626,434
35,000	35,000	35,000	35,000	35,000	35,000	35,000
35,000	35,000	35,000	35,000	35,000	35,000	35,000
22,000	22,000	22,000	22,000	22,000	22,000	22,000
134,146	134,146	134,146	134,146	134,146	134,146	165,683
17,432	17,432	17,432	17,432	17,432	17,432	22,904
3,426,203	3,435,447	3,431,434	3,459,199	3,480,519	3,469,643	3,669,666
5,519	5,518	5,519	5,519	5,508	5,509	5,509
3,558,524	3,461,066	3,431,722	3,484,180	3,441,754	3,485,896	3,480,379
5,985	10,833	9,050	3,215	6,365	5,261	2,197
98,918	91,703	82,393	88,186	91,390	80,711	110,487
—	—	—	—	—	—	—
78,165	114,055	129,063	136,255	130,530	152,909	77,609
7,416,892	7,362,200	7,332,758	7,420,131	7,399,644	7,443,507	7,626,434
144,420	179,933	147,910	202,491	195,060	259,264	330,008
1,216,759	1,241,507	1,245,073	1,234,575	1,249,015	1,237,321	1,261,572
7,172	6,835	6,929	7,052	7,030	7,064	6,941
23,065	20,137	17,643	18,031	23,564	17,818	21,494
50,511	50,511	50,511	50,511	50,511	50,511	50,511
794	1,571	1,571	—	—	—	—
699,680	699,980	699,980	715,898	717,951	720,393	730,824
555,472	544,925	542,962	527,748	525,783	523,819	495,166
154,850	115,350	125,600	142,450	137,000	72,700	49,550
919,882	741,876	873,815	727,647	931,514	828,741	763,263
2,381,189	2,154,213	2,294,438	2,164,254	2,362,758	2,196,164	2,089,314
711,800	871,695	567,262	831,755	596,423	881,024	606,332
397,674	368,532	504,152	422,036	413,992	340,384	706,938
58,272	55,003	54,707	54,611	56,087	56,686	62,074
9,588	11,623	11,163	11,524	12,493	11,638	15,722
17,764	14,395	14,291	20,728	30,139	22,965	25,785
81,155	77,308	68,102	67,458	61,251	57,747	48,952
—	—	—	—	—	—	35,750

The weekly returns

(Million)

Table 3.

