

BANK OF FINLAND



155th
ANNUAL STATEMENT
1966

Profit and Loss Account, 31st December 1966

EXPENSES

Salaries	7 286 054,39
Pensions	740 221,00
Family pensions	237 046,55
Fees and expenses of bank supervisors	22 104,63
Fees of branch controllers	12 872,00
Social security contributions	419 236,87
Interest on investment deposits	1 753 790,14
Amounts written off and depreciation	3 966 452,40
Printing of bank notes	2 858 986,00
Other expenses	1 988 477,02
Net profit for 1966	33 896 593,98
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	mk 53 181 834,98
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EARNINGS

Interest on internal loans	38 467 513,86
Interest on foreign exchange holdings	4 209 529,61
Interest on bonds	4 980 594,55
Commission	1 713 667,89
Agio	1 706 099,34
Other earnings	2 104 429,73
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	mk 53 181 834,98
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Balance Sheet,

ASSETS		
Ordinary note cover		
Gold	143 920 526,75	
IMF gold tranche	100 000 000,—	
Foreign exchange	312 026 428,78	
Foreign bills	56 419 618,71	
Foreign bonds	24 919 537,13	637 286 111,37
Supplementary note cover		
Inland bills discounted		
In foreign currency	36 260 717,05	
In Finnish currency	112 208 000,—	
Rediscounted bills	915 197 111,35	1 063 665 828,40
Other assets		
Finnish bonds	284 849 283,06	
Cheque accounts	2 106 916,70	
Finnish coin	11 687 848,71	
Other claims	125 953 889,75	424 597 938,22
		mk 2 125 549 877,99

Statement of note

RIGHT OF NOTE ISSUE		
Ordinary cover		637 286 111,37
Supplementary cover (Upper limit mk 700 m.)		700 000 000,—
		mk 1 337 286 111,37

31st December 1966

LIABILITIES		
Notes in circulation		1 106 207 707,—
Liabilities payable on demand		
Foreign exchange accounts	61 207 570,50	
Mark accounts of holders abroad	16 182 525,84	
Cheque accounts		
Treasury	39 765 162,92	
Post Office Savings Bank	17 326 383,60	
Private banks	13 815 466,98	
Other	2 800 006,70	
Other sight liabilities	28 519 397,17	179 616 513,71
Term liabilities		
Foreign	84 626 921,26	
Finnish	41 663 260,54	126 290 181,80
Equalization accounts		266 959 909,67
Bank's own funds		
Capital	300 000 000,—	
Reserve fund	112 578 971,83	
Net profit for 1966	33 896 593,98	446 475 565,81
	mk	2 125 549 877,99

issue, 31st December 1966

NOTE ISSUE	
Notes in circulation	1 106 207 707,—
Liabilities payable on demand	179 616 513,71
Undrawn on cheque credits	4 923 083,30
Unused right of note issue	46 538 807,36
	mk 1 337 286 111,37

Developments in 1966

During 1966 the rate of economic growth slackened and the increase in the volume of total production on the previous year was less than 3 per cent. Economic development continued to be influenced by the contraction in the external liquidity position. The current account deficit in the balance of payments was approximately the same as in 1965. Since capital imports were quite small there was a continuous weakening in the foreign exchange situation. The total convertible currency reserves held by the Bank of Finland and the authorized banks decreased by as much as in the previous year. There was also a decrease in holdings of other currencies; this was, however, a temporary phenomenon, since payments made in these currencies are balanced through bilateral payments agreements.

According to the Balance Sheet the gold reserve of the Bank of Finland decreased by 124 million marks in 1966. This was partly a result of increasing the quota of Finland in the International Monetary Fund in March. Of the extra amount 54 million marks was paid in gold; on the other hand this meant an increase from 46 million marks to 100 million marks in the IMF gold tranche of the Bank of Finland, which is included in the foreign exchange reserve of the Bank. The foreign exchange assets of the Bank fell by 236 million marks and short-term foreign liabilities grew by 16 million marks. The gold and foreign exchange reserve of the Bank thus was reduced by 321 million marks altogether and amounted to 495 million at the end of the year.

