

QUARTERLY FINANCIAL ACCOUNTS – NORGES BANK

I. INTRODUCTION

Statistics Norway published the first set of annual financial balance sheets in 1957. The accounts recorded the stocks of financial assets and liabilities at the end of the year, broken down into 9 sectors. A new, more detailed sector classification was introduced in 1985. The revised sector classification was more closely in line with the SNA 1968 guidelines. A further revision was made in 1995 in order to adjust the financial accounts to SNA 1993 and ESA 1995. Statistics Norway released a new set of annual financial balance sheets for the years 1993 to 1997 in June 2001. Classifications and methods were improved in line with ESA 1995 requirements.

Norges Bank has published quarterly financial accounts for Households and NPISH since 1990. The database Findatr was operative until 2003 and had time series from 1975 for all institutional sectors. The quarterly financial accounts were revised in 2003 and a new database Finse (FINancial SECTOR accounts) replaced the old database Findatr. Methods and classifications are based on the recommendations of ESA 1995 and Finse has time series for all institutional sectors from the fourth quarter of 1995.

II. INSTITUTIONAL SECTOR CLASSIFICATION

S.11. Non-financial corporations

The sector includes non-financial enterprises owned by the private sector, the public sector and the rest of the world. Private non-profit institutions serving enterprises are also included.

- *Central government enterprises and other state enterprises.* The sub-sector comprises the Central Government enterprises (unincorporated state enterprises) and other state enterprises (incorporated). The unincorporated state enterprises are state administered enterprises directly subordinate to the Parliament's appropriations authority. Incorporated state enterprises comprise mainly the companies in which the Central Government directly controls more than 50 per cent of the paid-in share capital or limited partnership contributions. The sector also includes subsidiaries of these enterprises of which the first generation owns at least 50 per cent of the paid-in capital in the second or third generation companies, etc. Companies in which the state together with administrative companies or other state enterprises or a combination of the above, owns at least 50 per cent of the paid-in capital are also included in the sector.
- *Municipal enterprises.* All business activities that correspond to those entered under the chapter for business operations in the municipal accounts come under the institutional sector municipal enterprises. The sector also includes all electricity and energy companies where one or more municipalities own at least 50 per cent of the paid-in share capital. For enterprises partly owned by municipalities or counties that are engaged in other business activities the sector coverage is not complete.
- *Private non-financial enterprises.* The sub-sector comprises all other non-financial enterprises. The largest contribution to S11 Non-financial corporations is from private incorporated companies (e.g. limited liability companies). Private quasi-corporate enterprises are not included in the private non-financial corporation sector, but in the household sector. This is due to the fact that the assets and liabilities for these enterprises

are not derived from their balance sheets, even if they have to keep complete sets of accounts, but based on statistics from tax returns.

The reconciliation sector, which shows the inconsistencies between debtor and creditor sector information, is treated as a separate sector. The data for the reconciliation sector has been added to the non-financial corporation sector in the reports to Eurostat.

Table A. The structure of the Norwegian financial system. June 2006.

	Number of institutions	Total assets. Billion NOK	Percentage of total assets
Total excl. mutual funds	-	4843	100
The Central Bank Norges Bank*	1	379	8
Other monetary financial institutions			
Commercial- and savings banks	160	2482	51
Money market funds	53	75	2
Other financial intermediaries			
State lending institutions	3	202	4
Mortgage companies	13	423	9
Finance companies	55	119	2
Others	-	341	7
Insurance corporations			
Life-insurance and pension funds**	262	692	14
Non-life insurance companies	112	130	3

* Excluding The Government Petroleum Fund.

** Pension fund figures are from the end of 2004.

S.12. Financial corporations

The financial corporations sector relates to the main groups of financial institutions for which there are statistical reporting. Table A shows the number of institutions and total assets at the end of June 2006 covered by the statistics. At the end of June 2006, 767 institutions excluding mutual and money market funds, reported data to Norges Bank and Statistics Norway.

S.121 Central bank.

