

BANK OF FINLAND

55TH YEAR BOOK 1974

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HELSINKI 1975

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is crucial for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various methods and tools used to collect and analyze data. It highlights the need for a systematic approach to data collection and the importance of using reliable and valid measurement instruments.

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ECONOMIC DEVELOPMENTS IN 1974

Economic activity remained brisk in Finland in 1974, despite the deterioration in the energy situation and the recession affecting several other countries. For the major part of the year most sectors of the economy worked at full capacity. However, during the latter half of the year, the impact of the international downswing began to be felt, as was witnessed in particular by a weakening in forest industry exports. Three factors combined to increase the pressures on imports and prices: export demand was persistently strong; the investment thereby induced was vigorous; and residential construction was brisk. The employment situation underwent further improvement in the country as a whole, and the average unemployment rate fell to 1.7 per cent. The imbalance in foreign trade was increased during the first half of the year by domestic excess demand and during the second half by weakened export demand and sharply rising foreign trade prices.

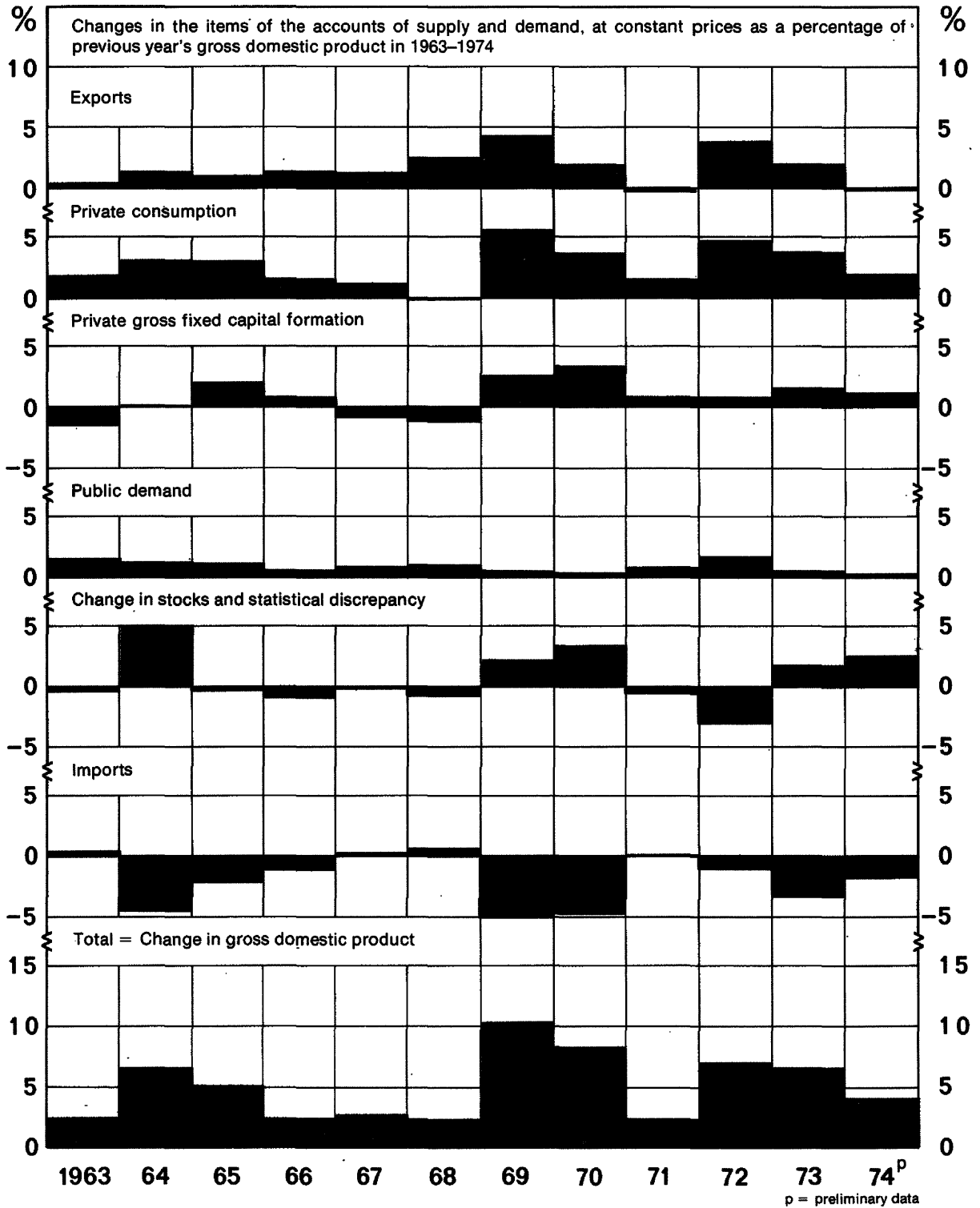
AGGREGATE DEMAND AND SUPPLY

Exports

Stagnation in economic growth, rapidly accelerating inflation and the financial problems caused by growing current account deficits, were the distinctive features of international economic developments in 1974. The sharp rise in the price of oil led to a recession, particularly in the automobile industry, and, as the year progressed, the weakening economic outlook in Western industrialized countries spread to most other fields. Because of the acceleration in inflation caused by the rise in the price of oil and the difficulties regarding the balance of payments, it was deemed necessary to continue with the stringent monetary policy introduced during the economic upswing of 1973. This contributed to a sharp decline in the construction industries of a number of countries. The overall uncertainty was also increased by volatility in the international capital market and, in particular, by the slow progress in the recirculation of oil money.

The international cyclical downswing had few adverse effects on the demand for Finnish export products until the latter part of the year. During the first half, it was still the shortage of productive capacity which restricted export performance in many fields. However, severe difficulties in marketing were encountered by the timber industry, where the volume of exports declined by a fifth, as a result of a recession in the construction industries in customer countries. On the other hand, exports of paper industry products remained buoyant for almost the whole of the year. Export growth, particularly for the metal industry, was sustained by the continuing boom in Sweden, and by the need for additional deliveries to the Soviet Union to cover the rising costs of oil imports. Although the volume of commodity exports declined by one per cent, export prices of forest industry products rose substantially, so that the value of total commodity exports increased by 42 per cent. The value of exports of services grew much more slowly than the value of commodity exports, as the growth of transport receipts

Chart 1.
CONTRIBUTION TO THE GROWTH OF DOMESTIC PRODUCT



slowed down and the growth of travel receipts came to a halt (Chart 1).

Domestic demand

Since productive capacity was almost fully utilized for most of 1974, there were strong pressures for investment in the industrial sector. The implementation of investment plans was aided by substantially higher receipts, particularly in export industries, and by the selective nature of the monetary policy pursued, which ensured that extra capacity to meet export demand was provided, even when money markets were tight. Investment in machinery and equipment was particularly high, and investment in new industrial buildings was also up on previous years.

In the more populated areas of southern Finland residential construction remained brisk until the closing months of the year. The long prevalent excess demand for dwellings, coupled with rises in costs, led to a substantial rise in the prices of dwellings. Together with a tightening in the credit market, this sharply reduced the demand for dwellings towards the end of the year. Overall, investment in housing grew by almost six per cent on the previous year. Although the Investment Tax Act, which had been enacted to restrict construction of buildings of lower priority, remained in force until the end of the year, excess demand clearly prevailed in the construction sector as a whole, particularly during the first half of 1974.

The growth of private consumption was weaker than in the previous year, since growth in the real disposable income of the household sector had slowed. Expenditure on consumer durables was reduced by more than five per cent, mainly as the result of a decline in purchases of cars. The volume of total private consumption grew by 3.6 per cent.

In view of the continuing excess demand, attempts were made to curb public expenditure. Investment in administration was reduced, and the growth in public consumption was kept

markedly smaller than in previous years.

Production

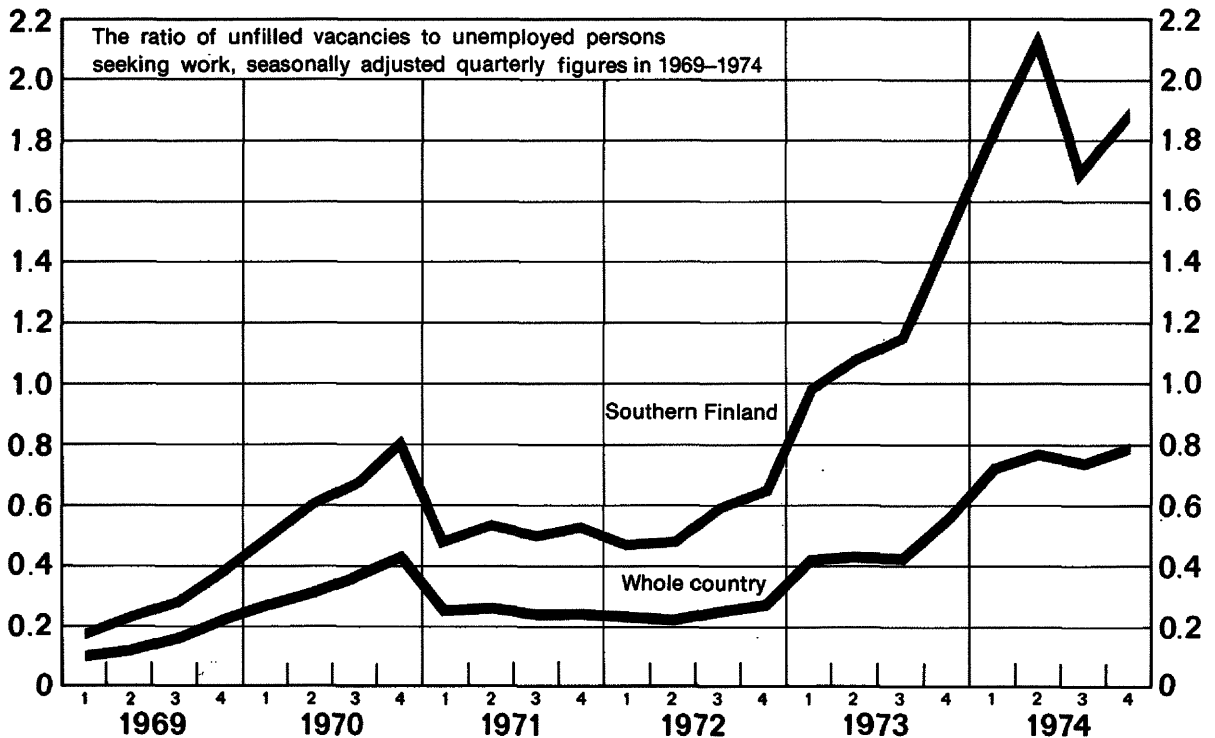
The rate of growth of gross domestic product in 1974 was only slightly lower than in 1973, despite capacity constraints and the weakening in export demand which occurred in the second half of the year. The growth of real gross domestic product was 4.2 per cent (Chart 1). The metal industry continued to operate at full capacity as a result of an increase in Finnish exports to the Soviet Union. On the other hand, the timber industry was forced to accumulate stocks of finished goods, particularly sawn goods and boards, and to hold back production, as the international cyclical downswing reduced demand towards the end of the year. Around the turn of the year, production declined even in the paper industry. The deceleration in production was directly reflected in forestry, where there was a minimal increase in fellings over the previous year's total. Agriculture suffered from an exceptionally wet autumn, and harvest losses were substantial in some areas.

Imports

The dominant feature of the development of imports was the sharp rise in the price of energy. The value of imports of crude oil, electricity and other fuels rose from 2 000 million marks in 1973 to 5 400 million marks in 1974, although the volume of energy imports grew by a mere five per cent.

The growth of industrial production sustained the growth of imports of raw materials and producer goods. Excluding imports of crude oil, the volume of imports in this commodity group increased by about 10 per cent, while the rise in prices reached almost 40 per cent. The volume of imports of investment goods grew by almost a fifth. However, imports of consumer goods remained at the level of the previous year. The total volume of commodity imports rose by 7 per cent, and the total value by 55 per cent. The major part of the near 20 per cent growth in the

Chart 2.
EMPLOYMENT



value of imports of services was caused by a rise in prices. The rates of growth of both travel expenditure and consumption demand were substantially reduced.

