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October 23, 1990

To: Members of the Executive Board
From: The Acting Secretary
Subject: Norway - Exchange Arrangements

The Secretary has received the following memorandum dated October 19, 1990 from Mr. Fogelholm:

My Norwegian authorities have requested that I notify you of the following change in the exchange arrangement for the Norwegian krone:

On Friday, October 19, 1990, the Norwegian Government decided unilaterally to peg the Norwegian krone to the European Currency Unit (ECU), effective Monday, October 22, 1990. Consequently, the krone will be linked to the currencies of a group of countries which aim at price stability in the implementation of economic policy. Thus, the objective of reducing imbalances in the Norwegian economy on a sustainable basis will be supported.

The international value of the Norwegian krone is calculated on the basis of the exchange rates between the krone and the currencies which are included in the ECU and their national amounts in the ECU. The central value of the krone is now set at 1 ECU = NKr 7.9940. This means that, with this central value, there is no change in the international value of the krone following the amendment of the exchange rate mechanism.

As under the previous exchange rate arrangement, the Norges Bank will, if necessary, purchase or sell foreign currencies in the market to keep the value of the krone within a fluctuation margin of ± 2.25 percent of the central value.

Other Distribution:
Department Heads

