

BANK OF FINLAND



152nd
ANNUAL STATEMENT
1963



Profit and Loss Account,
31st December 1963

EXPENSES

Salaries	5 551 287,05
Pensions	457 116,—
Family pensions	169 344,40
Fees and expenses of bank supervisors	19 867,35
Fees of branch controllers	14 119,—
Payments for children's allowances and national pensions	288 731,21
Amounts written off and depreciation	533 592,05
Printing of bank notes	2 283 184,—
Other expenses	2 042 962,61
Net profit for 1963	22 349 847,26
	mk 33 710 050,93

EARNINGS

Interest on internal loans	18 117 306,32
Interest on foreign exchange holdings	7 304 529,—
Interest on bonds	3 057 737,50
Commission	1 724 817,43
Agio	1 856 951,47
Other earnings	1 648 709,21
	mk 33 710 050,93

Balance Sheet,

ASSETS		
Ordinary note cover		
Gold	134 547 421,50	
Foreign exchange	617 721 004,66	
Foreign bills	26 216 974,73	
Foreign bonds	39 381 864,01	817 867 264,90
Supplementary note cover		
Inland bills discounted		
In foreign currency	68 733 619,11	
In Finnish currency	57 165 270,13	
Rediscounted bills	325 269 381,52	451 168 270,76
Other assets		
Finnish bonds	89 487 773,53	
Cheque accounts	1 718 395,48	
Finnish coin	3 658 575,40	
Other claims	43 964 440,58	138 829 184,99
	mk	1 407 864 720,65

Statement of note

RIGHT OF NOTE ISSUE		
Ordinary cover		817 867 264,90
Supplementary cover (upper limit 500 mill.)		451 168 270,76
	mk	1 269 035 535,66

31st December 1963

LIABILITIES		
Notes in circulation		943 711 008,—
Short-term liabilities		
Foreign exchange accounts	18 170 769,98	
Mark accounts of holders abroad	33 566 779,19	
Cheque account of the Treasury	186 787,88	
Cheque accounts of banks	4 264 192,71	
Other cheque accounts	455 305,30	
Other short-term liabilities	2 512 275,81	59 156 110,87
Long-term liabilities		
Foreign	66 893 461,49	
Finnish	1 138 048,85	68 031 510,34
Equalization accounts		141 036 169,98
Bank's own funds		
Capital	100 000 000,—	
Reserve fund	73 580 074,20	
Net profit for 1963	22 349 847,26	195 929 921,46
	mk	1 407 864 720,65

issue, 31st December 1963

NOTE ISSUE		
Notes in circulation		943 711 008,—
Short-term liabilities		59 156 110,87
Undrawn on cheque credits		5 811 604,52
Unused right of note issue		260 356 812,27
	mk	1 269 035 535,66

Developments in 1963

The slackening of economic activity continued during 1963, and the volume of total production increased less than in the previous year. Imports were held back by the diminishing growth in demand and by the credit policy of the Bank of Finland, and as the export market became firmer during the year, the annual deficit in the balance of current payments was appreciably smaller than that for 1962. As in addition more than usual was drawn on long-term foreign credits, the foreign exchange position of the Bank of Finland improved considerably. According to the Balance Sheet, the foreign assets of the Bank rose during the year by 115 million marks. If the moderate changes in the gold holdings and short-term foreign debts are taken into account, the total gold and foreign exchange reserve of the Bank increased by 113 million marks, and amounted to 734 million at the end of the year. The proportion of gold and convertible currencies rose from 75 per cent to 84 per cent.

During the early months of the year, the banks were able to raise their liquidity in accordance with the directives of the Bank of Finland. Nevertheless, as deposit business continued to be rather slack, the money market remained stringent. One additional cause of stringency was that the State sold bonds to the public in far larger quantities than in the previous years. During the second half-year, the inflow of deposits increased. Rediscounts stood at 356 million marks on a weekly average, against 419 million in the previous year. At the end of the year, they totalled 325 million marks. The lower level of rediscounting is partly explained by the Bank of Finland easing the position of the banks by means of considerable purchases of bonds. These, as well as other purchases, increased the Bank's holdings of Finnish bonds by 55 million marks during the year.

From the point of view of monetary policy, the public finances constituted a factor inducing disequilibrium. Expenditure grew more than did revenue, and as the State's cash reserves were exhausted, its liquidity difficulties continued to grow. In some cases, resort was necessary to exceptional measures, partly in the form of short-term credits, directly or indirectly arranged by the Bank of Finland. The Bank also purchased some quantities of long-term State bonds. For the reasons mentioned, the cheque account balance of the Treasury remained small throughout the year, and amounted to 0.2 million marks on 31 December. The Treasury redeemed the scheduled amount of 10 million marks of the credit for stand-by stocks, which is entered among »other claims» in the Bank's statement; at the end of the year 20 million marks of this credit remained.

