

BANK OF FINLAND

1972



YEAR BOOK

VOLUME 53

HELSINKI 1973

HELSINKI 1973
GOVERNMENT PRINTING CENTRE

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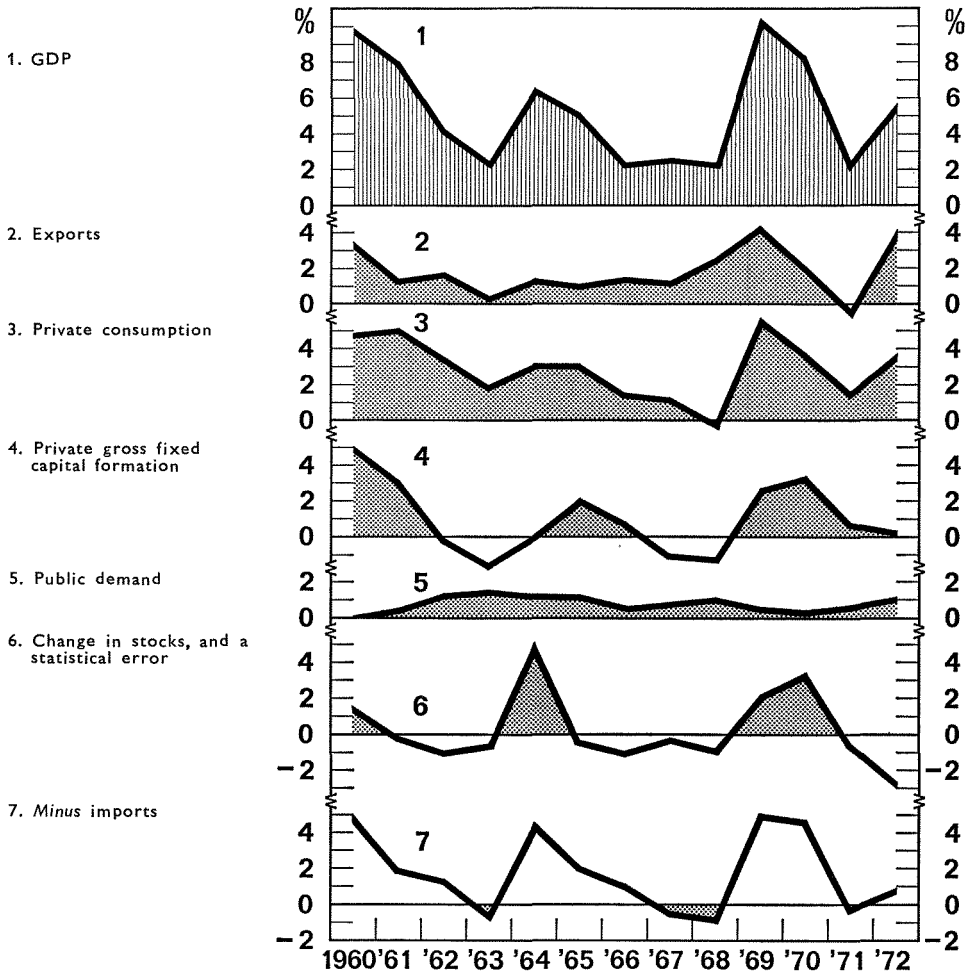
I. ECONOMIC DEVELOPMENTS IN 1972

After a mild cyclical recession, total production began to pick up again in 1972. The expansion of exports, which resulted in large measure from the international cyclical upswing, was the key factor behind the six per cent growth in the gross domestic product, but domestic demand also revived, mainly because of an increase in consumption expenditure. Investment was still sluggish, and the growth in this component that did take place was largely a consequence of government measures. Little private investment was undertaken because rather much productive capacity was still not being utilized and because of uncertainty about future international trade arrangements. The cyclical situation and the rapid growth of exports to the Socialist countries led to a substantial improvement in the balance of trade, with the current account deficit falling to less than half of the level of the previous year. As foreign reserves continued to grow as a result of a strong inflow of capital, it was possible to devote greater attention in economic policy to domestic problems — particularly unemployment. Monetary and fiscal policy measures aimed at encouraging economic activity had been taken as early as the end of 1971, when the process of releasing counter-cyclical reserves was begun and when interest rates were lowered. The inflow of capital, which exceeded the current account deficit, and the release of counter-cyclical reserves helped the economy revive by keeping financial markets easy.

Foreign demand

The international cyclical situation improved clearly in 1972. Growth of total production accelerated very sharply in the United States, and economic activity also picked up in Western Europe. The upswing was encouraged in most countries by economic policy measures. Since world-wide inflation strengthened in the latter half of the year, many countries found it advisable to edge towards a more stringent economic policy stance. The revival in

CONTRIBUTION TO THE GROWTH OF GROSS DOMESTIC PRODUCT,¹ 1960—1972



international economic activity was reflected by the growth of Finnish exports to Western markets. The high competitiveness of exports and unused productive capacity made it possible to increase Finland's market shares substantially. Exports to Socialist countries picked up simultaneously, and the volume of total commodity exports increased by 15 per cent, which, if adjustments are made for the impact of strikes, is materially above the long-term average. Despite a rise in foreign exchange rates, export prices rose by only about six per cent.

¹ Changes in volume over previous year in per cent of previous year's gross domestic product.

Domestic demand

Investment activity remained dormant, as is typical of the initial phase of a cyclical upswing. The gross increase in fixed capital formation was largely a result of extensive public sector investment and measures taken to encourage investment in the private sector. Public sector investment increased by more than nine per cent, with the major part of investments being centred in land and waterway construction.

Since the production capacity which had been created during the previous boom was not yet in full use in 1972, the private entrepreneur was not eager to carry out substantial new investment. The central government made efforts to promote private investment by releasing counter-cyclical and investment deposits and by supporting residential building. As a result, residential building became the most expansive component of private investment. A reduction in investment, which would have been typical of the cyclical situation, was recorded only for the machinery and equipment category. On the whole, private investment increased only slightly, and thus the growth in fixed capital formation came to about three per cent. As in the previous year, investment in stocks declined.

Consumption demand was clearly more buoyant than in 1971. The growth in private consumption was affected by favourable income formation and by an increased propensity to consume. The easing of the financial market, the relaxation of hire-purchase terms and the removal of the supplementary turnover tax at the beginning of the year all worked in the same direction. Sales of durable consumer goods, particularly passenger cars, grew vigorously. The consumption of services, which generally follows income formation very closely, increased rapidly. The growth rate of public consumption expenditure accelerated, exceeding slightly its long-range average. This was primarily caused by increased repair and maintenance projects, which were arranged to alleviate unemployment, and by the extension of public health services.

Production

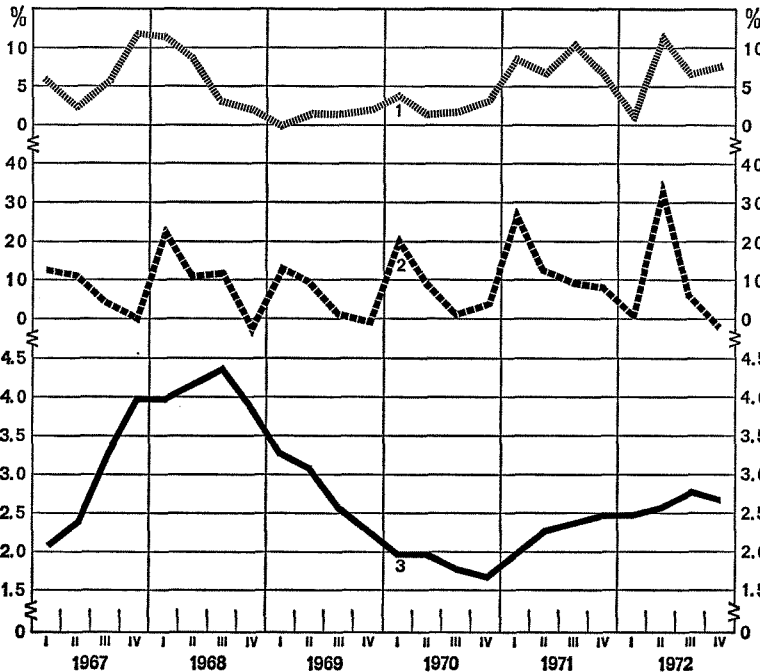
The growth in total production was supported by a revival in exports and domestic demand. Growth was sharpest in industry, construction and commerce. However, the pronounced increase in metal manufacture and mining was partly due to the fact that the strike in the previous year had reduced output. The growth in metal manufacturing was encouraged by increased exports to both western and eastern countries. However, in spite of

favourable export developments, growth in the production of the wood-processing industry was relatively slow, because a considerable proportion of the demand for exports was met from stocks. The substantial decline in forestry output was caused by the inconsequential growth of production in the wood-processing industry, ample stocks of raw wood and disagreement on stumpage prices.

Employment

The employment situation followed the changes in production with a lag and deteriorated further during the first half of 1972. The average rate of unemployment rose from 2.2 per cent in 1971 to 2.6 per cent, and regional differences remained significant. Northern Finland continued to suffer from substantial structural unemployment, which was further exacerbated by a reduction in fellings. On the other hand, a shortage of some types of labour

PRICES, EARNINGS, AND UNEMPLOYMENT, 1967—1972



1. Change in the seasonally adjusted cost of living index (quarterly figures at annual rates)
2. Change in the index of earnings (quarterly figures at annual rates)
3. Seasonally adjusted rate of unemployment

was experienced in southern Finland. Migration to southern Finland was limited by the shortage of dwellings. During the year net immigration was recorded and exacerbated unemployment slightly. To improve the employment situation, the central government increased its employment appropriations so as to be able to provide jobs for 45 000 persons, i.e., 5 000 more than one year earlier. However, jobs created through municipal employment appropriations declined by almost an equal amount, primarily because of the new Employment Act. Accordingly, the direct impact of public measures on employment was only somewhat stronger than in the previous year.

Imports

As a result of the revival in total demand, the volume of imports began to increase again, but growth remained clearly below trend. Imports of consumer goods and passenger cars increased most vigorously. The revival in production led to an increase in imports of raw materials and semi-finished goods. However, the volume of imports of investment goods declined notably. Import prices rose by about eight per cent, and the value of total merchandise imports increased by 12 per cent.

Prices and wages

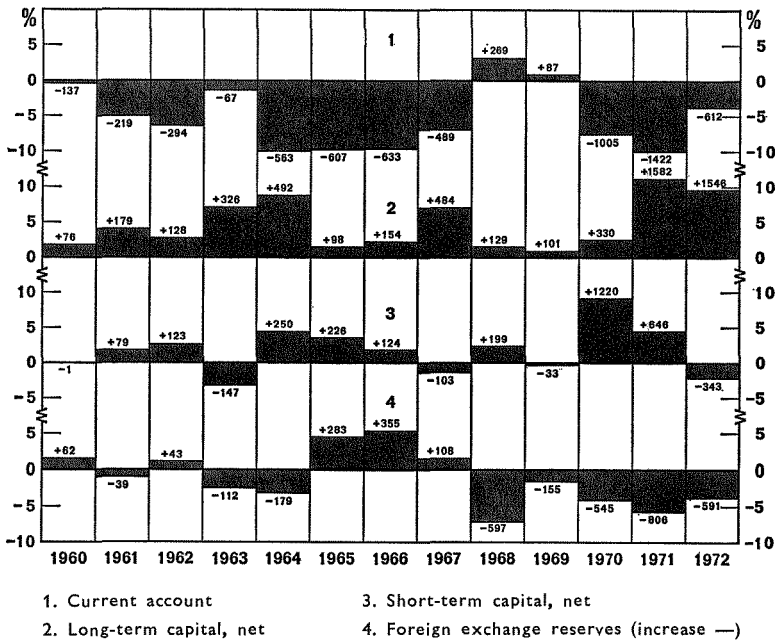
Prices continued to climb sharply. The cost of living index rose steadily at an annual rate of more than seven per cent. The rise in the wholesale price index accelerated towards the end of the year; its average increase on the previous year was more than eight per cent. Many different factors contributed to the price pressures. The substantial rise in earnings in the previous year combined with relatively poor productivity growth still affected costs and prices during 1972. On the basis of the comprehensive incomes agreement which came into force at the beginning of April, wages and salaries were raised on average by 7.2 per cent from the beginning of the agreement period; the annual increase in negotiated wages and salaries was about the same as in 1971. As a result of the cyclical situation, wage drift remained smaller than in the previous year, and the level of earnings rose by some 11 per cent, or substantially more than the growth in labour productivity. Pressure on prices was further strengthened by continuously rising import prices, which rose because of wide-spread inflation and an increase in foreign exchange rates during the first half of the year. Import prices of investment and consumer goods increased particularly sharply. Furthermore, the increase

in agricultural target prices at the beginning of April pushed up consumer prices by about one per cent. On the other hand, the reduction in interest rates and the abolition of the supplementary turnover tax at the beginning of the year tended to ease inflationary pressures. In March price regulation was revised and made more flexible, but the degree of control was not reduced.

Balance of payments

The current account deficit declined notably. The favourable development was caused above all by a reduction in the trade deficit from 1 837 million marks to 1 032 million marks. The cyclical position led to a pronounced fall in the trade deficit vis-à-vis western countries in spite of the deterioration in the terms of trade. However, the major source for the improvement in the trade balance was bilateral trade with the Socialist countries. The decline in the current account deficit was also partly a result of a substantial increase in the service account surplus. This increase was largely based on tourism, but a slight growth in the transport item surplus also contributed. No essential changes occurred in the development of other

SHARES OF BALANCE OF PAYMENTS ITEMS IN CURRENT ACCOUNT EXPENDITURE, 1960—1972 (Mill. marks)



current account items and their relative impact on the current deficit remained unchanged. All in all, the current balance showed a deficit of some 600 million marks, i.e. less than half of the deficit of 1971.

The current deficit was entirely offset by imports of long-term capital, which even led to a substantial basic balance surplus, in spite of the increase in the outflow of capital in the form of direct investments and export credits. Drawings of long-term foreign loans amounted to 3 000 million marks. This development was backed by easiness on international financial markets. The ratio of debt service costs to current account earnings did not change from the previous year. Although the major part of borrowing was in the form of direct financial credits, the growth in borrowing was primarily a result of new bond issues abroad.