No.	Date	Ordinary gold stock	Foreign assets					Government consolidated account	Norwegian securities	Loans and discounts	Notes in circulation
			Balances held abroad and short-term foreign investments	Foreign securities	Provisionally held in gold	Balances held under clearing agreements	Total				
1	7/1	184.8	294.2	1,115.1	6.8	36.0	1,452.1	5,440.1	194.6	94.0	3,407.7
2	15/1	184.8	173.7	1,115.1	6.8	33.5	1,329.2	5,440.1	195.5	95.6	3,333.1
3	22/1	184.8	262.1	1,007.5	6.8	33.0	1,309.4	5,440.1	198.9	91.3	3,316.2
4	31/1	184.8	252.3	1,021.8	6.9	33.1	1,314.1	5,440.1	193.7	86.1	3,283.1
5	7/2	184.8	235.6	1,036.0	6.9	30.3	1,308.8	5,440.1	194.7	87.2	3,224.9
6	16/2	184.8	220.5	1,050.2	7.0	31.6	1,309.4	5,440.1	196.6	84.0	3,200.7
7	23/2	184.8	233.3	1,040.6	7.0	33.6	1,314.5	5,440.1	197.0	84.6	3,229.9
8	28/2	184.8	233.2	1,040.6	7.0	34.5	1,315.3	5,440.1	194.3	83.2	3,278.9
9	7/3	184.8	187.0	1,054.8	7.0	33.9	1,282.8	5,440.1	194.4	86.1	3,253.6
10	16/3	184.8	221.1	1,010.5	7.0	37.3	1,275.9	5,440.1	196.0	85.6	3,261.6
11	23/3	184.8	225.2	1,010.5	7.0	38.3	1,280.9	5,440.1	196.2	87.2	3,262.6
12	31/3	184.8	269.5	1,010.5	7.0	40.2	1,327.2	5,440.1	195.1	88.6	3,346.5
13	7/4	184.8	220.4	1,106.1	7.0	36.8	1,370.3	5,440.1	193.8	119.4	3,287.9
14	15/4	184.8	174.7	1,129.3	7.1	35.1	1,346.3	5,440.1	195.0	89.6	3,275.7
15	22/4	184.8	195.1	1,100.9	7.1	36.3	1,339.5	5,440.1	194.7	92.4	3,324.5
16	30/4	184.8	149.9	1,132.8	7.0	34.4	1,324.2	5,440.1	192.9	92.8	3,366.8
17	8/5	184.8	151.9	1,132.8	7.0	31.9	1,323.6	5,440.1	193.6	94.0	3,333.7
18	15/5	184.8	151.4	1,125.7	7.0	31.7	1,315.8	5,440.1	192.3	96.1	3,323.4
19	22/5	184.8	169.7	1,125.7	7.0	30.9	1,333.3	5,440.1	192.4	98.5	3,306.3
20	30/5	184.8	238.5	1,125.7	7.1	26.8	1,398.1	5,440.1	193.5	152.6	3,318.3
21	8/6	184.8	194.1	1,232.4	7.1	25.6	1,459.2	5,440.1	194.4	193.0	3,289.6
22	15/6	184.8	171.6	1,257.3	7.2	25.5	1,461.6	5,440.1	189.9	191.2	3,340.6
23	22/6	184.8	163.3	1,225.3	7.2	23.6	1,419.3	5,440.1	191.1	173.4	3,347.8
24	30/6	184.8	144.2	1,216.6	7.2	23.1	1,391.0	5,440.1	196.2	141.7	3,426.2
25	7/7	184.8	177.7	1,195.4	7.2	22.0	1,402.3	5,440.1	196.5	121.0	3,469.8
26	15/7	184.8	156.7	1,213.2	7.0	21.8	1,398.6	5,440.1	196.6	121.8	3,479.4
27	22/7	129.7	147.7	1,220.3	6.8	18.9	1,393.7	5,440.1	196.7	119.2	3,456.2
28	31/7	129.6	179.6	1,241.5	6.8	20.1	1,448.1	5,440.1	193.5	94.7	3,435.5
29	7/8	129.6	156.6	1,255.8	6.8	17.7	1,436.9	5,440.1	193.5	95.9	3,400.9
30	15/8	129.6	155.8	1,255.8	6.8	17.8	1,436.2	5,440.1	193.5	92.4	3,387.5
31	22/8	129.6	144.3	1,255.8	6.9	17.5	1,424.5	5,440.1	193.6	92.5	3,409.5
32	31/8	129.6	147.6	1,245.1	6.9	17.6	1,417.3	5,440.1	189.3	90.9	3,431.4
33	7/9	129.6	159.0	1,231.9	6.9	16.9	1,414.7	5,440.1	190.8	92.0	3,408.9
34	15/9	129.6	170.6	1,231.8	6.9	18.8	1,428.2	5,440.1	191.5	88.8	3,391.4
35	22/9	129.6	184.0	1,231.8	7.0	17.5	1,440.2	5,440.1	192.5	91.0	3,416.4
36	30/9	129.6	202.3	1,234.6	7.1	18.0	1,462.0	5,440.1	190.0	124.8	3,459.2
37	7/10	129.6	223.9	1,231.9	7.0	23.1	1,485.9	5,440.1	192.8	132.9	3,440.6
38	15/10	129.6	205.8	1,245.4	6.9	25.4	1,483.5	5,440.1	188.9	118.5	3,431.7
39	22/10	129.6	199.0	1,245.4	6.9	24.5	1,475.9	5,440.1	189.9	116.5	3,443.3
40	31/10	129.6	194.9	1,249.0	7.0	23.6	1,474.5	5,440.1	190.8	90.1	3,480.5
41	7/11	129.6	192.6	1,241.9	6.9	21.3	1,462.8	5,440.1	187.9	80.9	3,433.4
42	16/11	129.6	245.6	1,195.4	7.0	20.2	1,468.2	5,440.1	185.9	80.5	3,413.5
43	23/11	129.6	251.8	1,216.8	7.0	19.5	1,495.1	5,440.1	186.6	86.1	3,426.8
44	30/11	129.6	259.1	1,237.3	7.1	17.8	1,521.3	5,440.1	188.5	90.7	3,469.6
45	7/12	129.6	304.9	1,244.1	7.0	19.6	1,575.6	5,440.1	188.6	93.7	3,493.0
46	15/12	129.6	297.7	1,261.8	7.0	20.6	1,587.2	5,440.1	184.4	93.1	3,693.0
47	22/12	129.6	304.3	1,261.8	7.0	21.5	1,594.6	5,440.1	185.3	99.4	3,779.6
48	31/12	129.6	329.3	1,272.6	6.9	21.5	1,630.3	5,440.1	185.7	99.4	3,669.7

of Norges Bank in 1959.

kroner)

