

BANK OF FINLAND



147th
ANNUAL STATEMENT
1958



PROFIT AND LOSS ACCOUNT, 31st DECEMBER, 1958

EXPENSES

SALARIES	402 080 644
PENSIONS	35 696 100
FAMILY PENSIONS	10 868 235
FEES AND EXPENSES OF THE BANK SUPERVISORS	1 648 039
FEES OF THE BRANCH CONTROLLERS	805 000
NATIONAL PENSIONS PREMIUMS AND CHILDREN'S ALLOWANCES	18 857 777
AMOUNTS WRITTEN OFF AND DEPRECIATION	122 323 514
PRINTING OF BANK-NOTES	165 244 800
OTHER EXPENSES	97 006 569
NET PROFIT FOR 1958	1 630 811 002
	mk 2 485 341 680

EARNINGS

INTEREST ON HOME CREDITS	1 150 854 114
INTEREST ON CURRENT ACCOUNTS ABROAD	484 366 397
INTEREST ON BONDS	316 764 914
COMMISSION	162 914 952
AGIO	284 971 077
OTHER EARNINGS	85 470 226
	mk 2 485 341 680

BALANCE SHEET,

A S S E T S		
ORDINARY NOTE COVER		
GOLD	7 849 885 226	
FOREIGN EXCHANGE	49 708 162 594	
FOREIGN BILLS	871 190 724	
FOREIGN BONDS	2 213 247 823	60 642 486 367
SUPPLEMENTARY NOTE COVER		
INLAND BILLS DISCOUNTED		
IN FOREIGN CURRENCY	12 644 079 303	
IN FINNISH CURRENCY	8 822 431 875	
BILLS REDISCOUNTED	18 706 989 279	
TREASURY BOND LOAN	6 875 000 000	47 048 500 457
OTHER ASSETS		
FINNISH BONDS	909 140 290	
CHEQUE ACCOUNTS	439 731 946	
FINNISH COIN	437 908 879	
OTHER CLAIMS	17 240 017 673	19 026 798 788
	mk	126 717 785 612

STATEMENT OF NOTE

RIGHT OF NOTE ISSUE		
ORDINARY NOTE COVER		60 642 486 367
SUPPLEMENTARY NOTE COVER (UPPER LIMIT 58 000 MILL.)		47 048 500 457
	mk	107 690 986 824

31st DECEMBER, 1958

LIABILITIES		
NOTES IN CIRCULATION		65 075 161 315
SHORT-TERM LIABILITIES		
FOREIGN EXCHANGE ACCOUNTS	2 177 587 439	
MARK ACCOUNTS OF HOLDERS ABROAD	4 643 033 839	
CHEQUE ACCOUNT OF THE TREASURY	7 146 144 591	
CHEQUE ACCOUNTS OF BANKS	1 474 198 431	
OTHER CHEQUE ACCOUNTS	293 390 541	
OTHER SHORT-TERM LIABILITIES	2 312 082 469	18 046 437 310
LONG-TERM LIABILITIES		
FOREIGN	11 370 083 670	
FINNISH	9 502 272 916	20 872 356 586
EQUALIZATION ACCOUNTS		8 169 507 813
THE BANK'S OWN FUNDS		
CAPITAL	10 000 000 000	
RESERVE FUND	2 923 511 586	
NET PROFIT FOR 1958	1 630 811 002	14 554 322 588
	mk	126 717 785 612

ISSUE, 31st DECEMBER, 1958

USE OF THE RIGHT OF NOTE ISSUE		
NOTES IN CIRCULATION		65 075 161 315
SHORT-TERM LIABILITIES		18 046 437 310
UNDRAWN ON CHEQUE CREDITS		813 668 054
UNUSED RIGHT OF NOTE ISSUE		23 755 720 145
	mk	107 690 986 824

Developments in 1958

A surplus in Finland's foreign payments resulted in a considerable increase in the foreign exchange reserves in 1958, with a consequent strengthening of the foreign liquidity of the country. This also eased the situation on the domestic money market. As the holdings of foreign exchange increased by 19 129 million marks, and the indebtedness on the foreign exchange accounts declined by 2 391 million, the total net increase in the foreign exchange reserves amounted to 21 520 million marks. The gold reserve remained unchanged. Of the increase in the foreign exchange reserves, the convertible and transferable currencies amounted in total to about 9 500 million marks, whereas the net holdings on clearing accounts and in other bilateral currencies grew by about 12 000 million marks. It should however be noted that certain advances received for exports, comparable to bilateral holdings and appearing under »Other claims», decreased by 5 196 million marks. Under the same heading there is posted the credit extended by the Bank to the State for the financing of stand-by stocks; its utilisation has to a corresponding extent reduced the holdings of bilateral currencies. The State drew against this credit to the extent of 4 335 million marks in 1958.