The sub-sector comprises Norges Bank that is the executive and advisory body for monetary and credit policy as well as the foreign exchange policy. Norges Bank issues notes and coin, administers the official foreign exchange reserves and manages the Government Petroleum Fund.

S.122 Other monetary financial institutions

The sub-sector includes all banks and money market funds. The sector includes both domestically owned and foreign-owned commercial banks in Norway, including branches of foreign banks operating in Norway. In June 2006 there were 149 commercial and savings banks in Norway.

S.123 Other financial intermediaries, except insurance corporations and pension funds.

The sector comprises state lending institutions, mortgage companies, finance companies and mutual funds excluding money market funds.

- *State lending institutions.* State lending institutions were established to ensure the supply of credit to specific sectors according to social, economic or regional criteria. Loans are often offered on propitious terms, regarding interest, repayment period and security. State lending institutions are administered by the Central Government. Originally, these lending institutions were meant to finance their operations by bond issues, but are almost entirely financed directly through Government funds.
- *Mortgage companies.* The mortgage companies provide financing for, inter alia, industrial and residential buildings, shipbuilding and export credit, mainly as medium and long-term mortgage loans. They obtain funds by issuing bearer bonds loans in the domestic and foreign market.
- *Finance companies.* Finance companies render financial services in the same way as the banks in the form of loans against promissory notes, but they mainly offer complementary services such as leasing, factoring and installment credit. The companies are to a large extent owned by banks and insurance companies. They largely obtain funds by borrowing in the money market.
- *Mutual funds.* The sector includes equity funds, bond funds and mixed funds registered in Norway. The sector has been growing rapidly the last ten years.
- *Financial holding companies, development, venture and investment companies.* These unites are not reporting to Norges Bank. Various other statistical sources are used to quantify their financial accounts. The most important sources are balance sheets of the other financial corporation sector and *The Norwegian Central Securities Depository (VPS)*.

S.124 Financial auxiliaries.

The sector includes financial auxiliaries such as deposits guarantee funds, foreign exchange bureaux, pension fund management companies, insurance brokers, stock exchange management companies, futures and options market management companies, securities clearing and settlement services, security brokers, security agencies, mutual funds management companies, portfolio management companies, venture capital fund management companies, investment advisors, insurance agents, insurance and pension consultants.

These unites are not reporting to Norges Bank. Various other statistical sources are used to quantify their financial accounts. The most important sources are balance sheets of the other financial corporation sector and *The Norwegian Central Securities Depository (VPS)*.

S.125 Insurance corporations and pension funds.

Comprises life-insurance and non-life insurance companies as well as autonomous private and public pension funds that are subject to supervision by the Banking, Insurance and Security Commission. They obtain funds in the form of premium payments and contributions to pension schemes. The funds are mainly used for purchase of bearer bonds, shares and granting of loans to customers. The sector also includes *Joint Pension under Collective Agreement (FTP)* and *Agreement Based Pension (AFP)* *The Norwegian Public Service Pension fund*, which is unfunded, is part of the *Central government sector* and not in the S.125.

S.13. General government

The General government sector includes the Central Government and the Local Government. The Social Security funds are included in the data for the Central Government. This is a deviation from ESA95.

S.1311 Central Government (including social security funds).

The sector includes the central government's fiscal accounts including the National Insurance Scheme (not funded), other central government accounts, some other social security accounts and parts of the tax collection accounts (accrued unpaid/advanced paid taxes, duties and licences to the central government).

Other central government accounts consist of the following accounts:

- Government Bank Insurance Fund
- Government Petroleum Fund (established in 1991, but the first transfer of funds were made in 1995)
- Price Regulation Funds
- Norwegian Public Service Pension Fund (not funded)
- National Insurance Scheme Fund
- Norwegian Research Council and Norwegian Trade Council
- Government funds including Tax Equalisation Fund
- Central government special accounts
- Advance and deposit accounts

Other social security accounts comprise the following accounts:

- Other social insurance schemes administered by the National Insurance Administration
- Pension Insurance Fund for Seamen
- Guarantee Fund for Fishermen

State enterprises, both incorporated and unincorporated, are included in the sector *Non-financial corporations*.