ECONOMIC EQUILIBRIUM

Employment

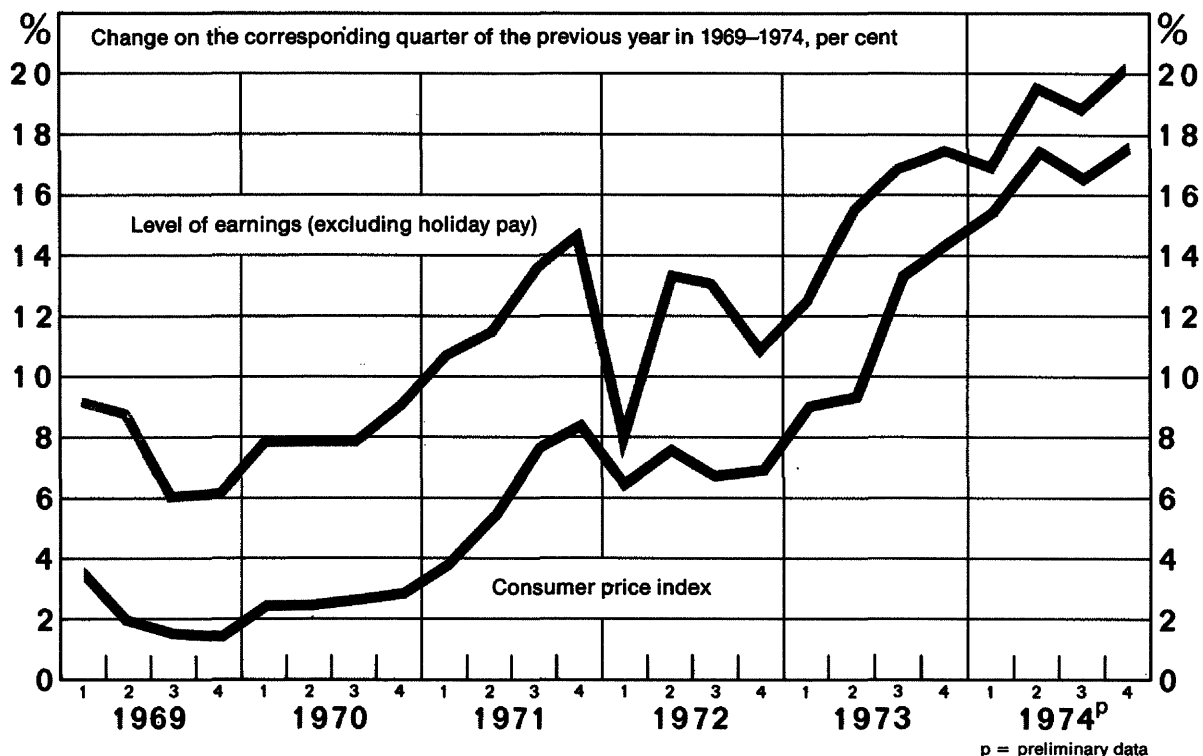
In the country as a whole, the employment situation improved during the first half of the year and, right until the end of the year, remained markedly more favourable than in 1973 (Chart 2). The labour force grew by more than 50 000 persons, a reflection of the steady rise in the labour participation rate of the population. The familiar pattern of excess demand for labour in southern Finland began to charge, bringing to an end the growth in the number of unfilled vacancies. For the country as a whole, the average rate of unemployment was not more

than 1.7 per cent. However, unemployment was still a severe problem in eastern and northern Finland, even though a few new vacancies were created in these regions. The shifting of the labour force from primary production to the secondary and tertiary sectors slowed down and, with the worsening of economic prospects, migration to southern Finland also began to decelerate. Similarly, migration between Finland and other Nordic countries was insignificant. Immigration took place on a slightly higher scale than emigration, although the flow of returnee immigrants during the first half of the year was reversed to one of net emigration in the autumn.

Prices, wages and income

In 1974 price rises were markedly higher than in 1973 (Chart 3). The average rise in consumer prices was 17 per cent and the rise in the price

Chart 3.
PRICES, WAGES AND SALARIES



component of gross domestic product at market prices about 19 per cent, as compared with the previous year. Particular upward pressures were the consequences of the sharp rise in export and import prices and the state of continuous excess demand: the rise in import prices leading to a rapid rise in costs and consumer prices; and the rise in export prices increasing demand pressures, thus contributing to a rise in wages and stumpage prices.

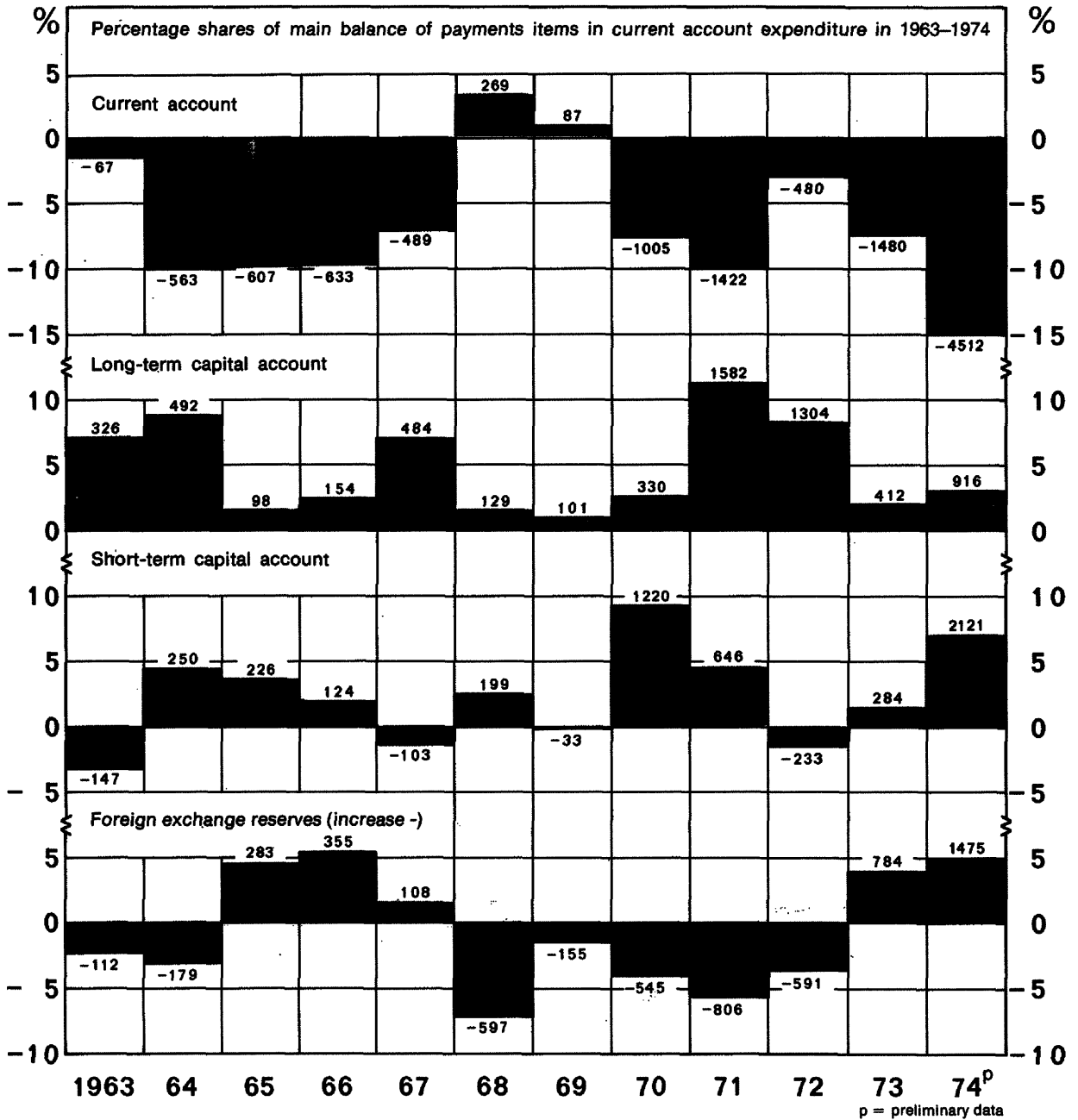
The average rise in the level of earnings amounted to almost 20 per cent in 1974. In April the labour market organizations concluded an incomes policy agreement for 22 months, in which wage increases were determined to the penny. The agreement included provisions concerning certain tax and social policy measures, an agreement on farmers' income, and the tightening of price control. The increases in negotiated wages and salaries meant a nine per

cent rise in the average level of earnings in April and a less than three per cent rise in September. However, wage drift, due to differences in profitability and the imbalances prevailing between the supply of and the demand for labour, meant that the increases in wages and salaries varied between the different industrial categories.

In keeping with the incomes agreement, the tax scales were revised so that the total tax burden of private income earners was reduced by 1 350 million marks in 1974 and 1975, as compared with the previous tax scales. In addition, when legislation on the taxation of income and property was being reformed in the autumn of 1974, tax concessions totalling 850 million marks were proposed for 1975. These measures were designed to curb the growth of the tax burden, particularly in low- and medium-income brackets, which was caused by the combined effects of inflation and progressive tax scales.

Chart 4.

BALANCE OF PAYMENTS



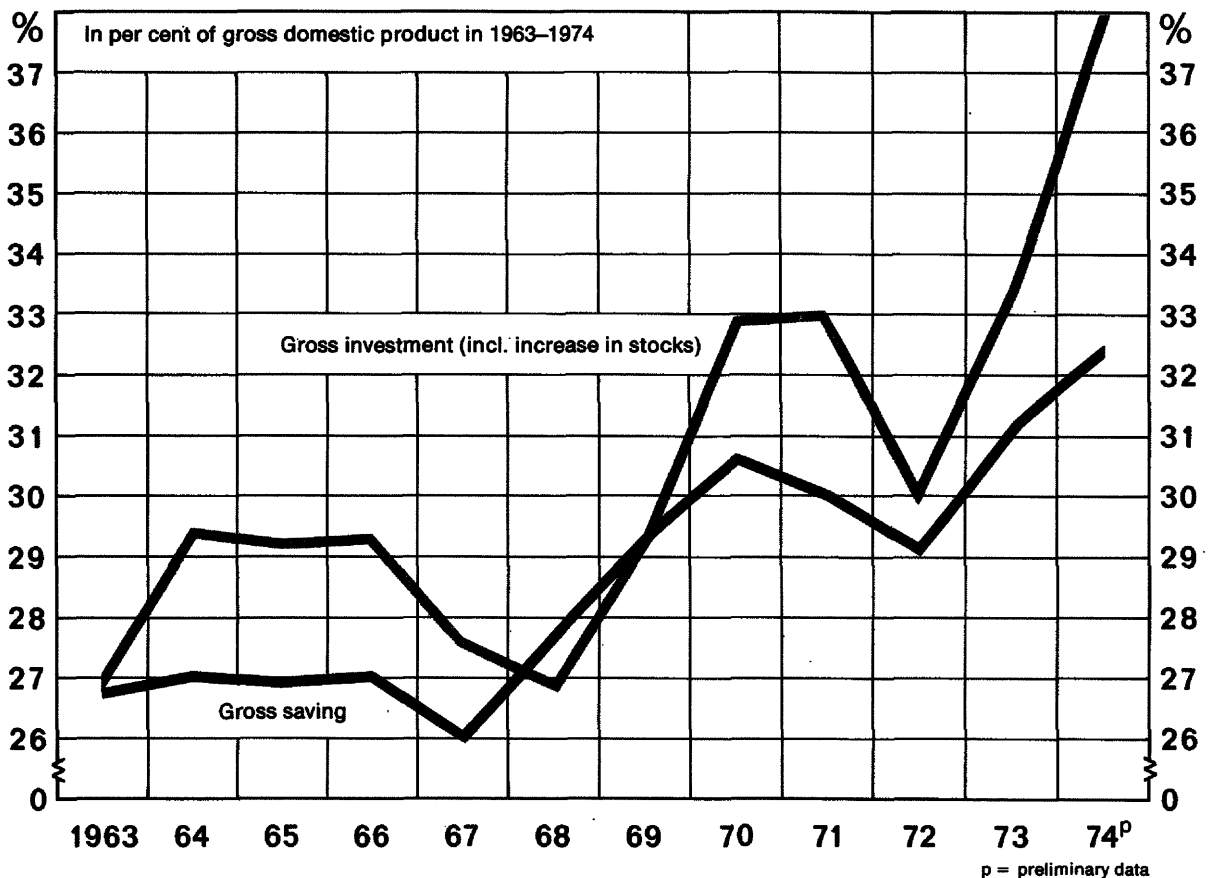
Price control and the revisions in tax scales designed to reduce wage claims were not the only government measures aimed at curbing inflation. In order to weaken the impact of energy price rises on the costs of agricultural production and to mitigate the upward pressures on consumer prices of the agreement on farmers' income, agricultural price subsidies were increased by more than 80 per cent. Subsidies were increased in other sectors as well, and the total growth in state subsidies came to 1 200 million marks. To reduce cost and price pressures, light and heavy fuels were temporarily exempted from excise duty, and sales tax was removed from certain basic foodstuffs until the end of 1975. Efforts were made to mitigate the effects on demand caused by rises in export

prices for forest industry products by deciding to collect of total of 300 million marks in counter-cyclical withholdings from those industries. However, as export demand weakened considerably towards the end of the year, the collection of part of the withholdings had to be discontinued.