The Bank's commercial credits increased during the year by 24 million marks to 57 million. The increase was principally due to temporary advances granted to grain wholesalers during the second six months. In the autumn, the Bank began to grant medium-term suppliers' credits to the engineering industry in order to strengthen its competitive power and maintain its level of employment. By the end of the year, such credits had been granted to a total of 69 million marks, although only a small part of this had been drawn.

The mark accounts of holders abroad fell off by 2 million marks, and amounted to 34 million at the end of the year. The deposits of the Mortgage Bank of Finland Oy, entered among »other short-term liabilities», rose during the year from 0.8 to 1.2 million marks.

The foreign long-term liabilities of the Bank of Finland were reduced by 12 million marks, owing to the redemption of World Bank loans obtained prior to 1956. This was counterbalanced by a decrease in inland bills in foreign currency. Long-term Finnish liabilities comprise only the State's export levy account, the amount of which remained unchanged at 1.1 million marks.

The currency reform effected at the beginning of the year was carried out according to plan. The exchange of old money into new was accelerated by special measures taken in collaboration with monetary institutions. On January 1, the note circulation amounted to only 774 million marks, the banks having emptied the greater part of their cash holdings into the Bank of Finland. By the middle of January one half of the note circulation had been exchanged, and by the end of the month two thirds. On December 31, the notes in circulation totalled 944 million marks, and of this no more than 3 per cent were in the old denominations.

The official discount rates of the Bank of Finland remained unchanged, with a minimum of 6 per cent and a maximum of 7 $\frac{1}{2}$ per cent. Similarly, the basic rediscount rate stood at 7 per cent all the year. On April 24, the scale of the penalty rate on rediscounts was lowered, and at the same time the maximum amounts of allowable rediscounting were slightly reduced.

The profits of the Bank totalled 22.3 million marks, or 0.9 million less than for 1962. The reduction was mainly due to a decrease in interest on internal loans.

In accordance with the Regulations for the Bank, one half of the profits will be transferred to the reserve fund. The disposal of the other half will be decided on by Parliament.

Monthly movement

ASSETS

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Date	Ordinary note cover				Supplementary note cover			Other assets				Total of Balance Sheet
	Gold	Foreign exchange	Foreign bills	Foreign bonds	Inland bills discounted in foreign currency	Inland bills discounted in Finnish currency	Rediscounted bills	Finnish bonds	Cheque accounts	Finnish coin	Other claims	
31. 12. 62	135	502	18	50	82	34	401	35	4	5	44	1 310
31. 1. 63	135	525	17	50	82	31	429	59	1	23	44	1 396
28. 2. 63	135	521	21	50	80	31	326	65	2	14	52	1 297
30. 3. 63	135	525	25	50	80	33	322	87	4	11	53	1 325
30. 4. 63	135	512	28	48	78	48	306	92	4	8	54	1 313
31. 5. 63	135	481	32	48	78	52	337	78	3	7	124	1 375
29. 6. 63	135	497	31	35	76	52	416	86	4	6	38	1 376
31. 7. 63	135	506	30	35	76	45	381	84	3	6	39	1 340
31. 8. 63	135	543	28	34	74	32	406	86	2	5	39	1 384
30. 9. 63	134	533	30	34	74	22	405	73	4	5	40	1 354
31. 10. 63	135	541	29	33	72	30	423	69	3	4	30	1 369
30. 11. 63	135	607	27	32	71	32	335	80	3	4	44	1 370
31. 12. 63	135	618	26	39	69	57	325	89	2	4	44	1 408