S.1313. Local government.

The sector includes the activities run by the municipalities and the counties. The basis for the financial balance sheets statistics for the Local government is the annual accounting statements from each municipality, county, joint municipal or county activities and parts of the tax collection accounts (accrued unpaid/advanced paid taxes, duties and licences to the local government).

Enterprises owned by the local authorities, regardless of their legal form, are included in the sector *Non-financial corporations*.

S.1314. Social Security funds.

The Social Security funds are included in the *Central government sector*.

S.14 and S.15. Households and non-profit institutions serving households

Include resident households, unincorporated and quasi-corporate businesses, unincorporated partnerships, and private non-profit making bodies serving households. The sector includes all unincorporated enterprises, regardless of size. Due to lack of information, the non-profit

institutions are included in the household sector in the financial accounts, which is a deviation from the breakdown by sector desired by ESA95.

S.2. Rest of the world

The accounts of the rest of the world show residents' claims on and liabilities to non-residents. In this context, financial assets and liabilities vis-à-vis the rest of world also include fixed assets (real estate etc) acquired by residents (investing abroad) and by non-residents in Norway.

III. THE CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

AF.1 Monetary gold and Special drawing rights (SDRs)

Comprise gold and special drawing rights (SDRs).

AF.2 Currency and deposits

AF.21 Currency

Comprise Norwegian and foreign notes and coins.

AF.22 Transferable deposits

Comprise demand deposits with commercial banks and savings banks, Norges Bank and foreign banks.

AF.29 Other deposits

Comprise all other deposits than demand deposits with commercial banks and savings banks, Norges Bank and foreign banks (mainly time deposits and restricted deposits). Included is also net reserves position with the IMF.

AF.3 Securities other than shares

AF.33 Securities other than shares, excluding financial derivatives

AF.331 Short-term

Comprise negotiable securities with original maturity of maximum one year. Included are Treasury bills and other negotiable short-term papers issued by the Norwegian government or foreign governments and negotiable short-term papers issued by financial and non-financial corporations in Norway. The instrument includes commercial papers, commercial bills, promissory notes, bills of trade, certificates of deposit, note issuance facilities (NIFs) and revolving underwriting facilities (RUFs). Other bills and Treasury bills are recorded under Loans. This is due to the fact that Norges Bank does not rediscount bills giving these claims a low degree of transferability.

AF.332 Long-term

Comprise instruments defined as tradable standardized debentures with original maturity of more than one year. Included are government bonds, municipal bonds and other bonds issued to bearer, with notification requirement to Norges Bank. The instrument also includes bonds issued in Norway in foreign currency, bonds issued in Norway by foreigners, and bonds issued abroad by Norwegians or foreigners. Furthermore the instrument includes subordinated loan

capital issued in the form of bonds as well as convertible bonds. Savings bonds issued by the Central Government are not negotiable and are classified as *Loans*.

AF.34 Financial derivatives

Tradable derivatives are not recorded under *Securities other than shares* but are mainly included in *Other accounts receivable / payable*.

AF 4 Loans

This financial instrument includes other lending forms than tradable debentures and certificates.

AF 41 Short –term loans

Short-term loans are mainly quantified on the basis of the specifications in quarterly accounting statistics for financial corporations. The instrument comprises building loans, factoring, bank overdraft, operating and working credit.

AF 42 Long-term loans

The instrument comprises all other loans than Short-term loans (mortgage bond issues, other medium and long-term repayments loans and financial leasing).

AF.5 Shares and other equity

The instrument includes ordinary shares in limited liability companies, shares in cooperative societies with limited liabilities and shares in mutual funds. Shares in foreign companies are also included. Furthermore, the instrument includes tradable Norwegian primary capital certificates.

AF.51 Shares and other equity, excluding mutual funds shares

AF.511 Quoted shares, excluding mutual funds shares

Foreign quoted shares and Norwegian shares quoted on the Oslo Stock Exchange.