Current account and external liquidity

Import prices rose by about 44 per cent and export prices by 42 per cent, so that the weakening in Finland's terms of trade was much less than that in most other oil-importing industrialized countries. Although the surplus on the services account increased slightly, the deficit on the visible and invisible trade account reached 3 500 million marks.

Chart 5.
TOTAL SAVING AND INVESTMENT

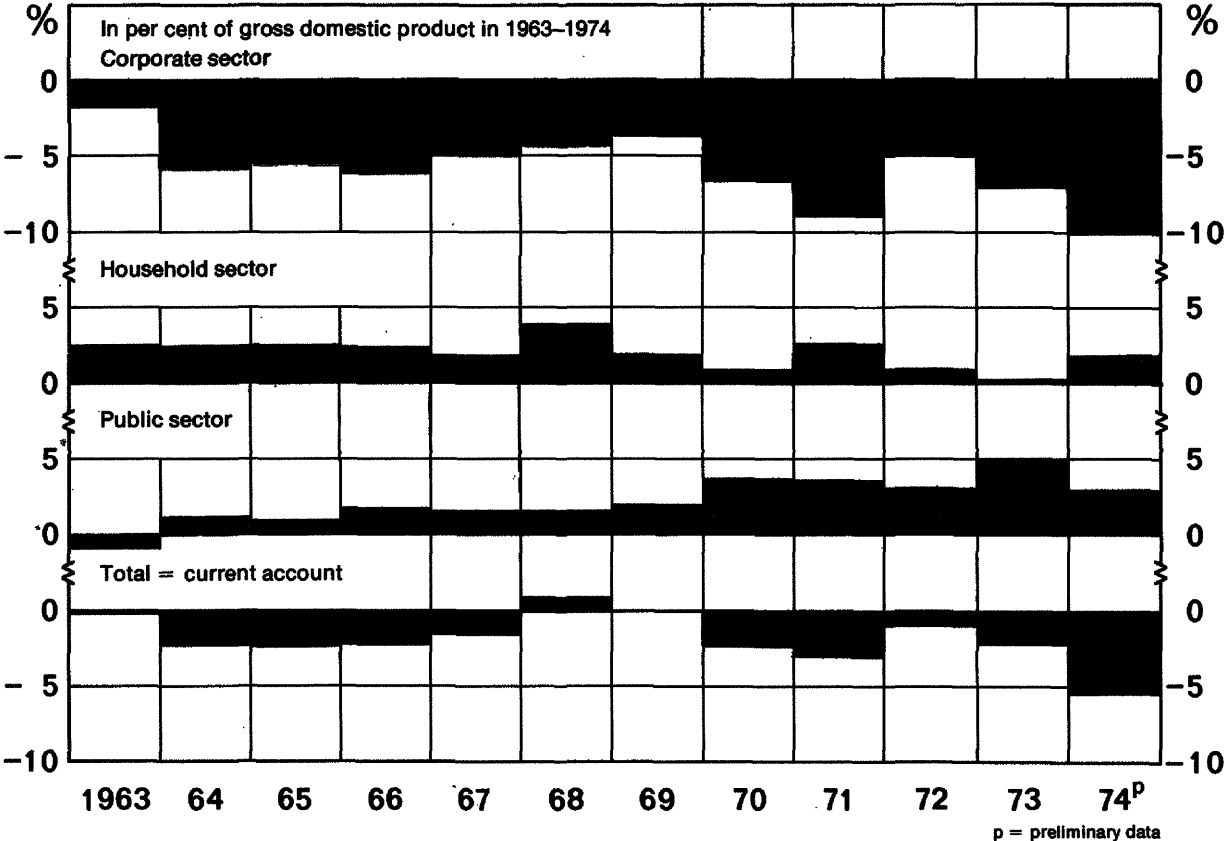


Because of an increase in the country's foreign debt and the high international level of interest rates, the deficit on the net investment income and transfer payments account grew by about a quarter during the year under review, and amounted to 1 000 million marks. The current account deficit thus came to about 4 500 million marks, — almost six per cent of gross domestic product.

About a fifth of the current account deficit was offset by a net inflow of long-term capital and about a half by that of short-term capital (see Foreign financing, page 13). The overall balance showed a 1 500 million mark deficit (Chart 4). However, this was not directly reflected in the liquidity position. About 2 000 million marks of the trade account deficit was mainly a result

of trade with the Soviet Union and other transactions in tied currencies. However, Finland's accounts position in tied currencies deteriorated only by 600 million marks. This change was attributable to receipts from exports of services, to import credits received and to advance payments for exports. The country's total convertible foreign exchange reserves declined by about 900 million marks. Since the foreign exchange liabilities of the banks grew by more than 700 million marks, the convertible foreign exchange reserves of the Bank of Finland were only reduced by slightly more than 100 million marks to 1 700 million marks. However, the relative liquidity position deteriorated markedly, as expenditure in convertible currencies grew by almost 50 per cent. On the other hand, the liquidity position was somewhat

Chart 6.
FINANCIAL SURPLUSES AND DEFICITS BY SECTOR



eased by the stand-by credit agreements which were concluded with international banking consortia.

At the end of 1974, Finland's net foreign indebtedness came to 12 600 million marks, which is about 16 per cent of the gross domestic product. Interest expenses and amortizations on long-term foreign loans alone amounted to 2 300 million marks in the year under review.

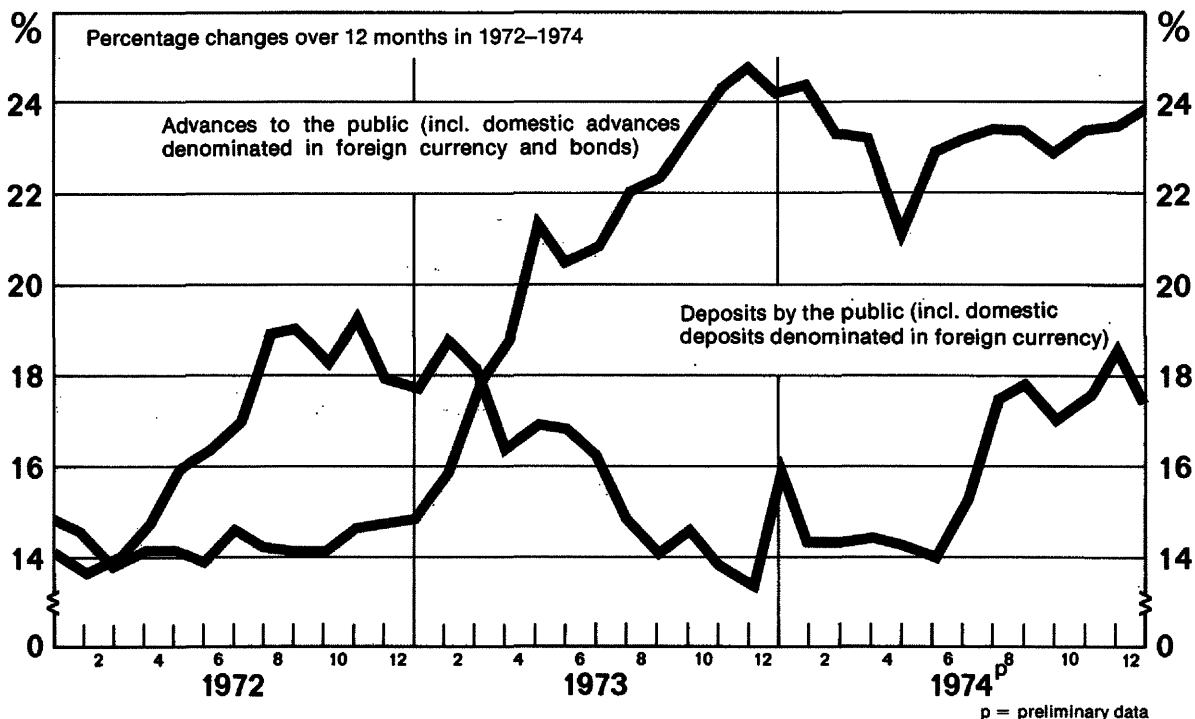
FINANCIAL DEVELOPMENTS

The imbalance between investment and the domestic rate of saving increased substantially in 1974 (Chart 5). About 86 per cent of the investment projects were financed from domestic savings and the remainder from the inflow of foreign capital. The ratio of gross investment to

the gross domestic product rose to 38 per cent.

The efforts to expand productive capacity increased the financial requirements of corporations. As the value of investment in stocks also rose sharply, corporations were forced to expand their net borrowing by quite a significant amount (Chart 6). As a result of a sharp rise in the propensity to save, the financial surplus of the household sector increased notably on the previous year. The fall in the financial surplus of the central government was coupled with a pronounced decline in central government saving. This was a reflection of the tax reductions implemented in the course of the year, of growing transfer expenditure to other sectors and of increased consumption expenditure caused by price rises. Local authorities financed their investment expenditure without any significant growth in their net borrowing.

Chart 7.
BANK DEPOSITS AND ADVANCES TO THE PUBLIC



Foreign financing

The inflow of foreign capital covered the economy's financial requirements to an unprecedented extent. As prospects for borrowing abroad were poor and the level of interest rates high, whilst at the same time foreign exchange rates were coupled with uncertainty, the net inflow of long-term capital was small (Chart 4). Although drawings of long-term loans came to 2 700 million marks, or to almost 1 000 million marks more than in the previous year, the increase in amortizations of earlier loans and the growth in export credits granted for metal industry exports meant that the net inflow of long-term capital was not more than about 1 000 million marks. Almost half of the economy's financing deficit was covered by the inflow of short-term capital. The major part of the growth in the short-term debt was caused by an increase in trade credits related to the rise in the value of imports. However, advance payments for export orders also played a substantial role.

Financial institutions

The domestic financial market remained relatively tight during 1974. Although the central bank credit quotas of the commercial banks were raised three times in the course of the year, the banks were in an almost permanent state of having to pay penalty interest charges to the Bank of Finland, in order to be able to satisfy the steadily brisk demand for credits. It was only during the summer, when the inflow of short-term capital was particularly strong, that the banks did not temporarily exceed their basic rate credit quotas. The strong pressure on the domestic financial market was caused mainly by the fact that imports of capital by corporations and by the central government, substantial though they were, were not sufficient to cover the current account deficit, about 1 300 million marks of which had to be financed by the banking system. Although this resulted in a tightening in the liquidity position of the public, it did not mean that the commercial banks' central bank debt was increased by the same amount: because of a growth in the foreign

exchange liabilities of the banks, the Bank of Finland's net foreign receivables only declined by 558 million marks.

As well as the decline in their foreign exchange reserves, the liquidity position of the commercial banks was further tightened by an increase, induced by inflation, of about 350 million marks in note circulation, and by the collection of counter-cyclical withholdings from the forest industries during the latter half of the year. On the other hand, the Bank of Finland increased its own lending and redemption of deposit certificates and released capital import deposits. These steps combined to have an easing effect on the financial market. As a result the central bank debt of the commercial banks grew by 573 million marks, or by nearly the same amount as that by which the net foreign receivables of the Bank of Finland declined. At the end of the year, the central bank debt of the commercial banks exceeded the basic rate credit quotas by almost 400 million marks.