Sight deposits												Short-term liabilities				Due to EPU
Government deposits											Due to foreign banks	Liabilities under clearing agreements	Foreign exchange for forward delivery	Total		
Regulation account	Counterpart funds of FOA-grants	Counterpart funds of loans abroad	Counterpart funds of EPU-credit	Countervalue of Treasury bills	Other Government deposits	Total Government deposits	Other public accounts	Norwegian banks	Other accounts	Aggregate deposits (total of specified columns)						
50.5	4.8	682.6		45.4	558.0	1,341.3	730.7	703.4	94.3	2,869.7	70.9	98.2	63.6	232.7	609.9	
50.5	4.8	682.8		74.9	685.2	1,498.2	614.4	685.1	80.4	2,878.2	10.8	94.9	17.7	123.4	622.1	
50.5	4.8	682.8		104.2	709.6	1,551.9	658.2	613.0	80.7	2,903.8	9.9	87.3	17.0	114.3	621.9	
50.5	0.8	682.8		129.2	772.7	1,635.9	713.3	494.8	84.1	2,928.2	11.0	92.2	16.8	120.0	619.9	
50.5	0.8	682.8		128.5	748.2	1,610.7	860.5	426.8	92.3	2,990.3	10.4	89.3	16.7	116.4	619.9	
50.5	0.8	682.8		138.4	815.5	1,688.0	769.1	491.0	81.0	3,029.1	10.5	88.2	16.4	115.0	619.9	
50.5	0.8	682.8		138.5	907.6	1,780.1	696.0	456.0	79.1	3,011.2	12.7	92.6	15.3	120.6	619.9	
50.5	0.8	682.8		132.1	956.6	1,822.7	608.3	460.2	69.9	2,961.1	12.6	93.5	14.6	120.7	617.8	
50.5	0.8	682.8		132.1	840.1	1,706.2	730.5	444.5	69.4	2,950.7	12.6	89.3	13.7	116.1	617.8	
50.5	0.8	691.2		131.9	714.0	1,588.4	785.7	492.0	68.8	2,934.9	10.2	92.4	13.3	115.9	617.8	
50.5	0.8	691.2		131.7	757.2	1,631.3	799.8	347.2	66.0	2,844.4	11.4	96.0	11.5	119.0	619.9	
50.5	0.8	691.2		126.8	758.9	1,628.1	863.5	332.9	67.7	2,892.2	12.8	97.8	47.1	157.8	607.8	
50.5	0.8	691.2		127.2	764.9	1,634.5	1,065.0	279.9	72.3	3,051.7	11.1	89.0	47.1	147.2	608.0	
50.5	0.8	691.7		98.2	773.9	1,615.0	966.3	379.2	67.2	3,027.7	10.5	82.2	8.6	101.3	605.4	
50.5	0.8	691.7		78.7	862.6	1,684.1	773.4	458.8	59.8	2,976.1	9.0	76.3	7.7	93.0	605.4	
50.5	0.8	691.7		75.8	950.7	1,769.3	647.8	443.8	65.6	2,926.6	9.1	76.6	6.4	92.1	594.4	
50.5	0.8	691.7		111.8	915.1	1,769.7	710.3	409.1	65.7	2,954.8	9.1	76.4	6.3	91.8	594.4	
50.5	0.8	691.7		106.8	877.6	1,727.2	711.0	460.9	65.5	2,964.6	11.2	77.9	6.3	95.4	581.0	
50.5	0.8	691.7		136.8	916.8	1,796.4	763.5	346.7	64.7	2,971.4	10.7	81.2	5.9	97.9	581.0	
50.5	0.8	691.7		139.0	917.8	1,799.8	883.6	341.8	64.4	3,089.6	10.6	87.8	34.4	132.9	581.0	
50.5	0.8	699.6		139.4	847.4	1,737.5	1,149.7	277.8	64.9	3,229.9	12.9	87.9	38.5	139.3	581.0	
50.5	0.8	699.6		148.8	836.7	1,736.3	913.3	463.9	62.7	3,176.2	12.8	88.1	35.6	136.5	578.9	
50.5	0.8	699.6		151.1	824.2	1,726.0	892.3	422.0	62.7	3,103.1	15.7	84.9		100.7	579.2	
50.5	0.8	699.7	555.5	154.8	919.9	2,381.2	711.8	397.6	67.9	3,558.5	17.8	81.2		99.0		
50.5	0.8	699.7	555.5	154.9	834.9	2,296.2	715.5	404.2	67.8	3,483.6	20.7	80.1		100.8		
50.5	1.6	700.0	544.9	158.9	745.2	2,200.9	761.4	453.5	65.1	3,481.0	15.9	78.9		94.8		
50.5	1.6	700.0	544.9	135.1	698.9	2,131.0	835.2	392.8	70.7	3,429.7	14.8	73.5		88.3		
50.5	1.6	700.0	544.9	115.4	741.9	2,154.2	871.7	368.5	66.7	3,461.1	14.4	77.3		91.7		
50.5	1.6	700.0	544.9	115.4	776.7	2,189.0	804.7	427.0	64.2	3,484.9	15.7	67.6		83.3		
50.5	1.6	700.0	542.9	110.4	786.1	2,191.5	765.2	494.4	66.1	3,517.2	15.4	69.7		85.1		
50.5	1.6	700.0	543.0	120.6	863.6	2,279.2	642.6	489.6	65.3	3,476.9	15.4	66.4		81.7		
50.5	1.6	700.0	543.0	125.6	873.8	2,294.4	566.3	504.2	66.8	3,431.7	14.3	68.1		82.4		
50.5		700.0	543.0	130.8	766.3	2,190.6	727.2	503.1	66.6	3,487.3	15.6	64.3		79.9		
50.5		715.9	540.9	133.4	743.0	2,183.7	726.6	523.7	67.3	3,501.3	16.7	65.8		82.5		
50.5		715.9	541.0	139.0	798.1	2,244.5	728.5	417.1	67.0	3,457.1	18.4	66.4		84.8		
50.5		715.9	527.7	142.5	727.6	2,164.3	831.8	422.0	66.1	3,484.2	20.7	67.5		88.2		
50.5		718.0	527.7	142.0	673.4	2,111.7	1,016.5	345.1	67.2	3,540.4	21.8	61.0		82.8		
50.5		718.0	525.7	137.0	789.4	2,220.6	711.2	527.6	67.5	3,526.8	20.9	58.2		79.1		
50.5		718.0	525.8	137.3	886.7	2,318.1	663.7	471.0	68.8	3,521.6	23.0	59.2		82.2		
50.5		718.0	525.8	137.0	931.5	2,362.8	596.4	414.2	68.4	3,441.8	30.1	61.3		91.4		
50.5		720.4	525.8	102.0	884.7	2,283.4	664.7	452.7	69.2	3,469.9	27.7	54.8		82.6		
50.5		720.4	523.8	118.0	864.4	2,277.2	674.1	475.3	67.8	3,494.4	27.8	52.3		80.1		
50.5		720.4	523.8	78.0	859.0	2,231.7	770.1	437.0	67.4	3,506.2	24.7	56.5		81.1		
50.5		720.4	523.8	72.7	828.7	2,196.2	881.0	340.4	68.3	3,485.9	23.0	57.7		80.7		
50.5		721.2	523.8	70.2	733.8	2,099.4	1,091.3	265.0	70.6	3,526.4	23.7	65.8		89.5		
50.5		728.4	521.8	58.1	688.8	2,047.5	750.2	483.7	69.0	3,350.5	26.1	61.0		87.1		
50.5		730.8	521.9	50.3	710.1	2,063.6	559.4	553.2	69.7	3,245.9	26.4	60.5		86.9		
50.5		730.8	495.2	49.6	763.3	2,089.3	605.6	706.9	77.9	3,479.7	25.8	49.0	35.8	110.5		

