

BANK OF FINLAND



151st
ANNUAL STATEMENT
1962

PROFIT AND LOSS ACCOUNT, 31st DECEMBER 1962

EXPENSES

SALARIES	516 110 247
PENSIONS	41 084 950
FAMILY PENSIONS	17 079 880
FEES AND EXPENSES OF BANK SUPERVISORS	2 003 640
FEES OF BRANCH CONTROLLERS	1 379 300
PAYMENTS FOR CHILDREN'S ALLOWANCES AND NATIONAL PENSIONS	25 562 001
INTEREST ON CASH RESERVE ACCOUNTS	250 605 885
AMOUNTS WRITTEN OFF AND DEPRECIATION	89 007 257
PRINTING OF BANK NOTES	283 306 800
OTHER EXPENSES	153 126 767
NET PROFIT FOR 1962	2 319 703 434
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Old marks	3 698 970 161
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EARNINGS

INTEREST ON INTERNAL LOANS	2 148 631 495
INTEREST ON FOREIGN EXCHANGE HOLDINGS	738 402 132
INTEREST ON BONDS	292 961 132
COMMISSION	117 245 061
AGIO	250 948 974
OTHER EARNINGS	150 781 367
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Old marks	3 698 970 161
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BALANCE SHEET,

A S S E T S		
ORDINARY NOTE COVER		
GOLD	13 521 067 593	
FOREIGN EXCHANGE	50 249 686 131	
FOREIGN BILLS	1 770 810 817	
FOREIGN BONDS	4 994 215 419	70 535 779 960
SUPPLEMENTARY NOTE COVER		
INLAND BILLS DISCOUNTED		
IN FOREIGN CURRENCY	8 181 766 463	
IN FINNISH CURRENCY	3 355 392 396	
REDISCOUNTED BILLS	40 119 046 633	51 656 205 492
OTHER ASSETS		
FINNISH BONDS	3 466 556 742	
CHEQUE ACCOUNTS	363 380 413	
FINNISH COIN	553 753 078	
OTHER CLAIMS	4 413 663 257	8 797 353 490
Old marks		130 989 338 942

STATEMENT OF NOTE

R I G H T O F N O T E I S S U E		
ORDINARY COVER		70 535 779 960
SUPPLEMENTARY COVER (UPPER LIMIT 50 000 MILL.)		50 000 000 000
Old marks		120 535 779 960

31st DECEMBER 1962

LIABILITIES		
NOTES IN CIRCULATION		77 442 091 070
SHORT-TERM LIABILITIES		
FOREIGN EXCHANGE ACCOUNTS	1 706 789 514	
MARK ACCOUNTS OF HOLDERS ABROAD	3 582 363 288	
CHEQUE ACCOUNT OF THE TREASURY	548 224 769	
CHEQUE ACCOUNTS OF BANKS	4 931 647 836	
OTHER CHEQUE ACCOUNTS	80 893 493	
OTHER SHORT-TERM LIABILITIES	404 171 246	11 254 090 146
LONG-TERM LIABILITIES		
FOREIGN	7 909 539 976	
FINNISH	113 804 885	8 023 344 861
EQUALIZATION ACCOUNTS		15 751 953 728
BANK'S OWN FUNDS		
CAPITAL	10 000 000 000	
RESERVE FUND	6 198 155 703	
NET PROFIT FOR 1962	2 319 703 434	18 517 859 137
Old marks		130 989 338 942

ISSUE, 31st DECEMBER 1962

NOTE ISSUE	
NOTES IN CIRCULATION	77 442 091 070
SHORT-TERM LIABILITIES	11 254 090 146
UNDRAWN ON CHEQUE CREDITS	429 619 587
UNUSED RIGHT OF NOTE ISSUE	31 409 979 157
Old marks	
120 535 779 960	

Developments in 1962

The boom continued during 1962, although it became clear that the growth in production had slowed down in comparison with previous years. The increase in demand was principally directed towards import goods, and this entailed a considerable deficit in the current balance of payments. To a great extent this was covered by short-term and long-term foreign credit, which accounts for the fairly moderate reduction in the Bank's gold and foreign exchange reserve. According to the Balance Sheet figures, the Bank's gold reserve grew by 3 104 million old marks. As foreign assets were reduced by 8 480 million, and short-term foreign liabilities increased by 368 million, the total gold and foreign exchange reserve of the Bank of Finland fell off by a net amount of 5 744 million old marks, and totalled 62 064 million at the end of the year. The share of gold and convertible currencies in the total reserve of the Bank amounted to 75 per cent at the end of 1962, or the same as one year previously. Among the other foreign assets, bills increased by 775 million old marks, while the holdings of foreign bonds were reduced by 2 756 million old marks.

