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Foreign Exchange and Liquidity, January 2010

THE FOREIGN-EXCHANGE RESERVE

In January 2010 the foreign-exchange reserve increased by kr. 20.8 billion to kr. 415.4 billion. The increase reflects Danmarks Nationalbank's net purchase of foreign exchange for kr. 22.2 billion, and the central government's net repayment of foreign debt for kr. 1.4 billion, cf. table 1.

In January, Danmarks Nationalbank's net purchase of foreign exchange due to intervention in the foreign-exchange market amounted to kr. 18.7 billion.

DANMARKS NATIONALBANK'S NET FOREIGN-EXCHANGE
PURCHASES AND THE CHANGE IN THE FOREIGN-EXCHANGE RESERVE – TABLE 1

Kr. billion	January 2010
Danmarks Nationalbank's interventions* to purchase foreign exchange, net	18.7
Other**	3.5
Danmarks Nationalbank's net foreign-exchange purchases	22.2
The central government's net foreign borrowing*** ..	-1.4
Change in the foreign-exchange reserve	20.8

Note: Details may not add because of rounding.

* Intervention takes place when Danmarks Nationalbank purchases and sells foreign exchange for Danish kroner in the foreign-exchange market in order to stabilise the exchange rate.

** Comprises e.g. interest accrued on the foreign-exchange reserve, the central government's net payments in foreign exchange, and changes in the banks' deposits in euro-denominated accounts at Danmarks Nationalbank.

*** Including net payments to the central government in foreign exchange as a result of currency swaps.

VALUE ADJUSTMENT OF THE FOREIGN-EXCHANGE RESERVE FOR 2009

Danmarks Nationalbank has undertaken a value adjustment of the foreign-exchange reserve. The adjustment has led to net write-up of the foreign-exchange reserve by kr. 5.5 billion, so that at the end of 2009 the foreign-exchange reserve was kr. 394.6 billion.

DEVELOPMENT IN LIQUIDITY

In January the central government's net financing requirement amounted to kr. 11.5 billion, cf. table 2.

The net position of the banks and mortgage-credit institutes vis-à-vis Danmarks Nationalbank increased by kr. 32.1 billion in January, to an outstanding amount of kr. 116.2 billion. In January Danmarks Nationalbank's net foreign-exchange increased the net position by kr. 22.2 billion.

IMPACT OF VARIOUS FACTORS ON THE NET POSITION OF THE BANKS
AND MORTGAGE-CREDIT INSTITUTES VIS-À-VIS DANMARKS NATIONALBANK – TABLE 2

Kr. billion	January 2010
The central government's net financing	11.5
Redemption on domestic central-government debt [†] ...	0.0
Other**	15.6
The central government's gross domestic financing requirement	27.2
The central government's gross domestic borrowing***	13.5
The central government's liquidity impact	13.7
Danmarks Nationalbank's net foreign-exchange purchases	22.2
Danmarks Nationalbank's net bond purchases	-3.1
Other factors****	-0.5
Change in net position	32.1

Note: Details may not add because of rounding.

* Including krone-denominated payments by the central government in currency swaps.

** Comprises, *inter alia*, net bond purchases by the Social Pension Fund, the High-Technology Foundation and the Financing Fund for increased distributions from the Danish National Research Foundation.

*** Gross long-term borrowing, net short-term borrowing and krone-denominated payments to the central government in currency swaps.

**** Comprises e.g. changes in banknotes and coins in circulation.

DANMARKS NATIONALBANK'S INTEREST RATES

Since 15 January 2010 the discount rate has been 0.75 per cent, the current-account interest rate 0.70 per cent, the rate of interest on certificates of deposit 0.80 per cent and the lending rate 1.05 per cent.

FURTHER INFORMATION

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