*) Net debt to OEEC-countries after liquidation of EPU.

Table 4. Receipts and expenditures of Norges Bank in the years 1954—1959 (figures in kroner).

	1954	1955	1956	1957	1958	1959
<i>Receipts:</i>						
Discount, interest etc.	1,578,511	2,731,068	4,698,791	3,405,326	3,618,155	4,047,320
Collection commission	24,043	28,749	35,027	26,911	37,365	31,225
Deposit commission	273,743	354,596	309,051	332,470	377,913	358,375
Clearing commission	*)999,263	1,622,054	1,725,092	1,529,510	954,935	523,898
Reimbursement commission	412,448	328,363	183,982	149,257	105,307	118,026
Guarantee commission	5,721	6,207	67,154	28,581	28,451	23,142
Interest on balances held abroad and foreign securities	*)14,980,311	12,085,163	20,704,266	26,339,346	27,972,824	38,829,183
Interest on Norwegian securities	2,704,084	3,470,583	4,652,245	4,035,251	5,164,707	6,928,676
Commission on transactions in foreign exchange	*)1,516,960	3,395,860	3,841,804	4,228,497	3,889,579	3,965,056
Agio	2,191,051	1,767,027	1,481,015	1,622,998	1,687,385	1,352,224
Sundry income	464,347	299,944	248,337	240,817	192,397	135,805
Total	25,150,483	26,089,614	37,946,823	41,938,964	44,029,018	56,313,530
<i>Expenditures:</i>						
Salaries and wages	8,513,843	9,608,758	10,654,531	11,396,048	13,109,815	13,892,324
Administration expenses	3,661,008	4,126,279	4,574,997	6,031,453	6,580,510	7,575,623
Expenses incidental to the note issue	2,512,127	2,501,313	2,695,625	2,774,924	3,316,059	4,805,574
Reimbursement to the Government	*)	5,808,663	9,735,161	10,100,779	10,584,849	12,752,908
Written off on defaulted claims			300,000	4,000,000	—	—
Holiday resort for the staff			206	86,753	—	—
Other expenses	2,653	227	206	86,753	236	2,265
Total	14,689,631	22,045,240	27,960,520	34,389,958	33,591,469	39,028,694
Total	10,460,852	4,044,374	9,986,303	7,549,007	10,437,549	17,284,836
Total	25,150,483	26,089,614	37,946,823	41,938,964	44,029,018	56,313,530

*) Interest and commission payments to the State has already been deducted from the separate income items for 1954. Gross income in this year was in fact kr. 5,187,653 higher than shown in the table. The deductions amounted to kr. 999,263 under clearing commission, kr. 2,671,430 under interest on foreign assets and kr. 1,516,960 under exchange commission. If these figures are inserted in the column for 1954, the total of these deductions, kr. 5,187,653, should also be entered under expenditure as interest and commission payments to the State. Correspondingly, the grand total of income and expenditure should be raised by the same amount, viz. to kr. 30,338,136.

Table 5. Distribution of Norges Bank's profit in the years 1954—1959 (figures in kroner).

	1954	1955	1956	1957	1958	1959
Allocations	8,087,220	1,750,000	7,700,000	5,300,000	8,250,000	14,000,000
Dividend	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,800,000
Carried forward	273,632	194,374	186,303	149,007	87,549	484,836
Total	10,460,852	4,044,374	9,986,303	7,549,007	10,437,549	17,284,836

*) From 1957 the expenses account is charged with allocations to the pension fund.

Reserves of the banks with Norges Bank.