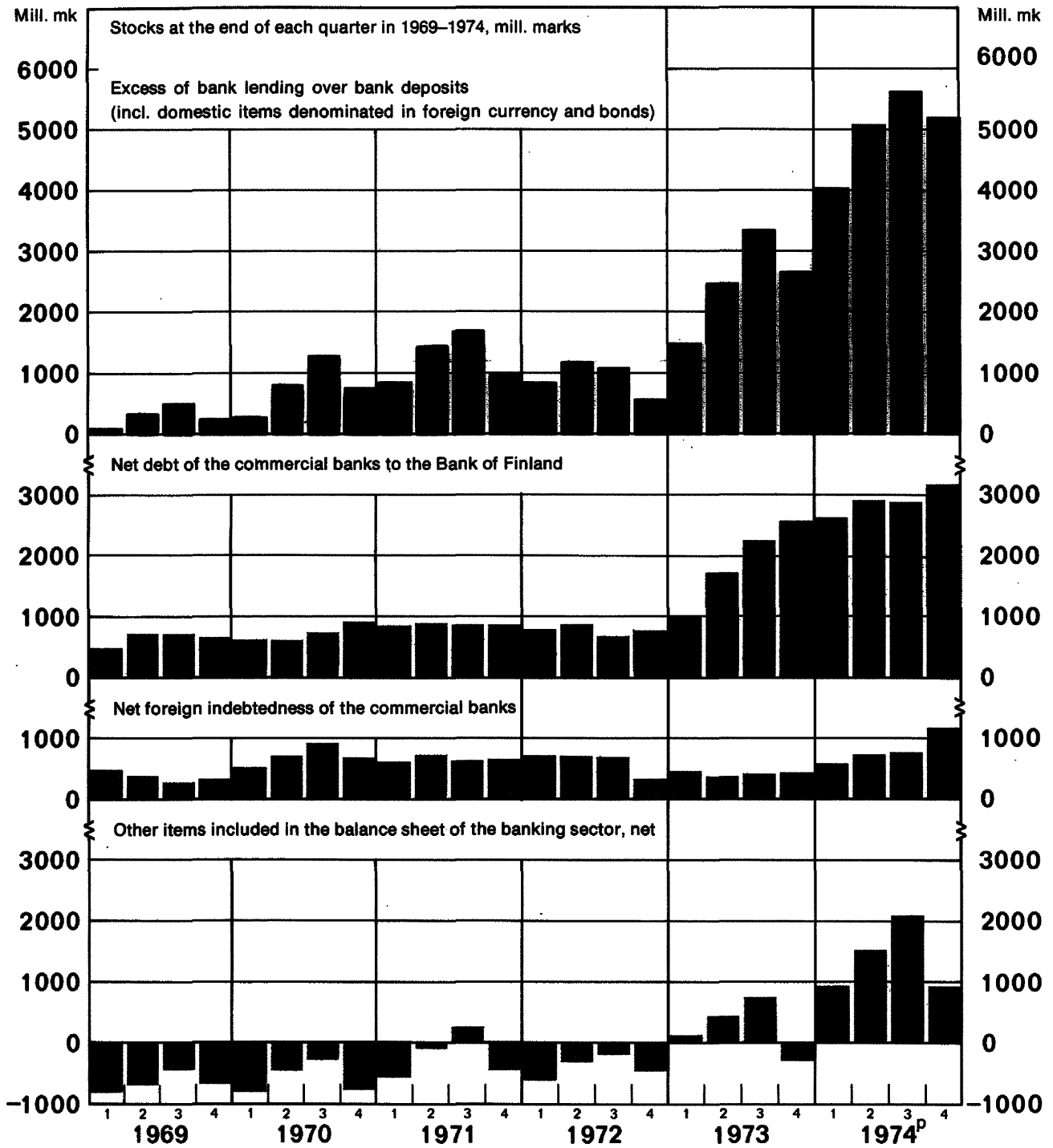
Deposits by the public grew by 17.4 per cent in 1974, or by one percentage point more than in the previous year (Chart 7). Since the consumer price index rose at the same time by 17 per cent, there was no real increase in deposits.

The increase in deposits was sustained by a rapid growth in nominal income, particularly forestry earnings, which caused an increase in time deposits, especially in co-operative and savings banks. In all, time deposits grew by 16.9 per cent in 1974. Demand deposits increased slightly more than time deposits, by 20 per cent. A notable part of the growth in both demand and time deposits occurred during the last few months of the year.

Lending by the banks centred mainly on housing loans and on industrial loans granted for boosting the expansion of productive capacity. The banks continued to finance more than 60 per cent of all housing loans. Growth in consumer loans was smaller than in the previous year.

Chart 8.

THE FINANCING OF CREDITS GRANTED BY THE BANKS IN EXCESS OF DEPOSITS

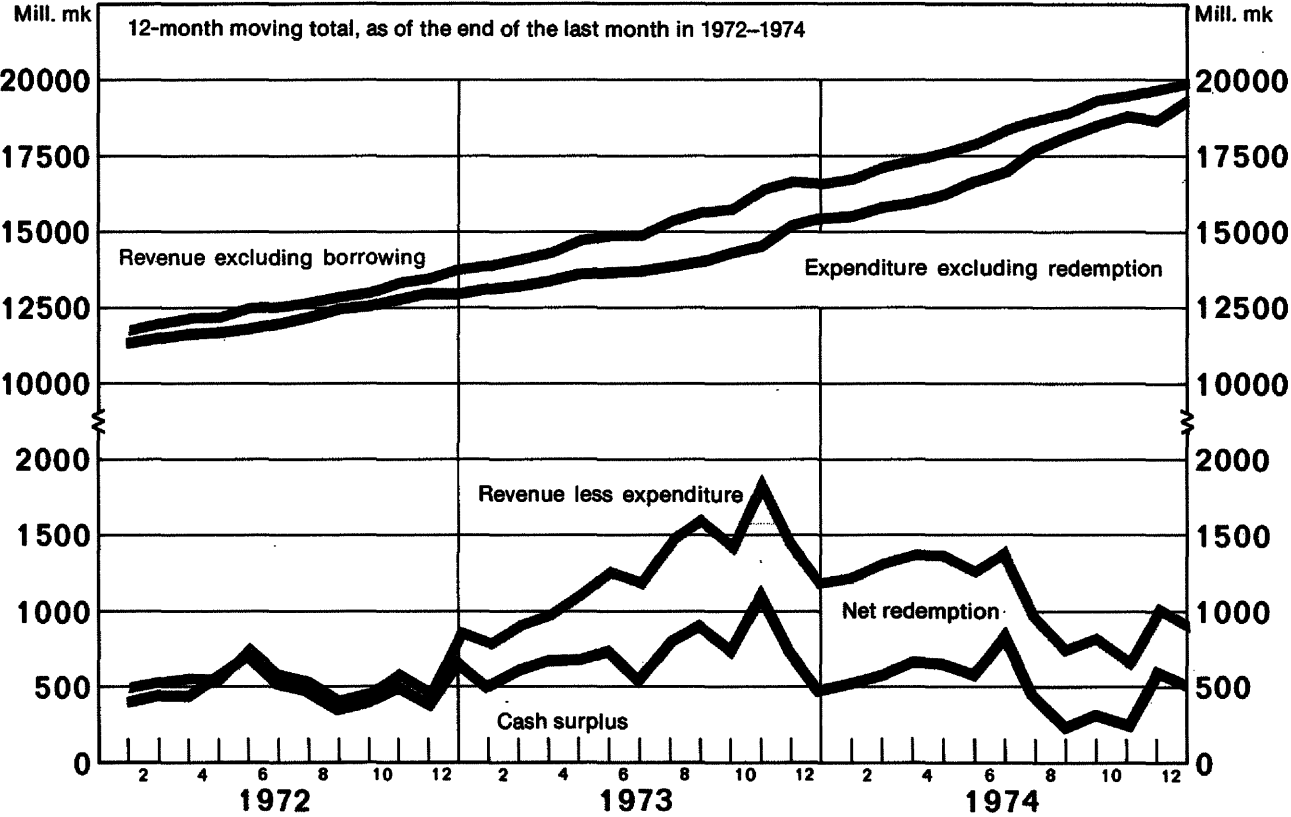


p = preliminary data

Lending by the deposit banks increased by 24 per cent in 1974, or by 2533 million marks more than deposits by the public. In the previous year the corresponding difference was 2100 million marks. The growth in the excess of lending over deposits was caused, not only by a growth in the central bank debt of the commercial banks and an increase in foreign financing, but also to a degree by the fact that part of the financial surplus of the central government was directed towards financing the excess of lending over deposits by the Postipankki (Chart 8). Credits granted by the Postipankki increased by more than 36 per cent, whereas its deposits grew by less than 22 per cent.

Advances granted by the commercial banks to the public grew by 3700 million marks. Of this amount, the actual growth in lending came to 2578 million marks, the increase in bonds to 457 million marks and the growth in domestic receivables denominated in foreign currency to 665 million marks. Of these items, the fastest growth was recorded for domestic receivables denominated in foreign currency, which grew by 56 per cent in 1974. The commercial banks' investment in shares, real estate and movable property increased by 287 million marks. The net liabilities of the commercial banks to other domestic financial institutions were 365 million marks greater than at the end of the previous

Chart 9.
STATE FINANCES



year. The 298 million mark growth in the equity capital of the commercial banks was mainly caused by changes in valuation and by share issues. The net foreign liabilities of the commercial banks grew by 745 million marks and their total debt to the Bank of Finland as recorded in their balance sheets by 560 million marks.

The banks paid the following rates of interest on different types of accounts during 1974:

	per cent
24-month deposits	7 3/4
12-month deposits	6 3/4
6-month deposits	6 1/4
Standard deposits ¹ and service accounts ²	5 3/4
Cheque accounts and postal giro accounts ²	1 1/2

The highest lending rate of the banks was 12.5 per cent. At the end of 1974, the weighted average lending rate of the commercial banks was 9.68 per cent; for the savings banks it was 10.32 per cent, for the co-operative banks 10.44 per cent and for the Postipankki 9.43 per cent. The weighted average lending rate for all deposit banks was 9.92 per cent.

There were no significant changes during 1974 in the pattern of lending by financial institutions outside the banking system. Loans granted by insurance companies increased, as in the previous year, by about a fifth. Lending by the mortgage credit institutions was curtailed by the poor availability of foreign finances. Of the just over 20 per cent growth in total loans granted, the major part went to local authorities. Lending by the development credit institutions increased by more than 27 per cent on the previous year. This growth stemmed partly from

1. Standard deposits = ordinary deposit and savings accounts.

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

the recovery of lending by Finnish Export Credit Ltd, after a decline in 1973. Advances granted by the hire-purchase, factoring and leasing institutions increased by more than 36 per cent.

Central government

The financial position of the central government remained relatively healthy, despite a notable decline in its financial surplus. The state cash surplus came to 535 million marks, although the central government reduced its long-term debt by about 400 million marks. Further postponements of state expenditure until 1975 and a deceleration in the growth of state lending contributed to the favourable cash position. Drawings of state housing loans amounted to 1 030 million marks, while there had been 1 150 million marks earmarked in the budget proposal for this purpose. The use of these loans was held back, because primary loans from financial institutions were not easily available. The slowing-down in the growth of other loans and financial investments of the central government was even more pronounced. The state cash surplus was channelled mainly into the Postipankki's lending, so that it did not exert a tightening effect on the financial position of the commercial banks.

Stock market

During 1974, 35 Finnish bond issues were floated, two of which were issued abroad. Sales of domestic bonds amounted to 1 126 million marks, which was significantly more than in the previous year. This growth was boosted in particular by bond issues made by financial institutions, which reached an exceptional level of almost two thirds of total sales. Sales of government bonds totalled 231 million marks, while amortizations exceeded sales by more than 200 million marks, so that the bond debt of the central government declined, following the pattern of the two previous years. Sales of private bonds other than those issued by fi-

nancial institutions accounted for 15 per cent of total bond sales. Most of the domestic issues had a fixed interest rate, ranging from 8¼ to 10¼ per cent. Domestic bonds outstanding totalled 4184 million marks at the end of 1974. The breakdown by issuer of the total amount of bonds outstanding was as follows: central government 1524 million marks; financial institutions 1881 million marks; local authorities 25 million marks; and other issuers 754 million marks.

The tightened financial position and weakened economic prospects were reflected in the stock market by a fall in share prices of more than 20 per cent. Share prices were also pushed down by an ample supply. Furthermore, a number of share issues, totalling more than 500 million marks, were floated during the year by companies listed on the Stock Exchange. As a result of the fall in share prices, the turnover of the Helsinki Stock Exchange was reduced by 28 per cent, to a total of 209 million marks.

CENTRAL BANK POLICY

The economic climate of 1974 was characterized by severe imbalances in the economy, which were aggravated by the sharp rise in the prices of energy and raw materials. The deterioration in the balance of payments and the acceleration of inflation forced economic policy to take a restrictive stance. However, at the same time it was deemed necessary to encourage an expansion of productive capacity by taking economic policy measures that were more selective than had previously been the case. Attempts were made to curb domestic demand as a whole by reducing the growth of public consumption and by keeping the financial market tight. Fiscal policy measures and selective financial arrangements were used to give particular support to both industrial investment and housing, so as to increase export capacity and alleviate labour problems.

MONETARY POLICY

General outlines

Throughout 1974 monetary policy was geared to the general line pursued in economic policy, and the measures implemented were both selective and aimed at curbing the growth of total demand.

In order to avoid an excessive tightening of the financial market, the central bank credit quotas of the commercial banks were raised by more than 40 per cent from the beginning of February. The right to exceed the quotas was limited to 50 per cent and any need for central bank credit exceeding this ceiling, had to be met by weekly sales of bonds, with a repurchase obligation.

In order to secure access to credit for enterprises engaged in exports or import-substituting production, the special financing arrangements were improved. In February the Bank of Finland issued new regulations concerning the financing of domestic suppliers' credits, new export

credits, and short-term export credits. In the financing of domestic suppliers' credits, the Bank of Finland's share was raised from 15 per cent to 30 per cent.

The central bank credit quotas of the commercial banks were raised by almost 10 per cent from the beginning of May and by about 15 per cent from the middle of June. In keeping with the generally tight line of monetary policy, these increases in the quotas were kept as small as possible. In connection with both of the increases, the distribution of the total credit quota between the individual commercial banks was altered so that the market shares of banks were more strongly weighted than in the past.

At the beginning of July, the Bank of Finland submitted a circular to the financial institutions, recommending that, as long as the legislation concerning the extension of the validity of the Investment Tax Act remained under consideration, they should not grant credits for construction projects subject to this Act. These

guidelines were given in order to avoid unnecessary disturbances, should the Government's proposals not have passed through Parliament before the former Act lapsed.