The Treasury's cash difficulties persisted throughout 1966, although some taxes and charges were raised in the middle of the year. Towards the end of 1966 the deficit in state finances proved to be so considerable that it was necessary to resort to special measures. In view of the fact that the budget for 1967 was designed to support the balance of payments and to restrict total demand, the Bank of Finland granted a 300 million mark loan in December to the Treasury to improve its liquidity position. The loan will be refunded in 1968—1970. By the end of the year under review the Treasury had drawn 205 million marks of this loan. The Treasury's cheque account balance amounted to 40 million marks at the end of the year.

Bank lending continued to increase and depended largely upon central bank credit. In order to curb this growth the Bank of Finland maintained quantitative restrictions for bank advances to the end of October. It also set new rediscounting quotas for the banks from the beginning of May and at the same time instituted a control over the credit and financing plans of those banks which exceeded them. In addition, towards the end of October these banks were given certain levels to which they had to reduce their rediscounts in January and in June 1967. The liabilities of the banks to the Central Bank increased considerably during the year, which partly reflected the decline in the foreign exchange reserve. The weekly average of rediscounts, which was 572 million marks in 1965, amounted to 724 million marks in 1966.

At the end of the year rediscounted bills totalled 915 million marks or 275 million marks more than a year earlier. After having granted the above-mentioned loan to the Treasury, the Bank of Finland concluded a special cash reserve agreement with the banking institutions towards the end of December, according to which the banks will make special cash reserve deposits with the Bank of Finland depending on the amount and growth of their deposits in the course of 1967. The maximum for total special deposits is 300 million marks or the amount of the Bank of Finland loan to the Treasury.

There was an increase of 86 million marks in inland bills denominated in Finnish currency during the year, which was primarily caused by the 'new export' credits and some provisional credits granted at the turn of the year. A part of direct lending to the economy is also entered in the Balance Sheet under »Other assets», which rose by 51 million marks, the largest increase being in the medium-term suppliers' credits granted to the engineering industry. These credits amounted to 68 million marks at the end of the year as compared with 50 million one year earlier.

The mark accounts of holders abroad grew by 5 million marks during the year under review and foreign term liabilities by 39 million marks. Finnish term liabilities increased by 30 million marks or to 42 million marks. A new item »Investment deposits», transferred from the Treasury to the Bank of Finland at the beginning of the year as a result of a change in the law, was included in the latter. The investment deposits amounted to 9 million marks at the end of the year.

Notes in circulation increased by 78 million marks and was 1 106 million at the end of 1966.

The official discount rates applied by the Bank of Finland remained unchanged throughout the year, with a minimum rate of 6 per cent and a maximum of $7\frac{1}{2}$ per cent. The basic rate for rediscounts was 7 per cent, and the penalty rate charged for exceeding the quota at the most 4 per cent. Till the end of October the 6 per cent basic rate was, however, applied to the banking institutions that had kept their advances within the limits set by the Bank of Finland. These banks were also refunded the penalty rates of interest charged during the period November 1965—April 1966.

With the Act on a temporary amendment of the Bank of Finland Regulations on November 18 the Bank's right to issue notes in excess of the ordinary note cover was raised from 500 million to 700 million marks, to the end of 1968. In addition, the amount by which this limit may, on the representation of the Bank Supervisors, be increased for a fixed period by degree, was raised from 80 million to 150 million marks. The unused right of note issue was 47 million marks at the end of the year.

The profits of the Bank amounted to 33.9 million marks or 4.6 million marks more than in 1965. The increase in profits was almost entirely due to that in the interest earnings on domestic credit. The income from foreign correspondents decreased considerably.

One-half of the annual profit of 1966 is transferred to the reserve fund. The disposal of the other half will be decided by Parliament.