	Obligatory reserves of the commercial banks and the savings banks with Norges Bank according to the statutory provisions ¹⁾ Mill. kr.				Excess reserves of the banks with Norges Bank. (The difference between the banks average reserves with Norges Bank and the reserve requirements) Mill. kr.				Average deposits of the banks with Norges Bank as percentage of the basis of calculation						
	Commercial banks with total resources of		Savings banks with total resources of		Commercial banks with total resources of		Savings banks with total resources of		Commercial banks with total resources of		Savings banks with total resources of		Total		
	more than 100 mill. kr.	10—100 mill. kr.	more than 100 mill. kr.	10—100 mill. kr.	more than 100 mill. kr.	10—100 mill. kr.	more than 100 mill. kr.	10—100 mill. kr.	more than 100 mill. kr.	10—100 mill. kr.	more than 100 mill. kr.	10—100 mill. kr.			
<i>1956</i>															
December	190.6	14.5	10.8	19.7	235.6	192.9	20.5	18.7	18.8	250.9	20	12	27	10	18
<i>1957</i>															
December	191.3	14.7	10.6	17.9	234.5	157.7	15.6	21.0	17.6	211.9	18	10	30	10	17
<i>1958</i>															
December	179.9	15.7	11.0	18.1	224.7	162.6	15.1	20.5	18.0	216.2	19	10	29	10	17
<i>1959</i>															
January	205.9	16.6	12.1	18.3	252.9	321.0	25.7	21.0	19.6	387.3	26	13	27	10	22
February	196.8	16.5	11.0	17.3	241.6	176.7	19.2	12.2	17.3	225.4	19	11	21	10	17
March	194.4	17.2	11.3	16.7	239.6	126.0	15.4	13.2	18.7	173.3	16	9	22	11	15
April	190.0	15.1	9.6	16.7	231.4	109.3	13.0	14.5	16.6	153.4	16	9	25	10	15
May	204.2	16.7	11.4	17.8	250.1	119.0	12.3	11.2	14.8	157.3	16	9	20	9	14
June	197.2	15.4	11.6	17.8	242.0	93.1	16.4	11.0	17.3	137.8	14	10	20	10	14
July	209.2	16.9	11.8	18.9	256.8	100.8	13.1	10.6	17.3	141.8	15	9	19	10	13
August	199.2	15.0	11.5	18.6	244.3	179.5	14.6	9.6	16.1	219.8	19	10	18	9	17
September	214.8	16.9	11.5	19.0	262.2	169.4	14.5	8.5	14.9	207.3	18	9	17	9	16
October	199.2	15.1	10.8	18.0	243.1	159.0	11.7	11.3	16.2	198.2	18	9	20	9	16
November	199.4	16.1	11.8	19.3	246.6	168.0	10.3	10.1	14.7	203.1	18	8	18	9	16
December	200.5	14.2	10.7	19.2	244.6	129.4	12.6	18.7	17.2	177.9	16	9	27	9	15
<i>1960</i>															
January	220.3	16.6	11.8	19.4	268.1	277.0	16.3	26.8	19.3	339.4	23	10	33	10	20
February	205.2	15.6	11.2	17.8	249.8	190.7	9.7	12.7	18.9	232.0	19	8	21	10	17

¹⁾ The current rates were laid down by Royal Decree of January 14, 1955 as 10 per cent for banks with total resources of more than 100 mill. kroner, and 5 per cent for banks with total resources from 10 to 100 mill. kroner. The sight deposits with the banks concerned and the net a vista obligations to other domestic banks form the basis for calculating reserve requirements. (See table 7.)

Table 7. The basis of calculation for the statutory reserves of the banks with Norges Bank. (Mill. kr.)

	Sight deposits from the general public (1)				Net a vista obligations to other banks (2)				Basis of calculation (3) (3) = (1) + (2)					
	Commercial banks with total resources of		Savings banks with total resources of		Commercial banks with total resources of		Savings banks with total resources of		Commercial banks with total resources of		Savings banks with total resources of			
	more than 100 mill. kr.	10—100 mill. kr.	more than 100 mill. kr.	10—100 mill. kr.	more than 100 mill. kr.	10—100 mill. kr.	more than 100 mill. kr.	10—100 mill. kr.	more than 100 mill. kr.	10—100 mill. kr.	more than 100 mill. kr.	10—100 mill. kr.		
<i>1956</i>														
December	1,566.7	238.4	107.7	392.6	339.4	51.9	0.6	1.8	393.7	1,906.1	290.3	108.3	394.4	2,699.1
<i>1957</i>														
December	1,550.8	229.0	106.5	353.5	362.4	64.5	—	3.6	430.5	1,913.2	293.5	106.5	357.1	2,670.3
<i>1958</i>														
December	1,490.8	257.8	109.3	357.2	308.4	57.0	0.7	4.2	370.3	1,799.2	314.8	110.0	361.4	2,585.4
<i>1959</i>														
January	1,621.4	285.2	120.4	361.9	437.6	47.6	0.9	3.2	489.3	2,059.0	332.8	121.3	365.1	2,878.2
February	1,562.4	275.3	108.9	340.6	405.7	55.1	1.1	5.2	467.1	1,968.1	330.4	110.0	345.8	2,754.3
March	1,534.8	299.9	111.5	331.8	409.4	43.7	1.3	2.9	457.3	1,944.2	343.6	112.7	334.7	2,735.2
April	1,538.7	252.5	94.8	328.3	361.4	50.5	1.0	5.3	418.2	1,900.2	302.9	95.8	333.5	2,632.4
May	1,648.2	293.4	113.3	352.2	393.5	39.8	0.6	4.3	438.2	2,041.7	333.1	113.9	356.5	2,845.2
June	1,607.6	263.4	115.9	351.0	364.6	43.4	—	4.7	412.7	1,972.3	306.7	115.9	355.7	2,750.6
July	1,716.7	296.6	118.0	371.6	374.7	40.8	—	7.0	422.5	2,091.4	337.4	118.0	378.6	2,925.4
August	1,623.0	253.1	113.2	366.7	369.1	45.6	1.9	4.9	421.5	1,992.1	298.7	115.2	371.6	2,777.6
September	1,773.9	297.6	113.1	376.7	374.3	41.3	1.7	2.4	419.7	2,148.2	338.8	114.9	379.1	2,981.0
October	1,636.3	259.6	106.8	356.3	355.7	43.0	0.8	4.1	403.7	1,992.1	302.6	107.6	360.4	2,762.7
November	1,685.3	288.0	116.7	381.1	309.3	33.4	1.2	4.2	348.1	1,994.6	321.4	117.9	385.3	2,819.2
December	1,654.1	238.3	105.1	377.7	351.0	47.3	1.6	5.8	405.8	2,005.1	285.6	106.7	383.6	2,781.0
<i>1960</i>														
January	1,819.6	292.3	118.2	383.2	383.6	38.6	—	4.3	426.5	2,203.2	330.9	118.2	387.5	3,039.8
February	1,686.7	251.4	111.5	349.5	365.0	61.2	1.4	5.7	433.3	2,051.6	312.6	112.9	355.3	2,832.4