Last year saw a turn in the course of short-term capital flows, for the favourable liquidity position made it possible to reduce short-term foreign debt. This took the form of an increase in outstanding short-term export credits and import prepayments. After a fall in the first half of the year, short-term import credits began to grow again, partly on account of the abolition of import credit limits. The overall balance surplus, i.e. the increase in the country's total foreign exchange reserves, amounted to 591 million marks. The Bank of Finland's reserves increased by 271 million marks. The foreign exchange reserves grew relative to current account expenditure, so that both the absolute and relative liquidity position of the country improved.

Financial markets

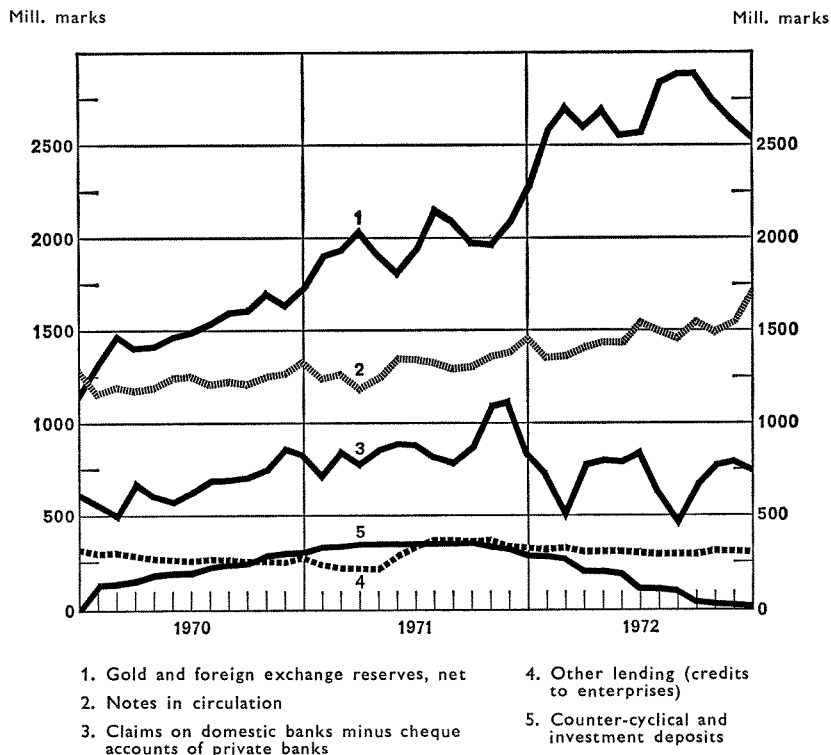
Financial markets were eased substantially by the inflow of foreign capital, which was clearly larger than the current account deficit, and by the release of the counter-cyclical reserves. In view of the cyclical situation, the growth of the credit supply must be considered exceptionally vigorous. This growth came about in spite of the fact that some credits were tied to the Bank of Finland through the Treasury and the Post Office Bank. As the demand for credits for investment purposes was relatively sluggish, financial markets remained easy throughout the year. This contributed to a revival in total demand and production.

Not only did the foreign exchange reserves of the Bank of Finland grow, but its foreign bond assets also increased. The liquidity position of the commercial banks was improved by the release of the counter-cyclical reserves held by the Bank of Finland. More than 250 million marks of private counter-cyclical and investment deposits was drawn upon. In addition, the central government drew nearly 100 million marks of its counter-cyclical tax and

export levy funds. However, the easing of the liquidity position of the commercial banks was curbed by the sale of 390 million marks of central bank deposit certificates.

Deposits by the public grew by 18 per cent, which is the largest increase for more than a decade. The increase in time deposits was supported by an increase in nominal private household income and by a fairly high propensity to save. Furthermore, the supply of government bonds was reduced. The rise in export earnings strengthened the growth of demand deposits, which also increased as a result of the strong inflow of foreign capital and the release of the counter-cyclical reserves. As industrial investment was not being undertaken during this phase of the cycle, the counter-cyclical reserves were used largely to improve the liquidity position of the enterprises. The share of fixed period deposits in all time deposits remained almost unchanged, but the internal structure of fixed period deposits changed with the longer-term deposits coming to occupy a more important place. The lowering of the interest rates paid on time deposits at the beginning of the year does not

MOVEMENT IN MAJOR ITEMS IN THE BALANCE SHEET OF THE BANK OF FINLAND, 1970—1972



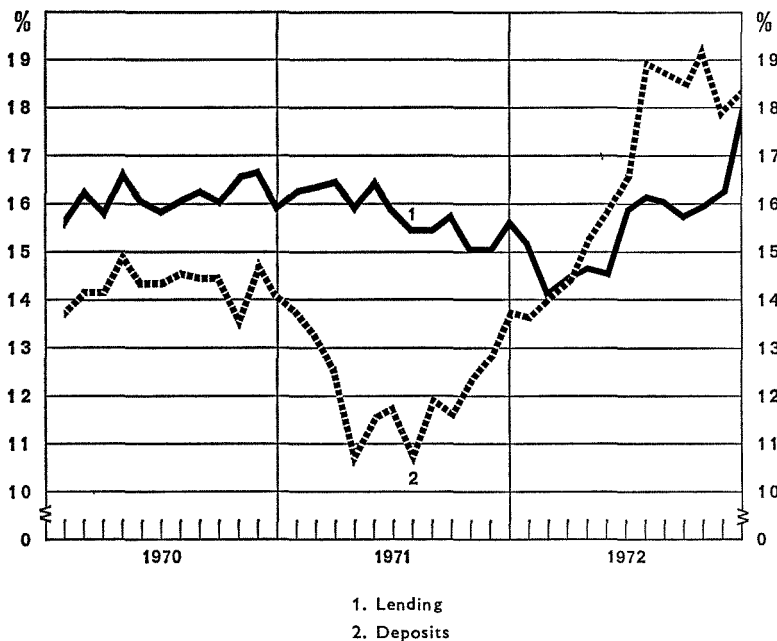
seem to have affected deposit growth notably in 1972. On the other hand, a sharp increase in sales of durable consumer goods followed the removal of the supplementary turnover tax, and this produced a fall in the rate of growth of deposits during the early months of the year.

Lending by deposit banks grew by more than 16 per cent. If the increase in the credits of mortgage credit institutions, which was as much as 32 per cent, is included, the increase in lending comes to 18 per cent. The growth in credit granting was backed by economic policy measures taken in the previous year. However, as industrial investment activity remained sluggish, the demand for credit remained weak throughout the year. In these circumstances, lending by financial institutions was largely used for other purposes, mainly to finance residential construction. The growth in other personal credits was also substantial. The relative share of bills in total lending declined as a result of the sluggishness in economic activity and the easiness of the credit market.

The growth in deposits accepted by deposit banks was proportionately larger than the growth in lending; in absolute terms the difference was 430 million marks. The liquidity position of the banks was thus eased, and this led to a decline in the banks' foreign debt.

BANK DEPOSITS AND BANK LENDING, 1970—1972

Change on the corresponding month of the previous year



The deposits by the public in the commercial banks increased by 1 642 million marks, i.e. 209 million marks more than lending. In the previous year, lending had exceeded deposits by 207 million marks. Commercial banks' investments in bonds increased by 28 per cent or 227 million marks, and their reserves amounted to 1 039 million marks at the end of the year. On the other hand, domestic claims in foreign currency declined by 287 million marks to 961 million marks. Holdings of shares, real estate and movable property increased by 165 million marks.

Net liabilities of the commercial banks to other domestic banking institutions grew by 19 million marks, or by substantially less than the 160 million mark increase of the previous year. The own capital of the commercial banks was increased by 20 per cent or 158 million marks, which was in absolute terms about the same as one year earlier. The improved liquidity position of the commercial banks was reflected in a 314 million mark decline in their net foreign liabilities. In 1971 the decline was 37 million marks. The commercial banks' debt to the central bank in the form of discounts and rediscounts was reduced by 96 million marks and amounted to 753 million marks at the end of the year. In 1972 the average level of debt to the central bank, calculated on the basis of end-of-month figures, was 171 million marks below the average of 713 million marks for 1971.

The interest rates paid on deposits, excluding cheque and postal giro accounts, were reduced by $\frac{3}{4}$ of a percentage point at the beginning of the year. The following rates of interest were paid on different types of accounts during 1972:

	%
24-month deposits	6 $\frac{1}{4}$
12-month deposits	5 $\frac{1}{4}$
6-month deposits	4 $\frac{3}{4}$
Standard deposits ¹ and service accounts ²	4 $\frac{1}{4}$
Cheque accounts and postal giro accounts	0

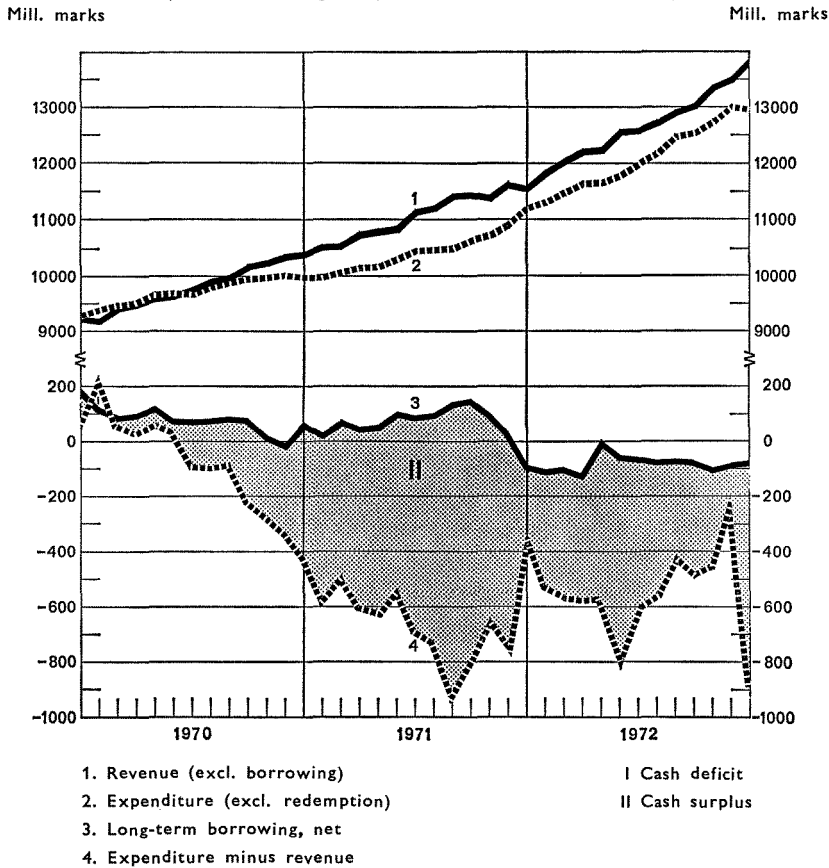
The rates of interest on loans were also lowered by $\frac{3}{4}$ of a percentage point on January 1, 1972. The reduced rates were not applied to credits granted for financing imports, the delivery of imports or for personal purposes (however the lower rates were applicable in the case of imports of machinery, equipment and raw materials, the financing of the purchase of a dwelling and study loans). The highest annual lending rate was still 11 per cent. At the end of 1972, the weighted average lending rate of the commercial banks was 7.93 per cent, of the savings banks 8.51 per cent, of the co-operative banks 8.67 per cent, and of the Post Office Bank 7.78 per cent. The weighted average lending rate of all the above banks was 8.18 per cent.

¹ Standard deposits = ordinary deposit and savings accounts.

² The interest on service accounts is calculated on the lowest balance of the month.

STATE FINANCES, 1970—1972

(12-month moving total, as of the end of the last month)



From the point of view of state finances, 1972 was an easy year. The surplus in the budget proposal, excluding borrowing and redemptions, came to 250 million marks. However, nominal income increased by substantially more than had been estimated; this together with increased private consumption lifted the State's tax and other similar revenue to as much as 1 485 million marks above the amount laid down in the budget proposal. As the employment situation deteriorated, it was necessary to promote employment by increasing real investment expenditure, and three supplementary budgets were approved subsequently for this purpose. Surplus agricultural production and the agricultural income agreement caused sharp rises in agricultural price subsidies. The State's total cash revenue exceeded total cash expenditure by 880 million marks, when borrowing and redemptions are excluded.

The State's financial situation was eased by a 268 million mark transfer from the counter-cyclical fund and by the release of export levy and counter-cyclical tax reserves, which totalled 85 million marks. The vigorous growth in the State's lending tended to ease the credit market by reducing the demand for loans from banking institutions. The state housing loans granted (including those financed with counter-cyclical tax funds) exceeded the amount granted in 1971 by 230 million marks. By reducing its long-term domestic indebtedness by 166 million marks, the State contributed indirectly to the improvement in the liquidity position of the domestic banking institutions. The State's cash surplus was larger than in the previous year and amounted to 680 million marks. The major part of the surplus was invested outside the credit market.

During 1972, 48 bond issues were floated, of which 37 were issued at home and 11 abroad. Sales of domestic bonds amounted to 850 million marks, which was somewhat more than in 1971. Sales of government bonds totalled 388 million marks as against 531 million marks one year earlier. Amortizations of government bonds amounted to 597 million marks, so that the State eased the credit market in this way by more than 200 million marks. Sales of bonds issued by credit institutions increased from 247 million marks to 317 million marks, and sales of other private bonds rose from 50 million marks to 145 million marks. Of the domestic issues, 25 had a fixed interest rate and 12 a variable rate. The interest rate on fixed rate loans ranged from 7 ½ per cent to 8 ½ per cent. At the end of 1972, outstanding domestic bonds totalled 3 669 million marks, as against 3 520 million marks in 1971. The break-down by issuer of the total amount of bonds outstanding is as follows: central government 2 154 million marks, local authorities 26 million marks, credit institutions 1 031 million marks and other issuers 458 million marks.

The stock market picked up substantially in 1972 with the total volume of dealings on the Helsinki Stock Exchange rising from 92.5 million marks to 166.9 million marks, i.e. by 80 per cent. Several large share issues were made by companies already listed on the Stock Exchange, with the share of paid issues coming to less than 240 million marks. The supply of shares still remained meagre compared with the brisk demand. Accordingly, the level of share prices, measured by the share index, was 59 per cent higher at the end of the year than one year earlier. The real growth in turnover was thus about 20 per cent. The vigorous expansion of trading in securities is obviously partly a result of recent tax reforms and of the provision of increased information about the Stock Exchange. Furthermore, the pick-up in turnover in 1972 was affected by inflation and the net reduction of government debt.