The retardation of the expansion was also observable in a marked contraction of deposits by the public. As the banks were unable until late in the year to adapt their lending to deposits, the rise in their rediscounts was noticeably high. On a weekly average, rediscounts amounted to 41 851 million old marks in 1962, against 17 640 million in 1961. At the end of the year under review, they totalled 40 119 million old marks, a sum 10 659 million higher than that one year before, but 15 165 million less than the maximum, which was attained in the summer. The reduction at the end of the year is partly explained by the arrangements, described below, connected with the currency reform, but also to cash reserve deposits being in their entirety refunded to the banks in November; these deposits had been accumulated in accordance with the cash reserve agreement — first made in 1961 and renewed for 1962 — and had at their peak amounted to 7 777 million old marks. In addition, the Bank of Finland purchased some amounts of bonds from the banks. Against this, the cheque account balances of the banks grew by 4 366 million old marks during the year, but this can be wholly ascribed to the cheque account of the Post Office Savings Bank being separated from the Treasury's cheque account in the statements of the Bank of Finland, and included among the cheque accounts of banks.

Notwithstanding higher revenue, the State was unable to reduce its debt to the Central Bank. The last bond of 1 250 million old marks, part of the 1953 Treasury Bond Loan, was redeemed, but against this the used amount of the credit for stand-by

stocks, included among »other claims», increased from 700 to 3 000 million old marks. The cheque account balance of the Treasury rose by 440 million old marks, and amounted to 548 million at the end of the year.

The Bank's grants of credit to private customers fell off from 7 083 million old marks to 3 355 million; this reduction followed the transfer of credit customers to other banks. By the end of the year the Bank had no regular credit customers, the bill portfolio containing no more than some short-term advances.

The mark accounts of holders abroad decreased by 186 million old marks, and had at the end of the year fallen to 3 582 million. The deposits of the Mortgage Bank of Finland Oy, entered among »other short-term liabilities», were reduced during the year from 1 249 million old marks to 76 million.

The Bank's long-term foreign liabilities, which comprise World Bank loans obtained prior to 1956, were reduced through amortization by 1 160 million old marks. This was counterbalanced by a decrease in inland bills in foreign currency. As regards long-term Finnish liabilities, the cash reserve deposits and the deposit certificates were liquidated during the year, so that finally this Balance Sheet item contained only the State's export levy account, amounting to 114 million old marks.

Throughout the course of the year, notes in circulation moved at a slightly higher level than one year before, but towards the end a heavy fall was noted; on the last day, they totalled 77 442 million old marks, or 6 264 million less than one year previously. This reduction was principally attributable to the Bank's preparations for the currency reform to be implemented at the turn of the year: to speed up the replacement of old money by new, the Bank of Finland had made arrangements for the banks to be supplied with new notes and coins in time for January 1, while the banks could empty their vaults of old money by 31 December. This transaction naturally contributed to the reduction of the banks' rediscounting debt during the closing days of the year.

The official discount rate of the Bank of Finland was 6 per cent at its lower, and 7 1/2 per cent at its upper limit, except from March 30 to April 27, when the limits were 7 and 8 1/2 per cent respectively. The basic rediscount rate was raised from 6 3/4 to 8 per cent on March 30, but on April 28 it was lowered to 7 per cent. On March 30, the scale of the penalty rate on rediscounts was steepened, and on September 1, a maximum was fixed for rediscounting.

The profits of the Bank of Finland amounted to 2 320 million old marks, or 277 million more than for 1961. The increase was mainly due to a growth in interest on internal loans.