Table 8.
The composition of denominations of the coins in circulation 1952—1959¹⁾.
 (Figures in 1,000 kroner.)

	1-kroner	50-ører	25-ører	10-ører	5-ører	2-ører	1-ører	Total
1952 ...	48,605	14,364	8,725	14,989	2,950	1,891	2,801	94,325
1953 ...	50,604	14,450	9,154	15,822	3,174	1,970	2,868	98,042
1954 ...	52,670	14,524	9,660	16,387	3,370	2,044	2,939	101,594
1955 ...	55,156	14,796	10,140	17,109	3,627	2,134	3,022	105,984
1956 ...	58,963	15,530	10,767	18,050	3,713	2,234	3,117	112,374
<i>1957:</i>								
March .	57,384	15,110	10,662	17,941	3,680	2,241	3,129	110,147
June ...	58,758	15,220	16,925	18,230	3,725	2,270	3,152	112,280
Sept. ...	58,935	15,322	11,121	18,378	3,752	2,288	3,175	112,971
Dec. ...	60,864	15,799	11,453	18,877	3,802	2,312	3,197	116,304
<i>1958:</i>								
March .	58,914	15,405	11,364	18,633	3,803	2,312	3,200	113,630
June ...	59,501	15,416	11,417	18,726	3,835	2,330	3,218	114,443
Sept. ...	59,930	15,504	11,549	18,888	3,872	2,351	3,237	115,331
Dec. ...	62,184	16,057	11,965	19,267	3,943	2,369	3,256	119,040
<i>1959:</i>								
March ..	60,861	15,741	11,852	19,249	3,966	2,370	3,259	117,299
June ...	61,374	15,812	12,018	19,431	4,034	2,394	3,280	118,342
Sept. ...	61,953	15,918	12,163	19,628	4,091	2,424	3,307	119,484
Dec. ...	64,194	16,535	12,516	19,885	4,154	2,451	3,331	123,066

¹⁾ The figures refer to the end of year and month.

Table 9. Particulars relating to the note circulation in 1943-1959 (figures in 1,000 kroner).

Year	1,000 kr.	500 kr.	100 kr.	50 kr.	10 kr.	5 kr.	Total
1943	425,948	91,619	959,635	456,152	563,381	81,388	2,578,123
1944	473,487	110,196	1,199,002	548,102	606,922	84,874	3,022,583
1945	202,843	None	693,262	262,474	276,225	39,172	1,473,976
1946	379,626	"	967,276	276,976	273,802	35,342	1,933,022
1947	443,190	"	1,075,416	257,823	275,516	35,956	2,087,901
1948	412,609	"	1,153,648	256,259	297,144	39,390	2,159,050
1949	460,129	54,524	1,208,079	252,327	293,622	39,070	2,307,751
1950	531,778	85,609	1,218,429	235,661	287,411	38,535	2,397,423
1951	595,605	111,357	1,381,736	239,662	289,162	41,015	2,658,537
1952	637,284	133,570	1,569,223	238,935	288,419	42,572	2,910,003
1953	674,144	151,370	1,719,854	242,307	290,456	43,916	3,122,047
1954	722,528	167,339	1,844,494	242,481	293,055	45,199	3,315,096
1955	691,920	175,134	1,858,894	236,596	290,033	46,762	3,299,339
1956	693,690	195,833	2,015,810	242,632	299,221	49,170	3,496,356
1957	671,091	201,532	2,013,408	233,840	293,298	49,921	3,463,090
1958	664,766	212,271	2,054,477	229,744	294,042	50,566	3,505,866
1959	703,939	230,035	2,151,159	233,469	299,312	51,752	3,669,666
Year Month	1,000 kr.	500 kr.	100 kr.	50 kr.	10 kr.	5 kr.	Total
1959							
Jan.	618,516	199,019	1,923,588	215,899	277,914	48,160	3,283,096
Febr.	606,830	196,026	1,934,245	216,007	278,241	47,492	3,278,841
Mar.	598,883	196,490	1,992,959	224,719	285,276	48,215	3,346,542
April	604,676	195,556	2,001,371	225,377	287,125	48,768	3,362,873
May	599,194	194,448	1,969,392	218,452	287,901	48,950	3,318,337
June	606,226	205,388	2,044,181	228,169	292,476	49,763	3,426,203
July	604,325	211,011	2,052,589	226,838	291,204	49,480	3,435,447
Aug.	610,211	207,660	2,043,555	227,495	293,939	48,574	3,431,434
Sept.	618,207	208,863	2,059,310	229,385	293,269	50,165	3,459,199
Oct.	626,747	209,827	2,067,432	229,378	296,939	50,196	3,480,519
Nov.	634,144	212,008	2,057,944	225,175	290,761	49,611	3,469,643
Dec.	703,939	230,035	2,151,159	233,469	299,312	51,752	3,669,666

Table 10. Particulars relating to notes cancelled in 1943—1959 (figures in 1,000 kroner).