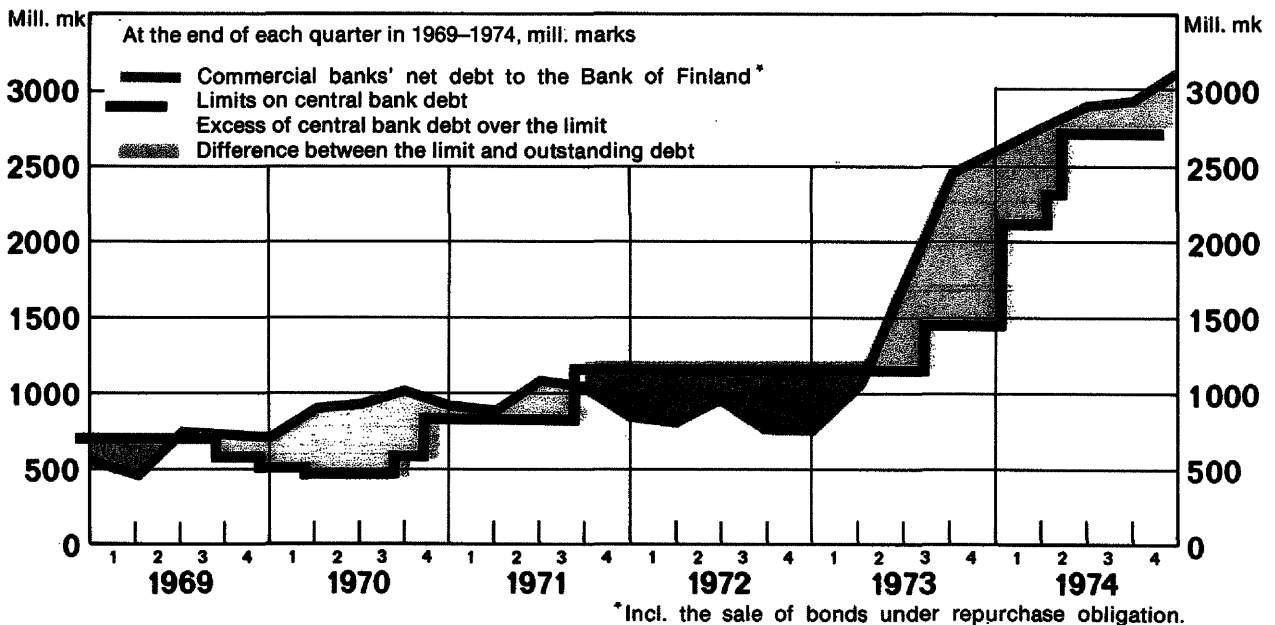
New guidelines were given to the commercial banks and the Postipankki (the post office bank) concerning the financial arrangements for granting new export credits. These guidelines came into force at the beginning of October. The most important revision was the extension of the financial arrangements to include the financing of exports payable in tied currencies.

In November the Bank of Finland gave the financial institutions credit policy guidelines for the near future; in these the Bank recommended that they should continue to use strong selective measures in credit granting, even for credit applications concerning the whole year 1975. Special emphasis was laid in these guidelines on the priority of industrial and ancillary investments over other purposes of credit. In order to secure an adequate inflow of foreign

capital, the use of foreign loan capital was recommended, within the range of permits granted by the Bank of Finland, in all cases where such capital was available on reasonable terms. At the same time, the Bank of Finland emphasized that, when making long-term credit commitments, the financial institutions should bear in mind that the financial market would remain tight due to balance-of-payments considerations. The Bank also pointed out that it could not employ monetary policy to ease the financial market to any substantial extent, even if the economic outlook were to weaken.

In December, when the Investment Tax Act expired, the Bank of Finland gave the financial institutions guidelines concerning the financing of construction projects. These guidelines stated that, because of the lapsing of the Act's provisions at the turn of the year, a number of investment projects might be started simultaneously in regions previously subject to those provisions, and this could lead to a recurrence of severe imbalances in construction. To avoid

Chart 10.
COMMERCIAL BANKS' DEBT TO THE CENTRAL BANK



this eventuality, the Bank recommended that a check be kept on the timing of all investment projects subject to the Act, with special attention being paid to the local employment situation. In the case of large-scale construction projects, it was presupposed that the financial institutions would not, for the moment, commit themselves as to grant credit for construction projects previously subject to the Act, without the written approval of the Bank of Finland.

The quota policy

The central bank credit quotas of the commercial banks were raised three times during 1974. However, these increases were very small, in view of the commercial banks' need for central bank credit, so that the commercial banks paid penalty charges throughout the year on their central bank debt and were forced to pursue credit policies which took into account the gradually rising penalty charges (Chart 10). The first rise in quotas took effect from the beginning of February, when they were raised from 1 550 million marks to 2 203 million marks. The right to exceed the quotas was limited to 50 per cent, and any need for central bank credit exceeding this ceiling had to be met by weekly sales of bonds, with a repurchase obligation. The right of the commercial banks to receive daily credits in the form of deposits from the Postipankki was raised from 200 million marks to 400 million marks, calculated as a daily average over one month. In spite of these increases, the financial market remained nearly as tight as before, although the payments of penalty charges were, temporarily, slightly

reduced. At the same time as increasing the quotas, the Bank of Finland stated that an overall easing of the financial market would not be feasible, and recommended that the banks follow very stringent credit policies, in order to obviate a rapid reversion to the previously high levels of penalty charge payments.

The Bank of Finland further decided to increase the central bank credit quotas of the commercial banks by nearly 10 per cent from the beginning of May and by about 15 per cent from the middle of June, mainly with the purpose of preventing the financial market from tightening too much. Together with these increases in quotas, the distribution between the commercial banks of the total quota available was altered. The market shares of banks were more strongly weighted than in the past, primarily because the degree of central bank indebtedness has remained, on the whole, stable and has been used as a tool in competing for market shares. The central bank credit quotas of the commercial banks and their breakdown by bank are presented in the table below.

If the amount of central bank credit of any commercial bank exceeds its credit quota, the bank has to pay, over and above the basic rate, a penalty charge on its total debt, according to the following scale:

The daily excess of the quota	Penalty charge on the total debt per annum, per cent
Not more than 15 per cent	1
More than 15 per cent but not more than 30 per cent	2
More than 30 per cent but not more than 40 per cent	3
More than 40 per cent but not more than 50 per cent	4

CENTRAL BANK CREDIT QUOTAS OF THE COMMERCIAL BANKS AND THEIR BREAKDOWN BY BANK, FROM DEC. 1, 1970, MILLION MARKS

	Dec. 1, 1970— Sept. 30, 1971	Oct. 1, 1971— Aug. 31, 1973	Sept. 1, 1973— Jan. 31, 1974	Feb. 1, 1974— April 30, 1974	May 1, 1974— June 17, 1974	June 18, 1974—
HOP	55	75	95	135	141.6	162.4
KOP	253	345	437	621	667.2	767.2
OKO	154	210	266	378	420.0	498.4
PYP	253	345	437	621	645.6	716.8
SKOP	176	240	304	432	508.8	638.4
AAB	6.6	9	11.4	16.2	16.8	16.8
Total	897.6	1 224	1 550.4	2 203.2	2 400.0	2 800.0

The regulations issued in August 1973 did not prohibit the commercial banks from exceeding their credit quota by more than 50 per cent, but in such a case the Bank of Finland could require them to carry out weekly sales of bonds, with a repurchase obligation. The Bank of Finland applied a purchase rate of 99½ per cent and a repurchase rate of 100 per cent for these transactions. The regulations were strengthened as from February 1974, so that any need for central bank funds above the 50 per cent limit had to be satisfied by these weekly bond transactions. The total central bank debt of the commercial banks, including the sale of bonds subject to the repurchase obligation, exceeded total credit quotas throughout the year under review (Chart 10). The difference between total debt and total quotas was at its largest during the second quarter of the year, when the average cost of credit from the central bank came to 11.4 per cent. The difference was smallest during the third quarter of the year, when the average interest rate on central bank credit was 9.5 per cent (Chart 11 A). The annual average of interest and penalty charges paid on central bank credit was 10.6 per cent in 1974, whereas it had been 10.5 per cent in the previous year.

Interest rate policy

In view of inflationary developments and the level of international interest rates, the overall level of interest rates in Finland during 1974 was low. Interest rates had remained unchanged since the beginning of July 1973, when an overall rise of 1½ percentage points was implemented: the basic rate on the central bank debt of the commercial banks being increased from 7¾ per cent to 9¼ per cent (Chart 11 A).

During the first half of 1974, short-term interest rates on international financial markets rose to a higher level than the average level in Finland. Quarterly data show that the interest rate paid on three-month Euro-dollar deposits was at its highest, 13¼ per cent, in the middle of 1974 (Chart 11 A). Towards the end of the year foreign interest rates began to fall and, at the end of the year, the rate paid on three-month Euro-dollar

deposits was 10¼ per cent, which almost equalled that paid by the commercial banks on their central bank debt.

The average lending rate of the banks has risen slightly since the overall increase in interest rates at the beginning of July 1973. The rise in the average lending rate was 0.22 percentage points in 1974, and the average rate was 9.97 per cent at the end of the year (Chart 11 B).

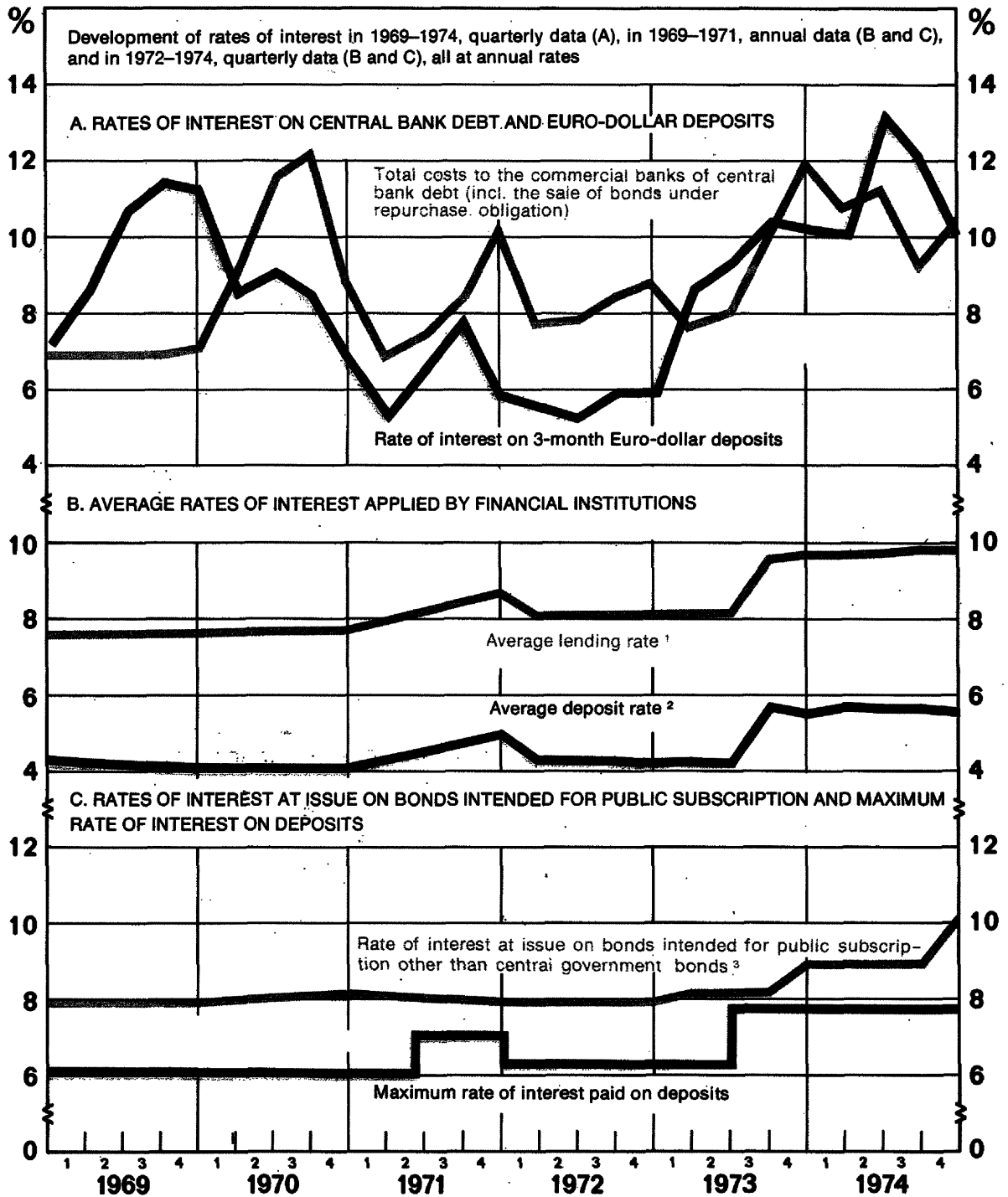
The interest rates paid on deposits remained unchanged during the year under review. As the relative shares of different deposit accounts in total borrowing remained, on the whole, unchanged, the average interest rate paid on deposits remained approximately the same, being 5.54 per cent at the end of the year (Chart 11 B). The difference between the interest rates paid on loans and deposits thus rose, as a result of the rise in lending rates, from 4.22 percentage points to 4.43 percentage points, or by 0.21 percentage points in the course of the year.