In accordance with the Regulations for the Bank, one half of the profits, or 1 160 million old marks, will be transferred to the reserve fund. The disposal of the other half will be decided on by Parliament.

Monthly movement

Assets

Thousand million old marks

Date	Ordinary note cover				Supplementary note cover				Other assets				Total of Balance Sheet
	Gold	Foreign exchange	Foreign bills	Foreign bonds	Inland bills dis- counted in for- eign currency	Inland bills discounted in Finnish currency	Rediscounted bills	Treasury Bond Loan	Finnish bonds	Cheque accounts	Finnish coin	Other claims	
30. 12. 61	10.4	58.7	1.0	7.8	9.4	7.1	29.4	1.3	2.0	0.6	0.7	2.9	131.3
31. 1. 62	10.4	59.8	1.3	7.8	9.4	6.5	26.9	1.3	2.0	0.6	1.0	1.4	128.4
28. 2. 62	10.3	61.2	1.5	7.6	9.2	5.8	29.0	1.3	2.4	0.4	1.0	1.5	131.2
31. 3. 62	13.7	55.5	1.6	6.6	9.2	3.5	35.9	—	1.1	0.4	1.1	1.4	130.0
30. 4. 62	13.7	57.9	1.8	6.4	9.1	3.6	38.7	—	2.3	0.4	1.0	1.4	136.3
30. 5. 62	13.7	55.9	1.4	5.5	9.1	3.5	44.5	—	2.0	0.5	1.0	1.4	138.5
30. 6. 62	13.7	56.0	1.4	4.5	8.9	3.3	51.2	—	3.1	0.5	1.0	1.8	145.4
31. 7. 62	13.7	57.3	1.8	4.5	8.9	2.9	50.8	—	2.7	0.4	1.0	2.0	146.0
31. 8. 62	13.7	57.8	1.7	4.5	8.7	2.8	49.1	—	3.2	0.3	1.0	2.1	144.9
29. 9. 62	13.5	58.7	1.8	4.5	8.7	2.6	47.5	—	3.3	0.5	1.0	2.3	144.4
31. 10. 62	13.5	57.5	1.9	4.4	8.5	2.1	50.5	—	3.4	0.4	1.0	2.3	145.5
30. 11. 62	13.5	55.0	1.9	4.6	8.4	3.2	43.8	—	3.1	0.3	1.0	2.6	137.4
31. 12. 62	13.5	50.2	1.8	5.0	8.2	3.4	40.1	—	3.5	0.4	0.5	4.4	131.0

30. 12. 61	10.4	58.7	1.0	7.8	9.4	7.1	29.4	1.3	2.0	0.6	0.7	2.9	131.3
Change in 1962	+3.1	8.5	+0.8	-2.8	-1.2	-3.7	-10.7	-1.3	+1.5	-0.2	-0.2	+1.5	-0.3
31. 12. 62	13.5	50.2	1.8	5.0	8.2	3.4	40.1	—	3.5	0.4	0.5	4.4	131.0

of Balance Sheet in 1962

Liabilities

Thousand million old marks

Date	Notes in circulation	Short-term liabilities						Long-term liabilities		Equalization accounts	Bank's own funds		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 undistributed	Profit & Loss Account
30. 12. 61	83.7	1.3	3.8	0.1	0.6	0.2	1.3	9.1	4.5	9.5	15.2	2.0	131.3
31. 1. 62	74.7	1.2	3.4	7.0	0.2	0.2	1.3	9.1	4.4	9.5	17.2	0.2	128.4
28. 2. 62	77.8	1.3	3.4	5.9	0.6	0.2	1.3	8.9	4.9	9.4	17.2	0.3	131.2
31. 3. 62	78.0	1.4	3.4	2.8	0.4	0.2	0.8	8.9	5.4	11.0	17.2	0.5	130.0
30. 4. 62	79.5	1.4	3.4	6.8	0.5	0.2	0.8	8.7	5.8	11.3	17.2	0.7	136.3
30. 5. 62	83.5	1.4	3.3	0.5	1.9	0.2	0.9	8.8	7.6	12.3	17.2	0.9	138.5
30. 6. 62	84.3	1.2	3.3	3.7	5.0	0.2	0.7	8.5	7.9	12.4	17.2	1.0	145.4
31. 7. 62	80.0	1.3	3.4	6.2	8.2	0.5	0.7	8.5	7.6	12.2	16.2	1.2	146.0
31. 8. 62	81.0	1.4	3.4	4.8	8.8	0.2	0.6	8.3	6.0	12.8	16.2	1.4	144.9
29. 9. 62	83.4	1.5	3.4	2.6	8.5	0.1	0.6	8.3	6.0	12.3	16.2	1.5	144.4
31. 10. 62	79.4	1.7	3.3	8.3	8.7	0.1	0.5	8.2	5.6	11.8	16.2	1.7	145.5
30. 11. 62	82.5	1.6	3.5	1.4	8.3	0.2	0.5	8.2	0.1	12.9	16.2	2.0	137.4
31. 12. 62	77.4	1.7	3.6	0.6	4.9	0.1	0.4	7.9	0.1	15.8	16.2	2.3	131.0