Year	1,000 kr.	500 kr.	100 kr.	50 kr.	10 kr.	5 kr.	Total
1943	4,231	1,785	18,677	38,757	71,221	30,314	164,985
1944	25,151	22,328	29,701	51,321	100,963	32,884	262,348
1945	346,827	72,267	725,459	339,255	381,945	81,435	1,947,188
1946	1,044	None	16,236	22,809	63,607	32,402	136,098
1947	7,827	"	146,713	129,918	234,173	49,602	568,233
1948	29,143	"	285,652	134,813	230,572	44,363	724,543
1949	274,674	50	293,252	123,608	221,680	48,229	961,493
1950	91,601	1,770	804,034	168,187	256,253	55,443	1,377,288
1951	43,705	5,553	316,871	191,618	252,813	55,423	865,983
1952	40,481	12,222	313,740	128,759	272,291	60,102	827,595
1953	53,083	16,541	415,238	150,508	283,609	62,562	981,541
1954	108,938	17,061	468,029	196,654	388,607	68,261	1,247,550
1955	85,572	23,921	553,096	198,961	182,654	69,062	1,113,266
1956	73,775	28,922	627,016	192,228	218,732	52,381	1,193,054
1957	83,940	34,291	578,929	200,456	214,589	52,911	1,165,116
1958	66,502	33,953	467,044	175,732	202,747	51,902	997,880
1959	84,892	44,793	546,167	142,632	212,392	54,702	1,085,578

Table 11. **The Norges Bank discount rates 1818—1959*).**

1818, Oct. 26. 8%	1867, Nov. 19. .. 4½	1891, July 3. 5½	1914, Aug. 4. 6½
1823, April 14. .. 7	» Dec. 18. .. 4	» Aug. 1. 5	» Aug. 20. .. 5½
1825, May 2. 6	1868, March 11. .. 5	» Nov. 30. .. 5½	1915, May 26. .. 5
1843, April 15. .. 5	» July 3. 6	» Dec. 18. .. 6	» Dec. 13. .. 5½
1848, June 21. 6	» Sept. 12. .. 5	1892, Feb. 3. 5½	1916, May 10. 5
1850, Aug. 28. .. 5	1869, Sept. 22. .. 4½	» Aug. 29. .. 5	» May 29. 4½
1851, Oct. 3. 4½	1870, July 2. 5	1894, May 9. 4½	» Oct. 18. 5
1852, Oct. 18. 5	» Nov. 12. .. 4½	» Sept. 21. .. 4	» Nov. 9. 5½
1853, Feb. 12. 6	1871, Feb. 15. .. 4	1895, Sept. 3. 3½	1917, Dec. 13. .. 6
» March 21. 5	» July 4. 3½	1896, April 2. 4	1919, May 9. 5½
» July 6. 4½	1873, April 25. .. 4	» Oct. 13. 4½	» Dec. 18. .. 6
» July 27. 4	» Sept. 6. 4½	» Dec. 19. .. 5	1920, June 25. .. 7
1854, July 5. 5	» Nov. 11. .. 5	1897, Feb. 24. .. 4½	1921, July 6. 6½
» Oct. 11. 4	1874, Feb. 14. .. 4½	» June 17. .. 5	1922, Jan. 25. 6
1855, April 23. 5	» April 8. 5	» Aug. 3. 4½	» May 18. 5½
» Oct. 31. 6	» Sept. 23. .. 4½	1898, Jan. 25. 4	» Aug. 17. .. 5
1856, March 26. .. 5	» Dec. 16. .. 5	» June 2. 4½	1923, May 2. 6
» July 30. 6	1875, April 10. .. 5½	» Aug. 2. 4	» Nov. 10. .. 7
1858, Jan. 30. 7	» April 17. .. 6	» Oct. 10. 4½	1924, Nov. 26. .. 6½
» May 19. .. 6	» June 19. .. 7	» Dec. 2. 5	1925, May 9. 6
» July 14. 5	» July 17. .. 6	» Dec. 9. 5½	» Aug. 25. .. 5½
» Aug. 18. .. 4½	» Dec. 15. .. 7	1899, Feb. 9. 5	» Sept. 14. .. 5
» Oct. 2. 4	1876, Jan. 26. 6	» March 17. .. 5½	1926, Jan. 12. 6
1859, April 13. 5	» Aug. 12. .. 5	» March 24. .. 6	» April 20. .. 5½
» June 18. 6	» Nov. 29. .. 4½	» Oct. 3. 6½	» Sept. 13. .. 5
1860, March 14. 5	1877, April 7. 5	1901, Jan. 17. 6	» Oct. 27. .. 4½
» July 21. 6	» April 18. .. 5½	» Aug. 17. .. 5½	1927, Nov. 1. 5
» Nov. 24. 5	» April 25. 6	» Sept. 3. 5	1928, Feb. 2. 6
» Dec. 29. 6	» May 5. 6½	1902, Feb. 3. 4½	» March 27. .. 5½
1861, March 9. 5	» Oct. 20. .. 7	» Dec. 5. 5	1929, Sept. 27. .. 6
» April 20. 6	1878, Jan. 19. 6½	1903, June 3. 5½	» Nov. 22. .. 5½
1862, Jan. 8. 5	» April 17. 6	» Nov. 3. 5	» Dec. 28. .. 5
» Feb. 22. 6	1879, Feb. 15. 5½	1904, Aug. 3. 4½	1930, March 21. .. 4½
» April 30. 5	» March 12. 5	» Oct. 14. 5	» Nov. 8. 4
» July 5. 6	» Aug. 13. .. 4½	1905, Feb. 17. .. 4½	1931, Sept. 12. 5
» Aug. 2. 5	1880, May 8. 4	» June 17. 5	» Sept. 26. 6
1863, Feb. 28. 6	1881, Feb. 19. 3½	» Dec. 12. .. 5½	» Sept. 28. 8
» May 13. 5	» May 7. 4	1906, Feb. 19. 5	» Oct. 8. 7
» Dec. 23. 6	» Oct. 29. 4½	» Oct. 12. 5½	» Oct. 19. 6
1864, Oct. 22. 7	1882, April 29. 5	1907, Feb. 25. 5	1932, Feb. 19. 5½
» Nov. 16. 6	» Nov. 24. .. 4½	» Nov. 9. 6	» March 3. 5
1865, Jan. 4. 5	1887, March 19. 4	1908, Jan. 30. 5½	» May 20. 4½
» July 22. 4½	» Oct. 8. 3½	» Aug. 10. 5	» Sept. 1. 4
» Nov. 25. 4	1889, Sept. 18. 3	1909, Feb. 2. 4½	1933, May 24. 3½
1866, May 12. 4½	1890, April 2. 3½	1911, Sept. 29. 5	1936, Dec. 7. 4
» May 16. 5	» July 2. 4	1912, March 25. .. 5½	1938, Jan. 5. 3½
» May 26. 6	» Dec. 23. .. 4½	1914, Jan. 24. 5	1939, Sept. 22. .. 4½
» June 16. 7	1891, Feb. 4. 4	» Feb. 10. .. 4½	1940, May 11. 3
» Aug. 4. 6	» April 4. 4½	» June 24. 5	1946, Jan. 9. 2½
1867, June 1. 5	» April 15. .. 5	» Aug. 1. 6	1955, Feb. 14. 3½