The rates of interest applied to new loans intended for public subscription have been in line with the general development of interest rates (Chart 11 C). The rate of interest on Government bonds intended for public subscription has traditionally been slightly lower than that on other loans intended for public subscription. At the beginning of 1974, the average issuing rate of interest on Government bonds intended for public subscription was 8.75 per cent and the rate on other loans intended for public subscription 9.00 per cent. At the end of the year, the corresponding rates of interest were 8.70 per cent and 10.25 per cent. Towards the end of the year, the central government did not launch any new loans intended for public subscription and hence the issuing rate of interest for the latter half of the year is based on the sale of bonds during the first half of the year.¹

1. Chart 11 C includes the issuing rate of interest on Government loans intended for public subscription only for the first quarter of 1973, because the central government issued such loans during that quarter only.

Chart 11.

DEVELOPMENT OF RATES OF INTEREST



1. Weighted by shares in loans outstanding 2. Weighted by shares of various types of deposit accounts 3. Weighted by sales of bonds

A comparison of the interest earnings from loans intended for public subscription with those from bank deposits, at the middle of 1974, reveals that the average interest rate on new Government loans intended for public subscription was 8.70 per cent, and that on other loans was 9 per cent, whereas the highest rate paid on deposit accounts at the banks was 7.75 per cent — differentials of 0.95 percentage points and 1.25 percentage points respectively (Chart 11 C).

Credit policy guidelines

In November 1974 the Bank of Finland submitted guidelines to the financial institutions, detailing credit policy for the near future. Guidelines on the financing of construction subject to the Investment Tax Act were given in July and December.

The guidelines given in November recommended that selective treatment of credit applications be extended to cover applications for 1975. When granting credit, both for the year under review and for 1975, priority was to be given to investment projects designed to expand industrial productive capacity and to increase efficiency, and to those investments in housing necessary for meeting the demand for labour. Furthermore, the financial institutions were advised to grant credit for the financing of other investment projects already partly financed by the central government.

The strictest criteria were to be used when granting credit for the financing of purchases of consumer durables and other consumer goods. The same severe restrictions were also put on hire-purchase agreements and, in general, on any arrangements for the purchase of consumer goods on credit. The financial institutions were further advised to use highly selective criteria when granting credit for the financing of excessive stocks in industry and trade, and for any investment projects aimed at expanding the service sector.

In addition, the Bank pointed out that, since economic prospects were exceptionally uncertain, it was not possible to present any recommendations ranging further into the future. However, when making long-term credit commitments, the financial institutions should be prepared for the eventuality that, due to balance-of-payments considerations, the financial market would have to be kept tight, and that the monetary policy tools of the central bank could not be used to ease it to any substantial extent, even if the economic outlook and employment situation weakened.

In July the Bank of Finland gave the financial institutions special guidelines on the financing of certain construction projects. The possibility existed that the Investment Tax Act would expire before the Bill to extend it had passed through Parliament. Hence the Bank, in these guidelines, indicated that the financial institutions should not grant credit for construction projects intended for commencement after the end of September, if those projects would otherwise have been subject to the provisions of the Act.

In December the financial institutions were given further special guidelines concerning the financing of certain construction projects after the expiration of the Investment Tax Act at the end of the year under review. These guidelines pointed out that, if several investment projects were to be started simultaneously in regions previously affected by the Act, the construction industries would be faced with the same severe imbalances as in the past. In order to avoid such a situation, the Bank suggested that, in the case of any projects subject to this Act, special attention be paid to the local employment situation. Furthermore, the Bank required that, for the time being, the financial institutions would not, without the written approval of the Bank of Finland, commit themselves to finance specified construction projects in the cities of Helsinki, Espoo, Kauniainen, Vantaa, Tampere, Turku and Lahti. This stipulation applies to those projects in which:

— the total area built is greater than 2 000 square metres or, if the type of the building or building complex is such that it would not be expedient to calculate the area built, the building costs are greater than 4 million marks, and

— more than 25 per cent of the total area of the building or building complex or more than 1 000 square metres is used for certain specified purposes.

The Bank of Finland held the view that this arrangement would promote employment in the construction industries later on when other construction activities would be slackening.

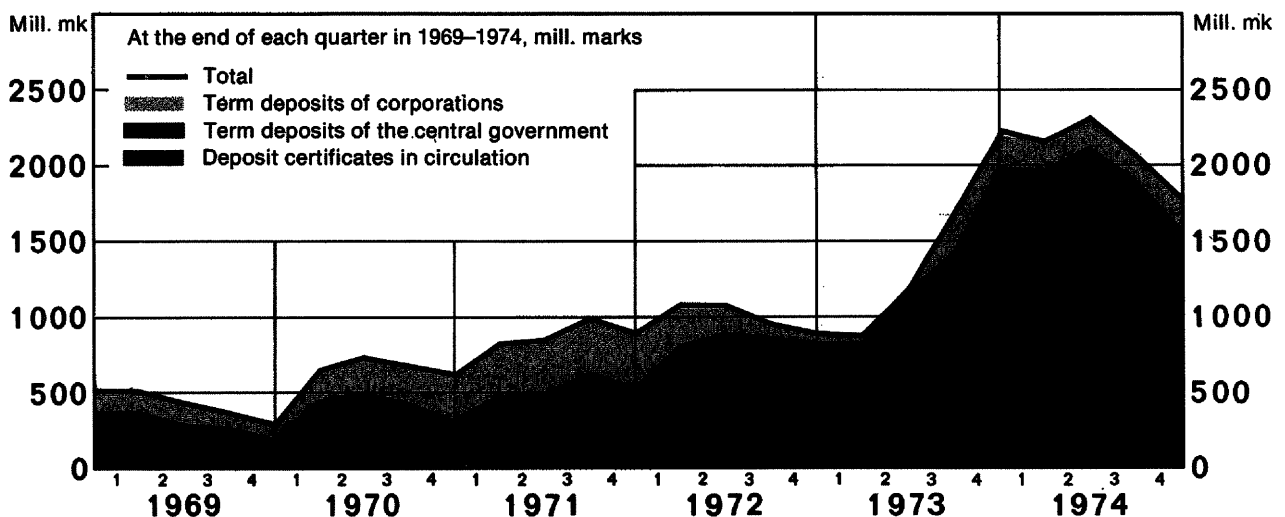
Statements concerning bonds

The Law on Bond and Debenture Loans and Other Loans Against Letters of Indebtedness Floated in Bulk, issued in 1969, provides that the Board of Management of the Bank of Finland should give the Council of State its statement concerning the floating of a loan; In all, 27 such statements for domestic loans were given in 1974. The total nominal value of these loans amounted to 792 million marks; 19 of them (with at total nominal value of 599 million marks) were

issued by private mortgage banks, six (170 million marks) by industrial and power companies, and two (23 million marks) by special credit institutions. The loans issued by mortgage banks and special credit institutions were mainly intended for the financing of industrial investment. The Board of Management of the Bank gave its approval to all the issue applications dealt with, which led to affirmative decisions from the Council of State.

Of the bonds issued, seven were intended for public subscription, and their total nominal value amounted to 220 million marks. The Bank of Finland recommended that a fixed interest rate be applied, ranging from 9 to 10 ¼ per cent on different loans. One of the bonds intended for public subscription was issued by an industrial enterprise, and the remaining six by private mortgage banks. On the basis of the Act Concerning Tax Concessions on Bonds in the Income and Property Taxation of Individuals and Undistributed Estates of Deceased Persons (412/69), tax exemption was requested from the Council of State for all the bonds issued. The Bank of Finland stood in favour of tax exemption, and the Council of State did grant it in all cases.

Chart 12.
DEPOSIT CERTIFICATES AND TERM DEPOSITS



The remaining twenty bond issues were intended for subscription by financial institutions. The Bank of Finland recommended that a fixed interest rate be applied to nine of these loans and a variable interest rate to eleven of them.

Deposit certificates and term deposits

To support the generally stringent line of monetary policy, the Bank of Finland continued to sell deposit certificates, mainly in order to tie the central government's cash surpluses in the central bank. The sale of deposit certificates is based on a fixed term permission, which has been granted by the Bank Supervisors delegated by Parliament. The interest rate ceiling set by the Bank Supervisors was 9 per cent.

Developments in deposit certificates and term deposits are presented in Chart 12. At the end of 1974, that part of liquidity tied in the form of deposit certificates amounted to 1 040 million marks. The 410 million mark decline in 1974 was mainly caused by an end-of-year tightening in the liquidities of the central government and the Postipankki.

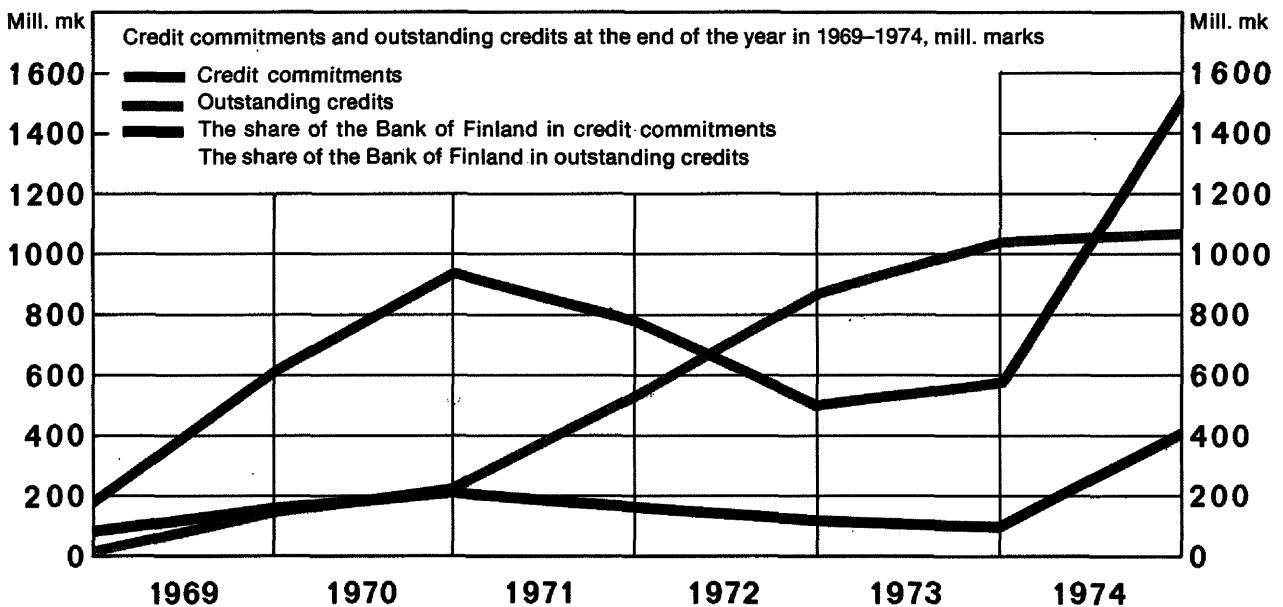
Part of the cash surplus of the central government was tied in the Bank of Finland in the form of central governmental counter-cyclical reserves. The accrual of interest earnings increased these reserves from 509 million marks to 543 million marks at the end of the year.

The total amount of term deposits of corporations in the Bank of Finland remained at about the same level as at the end of 1973. Capital import deposits were reduced from 214 million marks to 98 million marks. On the other hand, investment deposits and counter-cyclical withholdings collected in accordance with an act issued in 1974 grew by a total of 79 million marks.

Special financing arrangements

The Bank of Finland continued to participate in the financing of domestic suppliers' credits and gave support mainly to small and medium-sized industries, by refinancing new export credits and short-term export credits. These forms of special financing were intensified in February, so as to ensure access to credit, despite the

Chart 13.
FINANCING OF DOMESTIC SUPPLIERS' CREDITS



overall tightness in the money market, for enterprises engaged in exports or import-substituting production. In addition, the range of applications of new export credit arrangements was extended in September.

The system of financing domestic suppliers' credits was created to finance credits granted by domestic suppliers to domestic customers, particularly in connection with deliveries of capital goods. The Bank of Finland, the commercial banks and the Postipankki are participating in this system. In February the Bank of Finland raised its share in the financing of these credits from 15 per cent to 30 per cent of that part of the contract price which was financed with bank credit, while other credit terms remained unchanged. The interest rate applied to these credits was 9¼ per cent throughout 1974.