30. 12. 61	83.7	1.3	3.8	0.1	0.6	0.2	1.3	9.1	4.5	9.5	15.2	2.0	131.3
Change in 1962	-6.3	+0.4	-0.2	+0.5	+4.3	-0.1	-0.9	-1.2	-4.4	+6.3	+1.0	+0.3	-0.3
31. 12. 62	77.4	1.7	3.6	0.6	4.9	0.1	0.4	7.9	0.1	15.8	16.2	2.3	131.0

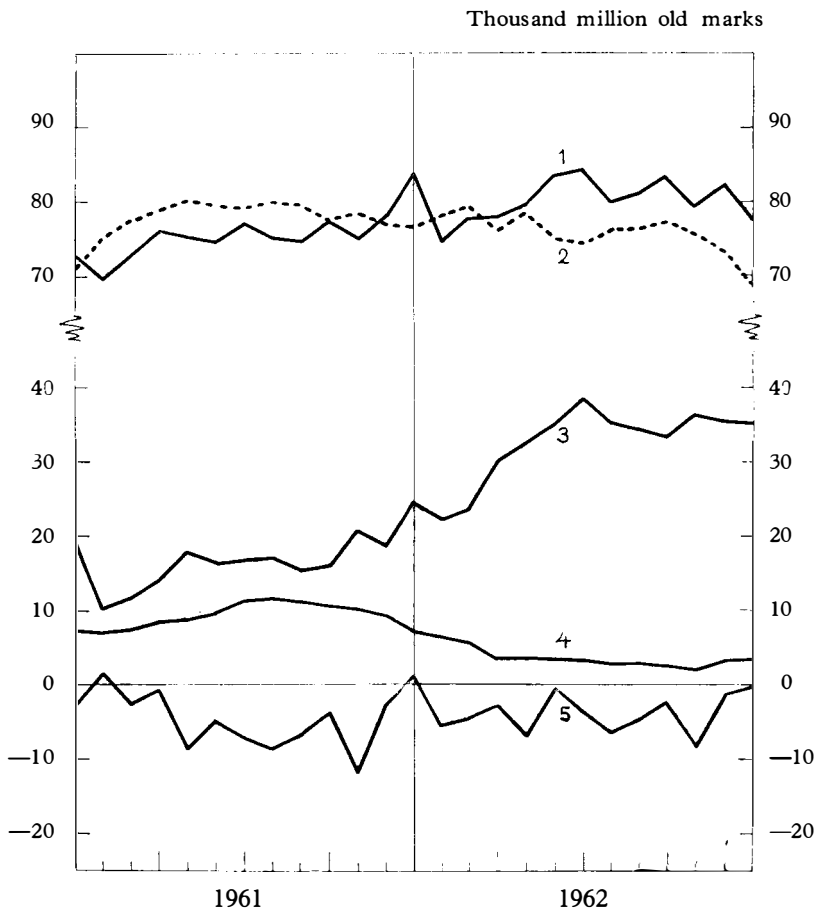
Right of note issue in 1962

Thousand million old marks

Date	Ordinary note cover a	Supplementary note cover b	Right of note issue c = a + b	Notes in circulation d	Short-term liabilities e	Undrawn on cheque credits f	Unused right of note issue g = d - e - f
30. 12. 61	77.9	47.2	125.1	83.7	7.3	0.9	33.2
31. 1. 62	79.3	44.1	123.4	74.7	13.3	0.4	35.0
28. 2. 62	80.6	45.3	125.9	77.8	12.7	0.4	35.0
31. 3. 62	77.4	48.6	126.0	78.0	9.0	0.4	38.6
30. 4. 62	79.7	50.0	129.7	79.5	13.1	0.4	36.7
30. 5. 62	76.5	50.0	126.5	83.5	8.2	0.4	34.4
30. 6. 62	75.6	50.0	125.6	84.3	14.1	0.4	26.8
31. 7. 62	77.3	50.0	127.3	80.0	20.3	0.4	26.6
31. 8. 62	77.7	50.0	127.7	81.0	19.2	0.5	27.0
29. 9. 62	78.5	50.0	128.5	83.4	16.7	0.4	28.0
31. 10. 62	77.3	50.0	127.3	79.4	22.6	0.4	24.9
30. 11. 62	75.0	50.0	125.0	82.5	15.5	0.5	26.5
31. 12. 62	70.5	50.0	120.5	77.4	11.3	0.4	31.4

30. 12. 61	77.9	47.2	125.1	83.7	7.3	0.9	33.2
Change in 1962	-7.4	+2.8	-4.6	-6.3	+4.0	-0.5	-1.8
31. 12. 62	70.5	50.0	120.5	77.4	11.3	0.4	31.4

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. Treasury Bond Loan *minus* cheque account of the Treasury

The Bank Supervisors delegated by Parliament

KUSTI ESKOLA
Chairman

T. A. WIHERHEIMO
*M.A., 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. LEINONEN