II. MONETARY POLICY OF THE BANK OF FINLAND

General monetary policy measures

The most important measures of monetary policy implemented during 1971, taken in order to encourage production and promote employment in 1972, were the increase in the Central Bank credit quotas of the commercial banks and the general reduction in interest rates at the beginning of 1972. These policy measures were closely linked with the decision of the autumn of 1971 to release the counter-cyclical reserves of the private sector. A part of these reserves was released already in 1971, but the major part was released during 1972.

To intensify the impact of the measures taken during the previous year, credit policy guide-lines were sent to the banking institutions in May. In the guide-lines it was emphasized that investment should be started as quickly as possible. The industrial investments which would have a substantial employment effect towards the end of 1972 and during the following winter were to be preferred particularly. Credits which would support residential building and environmental projects in 1972 and during the following winter season were also to be given priority. However, at the same time banking institutions were warned that total demand for credits could scarcely be met, once the economy revived, without disturbing the overall economic balance. Banking institutions were therefore advised to take a more stringent attitude towards applications for credits to finance investment projects which would be started after 1973. These guide-lines on credit policy were designed to provide the banking institutions with a relatively far-reaching overview of what would be expected of them in the attempt to keep their credit-granting in line with the targets of monetary policy if the Bank of Finland's forecasts proved accurate. Long-range credit policy guide-lines were considered useful on the grounds that the credit commitments which banking institutions give make it difficult for them to rapidly reduce their credit-granting when the economic situation changes. However, the uncertainty of longer-range economic forecasts means that recommendations must be taken as rough indicators of what will be expected of the banking institutions.

At the end of 1971, the quantitative restrictions on credits granted by banking institutions mainly for purchases of consumer goods which had been introduced in the spring of 1971 were extended until the end of June 1972. In June the Bank of Finland sent the banking institutions a letter which stated that there seemed to be no cogent reason for continuing with the restrictions on consumer credits after the end of June 1972. However, the Bank of Finland did point out at the same time that, irrespective of the removal of the quantitative restrictions, banking institutions should continue to take a negative attitude towards applications for credits which were intended to finance purchases of consumer goods, so that prospects for financing investments would not be weakened.

In June the Bank of Finland submitted to the Ministry of Trade and Industry a statement concerning hire-purchase terms. In this statement the Bank indicated that counter-cyclical policy considerations encouraged, and the balance of payments did not prevent, the easing of hire-purchase terms. In July the Council of State relaxed the hire-purchase terms for lorries, vans and certain household appliances. However, no change was made in the hire-purchase terms for passenger cars.

In August the Bank of Finland rescinded its instructions, issued in October 1970, concerning the reduction of the limits on commodity and finance bills and on credits granted by hire-purchase finance houses.

Even though the Bank of Finland had, while removing the quantitative restrictions on consumer credits, advised banking institutions to take a stringent attitude towards consumer credit, some banking institutions did, during the autumn, increase their small advances markedly. These credits were mainly intended for financing purchases of consumer goods, and the interest rates on them varied substantially. Furthermore, the interest rates were not in all cases in accordance with the Bank of Finland's general interest rate recommendations on interest rate differentiation for various types of credit. On the basis of negotiations with the banking institutions, the Bank of Finland laid down at the end of December guide-lines on the principles to be followed in the granting of small advances intended for purchases of consumer goods. It was suggested in the guide-lines that interest at an annual rate of 10 to 11 per cent be charged on small advances granted in the form of loans or bills. It was also suggested that interest and charges on personal overdrafts ¹ should not total less than 10 per cent, of which the share of interest should not be less than 7 ½ percentage units. It was recommended that the ceiling on small advances per client be one month's net pay, and that in no case should the advance exceed 5 000 marks. The Bank of Finland intervened in the granting of consumer credits by banking institutions on the basis of growth and structural policy

¹ This decision applied only to those accounts into which wages or salaries are paid.

considerations, which had been set forth in the guide-lines published in June.

Throughout 1972, the commercial banks' quotas for credit from the central bank were kept at a high level relative to the use made of them; they had been raised to this level at the beginning of October 1971. The aim of this easiness was to ensure that credit would be available for all appropriate investment projects so that investment would support production and employment.

The Bank of Finland continued to sell deposit certificates in 1972, and the total outstanding grew from 400 million marks to 790 million marks during the year.

Special credit arrangements

No changes were made in the domestic suppliers' credit arrangement which had been revised during the previous year. Thus the Bank continued to finance 30 per cent of the cost of these projects. In August the Post Office Bank was allowed to join the commercial banks in financing these credits.

The total value of the deliveries for which credit arrangements had been made within the framework of this programme rose from 1 888 million marks to 2 130 million marks. Of this, the financing share of the Bank of Finland was 470 million marks and the share of other banks 1 197 million marks; the remainder consists of cash payments made by the buyers. The outstanding credits of the Bank of Finland in this programme grew by 62 million marks in 1972 and amounted to 236 million marks at the end of the year.

Between the setting-up of this special credit arrangement in 1967 and the end of 1972, the Bank of Finland granted 587 credit reservations, of which 68 were cancelled. There were 73 totally repaid credits and 100 unused. Credit reservations were granted to 60 suppliers and 113 buyers.

The amount outstanding within the programme begun in 1963 to provide medium-term suppliers' credits for the metal industry was no more than 0.4 million marks at the end of the year.

The granting of new export credits was also continued on the basis of the guide-lines circulated to the banks during the previous year. At the end of the year under review, the total amount outstanding was 39 million marks and the number of enterprises receiving credit was 193. The corresponding figures at the beginning of the year were 37 million marks and 185 enterprises. The new export credits allow exporters to secure, on certain conditions, the additional operating capital needed to finance exports.

III. FOREIGN EXCHANGE POLICY OF THE BANK OF FINLAND

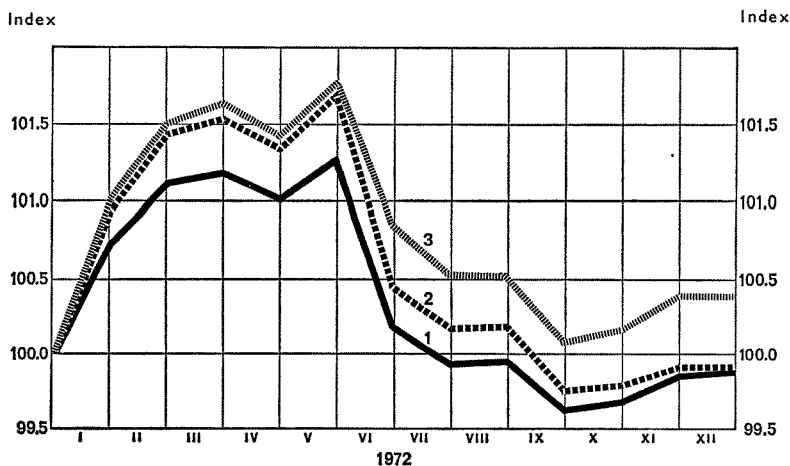
Exchange rates

The international par value of the mark, as provided for in the first clause of Paragraph 2 of the Currency Act of March 30, 1962 and in accordance with the Articles of Agreement of the International Monetary Fund (Treaty Roll No. 45/1969), is 0.211590 grams of fine gold, which is equal to 146.999 marks per troy ounce of gold. On the basis of the decision of the Board of Executive Directors of the International Monetary Fund [3463—(71/126)] of December 18, 1971, the Bank of Finland adopted, on December 20, a central rate of 4.10 marks per U.S. dollar. The central rate was to be used temporarily in place of the par value as the basis for calculating the daily limits for exchange rate fluctuations. At the same time these limits were changed so that the rate could vary up to 2 $\frac{1}{4}$ per cent on either side of the central rate for the U.S. dollar and up to 4 $\frac{1}{2}$ per cent on either side of the rates for other currencies, calculated on the basis of the central rate. The central rate and the broader margins remained in force throughout the year under review.

In spite of the agreement concluded in Washington in December 1971, instability continued to plague the exchange rates of certain major currencies during 1972. However, the efforts of a few major countries to restrict short-term capital flows and the narrowing of differences in interest rates between the United States and Europe brought about by the cyclical situation helped to restore a certain tranquillity to foreign exchange markets. The most serious disturbances were a sharp fall in the exchange rate for Sterling and a rapid rise in the market price of gold. The continuing current account deficit of the U.S. and Japan's increasing surplus caused concern during the year under review.

On May 8 the United States devalued the dollar officially by 7.9 per cent. Thereafter currency speculation was focussed even more than before on the pound. To protect the foreign exchange reserves, the British authorities announced on June 23 that the United Kingdom would cease to observe the fluctuation limits for the pound. As the foreign exchange markets of Western Europe were closed on June 26 and 27, the Bank of Finland

AVERAGE WEIGHTED CHANGE IN EXCHANGE RATES AGAINST
THE FMK IN 1972 (index January 1, 1972 = 100)



1. Weighted by shares of main trading currencies
2. Weighted by export shares
3. Weighted by import shares

quoted only the exchange rates for the dollar and the rouble and subsequently ceased to observe the intervention limits set for Sterling. The decision to let the pound float reduced currency speculation during the latter part of the year.

Since the difference between the commercial and financial exchange rate for the Belgian franc increased during the summer, the Bank of Finland quoted two different exchange rates for the Belgian franc from September 12. The uncertainty surrounding the outcome of Denmark's EEC referendum led to the closing of the Danish foreign exchange market between September 26 and October 2, and during this period the Bank of Finland did not quote a rate for the Danish krona. Between December 18 and 20 no rate was quoted for the Icelandic krona, due to the decision to devalue this currency.

During the year under review, Finland, together with the other Nordic countries, continued to employ the central rate system, which was intended to be temporary. It was not possible to restore the par value system, since reform of the international foreign exchange system had not yet been completed and uncertainty continued to colour many transactions in the foreign exchange market.

The exchange rate for the dollar against other major currencies weakened during the first months of the year but strengthened again during the sum-

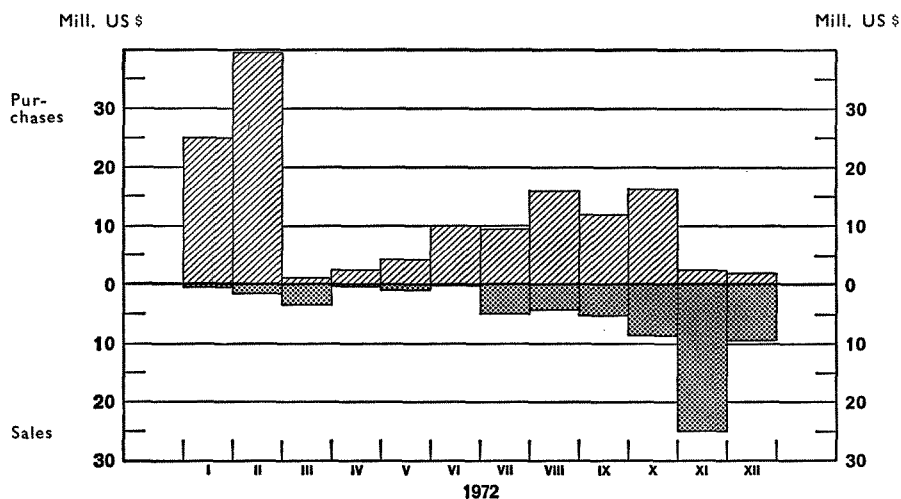
mer. As the mark rate for the dollar was kept fairly stable, the average international value of the Finnish mark also weakened until June; subsequently the fall in the exchange rate for the pound led to a rise in the weighted average value of the Finnish mark. The value of the mark in terms of Sterling rose by as much as 7.7 per cent between the adoption of the central rate in December 1971 and the end of 1972. The table on page 22 presents the selling rates for currencies at the end of 1971 and 1972.

The charts on pages 21 and 22 show changes in the average international value of the Finnish mark, weighted in various ways, during 1972 and the development of the mark rates of the currencies most important for Finland from May 1971 until the end of 1972.

Forward exchange transactions

During the year under review, short-term (one to three month) transactions were particularly important on the Finnish forward exchange market. In sum they accounted for about 50 per cent of all forward exchange dealings. Forward purchases of foreign exchange by the Bank of Finland totalled 141 million marks and sales came to 65 million marks during 1972. Sales increased particularly towards the end of the year, a time when purchases decreased. On December 28, the three-month forward exchange rate for the U.S. dollar was 4.200 marks or 0.5 per cent (2.0 per cent on an annual basis) above the spot selling rate.

FORWARD EXCHANGE TRANSACTIONS OF THE BANK OF FINLAND IN 1972



Foreign payments

The favourable development of the balance of trade and the foreign exchange reserves during the spring reduced the need for the temporary restrictions on import credits. Thus on May 26, the Bank of Finland decided to abolish the cash payment system for imports of consumer goods.

Settlements under bilateral payments agreements, which at the end of 1972 Finland had with Bulgaria, the Democratic Republic of Germany, Hungary, Roumania, and the Soviet Union, were made, as before, with the rouble and the clearing dollar. As in the past, the U.S. dollar rates were adopted for sales and purchases of clearing dollars. The experiment of keeping accounts with Poland and Czechoslovakia in freely convertible U.S. dollars was continued. Payments to and from the People's Republic of China were made through a bilateral clearing account, which was kept in each country in the currency of that country.

On December 13 the Board of Management of the Bank of Finland decided that the Bank would participate in the exchange rate guarantee system, which was to be set up between the central banks of the OECD countries with a view to replacing the former European Monetary Agreement (EMA). The system is designed to protect the spot assets held by the central banks on each others' accounts against the risk of potential exchange rate losses, up to certain bilaterally agreed amounts. The central banks of 18 countries are participating in the system, and the Bank for International Settlements (BIS) acts as its agent.