Monthly movement

ASSETS

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Date	Ordinary note cover					Supplementary note cover			Other assets				Total of Balance Sheet
	Gold	IMF gold tranche	Foreign exchange	Foreign bills	Foreign bonds	Inland bills dis- counted in for- eign currency	Inland bills discounted in Finnish currency	Rediscounted bills	Finnish bonds	Cheque accounts	Finnish coin	Other claims	
31. 12. 65	267	46	548	55	29	45	26	641	37	2	6	74	1 776
31. 1. 66	267	46	548	54	29	45	25	570	52	1	9	89	1 735
28. 2. 66	267	46	601	53	29	45	42	485	95	1	9	84	1 757
31. 3. 66	184	100	536	55	29	45	41	555	119	4	9	104	1 781
30. 4. 66	177	100	491	60	29	44	44	640	76	16	10	92	1 779
31. 5. 66	177	100	483	59	28	44	43	665	117	2	10	87	1 815
30. 6. 66	177	100	421	60	28	41	41	766	101	3	9	129	1 876
29. 7. 66	177	100	427	58	28	41	42	782	81	3	9	114	1 862
31. 8. 66	177	100	381	56	28	41	40	811	102	3	10	111	1 860
30. 9. 66	177	100	372	60	28	41	54	781	130	2	12	133	1 890
31. 10. 66	173	100	344	60	28	39	62	808	121	5	13	138	1 891
30. 11. 66	162	100	298	62	27	39	62	849	178	5	13	143	1 938
31. 12. 66	144	100	312	56	25	36	112	915	285	2	12	126	2 125

31. 12. 65	267	46	548	55	29	45	26	641	37	2	6	74	1 776
Change in 1966	—123	+54	—236	+ 1	— 4	— 9	+ 86	+274	+248	—	+ 6	+52	+349
31. 12. 66	144	100	312	56	25	36	112	915	285	2	12	126	2 125

of Balance Sheet in 1966

LIABILITIES

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Date	Notes in circulation	Liabilities payable on demand							Term liabilities		Equalization accounts	Bank's own funds		Total of Balance Sheet	
		Foreign exchange accounts	Mark accounts of holders abroad	Cheque accounts				Other sight liabilities	Foreign	Finnish		Capital Reserve fund	Profits undistributed		Profit & Loss account
				Treasury	Post Office Savings Bank	Private banks	Other								
31. 12. 65	1 029	45	11	1	8	12	1	20	45	12	165	398	29	1 776	
31. 1. 66	943	42	11	2	4	12	1	21	45	40	185	427	2	1 735	
28. 2. 66	968	40	7	3	3	8	3	24	45	37	187	427	5	1 757	
31. 3. 66	947	41	25	1	1	21	2	21	45	37	205	427	8	1 781	
30. 4. 66	962	39	24	7	5	—	2	22	44	35	201	427	11	1 779	
31. 5. 66	1 019	40	24	1	1	11	2	21	42	33	180	427	14	1 815	
30. 6. 66	1 047	41	17	—	5	30	1	22	41	33	196	427	16	1 876	
29. 7. 66	1 032	43	17	1	1	11	2	21	41	33	228	413	19	1 862	
31. 8. 66	1 005	39	17	3	4	29	1	20	41	33	235	413	20	1 860	
30. 9. 66	1 017	37	16	3	9	10	2	20	41	33	265	413	24	1 890	
31. 10. 66	1 012	36	16	3	22	—	1	20	39	28	274	413	27	1 891	
30. 11. 66	1 017	43	16	4	44	—	2	19	39	26	286	413	29	1 938	
31. 12. 66	1 106	61	16	40	17	14	3	28	84	42	267	413	34	2 125	

31. 12. 65	1 029	45	11	1	8	12	1	20	45	12	165	398	29	1 776	
Change in 1966	+ 77	+16	+ 5	+39	+ 9	+ 2	+2	+ 8	+39	+30	+102	+ 15	+5	+349	
31. 12. 66	1 106	61	16	40	17	14	3	28	84	42	267	413	34	2 125	