The increase in the supply of money due to the rise in foreign exchange reserves was partly offset by the export levy, which during the course of the year brought in 15 467 million marks. Of these funds, a sum of 8 125 million was used for redemption of the Treasury Bond Loan. From the remainder, loans at low rates of interest were granted by the State, chiefly to the export industry. In 1958, such loans were drawn to an amount of 1 805 million marks. At the end of the year, as a consequence, the export levy account, entered under the Finnish long-term liabilities, had a balance of 6 288 million marks.

The Treasury Bond Loan was redeemed not only by funds from the levy on export proceeds, but also by regular amortisation which totalled 2 500 million marks. The State, on the other hand, drew the unused portion of 3 750 million marks of this loan, which thus did in effect shrink by 6 875 million marks during 1958. An equivalent amount of this loan was still outstanding at the end of the year. This figure was exceeded by the balance on the cheque account of the Treasury, which increased by 2 001 million marks and accordingly amounted to 7 146 million at the close of the year. Including the above-mentioned credit for financing stand-by stocks, the Treasury's net indebtedness to the Bank decreased by 4 541 million marks.

The easing on the domestic money market was reflected by the commercial banks' indebtedness to the central bank, the average weekly amount of rediscounted bills remaining lower than that in 1957 by nearly 11 000 million marks. However, towards the end of 1958, for seasonal reasons the rediscounts increased to the extent that at the end of the year they were only 6 205 million marks less than they had been one year previously. As the check account holdings of the

banks declined by 931 million marks, their net indebtedness to the Bank of Finland decreased by 5 274 million marks.

In 1958, the credits to trade and industry diminished. As a result of the improvement in their liquidity, the Bank's private customers, mostly export firms, reduced the use of their credit facilities to the extent that during the year the amount of discounted bills in Finnish currency declined by 4 086 million marks.

At the beginning of 1958, Finland obtained a credit of 4 500 million marks of the funds held by the United States on Mark accounts of holders abroad. Nevertheless, as a result of new purchases made from U. S. surplus stocks, the Mark accounts of holders abroad diminished by 3 258 million marks only. Of the credit granted, an amount of 2 162 million remained undistributed at the end of the year; this amount appears under »Other short-term liabilities» in the form of a deposit made by the Mortgage Bank of Finland Oy.

The long-term foreign liabilities declined by 914 million marks by the redemption of the loans from the International Bank for Reconstruction and Development. This item is partly offset by a reduction, amounting to 596 million marks, of the inland bills discounted in foreign currency. The difference between these figures is due to the Bank of Finland making some premature amortisations of the dollar loans.

During the course of the year, the amount of the notes in circulation showed an expanding tendency. The seasonal peak at the end of the year brought the total up to 65 075 million marks; one year earlier the corresponding figure had been 60 640 million.

The official discount rates of the Bank of Finland were kept unaltered; the lower limit was 6 1/2 and the upper 8 per cent. In practice, rates of interest were applied which ranged from 7 1/2 to 8 per cent. After the credit institutions had, on the initiative of the Bank of Finland, reduced their lending rates of interest by an average of 3/4 per cent from the beginning of October, the rate debited by the Bank of Finland to its own credit customers was as high as the banks' lending rate, including the index charge.

The rediscounting terms remained unchanged until April, the banks being obliged to pay a penalty rate on rediscounts. As from the beginning of May, the terms were eased, with the result that the payment of penalty rate practically ceased. In connection with the general lowering of the interest rates, at the beginning of October the basic rate of interest on rediscounts was reduced from 8 per cent to 7 1/4 per cent, the former rate being the one at which bills had been discounted by the banks.

The profit of the Bank amounted to 1 631 million marks, or 540 million less than one year earlier. The decrease was primarily due to the fall in interest on domestic loans, and especially on rediscounts.

In accordance with the Regulations of the Bank, half the profit, or 815 million marks, will be allocated to the reserve fund. The other half of the profit will be placed at the disposal of the Diet.