Yearly average

Year	%	Year	%	Year	%	Year	%	Year	%	Year	%	Year	%
1819—1822	.8.00	1857	...6.00	1873	...4.07	1889	.3.36	1905	.4.86	1921	.6.75	1937	.4.00
1823	...7.28	1858	...5.52	1874	...4.81	1890	.3.64	1906	.5.18	1922	.5.53	1938	.3.51
1824	...7.00	1859	...5.26	1875	...5.84	1891	.4.88	1907	.5.22	1923	.5.81	1939	.3.78
1825	...6.33	1860	...5.55	1876	...5.64	1892	.5.37	1908	.5.34	1924	.6.95	1940	.3.53
1826—1842	.6.00	1861	...5.88	1877	...6.00	1893	.5.00	1909	.4.54	1925	.5.85	1941—	
1843	...5.28	1862	...5.28	1878	...6.17	1894	.4.54	1910	.4.50	1926	.5.38	1945	.3.00
1844—1847	.5.00	1863	...5.23	1879	...4.96	1895	.3.84	1911	.4.63	1927	.4.58	1946	.2.51
1848	...5.53	1864	...6.07	1880	...4.17	1896	.4.00	1912	.5.39	1928	.5.53	1947—	
1849	...6.00	1865	...4.73	1881	...3.98	1897	.4.64	1913	.5.50	1929	.5.57	1954	.2.50
1850	...5.65	1866	...5.37	1882	...4.79	1898	.4.30	1914	.5.11	1930	.4.53	1955	.3.38
1851	...4.88	1867	...5.34	1883	...4.50	1899	.5.96	1915	.5.22	1931	.4.65	1956	.3.50
1852	...4.60	1868	...5.00	1884	...4.50	1900	.6.50	1916	.5.06	1932	.4.68	1957	.3.50
1853	...4.64	1869	...4.86	1885	...4.50	1901	.5.67	1917	.5.53	1933	.3.70	1958	.3.50
1854	...4.27	1870	...4.68	1886	...4.50	1902	.4.58	1918	.6.00	1934	.3.50	1959	.3.50
1855	...4.86	1871	...3.81	1887	...3.99	1903	.5.21	1919	.5.69	1935	.3.50		
1856	...5.66	1872	...3.50	1888	...3.50	1904	.4.90	1920	.6.52	1936	.3.53		

* Prior to January 1st, 1893, the individual branches in some cases applied different Bank discount rates. The above figures apply to Oslo.