During 1972 the Bank of Finland started to revise and simplify the foreign exchange regulations. The revision was completed at the end of the year, when the Law on the Right to Deal in Foreign Exchange (909/72) and the Law on Foreign Exchange (910/72) were enacted. At the same time, the Law on Trade in Foreign Exchange, issued on December 30, 1959, was repealed. On the basis of these laws, a new Decision of the Council of State on the Execution of the Law on Foreign Exchange and a Decision of the Bank of Finland on the Application of the Decision of the Council of State were issued. The laws and decisions came into force at the beginning of 1973.

Capital movements

The international capital market picked up further in 1972. Euro-markets were exceptionally liquid, and the volume of new bond issues in the Euro-bond market continued to grow as in previous years. The lack of con-

fidence in the dollar brought about a minor decline in the share of dollar denominated loans to less than 60 per cent of total new bond issues. The share of dollar loans in Finland's newly taken long-term foreign loans was also slightly smaller than in the previous year; it was less than 50 per cent.

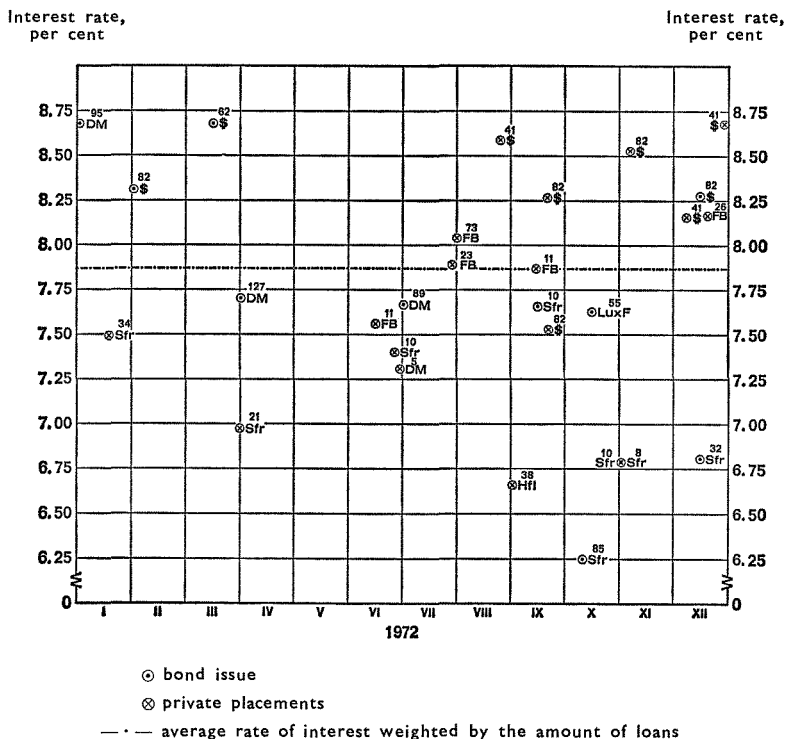
At the end of 1972, Finland's long-term foreign debt totalled 9 985 million marks; at the end of 1971 it had been 7 959 million marks. Drawings of long-term foreign loans amounted to 3 064 million marks or 295 million marks more than in 1971. Redemptions totalled 1 038 million marks as against 882 million marks in 1971. The net inflow of long-term capital thus amounted to 2 026 million marks, which is 139 million marks more than in the previous year. These funds went almost entirely to the business sector; drawings of foreign loans by the central government and local authorities did not even match redemptions during this period.

As the table below indicates, more than 50 per cent of the long-term capital imported was in the form of financial loans. At the end of the year these loans made up almost 50 per cent of total long-term debt. Net drawings of financial loans amounted to 1 278 million marks, which was 16 million marks less than in 1971. Of financial loans, 632 million marks were imported in the form of privately placed loans, which closely resemble bond issues; during the past few years, the number of these loans has grown substantially.

Finland's long-term foreign debt and assets according to type of loan, million marks

	Dec. 31, 1971	Drawings	Changes in 1972 Amorti- zation	Net change	Dec. 31, 1972
Credits from foreign governments	503	—	101	— 101	402
of which:					
Soviet Union	200	—	44	—44	156
Sweden	158	—	29	—29	129
United States	145	—	28	—28	117
Loans from international monetary institutions	590	40	69	— 29	561
Bond issues	2 071	735	126	+ 609	2 680
Financial loans	3 486	1 686	408	+1 278	4 764
Import credits	1 198	553	307	+ 246	1 444
Loans to Finnish subsidiaries from foreign parent companies	111	50	27	+ 23	134
Long-term debt	7 959	3 064	1 038	+2 026	9 985
Long-term assets	1 506	708	228	+ 480	1 986
Net long-term debt	6 453	2 356	810	+1 546	7 999

EFFECTIVE INTEREST EXPENSES PAID BY BORROWERS FOR FINNISH BONDS ISSUED ABROAD AND FOR FOREIGN PRIVATE PLACEMENT LOANS, IN 1972, CALCULATED AS OF THE DATE OF ISSUE (Mill. marks)

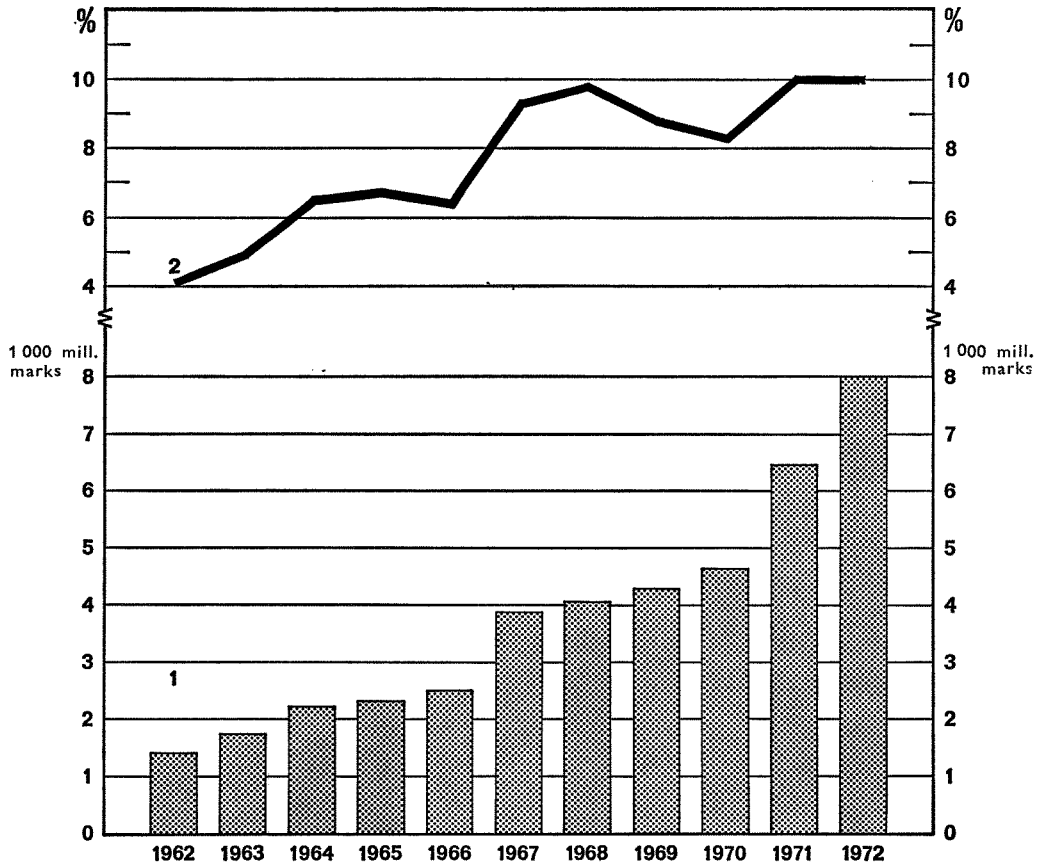


Of the 17 private placement loans which were drawn upon during 1972, six were denominated in dollars, five in Belgian francs, four in Swiss francs one in D-marks and one in Dutch guildens. The shortest loan period for these loans was five years and the longest 20 years.

Eleven new Finnish bond issues totalling 735 million marks were floated abroad in 1972, which shows a sharp rise against the 432 million marks in issues of 1971. Of these, four were Swiss-franc loans, three dollar loans, three D-mark loans and one Luxembourgish-franc loan. Amortizations of outstanding bonds amounted to 126 million marks in 1972.

The effective interest charges incurred by the borrower on Finnish bond issues and private placement loans issued abroad in 1972 are shown in the chart above. The average interest rate, weighted by the size of the loans, was 7.87 in 1972; the corresponding average interest rate was 8.72 per cent in 1971. The strength of the Swiss franc is indicated by the fact that interest rates for all loans denominated in this currency were below the average. On

NET LONG-TERM DEBT AND THE RELATIVE BURDEN OF SERVICE CHARGES,
1962—1972



1. Net long-term debt (debt minus assets) at the end of each year
2. The relative burden of service charges on long-term debt or the ratio of redemptions and interest charges to current account revenue

the other hand, only one dollar loan was obtained bearing a lower interest rate than the average.

At the end of 1972, 43 per cent of Finland's long-term foreign debt was denominated in dollars, 28 per cent in D-marks, 12 per cent in Swiss francs and 5 per cent in Sterling; the remainder was distributed among various currencies. Debt service charges, i.e. interest charges and amortizations, amounted to 1 568 million marks, or 284 million marks more than in 1971. The debt service ratio, or the ratio of total service charges to current account earnings, was 10.1 per cent, or the same as in 1971 (see the chart above).

The long-term foreign assets of Finland, which increased by 480 million marks to 1 986 million marks, consist mainly of export credits and of loans granted by Finnish companies to their subsidiaries abroad. Net long-term foreign debt grew by 1 546 million marks during the year under review and amounted to 7 999 million marks at the end of the year.

In other countries direct investments have increased sharply, mainly as a result of the expansion of multinational enterprises. However, such investments are not important for the Finnish economy. According to permits granted by the Bank of Finland, foreign direct investment in Finland amounted to 103 million marks (see the table below). Of this amount, slightly more than 50 per cent came from North America. At the end of the year, there were 638 enterprises in Finland which were totally or partly owned by foreign proprietors. Of these, 151 were manufacturing and 368 marketing enterprises. Finnish direct investment in foreign countries amounted to 144 million marks, which is slightly more than twice the amount in 1971.

Direct investment in 1968—1972, million marks

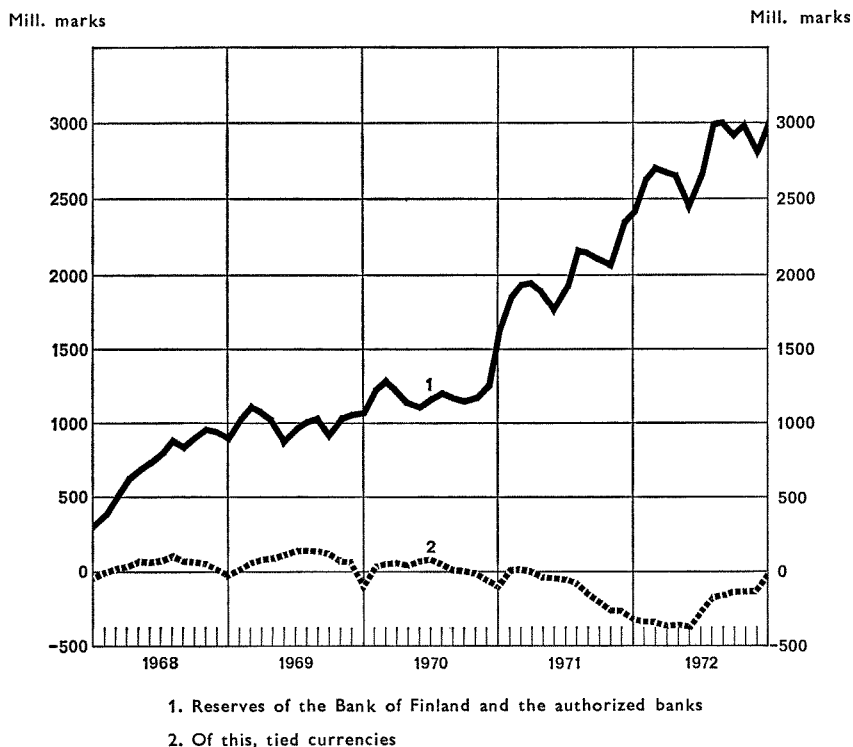
Year	Total	In Finland		Total	Abroad	
		Industry	Marketing enterprises		Industry	Marketing enterprises
1968	27	9	18	86	81	5
1969	94	47	47	46	31	15
1970	46	13	33	37	15	22
1971	91	32	59	60	26	34
1972	103	18	85	144	119	25

Foreign exchange situation

The net assets of the Bank of Finland and other foreign exchange holders are shown in the table below and the chart on page 29.

	Reserves Dec. 31, 1971			Reserves Dec. 29, 1972			Change		
	Bank of Finland	Others	Total	Bank of Finland	Others	Total	Bank of Finland	Others	Total
Million marks									
Gold	205	—	205	205	—	205	—	—	—
Special drawing rights	197	—	197	283	—	283	+ 86	—	+ 86
IMF gold tranche	268	—	268	268	—	268	—	—	—
Convertible currencies	1 920	143	2 063	1 814	463	2 277	—106	+ 320	+ 214
Tied currencies ..	—297	—3	—300	—6	—3	—9	+ 291	—	+ 291
Total	2 293	140	2 433	2 564	460	3 024	+ 271	+ 320	+ 591

FOREIGN EXCHANGE SITUATION, 1968—1972



As the current account developed more favourably than in the previous year and the inflow of foreign capital remained strong, the country's foreign exchange reserves grew by 591 million marks during the year and amounted to 3 024 million marks at the end of the year. The foreign exchange assets of authorized banks grew particularly fast, i.e. by 320 million marks. At the end of 1972, eight per cent of the exchange reserves of the Bank of Finland was in gold. SDRs accounted for 11 per cent, the gold tranche in the International Monetary Fund for 10 per cent and convertible currencies for 71 per cent. Convertible currencies accounted for 75 per cent of the exchange reserves of the whole country. During the year under review, spot sales of foreign exchange by the Bank of Finland to commercial banks totalled 376 million dollars and spot purchases from commercial banks came to 293 million dollars.

IV. BANK OF FINLAND STATEMENTS

Detailed figures of the statement of the Bank of Finland are given in the statistical section of the Year Book. However, the tables are somewhat more condensed than in previous years. The following tables provide supplementary information on individual items in the statement and changes that have occurred in them.