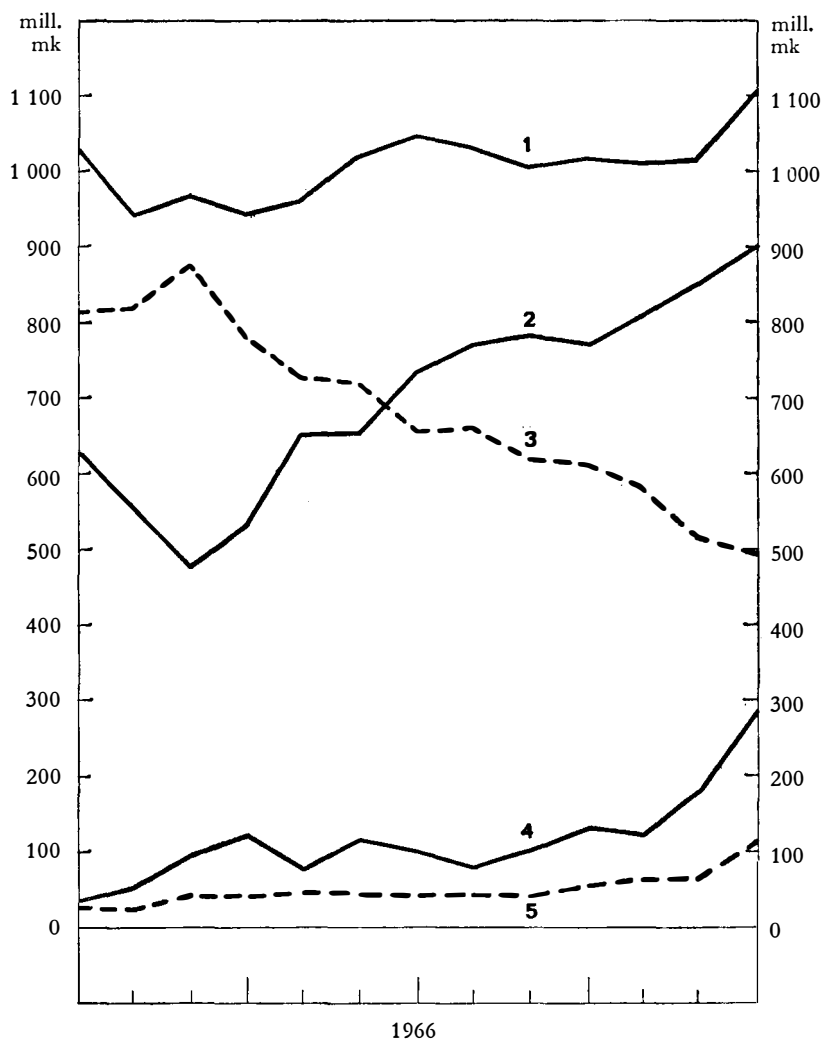
Right of note issue in 1966

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Date	Ordinary note cover a	Supplementary note cover b	Right of note issue c = a + b	Notes in circulation d	Liabilities payable on demand e	Undrawn on cheque credits f	Unused right of note issue g = c - (d + e + f)
31. 12. 65	945	500	1 445	1 029	98	5	313
31. 1. 66	944	500	1 444	943	93	5	403
28. 2. 66	996	500	1 496	968	88	5	435
31. 3. 66	904	500	1 404	947	112	4	341
30. 4. 66	857	500	1 357	962	99	4	292
31. 5. 66	847	500	1 347	1 019	100	5	223
30. 6. 66	786	500	1 286	1 047	116	4	119
29. 7. 66	790	500	1 290	1 032	96	4	158
31. 8. 66	742	500	1 242	1 005	113	4	120
30. 9. 66	737	500	1 237	1 017	97	5	118
31. 10. 66	705	500	1 205	1 012	98	3	92
30. 11. 66	649	700	1 349	1 017	128	3	201
31. 12. 66	637	700	1 337	1 106	179	5	47

31. 12. 65	945	500	1 445	1 029	98	5	313
Change in 1966	—308	+200	—108	+ 77	+ 81	—	—266
31. 12. 66	637	700	1 337	1 106	179	5	47