In the year under review the development of domestic suppliers' credit arrangements was dominated by vigorous investment, particularly in the wood-processing industries and the

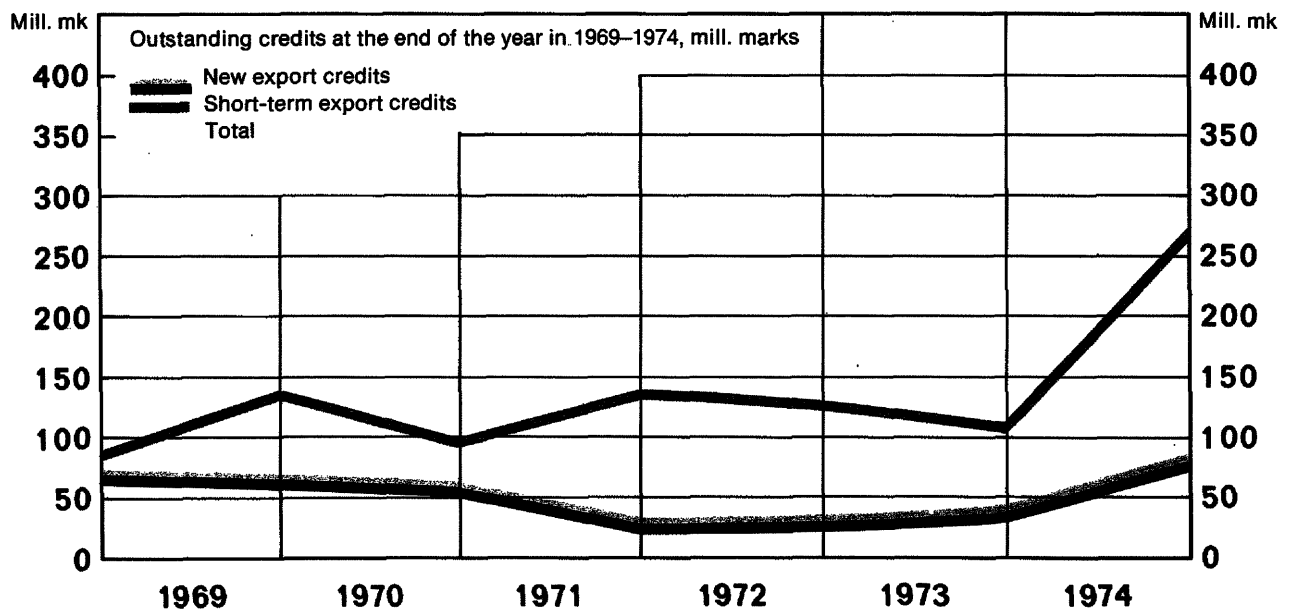
power supply sector. Of the 1 623 million mark total of deliveries accepted within the framework of these credit arrangements, wood-processing machinery accounted for 42 per cent and power plant for 14 per cent. The stock of orders to be financed totalled 1 981 million marks at the end of the year, which is almost three times the amount at the end of the previous year.

Credit commitments made in 1974 within the framework of this system totalled 1 264 million marks, in which the share of the Bank of Finland amounted to 378 million marks. Credit commitments outstanding totalled 1 538 million marks at the end of the year, with the share of the Bank of Finland amounting to 424 million marks (Chart 13).

Drawings of credits totalled 317 million marks, of which the Bank of Finland financed 78 million marks. At the end of the year, credits outstanding amounted to 1 087 million marks, in which the share of the Bank of Finland was 276 million marks.

Chart 14.

FINANCING OF NEW EXPORT CREDITS AND SHORT-TERM EXPORT CREDITS



New export credits are used to meet the demand for additional operating funds, which are needed during the period of manufacture by small and medium-sized industrial enterprises, as a result of the expansion of their exports. In February the ceiling for new export credits for an individual enterprise was raised to 2 million marks. From the beginning of October, the financing programme was extended to include exports payable in tied currencies as well. At the same time, access to these credits was limited so that only enterprises with an annual turnover below 100 million marks were eligible for this financing programme. The interest rate applied to new export credits was 8½ per cent in 1974.

The stock of new export credits increased from 43 million marks to 90 million marks during the year under review (Chart 14). The industrial categories benefiting most from these credits were the textile, wearing apparel and leather industries, which together accounted for 34 per cent of credits outstanding, and the manufacture of fabricated metal products, machinery and equipment, the share of which was 23 per cent. At the end of the year, a total of 312 enterprises received credit of this type.

Under the arrangements for the financing of short-term export credits, exporting firms may receive credit after delivering a consignment payable in convertible currencies within 12 months. The interest rate applied to credits of this type was changed in February by shifting over from interest rates applied to Euro-dollar deposits to a rate linked with the domestic level of interest rates. After this change, the interest applied was 8½ per cent.

At the end of the year, short-term export credits outstanding totalled 274 million marks, which is almost 2.5 times the amount at the end of 1973 (Chart 14). Credits granted to manufacturers of fabricated metal products, machinery and equipment accounted for 33 per cent of credits outstanding, credits granted to manufacturers of electrical machinery, apparatus, appliances and supplies for 24 per cent and those to the

textile, wearing apparel and leather industries for 17 per cent of total credits outstanding. Exports financed with these credits went almost entirely to the OECD countries. At the end of the year, a total of 294 enterprises benefited by these financing arrangements.

FOREIGN EXCHANGE POLICY

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), remained 0.211590 grams of fine gold during the year under review.

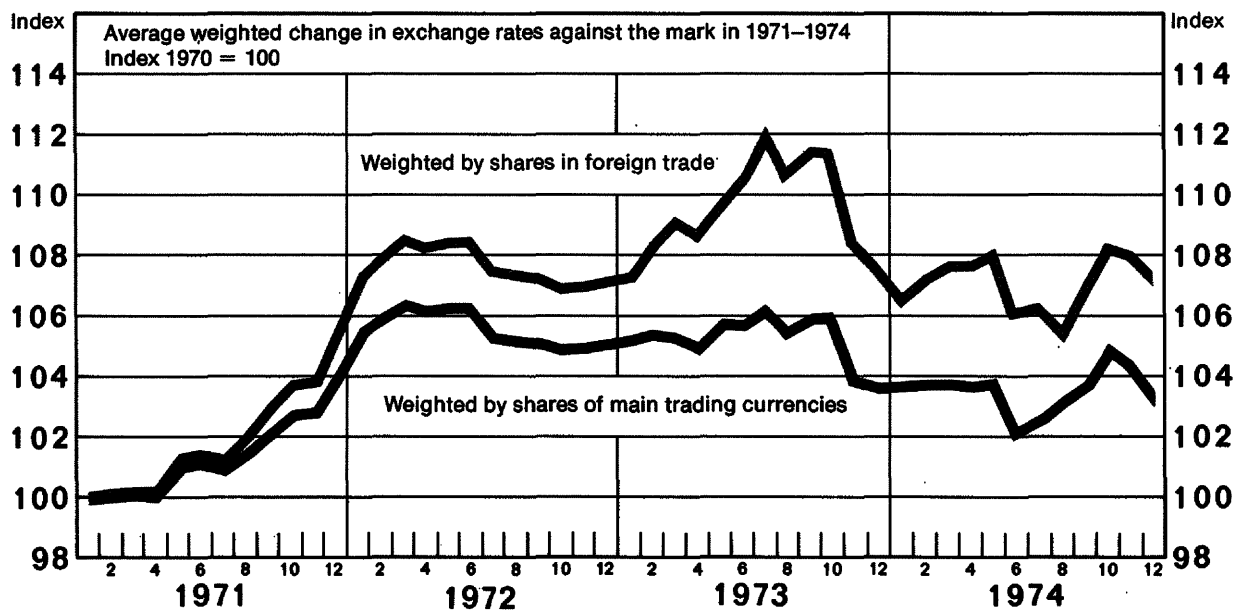
The central rate of the Finnish mark remained 3.90 marks per U.S. dollar during the year under review. On June 4, 1973, the Bank of Finland had decided to cease observing the lower fluctuation limit for the dollar, and this policy was maintained throughout 1974. On January 8, 1974, the Bank of Finland decided to cease observing the upper limit as well. Henceforward the mark floated against all other currencies, including the rouble used in bilateral payments transactions.

Developments in international foreign exchange markets

The system of floating foreign exchange rates, which had become general in the previous year, was again applied in foreign exchange markets in the year under review. Although pressures against major currencies were occasionally strong, the flexibility of exchange rates made it possible to obviate severe interruptions in the operation of the foreign exchange markets. In order to stabilize the development of exchange rates, the central banks of several countries were forced to intervene in the markets, often using quite substantial amounts of foreign exchange.

The development of the exchange rates both for the dollar and other currencies was affected by a number of factors: sharp changes in the levels

Chart 15.
AVERAGE DEVELOPMENT OF EXCHANGE RATES



of interest rates, particularly in the United States but also in Europe; the overall uncertainty about balance-of-payments and price developments in different countries; the abolition of certain regulations restricting the outflow of capital from the United States; and rapidly changing expectations about the development of different exchange rates. In line with developments in 1973, the exchange rate for the dollar continued to fluctuate relative to other major currencies during year under review. The dollar weakened during the first half of the year, and then recovered somewhat during the third quarter. It weakened again during the last quarter, reaching 3.560 marks on December 31: its lowest rate in Finland since the devaluation of the Finnish mark in 1967.

The coverage of the foreign exchange system applied between the EEC countries was further reduced on January 20, when France decided to suspend her participation in the system. After this decision, the French franc weakened and kept in line, at its new level, with the progress of the EEC "snake" during the second half of the

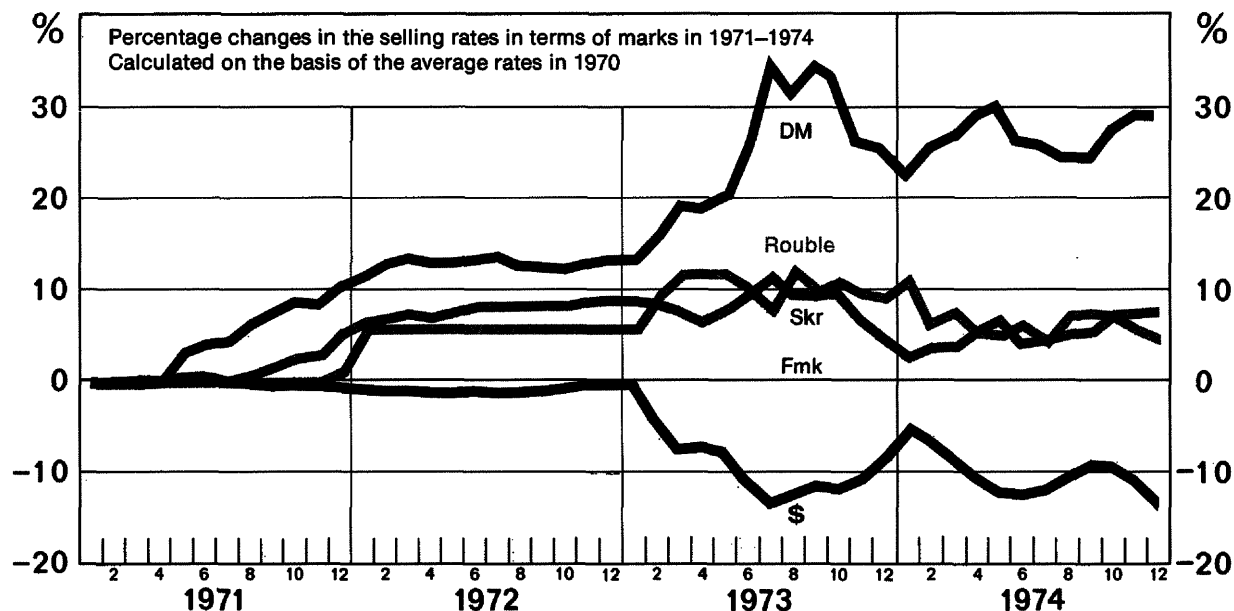
year. Sterling, which had been separated from the system previously, weakened further in the course of 1974, because of the severe economic situation in the United Kingdom. A few times during the year under review, revaluation speculations were focussed on the DM, as a result of West Germany's balance-of-payments surplus and its relatively slow rate of inflation.

In spite of the fact that the rise in the price of oil led to an increase in short-term investments in the international capital market, there were no severe disturbances in the foreign exchange markets during the year under review. As oil payments were made mainly in dollars and sterling, they increased the demand for these currencies. The calm prevailing in the foreign exchange market during the second half of the year may have also been affected by cautious attitudes resulting from substantial losses suffered by some international banks in their foreign exchange transactions.

The price of gold rose markedly during the year under review, mainly as a consequence of

Chart 16.