Foreign accounts

Changes in the foreign accounts of the Bank in 1972:

	Dec. 31, 1971	Dec. 29, 1972	Change
	Million marks		
Gold	205	205	+ 0
Special drawing rights	197	283	+ 86
IMF gold tranche	268	268	+ 0
Foreign exchange	1 950	1 929	— 21
Foreign bills	119	110	— 9
Foreign bonds	37	117	+ 80
Currency subscription to Finland's quota in the IMF	530	530	— 0
Assets	3 306	3 442	+ 136
Foreign exchange accounts	297	78	—219
Mark accounts of holders abroad	30	43	+ 13
IMF mark accounts	530	530	— 0
Allocations of special drawing rights	174	258	+ 84
Liabilities	1 031	909	—122
Net foreign assets	2 275	2 533	+258

Holdings of special drawing rights rose by 86 million marks, of which 84 million marks was a result of the third allocation of SDRs. However, the foreign exchange assets of the Bank declined by 21 million marks, while foreign exchange liabilities fell by 206 million marks. There was thus a net increase of 271 million marks in the gold and foreign exchange reserves of the Bank, which totalled 2 564 million marks at the end of the year. Of other foreign assets, foreign bonds increased by 80 million marks.

Treasury accounts

The following table shows the development of the central government accounts in the Bank:

	Dec. 31, 1971	Dec. 29, 1972	Change
	Million marks		
Cheque account	2	1	— 1
Export levy account	15	2	—13
Counter-cyclical tax account	114	42	—72
Governmental counter-cyclical fund	9	4	— 5
Liabilities	140	49	—91

The export levy account, which is entered in the Balance Sheet under »Domestic term liabilities», declined by 13 million marks and totalled two million marks at the end of the year. Of the funds accrued on the counter-cyclical tax account, 72 million marks was used in 1972 so that 42 million marks remained in this account at the end of the year. These funds are also included in »Domestic term liabilities».

The central government used the major part of its counter-cyclical reserves in 1972, most of which had been invested by the Bank of Finland in foreign assets. These investments are not included in the Bank of Finland's balance sheet. At the end of the year there was four million marks on the governmental counter-cyclical account, which is also included in »Domestic term liabilities».

The table does not include Treasury bonds held by the Bank and deposit certificates sold to the central government.

Accounts of the banks

The following table illustrates the position of the banking institutions towards the Bank of Finland:

	Dec. 31, 1971	Dec. 29, 1972	Change
	Million marks		
Discounted bills	848	752	—96
Rediscounted bills	1	1	—
Cheque accounts	—	5	+ 5
Assets	849	758	—91
Cheque account of the Post Office Bank	2	2	— 0
Cheque accounts of the private banks	9	—	— 9
Mortgage Bank of Finland Oy	1	0	— 1
Liabilities	12	2	—10
Net indebtedness of banks	837	756	—81

The amount of discounted bills declined by 96 million marks in 1972, whereas the amount of rediscounted bills remained unchanged and totalled one million marks at the end of the year. The item »cheque accounts of the private banks» shows that the Bank of Finland held claims of this type on the private banks.

The cheque account of the Post Office Bank indicated liabilities of two million marks at the end of both 1971 and 1972.

The net liabilities of the banking institutions to the Bank of Finland declined by 81 million marks in 1972 and amounted to 756 million marks at the end of the year. This figure excludes bonds issued by various banking and credit institutions and held by the Bank of Finland as well as the Bank of Finland's deposit certificates sold to these institutions.

When considering the position of the banking institutions, account must be taken of the liabilities which have been incurred by the banks as a result of various special credit arrangements and not included in the table. These include the new export credits mentioned above, credits in the form of bills granted by the Bank on the basis of the 1963 suppliers' credit arrangement and export bills in foreign currency. The latter account forms the major part of »Foreign bills» in the balance sheet. In addition, these liabilities comprise bills arising from the 1967 suppliers' credit arrangement and issued against the guarantee of the banking institutions as well as bonds temporarily purchased from the banks under the repurchase obligation.

Trade and industry accounts

The following table indicates the development of the accounts of private enterprises in the Bank:

	Dec. 31, 1971	Dec. 29, 1972	Change
	Million marks		
Bills in Finnish currency	121	44	— 77
Loans	219	272	+ 53
Other claims	15	5	— 10
Assets	355	321	— 34
Cheque accounts	3	1	— 2
Other liabilities payable on demand	5	1	— 4
Term liabilities	367	61	—306
Liabilities	375	63	—312
Net loans to trade and industry	—20	258	+ 278

»Bills in Finnish currency» decreased by 77 million marks and totalled 44 million marks at the end of the year. On the other hand, new export credits, which are made available through the commercial banks and included in »Bills in Finnish currency», increased by one million marks and totalled 39 million marks at the end of the year. The major part of »Loans» consisted of advances made on the basis of the 1967 suppliers' credit arrangement. These advances grew by 61 million marks in 1972 and the total outstanding at the end of the year was 236 million marks.

New investment deposits included in »Domestic term liabilities», which had accrued since 1968, declined from 98 million marks to 33 million marks. Old investment deposits amounted to five million marks at the end of the year, and all investment deposits thus totalled 38 million marks. The counter-cyclical deposits are included in »Domestic term liabilities». These deposits amounted to 184 million marks at the beginning of the year, but were drawn by the end of September. In addition, the major part of the special deposits, which were made by ship-owners for the acquisition of new vessels and which accounted for two million marks of the above item, was drawn in 1972.

Total net lending by the Bank of Finland to the business sector increased by 278 million marks in 1972. Net claims of trade and industry on the Bank of Finland thus amounted to 258 million marks at the end of 1972.

Other accounts

Changes in the items on the assets side not dealt with above include an increase in holdings of domestic bonds from 38 million marks to 47 million marks. »Finnish coin», entered under »Other assets» in the balance sheet, includes all coinage held by the Bank. Coins in circulation, the value of which is not entered in the balance sheet, increased from 150 million marks to 165 million marks. The development and break-down of the circulation of coins is shown in Tables 7 and 9.

According to the balance sheet, notes in circulation amounted to 1730 million marks at the end of the year. The balance sheet item »Other sight liabilities» also includes ten million marks of notes denominated in the old monetary unit. When these old notes are taken into account, total note circulation was 1740 million marks at the end of 1972. Total note circulation increased by 251 million marks or 16.7 per cent during the year under review.

Primary note cover, which includes gold and other foreign assets of the Bank, grew by 70 million marks in 1972 and amounted to 2846 million marks at the end of the year. Secondary note cover, however, declined by 159 million marks as a result of a fall in discounted bills, and the right to

issue notes was reduced by 89 million marks. As note circulation and liabilities payable on demand grew by 29 million marks, the unused right of note issue declined by 118 million marks and totalled 1 320 million marks at the end of the year. Information on note issue is given in Table 6.

According to the statement of the Bank of Finland, the Bank's own funds, excluding the profits for the fiscal year, amounted to 674 million marks or to 42 million marks more than at the end of the previous year. The increase was a result of a transfer of one-half of the 1971 profits to the reserve fund at the beginning of 1972. Apart from these funds, the Bank has capital items which are not shown in its balance sheet. These include equalization reserves, the office buildings of the Head Office and branch offices, a note-printing works, certain other real properties which are indispensable for the operations of the Bank, and shareholdings, mainly majority ownership of Tervakoski Oy.

The Profit and Loss Account of the Bank of Finland is shown in Table 3. Total earnings increased by 14 million marks on the previous year. Interest income from foreign exchange claims grew by 21 million marks and interest earnings on bonds by eight million marks. However, interest earnings on domestic credit declined by 14 million marks.

The Bank's total expenses amounted to 97 million marks, which is 18 million marks more than in 1971. Interest expenses on deposits rose by 17 million marks. Wage and salary expenditure grew by 3 million marks. Expenditure on note printing increased by one million marks, whereas there was a five million mark decrease in depreciation. The profits of the Bank of Finland amounted to 80 million marks. In accordance with the Regulations for the Bank of Finland, one half of the annual profit was transferred to the reserve fund. The disposal of the other half will be decided by Parliament.

V. FINLAND'S RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS

The Bank of Finland acts as an agent for the Government in its relations with the International Monetary Fund and, together with the ministries concerned, with the World Bank (International Bank for Reconstruction and Development), the International Finance Corporation and the International Development Association, in all of which Finland is a member. The Bank of Finland is a shareholder in the Bank for International Settlements. In addition, Finland is a member of the Asian Development Bank. In accordance with international articles of agreement, the Bank of Finland operates as the Finnish deposit bank for these international financial institutions.

International Monetary Fund (IMF)

The International Monetary Fund was founded on December 27, 1945, and began operations on March 9, 1946. Its purpose is to promote international monetary co-operation in order to facilitate the expansion of international trade and to contribute thereby to member countries' economic development. From its resources, collected in the form of members' subscriptions to quotas, the Fund grants short-term loans through its General Account to those member countries having temporary balance of payments difficulties and provides machinery for consultation and co-operation on international monetary problems as well as expertise on economic questions. In addition, it carries out research and provides training facilities. Apart from the General Account, the Fund has a Special Drawing Account, created on July 28, 1969, when the Articles of Agreement were amended. This account is used for the allocation of special drawing rights (SDRs) to support the external liquidity of the member countries participating in the SDR scheme.

Finland joined the International Monetary Fund on January 14, 1948. The number of member countries totalled 125 at the end of the year under review. Five new members joined the Fund during the course of the year;

Roumania was among these and became the first country of the Council for Mutual Economic Assistance (CMEA) to join the Fund.

In settlement of its subscription, each member pays 25 per cent of its quota in gold and 75 per cent in its own currency. According to the Articles of Agreement of the Fund, the quotas are to be reviewed at least every five years. The initial Finnish quota was 38 million dollars, but in September 1959 it was raised to 57 million dollars. In March, 1966, the Finnish quota was raised to 125 million dollars and in February, 1970, to 190 million dollars. As a result of the general arrangements made in the foreign exchange system in December 1971, the International Monetary Fund started on March 20, 1972, to use the SDR, which is equal to one pre-devaluation dollar, as its unit of account. Accordingly, the Finnish quota was 190 million SDRs or US \$ 206.3 million at the end of the year under review.

Subscriptions to quotas totalled 29 200 million SDRs at the end of 1972. Drawings during the year amounted to 1 600 million SDRs. As repayments of previous drawings equalled 1 300 million SDRs during the corresponding period, the amount held by member countries was 3 700 million SDRs at the end of 1972.

In 1972 Finland made no use of Fund credit. Nor did the Fund allocate Finnmarks to other member countries or buy Finnmarks against SDRs, so that Finland's »super gold tranche» remained unchanged. The mark holdings of the Fund totalled 66 per cent of the Finnish quota at the end of 1972.

By the end of 1972, 116 members were participating in the special drawing rights scheme. Notification of Finnish participation was given in September, 1969. At the beginning of the year under review, Finland received 20.1 million SDRs, which is equivalent to 84.4 million marks, and in addition, a small amount of SDRs accrued as a result of interest payments. At the end of the year, there were 67.5 million SDRs in the country's foreign exchange reserves, which is equivalent to 283.3 million marks; of this, 61.5 million had been received through allocation and the remaining six million through purchases or interest earnings.

The reform of the international foreign exchange system, which had been long at issue, reached a new phase in 1972, when the so-called Committee of Twenty was set up to promote and co-ordinate the work preceding reform. Twenty members of the Board of Governors of the International Monetary Fund make up the Committee, which is authorized to appoint two associate members (Associates). It is hoped that the Committee will work out the main features of currency reform by September 1973, when the annual meeting of the Fund will be held in Nairobi. Sweden's minister for trade KJELL-OLOF FELDT represents the Nordic countries on this Committee, and JOHANNES NORDAL, Governor of the Bank of Iceland, and JAAKKO LASSILA, Member of the Board of Management of the Bank of Finland, are associate members.

The Committee held its first and only meeting of the year on September 28, 1972, in connection with the annual meeting of the Fund.

To assist the ordinary Committee of Twenty, a sub-committee, the Deputies of the Committee of Twenty, was set up, which is in charge of preparing in detail the matters relating to currency reform and submitting reports to the ordinary Committee of Twenty. The Nordic countries are represented on the sub-committee by SVEND ANDERSEN, Member of the Board of Management of the Bank of Denmark, and HERMOD SKÅNLAND, Deputy Governor of the Bank of Norway. The Finnish consultant on the deputy committee is JORMA ARANKO, Director of the Bank of Finland. During the year under review, the Deputies of the Committee of Twenty had two meetings, one on September 29 and the other from November 27 to 29.

The annual meeting of the Board of Governors of the Fund was held in Washington D.C. from September 25 to 29, 1972. Finland was represented on the Board of Governors by MAUNO KOIVISTO, Governor of the Bank of Finland, with JAAKKO LASSILA, Member of the Board of Management of the Bank of Finland, as alternate.

Throughout 1972 ERIK BROFOSS of Norway served as Executive Director of the Fund, elected by the five Nordic countries, and his term of office was extended by one year. SIGURGEIR JÓNSSON of Iceland acted as his alternate until the end of the year, when SVEN LAMPE of Sweden took up this post.

World Bank (International Bank for Reconstruction and Development, IBRD)

The International Bank for Reconstruction and Development or the World Bank was founded on December 27, 1945, at the same time as the International Monetary Fund. Finland became a member of the Bank in 1948. Her subscription is US \$ 162.1 million. The total capital of the World Bank amounted to more than US \$ 25 000 million at the end of the year, in which Finland's share was 0.64 per cent. At the end of 1972, there were 122 member countries. During the year Roumania became the first CMEA country to join the World Bank.

One per cent of the Finnish subscription has been paid in gold and dollars, and nine per cent in convertible marks on the account of the World Bank at the Bank of Finland. The payment of the remaining 90 per cent of the Finnish subscription can be required only if the World Bank's own obligations necessitate it.

The member countries of the World Bank make no contribution to the budget of the Bank, which finances its administrative costs from its current income.

The World Bank raises funds for its loans mainly through bond issues on international capital markets but also by drawing on its own capital. In this way the World Bank, which enjoys a high reputation in international capital markets, may obtain funds from public and private investors which would perhaps not otherwise be available for loans to developing countries.