Major factors bearing upon the money supply 1966



1. Notes in circulation
2. Rediscounted bills *minus* cheque accounts of private banks
3. Gold and foreign exchange, net
4. Finnish bonds
5. Inland bills discounted in Finnish currency

The Bank Supervisors delegated by Parliament

VEIKKO KOKKOLA
Chairman

AARNE SAARINEN
Vice Chairman

NESTORI KAASALAINEN
Deputy, Minister of Agriculture

T. JUNNILA
Deputy

RAFAEL PAASIO
Deputy, Prime Minister

EINO UUSITALO
Deputy

OIVA LEHTO

VERNER KORSBÄCK
Deputy

OLAVI SALONEN
Minister of Trade and Industry

The Board of Management

KLAUS WARIS
Pb.D., Governor

ESKO K. LEINONEN
LL. B.

A. SIMONEN
*LL. M. Minister of Justice
(On leave of absence)*

AHTI KARJALAINEN
*D.Pol.Sc., Minister for Foreign Affairs
(On leave of absence)*

REINO ROSSI
Pb.D.

HEIKKI VALVANNE
D.Pol.Sc., ad int.

Directors

HEIKKI VALVANNE
D.Pol.Sc.

JOUKO J. VOUTILAINEN
M.A.

Secretaries

U. A. VATANEN

PERTTI TAMMIVUORI

K. IGNATIUS

JORMA ARANKO
(On leave of absence)

Head Office

Helsinki

Chief accountant

G. ENGBERG

Heads of department

C. G. SUNDMAN

P. BLOMQUIST

P.-E. ÖSTERLUND

A. KAJANTIE

HELGE LINDSTRÖM

K. EIROLA

A. NENONEN

EINO SUOMELA

Chief cashier

STIG TÖRNROTH

Accountants

P. RÄIKKÖNEN

OLE BÄCKMAN

OLAVI VAINIO

LEO LINDSTRÖM

PAULI KANERVA

E. UOTILA

VÄINÖ HEISKANEN

T. NORKONMAA

U. KILPINEN

Comptroller

ANTERO MOILANEN

Institute for Economic Research

Director

TIMO HELELÄ

D.Pol.Sc.

Note-Printing Office

Director
T. RISSANEN

Accounts
V. ELONEN

Production manager
F. KORHONEN

Branches

J o e n s u u

Manager:
V. KAARNAKORPI

Cashier:
K. KARIH

J y v ä s k y l ä

Manager:
E. VUORELA

Book-keeper:
HEIKKI HAKOLA

Cashier:
M. MUHONEN

K o t k a

Manager:
EDV. HERTTUAINEN

Cashier:
J. LUOTO

K u o p i o

Manager:
V. VAINIO

Book-keeper:
V. THERMAN

Cashier:
ELIN V. WRIGHT

L a h t i

Manager:
R. KOTKASAARI

Book-keeper:
KEIJO KALLASMAA

Cashier:
HILKKA VAARNALA

M i k k e l i

Manager:
O. KANERVA

Cashier:
JOUKO JAUHIAINEN

O u l u

Manager:
vacant

Book-keeper:
KALervo NÄRHH

Cashier:
U. HOLM

P o r i

Manager:
K. PAANANEN

Book-keeper:
M. KYÖSTILÄ

Cashier:
KYLIIKKI SANTONEN

R o v a n i e m i

Manager:
M. HANNULA

Book-keeper:
V. LEHTO

Cashier:
TYYNE HAATAJA

T a m p e r e

Manager:
P. O. HÄLLSTEN

Accountant:
ILMARI HUUPPONEN

Cashier:
RAILI JOKISALO

T u r k u

Manager:
vacant

Accountant:
E. M. TAMMI

Cashier:
INEZ ÅKERBLOM

V a a s a

Manager:
O. SUNDSTRÖM

Book-keeper:
HARRI SALENIUS

Cashier:
M. SELENIUS

Helsinki 2nd January, 1967

The Board of Management of the Bank of Finland

KLAUS WARIS

ESKO K. LEINONEN

REINO ROSSI

HEIKKI VALVANNE

ad int.

G. ENGBERG

