

Box 2 Are credit institutions overdependent on the Central Bank?

The credit institutions' large facilities with the Central Bank invite the question whether they are overdependent on it for their funding. Since 1994, the credit institutions' net position with the Central Bank (as a proportion of M3) has swung from +3.4% to -11% (in September 2001). Institutions which formerly had large net balances with the Central Bank now owe it considerable sums over and above their deposits. The bulk of these liabilities are repurchase agreements. A similar development has taken place among deposit money banks in particular.

The table shows the net position of deposit money banks (DMBs) towards central banks in selected countries. It reveals that the scope of the Central Bank of Iceland's facilities for DMBs is not abnormal compared with what has been happening elsewhere.

Deposit money banks' net position with Central Bank as % of M3

Average for selected countries in the period 1990-2000

Country	Highest value	Lowest value	Average	Latest value	Standard deviation
Iceland ¹	-6.9	15.0	4.4	-5.9	-4.5
Denmark	-13.0	10.2	0.2	0.3	-4.2
Finland	-5.6	14.8	5.6	3.3	-4.8
Norway	-19.6	6.5	-3.3	-0.3	-6.9
Sweden.....	-20.6	8.8	-0.7	-4.0	-4.1
Japan	-3.3	2.5	-0.7	0.1	-1.1
New Zealand	-2.9	3.0	0.7	-1.3	-1.2
Switzerland	-2.4	1.9	0.6	-1.5	-1.2
Germany	-7.9	-3.1	-5.9	-4.8	-1.1
Chile.....	-56.3	2.2	-20.9	-4.9	-17.3
Brazil.....	-13.7	30.0	6.9	19.9	-9.6
Mexico	-21.8	32.6	3.8	-1.1	-8.4
Korea.....	-28.5	-2.0	-13.4	-1.1	-6.4
India	5.2	13.1	9.7	6.3	-2.2
Thailand	0.5	9.2	3.1	4.5	-2.1
Israel	0.7	92.8	12.6	17.3	-13.1
USA	0.9	1.7	1.3	0.0	-0.2
France	-8.6	0.9	-2.1	-2.7	-2.0

1. To September 2001.

Source: International Monetary Fund (*International Finance Statistics*).