The table below gives some particulars on the loans granted to Finland by the World Bank as of December 31, 1972.

Loan agreement signed	Nominal value \$	Rate of interest %	Term years	Repaid by Dec. 31, 1972 \$	Outstanding on Dec. 31, 1972 \$	Undis- bursed balance on Dec. 31, 1972 \$
1. 8. 1949	12 500 000	4	15	12 500 000	—	—
17. 10. 1949	2 300 000	3	2	2 300 000 ¹	—	—
30. 4. 1952	20 000 000	4 ¾	18	20 000 000	—	—
13. 11. 1952	3 479 464	4 ¾	18	3 479 464 ²	—	—
24. 3. 1955	12 000 000	4 ⅝	15	12 000 000	—	—
22. 5. 1956	15 000 000	4 ¾	20	10 943 000	4 057 000	—
16. 3. 1959	37 000 000	5 ¾	15	29 187 000	7 813 000	—
9. 8. 1961	25 000 000	5 ¾	15	14 722 000	10 278 000	—
15. 8. 1962	25 000 000	5 ¾	20	7 510 000	17 490 000	—
18. 9. 1963	7 000 000	6	16	3 850 800	3 149 200	—
10. 7. 1964	28 500 000	5 ½	15	9 711 000 ³	18 789 000	—
30. 6. 1965	14 000 000	5 ½	17	6 956 239 ⁴	7 043 761	—
27. 4. 1966	20 000 000	6	15	4 200 000	15 800 000	—
24. 1. 1969	22 000 000	6 ½	17	3 362 103	18 457 482	180 415
15. 10. 1970	20 000 000	7 ¼	17	172 943	8 105 058	11 721 999
17. 2. 1971	13 000 000	7 ¼	15	—	8 168 401	4 831 599
28. 12. 1972	20 000 000	7 ¼	15	—	—	20 000 000
	296 779 464			140 894 549	119 150 902	36 734 013

During the year under review, Finland obtained a US \$ 20 million loan, her seventeenth loan, from the World Bank. The loan was granted to the Finnish government for the financing of the MERA forest improvement programme. The seventeen loans granted to Finland by the World Bank by the end of 1972 amounted to about US \$ 297 million. The loans from the World Bank are drawn on when the relevant investment requires financing; thus more than US \$ 36 million of the loans granted during the last few years were still unused at the end of 1972.

¹ Of this, cancelled \$ 197 869.

² Of this, cancelled \$ 1 416.

³ Of this, cancelled \$ 45 834.

⁴ Of this, cancelled \$ 7 500.

The annual meeting of the Board of Governors of the World Bank was held in Washington D.C. between September 25 and 29. Until June Finland was represented on the Board by CARL OLOF TALLGREN, M.Pol.Sc., then until September by MAUNO KOIVISTO, Minister of Finance and Governor of the Bank of Finland, and thereafter by JOHANNES VIROLAINEN, Minister of Finance. OSMO KALLIALA, State Counsellor, served as the alternate member on the Board throughout the year.

ERIK TÖRNQVIST of Finland served as Executive Director elected by the five Nordic countries until November when he was succeeded by HANS E. KASTOFT of Denmark. CARL ÖHMAN of Sweden served as the alternate member throughout 1972.

International Finance Corporation (IFC)

The International Finance Corporation was founded as an affiliate of the World Bank in 1956 with an initial capital stock of US \$ 100 million. The purpose of the Corporation is to invest funds in private enterprises in member countries or in development credit institutions which are situated in developing countries or regions and to grant long-term credits to industry. The IFC, unlike the World Bank, invests without guarantee or mortgage security from a member country. The funds may be invested either in the form of loans or of share capital. The rate of interest may, depending on the risk, be higher than that on the World Bank loans. It is usually fixed and close to the lending rate of the banks in the borrowing country.

Finland's subscription to the International Finance Corporation is US \$ 421 000. The subscription was paid in full when Finland joined the Corporation at the time of its founding in 1956.

At the end of the year under review, 97 countries were members of the IFC. The capital of the Corporation amounted to US \$ 107 million at the same date. In addition, the IFC obtained a total amount of US \$ 260 million for its investment activities from the World Bank.

The International Finance Corporation has granted three loans to Finnish companies, all of which have already been repaid.

The Corporation has invested 502 000 marks in the shares of the Industrialization Fund of Finland Ltd.

The Finnish representatives on the Board of Governors and on the Board of Executive Directors of the Corporation are, *ex officio*, those occupying the corresponding posts in the World Bank.

International Development Association (IDA)

Finland joined the International Development Association as a founding member at the time of its establishment in 1960. Membership in the Association is open only to countries which are members of the World Bank. At the end of 1972, there were 111 member countries in the Association. Its basic capital is slightly more than US \$ 1 000 million. Member country shares in the basic capital are in proportion to their shares in the World Bank.

Finland's original share was US \$ 3.8 million. According to the Articles of Agreement of the Association, funds can be raised through financial aid provided by the developed countries as well as through member countries' subscriptions. The funds of the Association have been replenished twice, and Finland's total contribution amounted to US \$ 6.3 million. In December 1969 negotiations were inaugurated on a third replenishment of the funds of the IDA. The proposal arising from the negotiations was that the funds of the Association be replenished by US \$ 400 million annually in the three-year period 1971—1973. The proposed revision came into force during the year under review, for it was not until September 1972 that the required number of member countries approved the proposal. In order to secure the continuation of the operations of the Association, some countries participating in the new replenishment programme, including Finland, made their first payments in 1971, before the scheme was finally approved. Finland's share in the third increase totals US \$ 12.2 million, and thus the second payment, made in 1972, was US \$ 4.1 million. Finland's total contribution to the replenishment of the funds will thus amount to US \$ 18.6 million, of which US \$ 14.5 million was paid by the end of 1972.

Finland has not obtained financial support from the International Development Association because its principal purpose is to make very long-term loans to developing countries with a shortage of capital. It is the aim of the Association to apply terms that are more flexible and less onerous to the balance of payments than those of regular loans. Since its foundation, the IDA has lent about US \$ 4 400 million to developing countries.

The Finnish representatives on the Board of Governors and on the Board of Executive Directors of the Association are, *ex officio*, those holding the corresponding posts in the World Bank.

Asian Development Bank (ADB)

The Articles of Agreement of the Asian Development Bank were signed by the member countries and came into force on August 22, 1966. The Development Bank set up headquarters in Manila and started operations

on December 21 of the same year. Altogether 37 countries belong to the Asian Development Bank, of which 14, mainly industrialized countries are non-Asian. The authorized capital of the ADB was initially set at a US \$ 1 000 million, which was raised to US \$ 1 100 million in November 1966.

The Asian Development Bank attempts to promote regional co-operation as it channels public and private capital into the development programmes of countries in Asia and the Far East. The Bank also uses its own funds to finance the development plans of the poor countries in its area. In accordance with its Articles of Agreement, the ADB endeavours to promote economic research and to provide technical aid to member countries which receive its services.

Finland has taken up US \$ 5 million of the share capital of the Asian Development Bank, one half of which, according to the Charter, is paid; the remainder is to be paid on demand. Upon becoming a member Finland undertook to contribute US \$ 500 000 annually for five years, one half in gold or in convertible currencies and the remainder in convertible marks. The last payment was made in 1970. The half of the share capital payable on demand, US \$ 2.5 million, forms part of the guarantee fund for the ADB. Drawings can be made only in order to allow the ADB to meet its own obligations.

Bank for International Settlements (BIS)

The Bank for International Settlements, which is situated in Basle, was founded on February 27, 1930, for the purpose of promoting international co-operation between central banks and to take care of certain special tasks of an international nature. The Bank of Finland has been a member since the year of foundation and held 10 008 shares, of which 8 000 carry voting rights, at the end of 1972.

In practice the Bank for International Settlements fulfils its purposes by buying and selling gold, foreign exchange and securities either on its own account or on the account of central banks. In addition, it has various other functions, including the keeping of the accounts of the Exchange Rate Guarantee System which was founded in 1972 by the central banks of certain OECD countries. This Exchange Rate Guarantee System was set up after the dissolution of the European Monetary Agreement (EMA). Furthermore, the Bank carries out extensive research and statistical projects. The meetings of the Board of Governors of the Bank have become a forum for important discussions on the international payments system. Sweden is the only Nordic country which is represented on the Board of Governors.

Tables:

Activity of the Bank of Finland

In the statistical section, all figures stated in marks are given in the new monetary unit, one new mark being equivalent to one hundred old marks. In Tables 7—9, which relate to bank notes and coins, denominations in old marks or old pennies are indicated by omk and op respectively.

1. Balance sheet, 1965—1972

	31/12 1965	31/12 1966	30/12 1967	31/12 1968	31/12 1969	31/12 1970
ASSETS						
1 <i>Gold and other foreign assets</i>	945	637	799	1 477	1 433	1 965
2 Gold	267	144	189	190	189	121
3 Special drawing rights	—	—	—	—	—	98
4 IMF gold tranche	46	100	—	—	173	280
5 Foreign exchange	548	312	512	1 163	905	1 344
6 Foreign bills	55	56	73	76	107	85
7 Foreign bonds	29	25	25	48	59	37
8 <i>Claims on domestic banks</i>	640	915	867	725	637	839
9 Discounted bills	—	—	—	—	—	827
10 Rediscounted bills	640	915	867	618	550	9
11 Cheque accounts	—	—	—	107	87	3
12 <i>Other lending</i>	133	261	425	314	318	283
Inland bills discounted						
13 In foreign currency	46	36	123	25	7	—
14 In Finnish currency	76	180	197	186	192	137
15 Loans	11	45	105	103	119	146
16 <i>Other assets</i>	58	312	546	222	627	689
17 Finnish bonds	37	285	371	136	127	64
18 Finnish coin	6	12	12	12	5	7
19 Currency subscription to Finland's quota in the IMF	—	—	—	—	352	518
20 Other claims	15	15	163	74	143	100
21 Total	1 776	2 125	2 637	2 738	3 015	3 776
LIABILITIES						
22 <i>Notes in circulation</i>	1 029	1 106	1 052	1 160	1 298	1 344
23 <i>Liabilities payable on demand</i>	98	180	140	137	124	126
24 Foreign exchange accounts	31	51	65	57	81	94
25 Mark accounts of holders abroad	25	26	24	18	12	12
Cheque accounts						
26 Treasury	1	40	4	3	4	2
27 Post Office Bank	8	17	17	4	4	4
28 Private banks	12	14	10	39	10	1
29 Other	1	3	2	2	1	3
30 Other sight liabilities	20	29	18	14	12	10
31 <i>Term liabilities</i>	57	126	553	546	308	633
32 Foreign	45	84	339	21	8	—
33 Domestic	12	42	214	525	300	633
34 <i>IMF mark accounts</i>	—	—	—	—	352	518
35 <i>Allocations of special drawing rights</i>	—	—	—	—	—	88
36 <i>Equalization accounts</i>	165	267	422	400	405	404
37 <i>Bank's own funds</i>	427	446	470	495	528	663
38 Capital	300	300	300	300	300	600
39 Reserve fund	98	112	129	150	173	0
40 Profits undisposed	—	—	—	—	—	—
41 Earnings less expenses	29	34	41	45	55	63
42 Total	1 776	2 125	2 637	2 738	3 015	3 776

Million marks

³¹ / ₁₂ 1971	²⁹ / ₁₂ 1972	1972						
		³¹ / ₁	²⁹ / ₂	³⁰ / ₃	²⁸ / ₄	³¹ / ₅	³⁰ / ₆	
2 776	2 912	3 087	3 245	3 169	3 256	3 136	3 067	1
205	205	205	205	205	205	205	205	2
197	283	282	282	282	282	283	283	3
268	268	268	268	268	268	268	268	4
1 950	1 929	2 180	2 325	2 236	2 324	2 185	2 109	5
119	110	115	112	111	105	115	113	6
37	117	37	53	67	72	80	89	7
349	758	737	541	787	813	803	861	8
848	752	714	522	786	807	796	860	9
1	1	1	1	1	1	1	1	10
—	5	22	18	—	5	6	—	11
340	316	329	337	314	317	316	311	12
—	—	—	—	—	—	—	—	13
121	44	117	116	89	85	79	67	14
219	272	212	221	225	232	237	244	15
597	607	574	598	601	645	615	700	16
38	47	10	29	32	72	39	124	17
14	25	20	22	22	26	29	29	18
530	530	530	530	530	530	530	530	19
15	5	14	17	17	17	17	17	20
4 562	4 593	4 727	4 721	4 871	5 031	4 870	4 939	21
1 479	1 730	1 369	1 377	1 423	1 451	1 450	1 555	22
358	136	451	501	477	630	490	500	23
297	78	312	319	331	333	340	245	24
30	43	37	41	39	39	30	37	25
2	1	17	26	30	37	32	36	26
2	2	71	101	48	207	74	154	27
9	—	—	—	5	—	—	6	28
3	1	3	3	4	3	3	2	29
15	11	11	11	20	11	11	20	30
905	899	1 003	966	1 089	1 076	1 056	1 077	31
—	—	—	—	—	—	—	—	32
905	899	1 003	966	1 089	1 076	1 056	1 077	33
530	530	530	530	530	530	530	530	34
174	258	258	258	258	258	258	258	35
400	286	391	357	355	341	334	302	36
716	754	725	732	739	745	752	717	37
600	600	600	600	600	600	600	600	38
32	74	74	74	74	74	74	74	39
—	—	42	42	42	42	42	—	40
84	80	9	16	23	29	36	43	41
4 562	4 593	4 727	4 721	4 871	5 031	4 870	4 939	42