MONTHLY MOVEMENT

ASSETS

thousand million marks

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	Bills Rediscounted	Treasury Bond Loan	Finnish Bonds	Cheque Accounts	Finnish Coin	Other Claims	
31. 12. 57	7.8	30.6	0.1	2.8	13.3	12.9	24.9	13.7	1.3	0.6	0.3	17.6	125.9
31. 1. 58	7.8	32.3	1.2	2.8	13.3	14.7	15.2	11.2	1.3	0.7	0.4	16.7	117.6
28. 2. 58	7.8	35.9	1.2	2.8	13.2	14.9	15.4	8.7	1.3	0.7	0.4	16.4	118.7
31. 3. 58	7.8	36.9	1.2	2.8	13.2	16.1	13.1	7.5	1.2	0.8	0.6	16.1	117.3
30. 4. 58	7.8	34.5	1.2	2.8	13.2	17.2	15.0	8.1	1.2	0.5	0.6	15.9	118.0
31. 5. 58	7.8	35.7	1.2	2.8	13.4	17.7	13.0	8.1	1.6	0.4	0.6	16.4	118.7
30. 6. 58	7.8	39.5	0.9	2.8	13.2	18.4	16.7	8.1	1.7	0.7	0.6	15.5	125.9
31. 7. 58	7.9	44.2	0.9	2.8	13.4	16.7	11.5	8.1	1.6	0.4	0.6	15.0	123.1
30. 8. 58	7.9	49.9	0.9	2.8	13.2	14.7	8.7	8.1	1.6	0.4	0.5	14.7	123.4
30. 9. 58	7.9	51.1	0.9	2.8	13.0	13.5	11.0	6.9	1.8	0.4	0.5	15.6	125.4
31. 10. 58	7.9	53.6	0.9	2.8	12.9	11.5	8.6	6.9	1.8	0.3	0.5	15.5	123.2
29. 11. 58	7.8	53.5	0.9	2.8	12.9	10.1	8.7	6.9	1.8	0.2	0.5	16.1	122.2
31. 12. 58	7.8	49.7	0.9	2.2	12.7	8.8	18.7	6.9	0.9	0.4	0.4	17.3	126.7

31. 12. 57	7.8	30.6	0.1	2.8	13.3	12.9	24.9	13.7	1.3	0.6	0.3	17.6	125.9
Change in 1958	—	+19.1	+0.8	-0.6	-0.6	-4.1	-6.2	-6.8	-0.4	-0.2	+0.1	-0.3	+0.8
31. 12. 58	7.8	49.7	0.9	2.2	12.7	8.8	18.7	6.9	0.9	0.4	0.4	17.3	126.7

of BALANCE SHEET in 1958

LIABILITIES

thousand million 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 Undisposed Profit	Profit & Loss Account	
31. 12. 57	60.6	4.6	7.9	5.1	2.4	0.2	0.4	12.3	3.9	14.5	11.8	2.2	125.9
31. 1. 58	52.8	4.3	7.3	8.5	0.2	0.9	0.4	12.3	4.3	12.4	14.0	0.2	117.6
28. 2. 58	56.8	3.4	7.2	7.9	1.0	0.2	0.8	12.2	3.8	11.0	14.0	0.4	118.7
31. 3. 58	55.9	2.8	2.7	9.9	0.1	0.2	3.4	12.2	4.7	10.9	14.0	0.5	117.3
30. 4. 58	56.2	2.7	2.8	10.0	0.3	0.2	3.0	12.1	4.4	11.7	14.0	0.6	118.0
31. 5. 58	59.0	2.8	3.2	6.2	0.3	0.4	2.5	12.4	5.8	11.5	14.0	0.6	118.7
30. 6. 58	59.3	2.8	3.5	12.9	—	0.3	2.6	12.4	7.3	11.1	12.9	0.8	125.9
31. 7. 58	56.8	3.1	3.8	11.5	0.4	0.4	2.2	12.4	8.5	10.2	12.9	0.9	123.1
30. 8. 58	59.5	3.3	4.3	6.9	0.6	0.2	4.1	12.2	9.5	8.9	12.9	1.0	123.4
30. 9. 58	58.2	3.2	4.5	11.0	—	0.3	2.9	12.2	10.3	8.8	12.9	1.1	125.4
31. 10. 58	58.7	2.4	4.6	8.6	1.6	0.2	2.8	11.4	10.6	8.1	12.9	1.3	123.2
29. 11. 58	61.8	2.3	4.5	5.4	1.1	0.3	2.6	11.4	10.2	8.3	12.9	1.4	122.2
31. 12. 58	65.1	2.2	4.6	7.1	1.5	0.3	2.3	11.4	9.5	8.2	12.9	1.6	126.7