31. 12. 62	135	502	18	50	82	34	401	35	4	5	44	1 310
Change in 1963		+116	+8	-11	-13	+23	-76	+54	-2	-1	-	+98
31. 12. 63	135	618	26	39	69	57	325	89	2	4	44	1 408

of Balance Sheet in 1963

LIABILITIES

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Date	Notes in circulation	Short-term liabilities						Bank's own funds		Equalization accounts	Long-term liabilities		Total of Balance Sheet
		Foreign exchange accounts	Mark accounts of holders abroad	Cheque account of the Treasury	Cheque accounts of banks	Other cheque accounts	Other short-term liabilities	Foreign	Finnish		Capital Reserve fund Profits undispensed	Profit & Loss Account	
31. 12. 62	774	17	36	6	49	1	4	79	1	158	162	23	1 310
31. 1. 63	788	16	32	10	139	1	3	79	1	140	185	2	1 396
28. 2. 63	795	16	32	—	42	—	2	77	1	143	185	4	1 297
30. 3. 63	867	16	31	—	6	1	2	77	1	134	185	5	1 325
30. 4. 63	811	18	31	1	40	1	2	76	1	139	185	8	1 313
31. 5. 63	846	18	31	—	53	1	3	76	1	151	185	10	1 375
29. 6. 63	897	17	30	1	17	1	4	73	1	149	174	12	1 376
31. 7. 63	834	18	32	12	27	1	2	73	1	152	174	14	1 340
31. 8. 63	848	18	32	47	28	1	3	71	1	145	174	16	1 384
30. 9. 63	869	19	31	—	15	1	4	71	1	152	174	17	1 354
31. 10. 63	860	19	31	—	39	1	3	70	1	154	174	17	1 369
30. 11. 63	905	18	34	1	4	1	3	70	1	140	174	19	1 370
31. 12. 63	944	18	34	—	4	—	3	67	1	141	174	22	1 408

31. 12. 62	774	17	36	6	49	1	4	79	1	158	162	23	1 310
Change in 1963	+170	+1	—2	—6	—45	—1	—1	—12	—	—17	+12	—1	+98
31. 12. 63	944	18	34	—	4	—	3	67	1	141	174	22	1 408

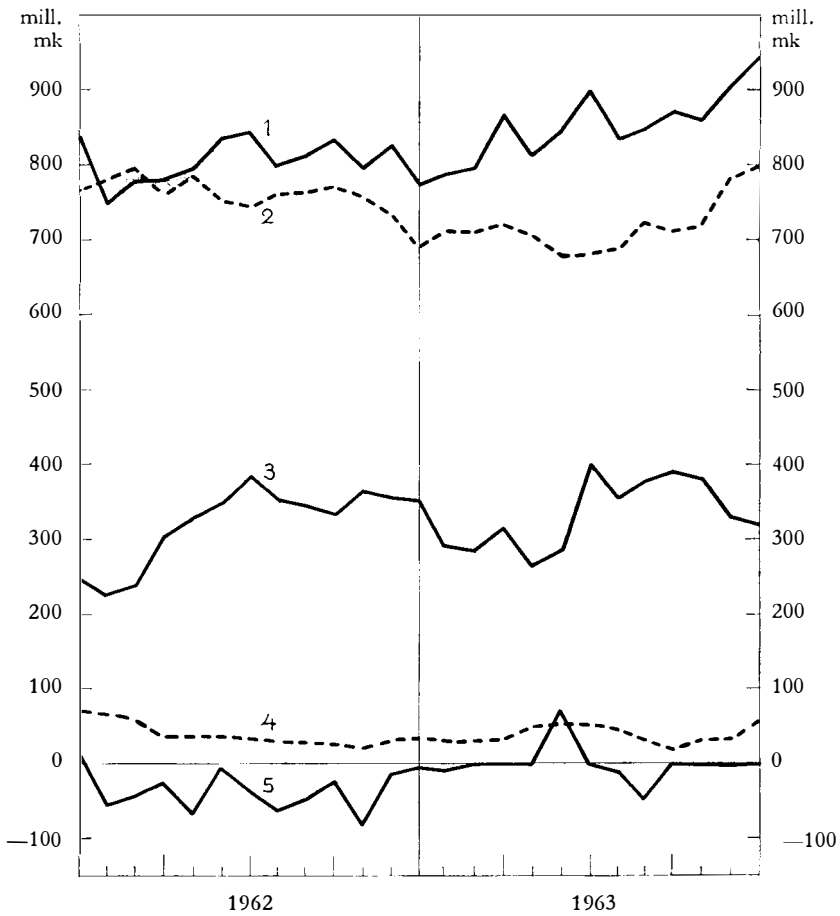
Right of note issue in 1963

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Date	Ordinary note cover	Supplementary note cover	Right of note issue	Notes in circulation	Short-term liabilities	Undrawn on cheque credits	Unused right of note issue
	a	b	c = a + b	d	e	f	$c - \frac{g}{d + e + f}$
31. 12. 62	705	500	1 205	774	113	4	314
31. 1. 63	727	500	1 227	788	201	7	231
28. 2. 63	727	437	1 164	795	92	6	271
30. 3. 63	735	435	1 170	867	56	4	243
30. 4. 63	723	432	1 155	811	93	4	247
31. 5. 63	696	467	1 163	846	106	5	206
29. 6. 63	698	500	1 198	897	70	4	227
31. 7. 63	706	500	1 206	834	92	5	275
31. 8. 63	740	500	1 240	848	129	5	258
30. 9. 63	731	500	1 231	869	70	4	288
31. 10. 63	738	500	1 238	860	93	5	280
30. 11. 63	801	438	1 239	905	61	5	268
31. 12. 63	818	451	1 269	944	59	6	260