LL. B.

A. SIMONEN
LL. M.

AHTI KARJALAINEN
*D.Pol.Sc., Prime Minister
On Leave of Absence*

REINO ROSSI
Ph.D.

Secretaries of the Bank

U. A. VATANEN

PERTTI TAMMIVUORI

EERO ASP

JOUKO J. VOUTILAINEN

K. IGNATIUS

Head Office

Helsinki

Chief accountant
G. ENGBERG

Chiefs 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

Comptroller
ANTERO MOILANEN

INSTITUTE FOR ECONOMIC RESEARCH

Chief
HEIKKI VALVANNE
D.Pol.Sc.

Chief of department
J. J. PAUNIO
D.Pol.Sc.

NOTE-PRINTING OFFICE

Director
T. RISSANEN

Technical leader
F. KORHONEN

Accounts
V. ELONEN

Branches

Hämeenlinna

Manager:
EDV. HERTTUAINEN

Cashier:
KEIJO KALLASMAA

Joensuu

Manager:
E. VUORELA

Cashier:
J. LUOTO

Jyväskylä

Manager:
A. YRJÖLÄ

Book-keeper:
HEIKKI HAKOLA

Cashier:
M. MUHONEN

Kotka

Manager:
R. YLÖNEN

Cashier:
V. KAARNAKORPI

Kuopio

Manager:
V. VAINIO

Book-keeper:
V. THERMAN

Cashier:
ELIN v. WRIGHT

Lahti

Manager:
B. FRIETSCH

Book-keeper:
O. SUNDSTRÖM

Cashier:
HILKKA VAARNALA

Mikkeli

Manager:
R. KOTKASAARI

Cashier:
JOUKO JAUHIAINEN

Oulu

Manager:
OLE LAXÉN

Book-keeper:
KALERVO NÄRHI

Cashier:
U. HOLM

Pori

Manager:
K. PAANANEN

Book-keeper:
MARTTI HEISKANEN

Cashier:
KYLIIKKI SANTONEN

Rovaniemi

Manager:
EINO SUOMELA

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, 1963

The Board of Management of the Bank of Finland

KLAUS WARIS

ESKO K. LEINONEN

A. SIMONEN

REINO ROSSI

G. ENGBERG

Helsinki 1963. Valtioneuvoston kirjapaino.