1. (Cont.) Balance sheet, 1965—1972

Million marks

		1972					
		31/7	31/8	29/9	31/10	30/11	29/12
ASSETS							
1	<i>Gold and other foreign assets</i>	3 246	3 286	3 245	3 093	3 001	2 912
2	Gold	205	205	205	205	205	205
3	Special drawing rights	283	283	283	283	283	283
4	IMF gold tranche	268	268	268	268	268	268
5	Foreign exchange	2 272	2 317	2 278	2 125	2 035	1 929
6	Foreign bills	112	103	102	104	102	110
7	Foreign bonds	106	110	109	108	108	117
8	<i>Claims on domestic banks</i>	636	494	677	783	805	758
9	Discounted bills	616	488	661	753	787	752
10	Rediscounted bills	1	1	1	1	1	1
11	Cheque accounts	19	5	15	29	17	5
12	<i>Other lending</i>	303	303	306	321	317	316
	Inland bills discounted						
13	In foreign currency	—	—	—	—	—	—
14	In Finnish currency	63	63	63	65	57	44
15	Loans	240	240	243	256	260	272
16	<i>Other assets</i>	724	684	661	733	698	607
17	Finnish bonds	151	110	95	166	132	47
18	Finnish coin	27	28	31	31	31	25
19	Currency subscription to Finland's quota in the IMF	530	530	530	530	530	530
20	Other claims	16	16	5	6	5	5
21	Total	4 909	4 767	4 889	4 930	4 821	4 593
LIABILITIES							
22	<i>Notes in circulation</i>	1 513	1 474	1 557	1 507	1 556	1 730
23	<i>Liabilities payable on demand</i>	576	479	593	696	518	136
24	Foreign exchange accounts	147	144	109	105	101	78
25	Mark accounts of holders abroad	34	31	28	29	45	43
	Cheque accounts						
26	Treasury	35	43	48	43	47	1
27	Post Office Bank	347	249	388	507	312	2
28	Private banks	—	—	—	—	—	—
29	Other	2	1	1	1	2	1
30	Other sight liabilities	11	11	19	11	11	11
31	<i>Term liabilities</i>	1 062	1 048	959	939	926	899
32	Foreign	—	—	—	—	—	—
33	Domestic	1 062	1 048	959	939	926	899
34	<i>IMF mark accounts</i>	530	530	530	530	530	530
35	<i>Allocations of special drawing rights</i>	258	258	258	258	258	258
36	<i>Equalization accounts</i>	247	251	260	265	289	286
37	<i>Bank's own funds</i>	723	727	732	735	744	754
38	Capital	600	600	600	600	600	600
39	Reserve fund	74	74	74	74	74	74
40	Profits undisposed	—	—	—	—	—	—
41	Earnings less expenses	49	53	58	61	70	80
42	Total	4 909	4 767	4 889	4 930	4 821	4 593

2. Foreign exchange reserves, at end of year or quarter, 1969—1972

Million marks

Currencies	1969	1970	1971				1972			
			I	II	III	IV	I	II	III	IV
Gold	189	121	121	121	205	205	205	205	205	205
Special drawing rights	—	98	183	193	197	197	282	283	283	283
IMF gold tranche ..	173	280	280	272	268	268	268	268	268	268
Convertible	893	1 302	1 449	1 400	1 496	1 920	2 196	2 070	2 245	1 814
Bilateral	- 80	- 63	19	- 33	-178	-297	-331	-243	-104	-6
Total	1 175	1 738	2 052	1 953	1 988	2 293	2 620	2 583	2 897	2 564

3. Profit and loss account, 1967—1972

Million marks

	1967	1968	1969	1970	1971	1972
EARNINGS						
Interest on internal loans	55.5	52.2	43.0	56.2	81.9	68.2
Interest on foreign exchange claims	6.0	15.7	26.0	40.1	53.7	74.8
Interest on bonds	7.7	13.5	10.5	20.7	16.2	24.2
Commission	1.9	2.8	3.4	3.5	3.7	2.8
Agio	2.5	1.1	2.3	1.3	2.3	0.9
Other earnings	2.1	2.4	2.7	3.8	4.5	5.3
Total earnings	75.7	87.7	87.9	125.6	162.3	176.2
EXPENSES						
Interest on deposits	9.1	12.7	9.0	27.8	40.5	57.6
Salaries	8.4	9.7	10.5	11.5	13.1	16.4
Pensions, family pensions and allowances	1.2	1.4	1.6	1.9	2.2	2.6
Social security contributions.....	0.6	0.7	0.7	0.8	1.0	1.2
Interest on foreign credits	4.4	5.4	0.5	0.1	—	—
Printing of bank notes	2.3	3.7	3.4	6.0	5.4	6.7
Other expenses	2.3	2.7	2.7	3.2	3.7	4.6
Amounts written off and depreciation ...	6.5	6.0	4.2	10.9	12.6	7.6
Total expenses	34.8	42.3	32.6	62.2	78.5	96.7
Net profit	40.9	45.4	55.3	63.4	83.8	79.5
Grand total	75.7	87.7	87.9	125.6	162.3	176.2

4. Interest rates applied by the Bank of Finland, 1958—1972

Per cent

From	Official discount rate of the Bank of Finland ¹	Range of discount rate set by Bank Supervisors	
		Minimum	Maximum
1. X 1958	7 1/4	6 1/2	8
1. III 1959	»	6	7 1/2
1. IV 1959	6 3/4	»	»
30. III 1962	8	7	8 1/2
28. IV 1962	7 2	6	7 1/2
12. XII 1969	»	»	9
1. VI 1971	8 1/2	»	»
1. I 1972	7 3/4	»	»

¹ In addition to the basic rate, the Bank of Finland has charged a penalty rate when the debt of a credit institution has exceeded certain limits. This was not followed in 1970.

² In certain cases a lower rate of interest, 6 per cent, was applied from November 1, 1965 to October 31, 1966.

5. Internal clearing operations: number and value of bank-postbills, cheques and transfers of account, 1969—1972

Number in thousands

Value in million marks

Month and year	Head office		Branch offices		Total	
	Number	Value	Number	Value	Number	Value
1969	12 531	36 598	5 247	11 078	17 778	47 676
1970	14 454	45 610	6 663	12 625	21 117	58 325
1971	16 425	52 344	7 615	13 746	24 040	66 090
1972						
I	1 316	4 691	630	1 225	1 946	5 916
II	1 410	4 878	685	1 218	2 095	6 096
III	1 520	5 028	726	1 282	2 246	6 310
IV	1 395	4 795	665	1 209	2 060	6 004
V	1 574	5 325	775	1 387	2 349	6 712
VI	1 516	5 197	738	1 390	2 254	6 587
VII	1 405	4 835	683	1 312	2 088	6 147
VIII	1 528	5 103	744	1 358	2 272	6 461
IX	1 432	5 073	715	1 386	2 147	6 459
X	1 533	5 644	786	1 461	2 319	7 105
XI	1 674	5 878	789	1 481	2 463	7 359
XII	1 497	5 753	754	1 547	2 251	7 300
Total	17 800	62 200	8 690	16 256	26 490	78 456

6. Note issue, 1961—1972

Million marks

Date	Right of note issue			Used right of issue				Note reserve
	Ordinary cover	Supplementary cover ¹	Total	Notes in circulation	Liabilities payable on demand	Undrawn on cheque credits	Total	
31. XII								
1961	779	472	1 251	837	73	9	919	332
1962	705	500	1 205	774	113	4	891	314
1963	818	451	1 269	944	59	6	1 009	260
1964	1 050	500	1 550	1 003	187	5	1 195	355
1965	945	500	1 445	1 029	98	5	1 132	313
1966	637	700	1 337	1 106	180	5	1 291	46
1967	799	700	1 499	1 052	140	3	1 195	304
1968	1 477	700	2 177	1 160	137	5	1 302	875
1969	1 433	500	1 933	1 298	124	0	1 422	511
1970	1 965	500	2 465	1 344	126	0	1 470	995
1971	2 776	500	3 276	1 479	358	1	1 838	1 438
1972								
I	3 087	500	3 587	1 369	452	1	1 822	1 765
II	3 229	450	3 679	1 377	501	1	1 879	1 800
III	3 140	424	3 564	1 423	477	1	1 901	1 663
IV	3 223	434	3 657	1 451	629	1	2 081	1 576
V	3 096	452	3 548	1 450	490	1	1 941	1 607
VI	3 017	405	3 422	1 555	500	1	2 056	1 366
VII	3 180	368	3 548	1 513	577	1	2 091	1 457
VIII	3 216	281	3 497	1 474	479	1	1 954	1 543
IX	3 173	298	3 471	1 557	593	1	2 151	1 320
X	3 023	351	3 374	1 507	696	1	2 204	1 170
XI	2 943	379	3 322	1 556	517	0	2 073	1 249
XII	2 846	341	3 187	1 730	136	0	1 866	1 321

¹ The upper limit of the supplementary note cover was 500 million marks from the beginning of 1960 to November 23, 1966 and thereafter 700 million marks to the end of 1968. Since the beginning of 1969 the 500 million mark limit has again been in force.

7. Notes and coins in circulation, end-of-year figures, 1967—1972

Million marks

Denomination	1967	1968	1969	1970	1971	1972
Notes						
New						
100 mk	613.3	708.1	814.2	857.3	970.7	1 174.5
50 »	237.5	246.7	267.7	266.4	277.6	305.6
10 »	164.0	166.8	175.8	178.5	187.6	201.5
5 »	34.5	35.6	38.3	39.1	40.3	45.2
1 »	2.8	2.4	2.4	2.5	2.9	3.2
Total	1 052.1	1 159.6	1 298.4	1 343.8	1 479.1	1 730.0
Old						
10 000 omk	1.9	1.6	1.5	1.5	1.4	1.4
5 000 »	2.2	2.1	2.0	2.0	2.0	1.9
1 000 »	2.4	2.3	2.3	2.2	2.2	2.2
500 »	0.8	0.8	0.8	0.8	0.8	0.8
100 »	2.0	2.0	2.0	1.9	2.0	2.0
50, 20, 10, 5 »	1.2	1.2	1.2	1.2	1.2	1.2
Total	10.5	10.0	9.8	9.6	9.6	9.5
Grand total	1 062.6	1 169.6	1 308.2	1 353.4	1 488.7	1 739.5
Coins						
New						
10 mk	9.8	9.9	10.0	15.8	24.8	23.9
5 »	—	—	—	—	—	1.6
1 »	39.3	42.0	47.4	53.1	60.5	68.2
50 p	9.5	10.8	12.4	13.7	15.9	18.4
20 »	9.8	9.7	10.2	11.1	12.3	13.6
10 »	4.9	5.4	6.0	6.5	7.2	8.5
5 »	4.1	4.5	5.0	5.7	6.5	7.6
1 »	3.5	4.2	5.1	5.7	6.6	7.6
Total	80.9	86.5	96.1	111.6	133.8	149.4
Old						
1 000 omk	1.7	1.8	1.8	1.8	1.8	1.8
500 »	2.9	2.9	2.9	2.9	2.9	2.9
200 »	1.5	1.5	1.5	1.5	1.5	1.5
100 »	0.8	0.8	0.8	0.8	0.8	0.8
50 »	1.3	1.2	1.2	1.2	1.2	1.2
20 »	1.5	1.5	1.5	1.5	1.5	1.5
10 »	1.4	1.4	1.4	1.4	1.4	1.4
5 »	1.8	1.7	1.7	1.7	1.7	1.7
1 »	2.5	2.5	2.5	2.5	2.5	2.5
50, 25, 10, 5, 1 op	0.5	0.5	0.5	0.5	0.5	0.5
Total	15.9	15.8	15.8	15.8	15.8	15.8
Grand total	96.8	102.3	111.9	127.4	149.6	165.2

8. Printing and destruction of notes, 1970—1972 Million marks

Denomination	Notes printed			Notes cancelled		
	1970	1971	1972	1970	1971	1972
Notes						
New 100 mk	430.0	660.0	930.0	530.0	575.0	555.0
50 »	295.5	235.0	327.8	290.0	262.5	270.0
10 »	362.8	327.6	394.0	277.0	287.5	339.5
5 »	121.0	167.4	31.2	94.0	98.2	111.5
1 »	0.2	—	—	1.4	1.0	0.8
Total	1 209.5	1 390.0	1 683.0	1 192.4	1 224.2	1 276.8
In millions	70.9	77.6	61.5	59.0	60.5	68.1
Old Total	—	—	—	0.2	0.0	0.1
In millions	—	—	—	0.0	0.0	0.0
Grand total	1 209.5	1 390.0	1 683.0	1 192.6	1 224.2	1 276.9
In millions	70.9	77.6	61.5	59.0	60.5	68.1

9. Notes and coins, 1972 Million marks

Denomination	Total issue 31. XII 1971	Issued in 1972	Destroyed in 1972	Total issue 29. XII 1972	Held by the Bank of Finland 29. XII 1972	In circulation 29. XII 1972
Notes						
New 100 mk	1 651.2	930.0	555.0	2 026.2	851.7	1 174.5
50 »	454.5	327.8	270.0	512.3	206.7	305.6
10 »	391.2	394.0	339.5	445.7	244.2	201.5
5 »	157.0	31.2	111.5	76.7	31.5	45.2
1 »	17.5	—	0.8	16.7	13.5	3.2
Total	2 671.4	1 683.0	1 276.8	3 077.6	1 347.6	1 730.0
In millions	113.6	61.5	68.1	107.0	56.9	50.1
Old Total	9.6	—	0.1	9.5	0.0	9.5
In millions	11.5	—	0.0	11.5	0.0	11.5
Grand total	2 681.0	1 683.0	1 276.9	3 087.1	1 347.6	1 739.5
In millions	125.1	61.5	68.1	118.5	56.9	61.6
Coins						
New 10 mk	26.0	—	0.0	26.0	2.1	23.9
5 »	—	2.0	—	2.0	0.4	1.6
1 »	69.2	19.9	5.6	83.5	15.3	68.2
50 p	18.9	4.0	0.0	22.9	4.5	18.4
20 »	12.5	2.0	0.1	14.4	0.8	13.6
10 »	8.1	2.0	0.0	10.1	1.6	8.5
5 »	6.8	1.2	0.0	8.0	0.4	7.6
1 »	6.7	0.9	0.0	7.6	0.0	7.6
Total	148.2	32.0	5.7	174.5	25.1	149.4
Old						
1 000—100 omk	7.0	—	—	7.0	0.0	7.0
50 omk—1 op	8.8	—	0.0	8.8	0.0	8.8
Total	15.8	—	0.0	15.8	0.0	15.8
Grand total	164.0	32.0	5.7	190.3	25.1	165.2