31. 12. 62	705	500	1 205	774	113	4	314
Change in 1963	+113	-49	+64	+170	-54	+2	-54
31. 12. 63	818	451	1 269	944	59	6	260

Major factors bearing upon the money supply



1. Notes in circulation
2. Gold and foreign exchange (foreign exchange, bills and bonds *minus* foreign exchange accounts; for these items see Balance Sheet)
3. Rediscounted bills *minus* cheque accounts of banks *minus* cash reserve accounts
4. Inland bills in Finnish currency
5. Credit to the Treasury *minus* cheque account of the Treasury

The Bank Supervisors delegated by Parliament

KUSTI ESKOLA
Chairman

T. A. WIHERHEIMO
Vice Chairman
Deputy

AIMO AALTONEN

VEIKKO KOKKOLA
Deputy

T. H. KINNUNEN
Deputy

GRELS TEIR
Deputy

OIVA LEHTO

TUURE SALO
Deputy

RAFAEL PAASIO
Deputy

The Board of Management

KLAUS WARIS
Ph.D., Governor

ESKO K. I. EINONEN
LL. B.

A. SIMONEN
LL. M.

AHTI KARJALAINEN
D. Pol. Sc.

REINO ROSSI
Ph.D.

Secretaries of the Bank

U. A. VATANEN

PERTTI TAMMIVUORI

JOUKO J. VOUTILAINEN

JAAKKO LASSILA

K. IGNATIUS

JORMA ARANKO

Head Office

Helsinki

Chief accountant

G. ENGBERG

Heads of department

C. G. SUNDMAN

P.-E. ÖSTERLUND

HELGE LINDSTRÖM

K. EIROLA

P. BLOMQUIST

A. KAJANTIE

EINO JUSSILA

A. NENONEN

Chief cashier

ARTHUR ASPELUND

Accountants

P. RÄIKKÖNEN

OLAVI VAINIO

PAULI KANERVA

VÄINÖ HEISKANEN

OLE BÄCKMAN

LEO LINDSTRÖM

E. UOTILA

T. NORKONMAA

U. KILPINEN

Comptroller

ANTERO MOILANEN

INSTITUTE FOR ECONOMIC RESEARCH

Director

HEIKKI VALVANNE

D.Pol.Sc.

Heads of department

J. J. PAUNIO

D.Pol.Sc.

TIMO HELELÄ

D.Pol.Sc.

NOTE-PRINTING OFFICE

Director	Production manager
T. RISSANEN	F. KORHONEN

Accounts
V. ELONEN

Branches

J o e n s u u

Manager:
Vacant

Cashier:
J. LUOTO

J y v ä s k y l ä

Manager:
E. VUOREJA

Book-keeper:
HEIKKI HAKOLA

Cashier:
M. MUHONEN

K o t k a

Manager:
EDV. HERTTUAINEN

Cashier:
V. KAARNAKORPI

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. SUNDSSTRÖM

Cashier:
JOUKO JAUHAINEN

O u l u

Manager:
OLE LAXÉN

Book-keeper:
KALERVO NÄRHI

Cashier:
U. HOLM

P o r i

Manager:
K. PAANANEN

Book-keeper:
MARTTI HEISKANEN

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:
SAKARI SAHRAKORPI

Accountant:
ILMARI HUUPPONEN

Cashier:
RAILI JOKISALO

T u r k u

Manager:
NILO KIVIKOSKI

Accountant:
E. M. TAMMI

Cashier:
INEZ ÅKERBLOM

V a a s a

Manager:
P. O. HÄLLSTEN

Book-keeper:
O. KANERVA

Cashier:
MARGIT HUMBLE

Helsinki 2nd January, 1964

The Board of Management of the Bank of Finland

KLAUS WARIS

ESKO K. LEINONEN

AHTI KARJALAINEN

A. SIMONEN

REINO ROSSI

G. ENGBERG

Helsinki 1964. Valtioneuvoston kirjapaino.