31. 12. 57	60.6	4.6	7.9	5.1	2.4	0.2	0.4	12.3	3.9	14.5	11.8	2.2	125.9
Change in 1958	+4.5	-2.4	-3.3	+2.0	-0.9	+0.1	+1.9	-0.9	+5.6	-6.3	+1.1	-0.6	+0.8
31. 12. 58	65.1	2.2	4.6	7.1	1.5	0.3	2.3	11.4	9.5	8.2	12.9	1.6	126.7

Right of Note Issue in 1958

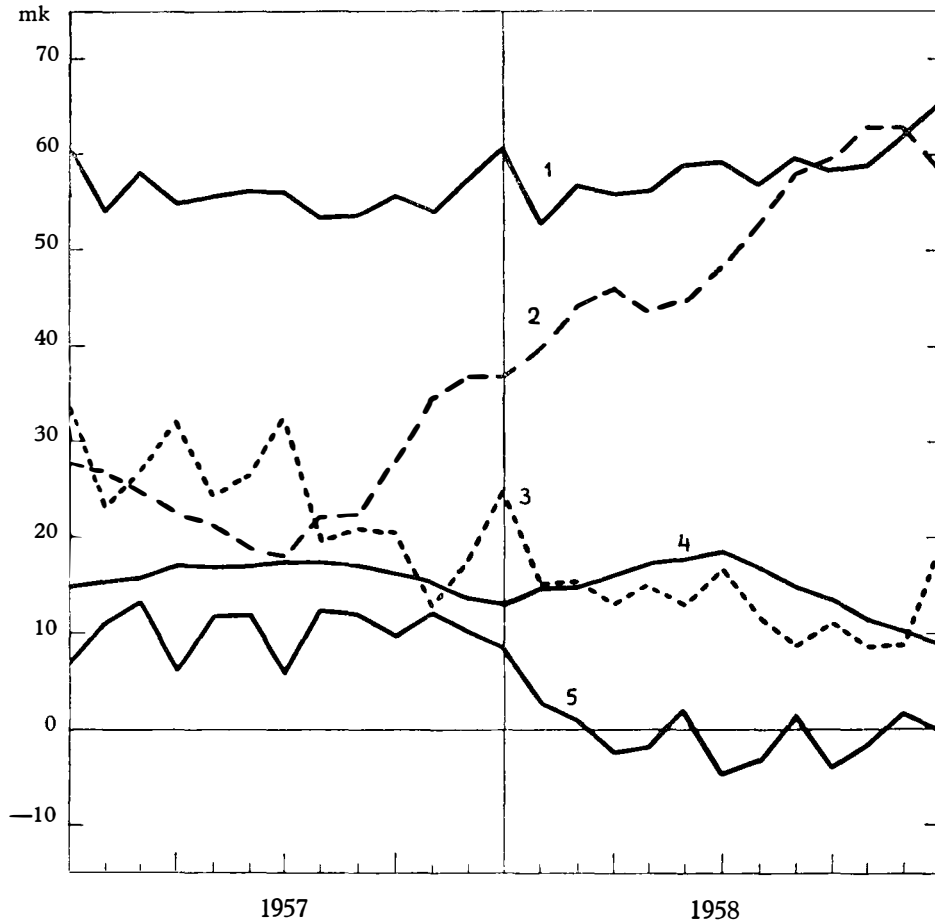
thousand million marks

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	g = c-(d+e+f)
31. 12. 57	41.3	58.0	99.3	60.6	20.6	0.6	17.5
31. 1. 58	44.1	54.3	98.4	52.8	21.6	0.5	23.5
28. 2. 58	47.7	52.2	99.9	56.8	20.5	0.6	22.0
31. 3. 58	48.7	49.9	98.6	55.9	19.1	0.4	23.2
30. 4. 58	46.3	53.5	99.8	56.2	19.0	0.8	23.8
31. 5. 58	47.5	52.2	99.7	59.0	15.4	0.9	24.4
30. 6. 58	51.0	56.4	107.4	59.3	22.1	0.7	25.3
31. 7. 58	55.8	49.7	105.5	56.8	21.4	0.9	26.4
30. 8. 58	61.5	44.7	106.2	59.5	19.4	0.9	26.4
30. 9. 58	62.7	44.4	107.1	58.2	21.9	0.8	26.2
31. 10. 58	65.2	39.9	105.1	58.7	20.2	0.9	25.3
29. 11. 58	65.0	38.6	103.6	61.8	16.2	1.0	24.6
31. 12. 58	60.6	47.1	107.7	65.1	18.0	0.8	23.8