10. Exchange rates: selling rates at sight, 1972

Selling rate	1 Dollar New York	1 Dollar Montreal	1 Pound sterling London	100 Kronor Stockholm	100 Kroner Oslo	100 Kroner Copen- hagen	100 D. Mark Frankfurt o.M.	100 Guldens Amster- dam
<i>January</i>								
Maximum	4.152	4.140	10.755	86.27	62.15	59.27	129.30	130.20
Average	4.147	4.125	10.666	86.01	61.90	59.02	128.43	128.95
Minimum	4.146	4.110	10.570	85.52	61.65	58.80	126.90	127.50
<i>February</i>								
Maximum	4.146	4.136	10.805	86.80	62.65	59.40	130.90	130.63
Average	4.143	4.123	10.784	86.45	59.32	59.29	130.04	130.40
Minimum	4.142	4.118	10.730	86.25	61.95	59.17	129.20	130.10
<i>March</i>								
Maximum	4.148	4.163	10.950	87.35	63.20	59.70	131.35	130.80
Average	4.142	4.149	10.845	86.82	62.83	59.51	130.71	130.08
Minimum	4.140	4.136	10.785	86.40	62.55	59.40	130.25	129.18
<i>April</i>								
Maximum	4.140	4.174	10.830	86.70	62.90	59.45	130.68	129.55
Average	4.138	4.155	10.801	86.53	62.71	59.21	130.25	128.94
Minimum	4.138	4.148	10.785	86.30	62.50	59.10	129.50	128.30
<i>May</i>								
Maximum	4.138	4.214	10.830	87.45	63.40	59.75	130.50	129.25
Average	4.137	4.181	10.807	87.05	62.96	59.33	130.16	128.82
Minimum	4.136	4.144	10.800	86.70	62.70	59.15	130.00	128.55
<i>June</i>								
Maximum	4.142	4.247	10.810	87.90	63.65	59.90	131.15	130.55
Average	4.139	4.230	10.687	87.39	63.36	59.62	130.56	129.47
Minimum	4.138	4.206	10.155	87.00	63.00	58.75	129.95	128.90
<i>July</i>								
Maximum	4.140	4.214	10.195	87.95	63.70	59.65	131.41	130.55
Average	4.137	4.206	10.106	87.48	63.60	59.46	130.95	130.10
Minimum	4.134	4.200	9.990	87.20	63.40	59.35	130.29	129.50
<i>August</i>								
Maximum	4.138	4.214	10.145	87.60	63.50	60.15	130.29	129.43
Average	4.136	4.211	10.133	87.52	63.44	59.72	129.85	129.95
Minimum	4.134	4.204	10.120	87.40	63.35	59.40	129.40	128.35

Marks

100 Francs Brussels	100 Francs Zurich	100 Francs, Paris commer- cial Paris finan- cial		100 Lire Rome	100 Schilling Vienna	100 Escudos Lisbon	100 Kronur Reyk- javik	100 Pesetas Madrid	Selling rate
									<i>January</i>
9.445	107.36	80.85	81.15	0.7115	17.82	15.35	4.77	6.32	Maximum
9.349	106.67	80.24	80.30	0.7027	17.70	15.26	4.76	6.30	Average
9.245	105.79	79.60	79.65	0.6980	17.55	15.20	4.76	6.30	Minimum
									<i>February</i>
9.460	107.95	81.80	82.00	0.7080	17.97	15.30	4.76	6.30	Maximum
9.453	107.42	81.46	81.57	0.7065	17.89	15.28	4.76	6.29	Average
9.430	107.03	80.75	81.15	0.7050	17.80	15.25	4.76	6.29	Minimum
									<i>March</i>
9.470	108.40	82.75	85.10	0.7170	18.12	15.50	4.76	6.43	Maximum
9.434	107.56	82.20	84.00	0.7111	17.98	15.39	4.75	6.38	Average
9.380	107.05	81.80	82.00	0.7065	17.89	15.30	4.73	6.30	Minimum
									<i>April</i>
9.419	107.90	82.30	85.05	0.7115	17.96	15.37	4.75	6.43	Maximum
9.386	107.33	82.17	84.89	0.7094	17.90	15.35	4.75	6.42	Average
9.330	106.75	82.00	84.40	0.7070	17.85	15.35	4.75	6.41	Minimum
									<i>May</i>
9.435	107.65	82.70	85.10	0.7120	17.97	15.36	4.75	6.41	Maximum
9.411	107.21	82.54	84.58	0.7108	17.91	15.35	4.75	6.41	Average
9.385	107.00	82.35	83.95	0.7090	17.88	15.33	4.75	6.41	Minimum
									<i>June</i>
9.445	110.90	82.75	87.50	0.7155	18.15	15.60	4.75	6.55	Maximum
9.426	108.74	82.59	85.68	0.7132	18.01	15.40	4.75	6.43	Average
9.340	107.70	81.70	85.05	0.7045	17.94	15.35	4.75	6.41	Minimum
									<i>July</i>
9.450	110.45	82.75	88.25	0.7140	18.17	15.50	4.75	6.53	Maximum
9.443	109.96	82.72	87.45	0.7125	18.10	15.41	4.75	6.53	Average
9.435	109.30	82.60	86.95	0.7120	18.03	15.30	4.75	6.52	Minimum
									<i>August</i>
9.445	109.65	82.75	87.55	0.7121	18.04	15.46	4.75	6.53	Maximum
9.433	109.42	82.67	86.64	0.7117	18.00	15.44	4.75	6.53	Average
9.420	109.15	82.45	85.00	0.7111	17.94	15.43	4.75	6.52	Minimum

10. (Cont.) Exchange rates: selling rates at sight, 1972

Selling rate	1 Dollar New York	1 Dollar Montreal	1 Pound sterling London	100 Kronor Stockholm	100 Kroner Oslo	100 Kroner Copen- hagen	100 D. Mark Frankfurt o.M.	100 Guildens Amster- dam
<i>September</i>								
Maximum	4.142	4.220	10.140	87.65	63.32	60.10	130.00	128.45
Average	4.139	4.212	10.109	87.56	63.02	59.99	129.70	128.24
Minimum	4.138	4.208	10.020	87.35	62.50	59.75	129.35	127.92
<i>October</i>								
Maximum	4.170	4.248	10.045	87.85	63.15	60.35	130.20	129.00
Average	4.152	4.227	9.950	87.56	62.89	60.08	129.52	128.20
Minimum	4.140	4.210	9.710	87.25	62.55	59.90	128.90	127.62
<i>November</i>								
Maximum	4.176	4.234	9.850	88.05	63.60	60.95	130.75	129.40
Average	4.171	4.227	9.808	87.92	63.17	60.52	130.20	129.17
Minimum	4.166	4.202	9.760	87.75	62.75	60.20	129.96	129.03
<i>December</i>								
Maximum	4.178	4.206	9.835	88.15	63.85	61.10	130.90	129.57
Average	4.175	4.190	9.792	88.02	63.47	60.95	130.57	129.30
Minimum	4.172	4.168	9.757	87.95	62.95	60.75	130.30	129.06

Marks

100 Francs, ¹ commer- cial	Brussels finan- cial	100 Francs Zurich	100 Francs, Paris commer- cial	finan- cial	100 Lire Rome	100 Schilling Vienna	100 Escudos Lisbon	100 Kronur Reyk- javik	100 Pesetas Madrid	Selling rate
										<i>September</i>
9.435	9.441	109.61	82.80	86.00	0.7126	17.99	15.48	4.75	6.53	Maximum
9.420	9.423	109.34	82.72	85.15	0.7122	17.97	15.46	4.75	6.53	Average
9.385	9.395	108.94	82.65	84.65	0.7115	17.92	15.44	4.75	6.53	Minimum
										<i>October</i>
9.455	9.440	109.90	83.00	84.95	0.7146	17.98	15.52	4.79	6.58	Maximum
9.402	9.398	109.37	82.68	84.03	0.7122	17.91	15.44	4.77	6.54	Average
9.335	9.345	108.86	82.45	82.45	0.7100	17.86	15.38	4.74	6.53	Minimum
										<i>November</i>
9.490	9.455	110.50	83.10	83.40	0.7155	18.04	15.57	4.79	6.58	Maximum
9.464	9.438	109.88	82.76	82.78	0.7138	17.98	15.53	4.79	6.58	Average
9.440	9.405	109.63	82.50	82.15	0.7125	17.95	15.48	4.79	6.57	Minimum
										<i>December</i>
9.480	9.460	111.10	82.65	82.80	0.7172	18.07	15.60	4.79	6.60	Maximum
9.469	9.431	110.70	82.13	82.09	0.7159	18.05	15.58	4.62	6.59	Average
9.455	9.410	110.48	81.55	81.50	0.7136	18.02	15.56	4.28	6.58	Minimum

¹ Since September 12, 1972, the Bank of Finland has quoted a separate commercial and financial rate for the Belgian franc.

11. Exchange rates: selling rates at sight, 1961—1972

Year	1 Dollar New York			1 Pound sterling London			100 Kronor Stockholm		
	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum	Average
1961	3.222	3.205	3.215	9.055	8.970	9.009	62.45	61.95	62.23
1962	3.223	3.217	3.221	9.060	9.025	9.044	62.66	62.05	62.50
1963	3.223	3.221	3.223	9.045	9.010	9.027	62.35	62.05	62.16
1964	3.224	3.216	3.220	9.020	8.950	8.990	62.78	62.00	62.52
1965	3.224	3.216	3.223	9.045	8.975	9.011	62.78	62.33	62.52
1966	3.224	3.224	3.224	9.045	8.990	9.007	62.70	62.34	62.45
1967	4.206	3.224	3.448	11.655	8.975	9.430	81.55	62.30	66.81
1968	4.206	4.187	4.190	10.145	9.975	10.033	81.55	80.95	81.10
1969	4.215	4.187	4.201	10.095	9.985	10.079	81.75	80.95	81.28
1970	4.197	4.176	4.180	10.080	9.945	10.014	81.30	80.15	80.62
1971	4.204	4.152	4.174	10.610	9.995	10.205	85.40	80.60	81.82
1972	4.178	4.134	4.146	10.950	9.710	10.368	88.15	85.52	87.20

Year	100 Kroner Oslo			100 Kroner Copenhagen			100 D. Mark Frankfurt o. M.		
	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum	Average
1961	45.25	44.90	45.02	46.84	46.38	46.57	81.07	76.80	80.06
1962	45.20	45.08	45.14	46.84	46.58	46.69	80.90	80.36	80.60
1963	46.16	45.01	45.11	46.77	46.65	46.71	81.09	80.48	80.88
1964	45.09	44.89	44.99	46.69	46.37	46.56	81.12	80.86	81.01
1965	45.14	44.98	45.08	46.83	46.46	46.62	81.16	80.35	80.73
1966	45.14	45.06	45.10	46.83	46.57	46.69	81.21	80.30	80.68
1967	58.88	45.06	48.24	60.42	46.45	49.25	105.63	80.47	86.53
1968	58.88	58.63	58.68	56.45	55.66	56.00	105.50	104.16	104.98
1969	59.06	58.55	58.82	56.15	55.59	55.68	114.62	104.00	106.29
1970	58.82	58.41	58.52	56.07	55.63	55.76	115.21	113.44	114.67
1971	62.00	58.47	59.50	58.80	55.72	56.41	128.50	114.60	120.17
1972	63.85	61.65	62.97	61.10	58.75	59.72	131.41	126.90	130.07

Marks

Year	100 Guildens Amsterdam			100 Francs ¹ Brussels			100 Francs Zurich		
	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum	Average
1961	89.69	84.70	88.58	6.475	6.410	6.450	74.66	74.18	74.44
1962	89.69	88.86	89.42	6.485	6.465	6.475	74.72	74.02	74.51
1963	89.76	89.20	89.55	6.485	6.455	6.467	74.72	74.44	74.62
1964	89.54	88.98	89.29	6.490	6.455	6.473	74.70	74.34	74.56
1965	89.70	89.42	89.55	6.497	6.480	6.494	74.76	74.16	74.51
1966	89.51	88.76	89.14	6.497	6.440	6.474	74.74	74.28	74.57
1967	116.95	89.18	95.73	8.470	6.440	6.940	97.43	74.21	79.69
1968	116.95	114.93	115.80	8.470	8.320	8.396	97.49	96.47	97.08
1969	117.34	115.16	115.98	8.480	8.320	8.381	98.10	96.70	97.44
1970	116.15	114.86	115.62	8.455	8.405	8.421	97.65	96.30	97.00
1971	127.85	115.80	119.72	9.270	8.405	8.607	107.20	96.74	101.63
1972	130.80	127.50	129.22	9.490	9.245	9.424	111.10	105.79	108.64

Year	100 Francs ² Paris			100 Lire Rome			100 Schilling Vienna		
	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum	Average
1961	65.75	65.32	65.54	0.5192	0.5160	0.5179	12.50	12.32	12.40
1962	65.80	65.60	65.74	0.5193	0.5180	0.5190	12.49	12.46	12.48
1963	65.80	65.75	65.79	0.5193	0.5176	0.5188	12.50	12.46	12.49
1964	65.80	65.65	65.71	0.5176	0.5147	0.5157	12.50	12.45	12.47
1965	65.80	65.65	65.77	0.5163	0.5147	0.5160	12.50	12.44	12.48
1966	65.80	65.10	65.64	0.5175	0.5160	0.5165	12.50	12.47	12.49
1967	85.80	65.15	70.11	0.6750	0.5156	0.5527	16.29	12.47	13.35
1968	85.70	84.21	84.66	0.6740	0.6705	0.6723	16.29	16.19	16.22
1969	84.80	75.40	81.16	0.6735	0.6660	0.6702	16.33	16.16	16.25
1970	75.80	75.40	75.62	0.6718	0.6641	0.6669	16.27	16.13	16.18
1971	79.70	75.07	75.78	0.7000	0.6690	0.6765	17.60	16.13	16.75
1972	83.10	79.60	82.25	0.7172	0.6980	0.7110	18.17	17.55	17.95

¹ Since September 12, 1972, when the Bank of Finland began to quote both a commercial and a financial rate for the Belgian franc, the commercial rate has been used in the calculations.

² Since the introduction of dual rate system on August 13, 1971, the commercial rate has been used in the calculations.

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T. JUNNILA, Ph.D., M.P.

SYLVI SILTANEN, Governor of the province of Turku and Pori

HEIKKI HYKKÄÄLÄ, M.P.

AARNE SAARINEN, M.P.

Bank of Finland at the End of 1972

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