AF.512 Unquoted shares, excluding mutual funds shares

Norwegian shares not quoted on the Oslo Stock Exchange and foreign unquoted shares.

AF.513 Other equity

The instrument includes long-term capital in public and private enterprises and in international organisations, except share capital. Examples are the Central Government's contributed capital in state enterprises, the Central Government's primary capital in the state lending institutions, the Central Government's capital in international organisations and financial institutions, Norwegian shares in the Scandinavian Airlines System and capital contributions in pension funds. Other equity is separated from shares in the compilation.

The coverage of Other equity (F513) is not complete due to lack of information. Shares in general partnerships are included in *Other accounts receivable/payable*.

AF.52 Mutual fund shares

Comprise mutual funds shares issued by money market funds and other mutual funds registered in Norway, including funds investing abroad. Norwegian owned mutual fund shares issued by foreign mutual funds have only been partly identified.

AF.6 Insurance technical reserves

AF.61 Net equity of households in life insurance reserves and in pension funds reserves.

The instrument includes individual insurance savings (*F.661 Net equity of households in life insurance reserves*) and group insurance savings (*F.662 Net equity of households in pension fund reserves*) in private life insurance companies and total capital in autonomous municipal and private pension funds. The implementation of the new accounting law as from January 1999, has given the net equity of household in life insurance a positive shift (revaluation).

AF.62 Prepayments of insurance premiums and reserves for outstanding claims.

The instrument includes prepayments of premiums and reserves against outstanding claims in non-life insurance companies.

AF.7 Other accounts receivable/payable

AF.71 Trade credits and advances.

Trade credits, other accrued, not overdue items or advance payments are not distinguished as a separate sub-category.

AF.79 Other accounts receivable/payable, except trade credits and advances

Trade credits and other financial items that do not belong to the previously listed instruments are included here. The instrument comprises inter alia tenant deposits, shares in general partnerships, assessed tax debts, documentary credits, bank drafts, intra-group balances and the IMF's reserves of Norwegian currency. Note that the item in principle also includes fixed capital owned by Norwegian sectors abroad. Furthermore the instrument includes accrued, unpaid interest, wages, insurance premiums, deferred tax claims/liabilities, tax deductions etc, and correspondingly paid, not overdue items. Derivatives recorded in the balance sheets are included. However, the coverage of derivatives in the accounts is unknown.

IV. CONSOLIDATION

Norges Bank compiles only non-consolidated financial accounts. Compilation of consolidated data is not a part of the regular procedure. However, Norges Bank has compiled consolidated data for Eurostat. The consolidation is based on the agreed Eurostat/ECB rule:

Sector level: all transactions and stock positions between institutional units within the boundary of the sector are eliminated.

Sub-sector level: all transactions and stock positions between institutional units within the boundary of the sub-sector are eliminated. This means that transactions or positions of institutional units in the sub-sector with institutional units outside of the sub-sector concerned are retained.

Consolidated figures are calculated both for financial accounts and balance sheets and comprise all domestic sectors.

V. OTHER CONCERNS IN THE COMPILATION OF FINANCIAL ACCOUNTS

- i) There are problems of data compilation in relation to the private non-financial corporations whose balance sheet information we have not yet been able to utilize. The household sector has much of its assets and liabilities with the financial corporation sector, for which good counterpart data are available. Although there is very little direct information available for the household sector, the data quality of the household sector is significantly better than for the non-financial corporation sector.
- ii) Market values have been partly introduced. Valuation of transactions of unquoted shares is mainly based on changes in balance sheets at nominal values.
- iii) Certain data have to be imputed (tax claims/liabilities).
- iv) Timeliness of the information is a problem for certain sectors (among them the municipal enterprises sector is the largest).
- v) Revaluation estimates are incomplete.
- vi) 'Other changes in volume account' has been partly introduced.
- vii) Large "statistical discrepancies" occur for many sectors between financial and non-financial accounts.