31. 12. 57	41.3	58.0	99.3	60.6	20.6	0.6	17.5
Change in 1958	+19.3	-10.9	+8.4	+4.5	-2.6	+0.2	+6.3
31. 12. 58	60.6	47.1	107.7	65.1	18.0	0.8	23.8

Major Factors Bearing upon the Money Supply in 1957 and 1958

1 000
mill.
mk



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. Bills rediscounted
4. Inland bills in Finnish currency
5. Treasury Bond Loan *minus* cheque account of the Treasury

The Bank Supervisors Elected by the Diet

KUSTI ESKOLA
Deputy, Chairman

VÄINÖ TANNER
ŷ. S. D. h. c., Vice Chairman

AIMO AALTONEN
Deputy

T. A. VIHHERHEIMO
M.A., Deputy

ONNI PELTONEN
Deputy

ARVO KORSIMO
Party Secretary

YRJÖ MURTO
Deputy

J. O. SÖDERHJELM
ŷ. S. D.

OLLI J. UOTI
B.Pol.Sc.

The Board of Management

KLAUS WARIS
Ph. D., Governor

ESKO K. LEINONEN
LL. B.

A. SIMONEN
LL. M.

AHTI KARJALAINEN
Lic.Pol.Sc.

REINO ROSSI
Ph.D.

Secretaries

U. A. VATANEN

PERTTI TAMMIVUORI

EERO ASP

JOUKO J. VOUTILAINEN

Head Office
Helsinki

Chief Accountant
G. ENGBERG

Chiefs of Department

C. G. SUNDMAN	P. BLOMQUIST
P.-E. ÖSTERLUND	A. KAJANTIE
J. HELANDER	EINO JUSSILA
HELGE LINDSTRÖM	A. NENONEN

Chief Cashier
ARTHUR ASPELUND

Accountants

P. RÄIKKÖNEN	OLE BÄCKMAN
OLAVI VAINIO	LEO LINDSTRÖM
K. EIROLA	E. UOTILA
VÄINÖ HEISKANEN	PAULI KANERVA

T. NORKONMAA

Comptroller
ANTERO MOILANEN

INSTITUTE FOR ECONOMIC RESEARCH

Chief
HEIKKI VALVANNE
D.Pol.Sc.

NOTE-PRINTING OFFICE

Director
T. RISSANEN

Technical Leader
F. KORHONEN

Accounts
V. ELONEN

Branches

Hämeenlinna

Manager:
EDV. HERTTUAINEN

Cashier:
KEIJO KALLASMAA

Jyväskylä

Manager:
A. YRJÖLÄ

Book-keeper:
VELI KUJASALO

Cashier:
M. MUHONEN

Kuopio

Manager:
V. VAINIO

Book-keeper:
V. THERMAN

Cashier:
ELIN v. WRIGHT

Mikkeli

Manager:
R. KOTKASAARI

Cashier:
JOUKO JAUHAINEN

Pori

Manager:
K. PAANANEN

Book-keeper:
MARTTI HEISKANEN

Cashier:
LIISA REKOLA

Joensuu

Manager:
E. VUORELA

Cashier:
V. LEHTO

Kotka

Manager:
R. YLÖNEN

Cashier:
V. KAARNAKORPI

Lahti

Manager:
B. FRIETSCH

Book-keeper:
EINO SUOMELA

Cashier:
HILKKA VAARNALA

Oulu

Manager:
OLE LAXÉN

Book-keeper:
KALERVO NÄRHI

Cashier:
U. HOLM

Tampere

Manager:
SAKARI SAHRAKORPI

Accountant:
ILMARI HUUPPONEN

Cashier:
ESTER BACK

Turku
Manager:
NILO KIVIKOSKI

Accountant:
GUNNAR STRÄHLMANN

Cashier:
INEZ ÅKERBLOM

Vaasa
Manager:
P. O. HÄLLSTEN

Book-keeper:
O. KANERVA

Cashier:
MARGIT HUMBLE

Helsinki, 2nd January, 1959.

The Board of Management of the Bank of Finland

KLAUS WARIS

ESKO K. LEINONEN

A. SIMONEN

AHTI KARJALAINEN

REINO ROSSI

G. ENGBERG

Helsinki 1959. Valtioneuvoston kirjapaino