CHANGES IN EXCHANGE RATES OF MAJOR CURRENCIES



uncertain economic conditions and an overall acceleration of inflation. It was also affected by the plans of the United States Federal Government to allow its citizens to deal freely in gold, and by investors attempting to get rid of currencies because of fluctuations in exchange rates. In London the price of gold per ounce was 118 dollars on January 2 and 188 dollars on December 31. The rise in price was thus 70 dollars per ounce, almost 60 per cent in one year.

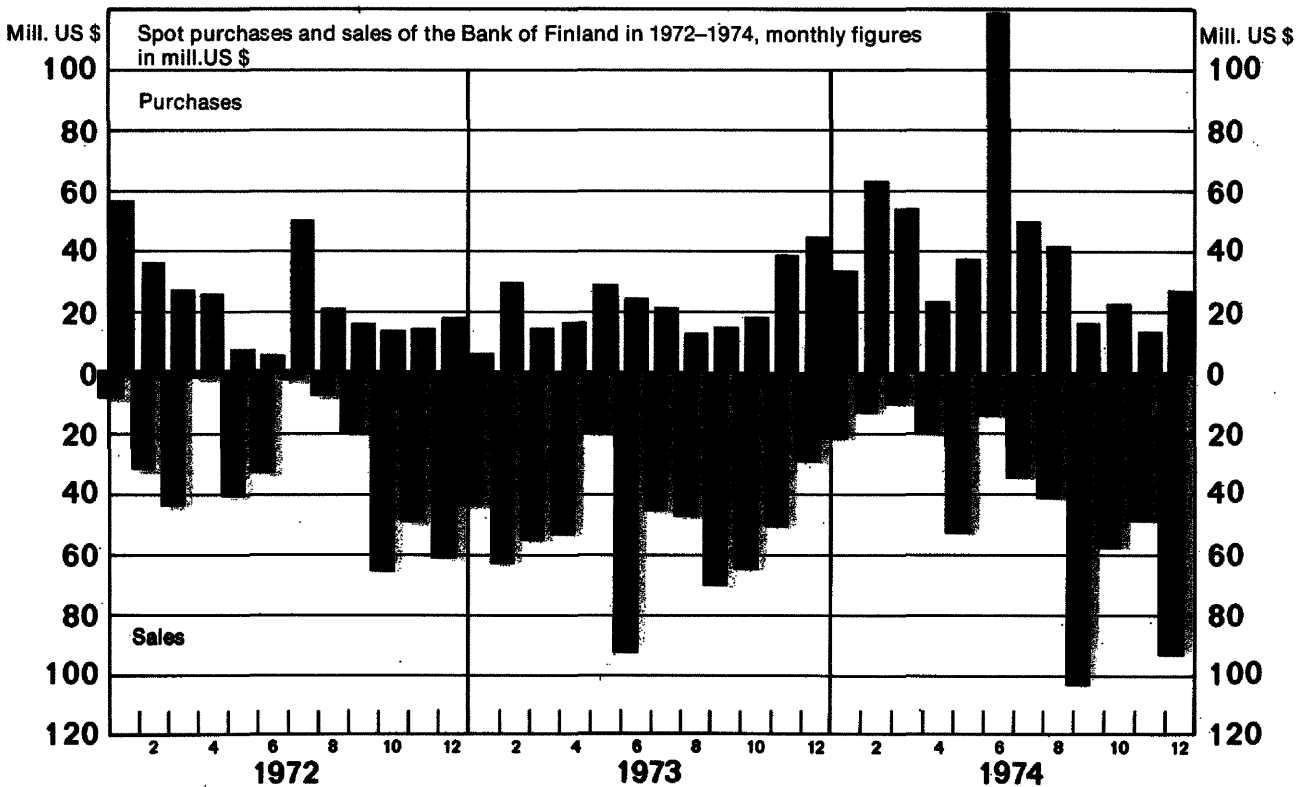
Spot markets

During 1974 the average external value of the Finnish mark was kept at the level prevailing at the end of 1973 (Chart 15). The average annual value of the mark rose less than three per cent during the year under review and reached approximately the level of 1972. Exchange rate policy was thus used to inhibit a further increase in domestic price pressures, without endangering the average competitiveness of Finnish export industries at a time when a downswing was already in sight.

Although the average external value of the mark remained quite stable, there were fluctuations in the rates for those currencies most important for Finland's foreign trade (Chart 16). As compared with the rates prevailing at the end of 1973, the selling rate for the U.S. dollar fell by 7.6 per cent during 1974, that for sterling by 6.3 per cent and that for the rouble by 4.7 per cent. The selling rates for the Swedish krona and the DM, however, both rose by 4.1 per cent. The selling rates for currencies quoted by the Bank of Finland in 1974 are shown in Table 11.

The developments in the international foreign exchange market in recent years have been reflected in changes in the relative importance of different currencies in Finland's foreign trade. Apart from developments in exchange rates, the shares of different currencies in payments of foreign trade depend on changes in the breakdown of trade by countries and commodities, and on developments in payments practices of companies. As shown in the table

Chart 17.
SPOT TRANSACTIONS OF THE BANK OF FINLAND



below, the most important changes between 1970 and 1974 in the breakdown of currencies used in foreign trade were a fall in the shares of the most weakened currencies, the dollar and sterling, and a rise in the share of one of the strengthened currencies, the Swedish krona,

although the share of the DM remained unchanged. The share of the rouble rose substantially in 1974, because of increases in the price of oil. The shares of traditionally important currencies were thus declining, while those of other currencies were growing.

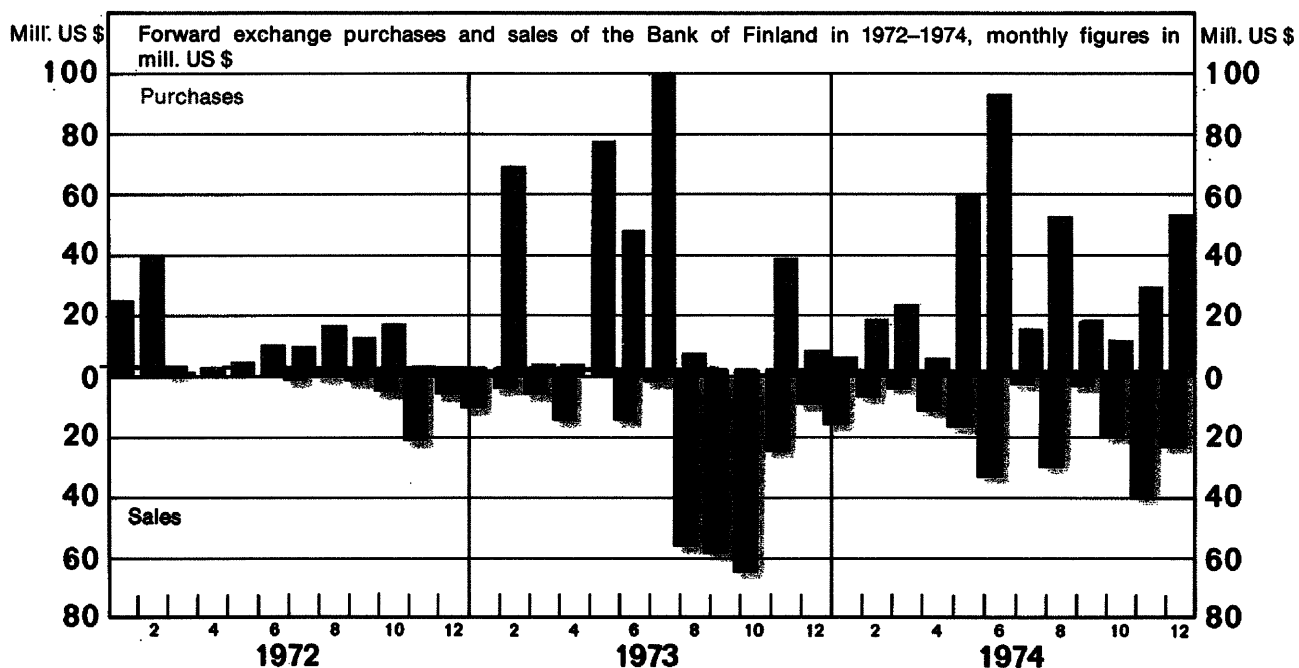
BREAKDOWN OF CURRENCIES USED IN FINNISH COMMODITY TRADE IN 1970—1974, PER CENT

Currency	1970	1971	1972	1973	1974
Dollar	22.6	22.1	19.5	19.4	17.8
Sterling	18.8	18.3	18.3	15.4	13.4
Swedish krona	14.8	15.0	16.0	17.1	18.1
DM	11.9	12.4	11.6	12.9	11.2
Rouble	12.2	12.8	13.7	12.0	16.2
Other currencies	19.7	19.4	20.9	23.2	23.3
Total	100.0	100.0	100.0	100.0	100.0

Due to the French withdrawal from the exchange rate system of the EEC countries on January 21, the Bank of Finland, in common with the central banks of many other European countries, did not quote any foreign exchange rates on that day. France abandoned her dual rate system on March 21, and since then the Bank of Finland has quoted only one rate for the French franc. Since April 1 the Japanese yen has also been quoted due to its increasing use in international payments.

Chart 18.

FORWARD EXCHANGE TRANSACTIONS OF THE BANK OF FINLAND



During the first half of the year, purchases of foreign exchange exceeded sales in the spot transactions of the Bank of Finland with the authorized banks. Before the end of August, the authorized banks had sold to the Bank of Finland 212 million dollars, net, of foreign exchange. Net sales by the Bank of Finland amounted to 223 million dollars during the second half of the year, and the Bank's spot transactions were roughly in balance for the year as a whole. Monthly developments in these transactions are shown in Chart 17.

The exceptionally large net purchase in June and the net sale in September might reflect the effects of a revaluation debate in the spring and its evaporation in the autumn.

Forward exchange markets

The total volume of forward exchange transactions in 1974 was slightly smaller than in the

previous year. Forward purchases of the Bank of Finland totalled 387 million dollars and sales 245 million dollars during 1974. As compared with 1973, the share of three to six-month forward agreements increased, because the Bank did not, apart from the very beginning of the year, make any one to two-month agreements with the authorized banks. The development of forward exchange transactions in 1974 is shown in Chart 18.

Forward exchange rates were more stable in 1974 than in the year before. Throughout 1974 the forward exchange rate for the dollar was higher than the spot rate. On December 31, the three-month forward exchange rate for the U.S. dollar was 3.686 marks or 3.54 per cent (14.2 per cent on an annual basis) above the spot selling rate. On August 1, the Bank started to quote forward exchange rates for the rouble, in order to put this currency on the same basis as the other trading currencies.

FINLAND'S LONG-TERM FOREIGN DEBT AND ASSETS BY TYPE OF LOAN, MILL. MARKS

	December 31, 1973	Drawings in 1974	Amortizations in 1974	Net change	December 31, 1974
FINANCIAL LOANS	8 680	1 926	1 016	+ 818 ¹	9 498
Individual loans	4 335	1 591	767	+ 732 ¹	5 067
Loans from foreign gov'ts	312	—	59	-151 ¹	161
Bonds	4 345	335	249	+ 86	4 431
Loans from the World Bank	522	30	78	-48	474
Publicly issued bonds	2 666	65	170	-105	2 561
Private placement loans	1 157	240	1	+ 239	1 396
IMPORT CREDITS	1 720	804	427	+ 377	2 097
DIRECT INVESTMENTS	735	140	27	+ 113	848
Equity	541	84	20	+ 64	605
Loans to Finnish subsidiaries from foreign parent companies	194	56	7	+ 49	243
Total debt	11 135	2 870	1 470	+ 1 308¹	12 443
DEVELOPMENT CREDITS	29	13	—	+ 13	42
EXPORT CREDITS	1 418	599	375	+ 224	1 642
DIRECT INVESTMENTS	1 010	131	19	+ 112	1 122
Equity	459	70	9	+ 61	520
Loans to foreign subsidiaries from Finnish parent companies	551	61	10	+ 51	602
Total assets	2 457	743	394	+ 349	2 806
Net debt	8 678	2 127	1 076	+ 959¹	9 637

1. The almost 92 million mark deduction from the loan granted to Finland by the Swedish government has been taken into account.

Measures related to foreign exchange control

On January 22, the Bank of Finland repealed its decision made on September 12, 1973 (Statute Book No. 720/73), concerning the regulation of drawings of advance payments for exports of timber and timber products. On November 22, the Bank decided to amend provisions concerning the repatriation of foreign exchange and the obligation of authorized banks to declare (Statute Book No. 933/74), in order to make the control of foreign exchange more effective. In accordance with this decision, the obligation of repatriation is not totally fulfilled until the reason for the payment has been declared to the banking agent. This amendment came into force at the beginning of 1975.

Bilateral payments arrangements

At the end of the year under review, Finland had bilateral payments agreements with eight Socialist countries. In accordance with these agreements, accounts were kept with the Soviet

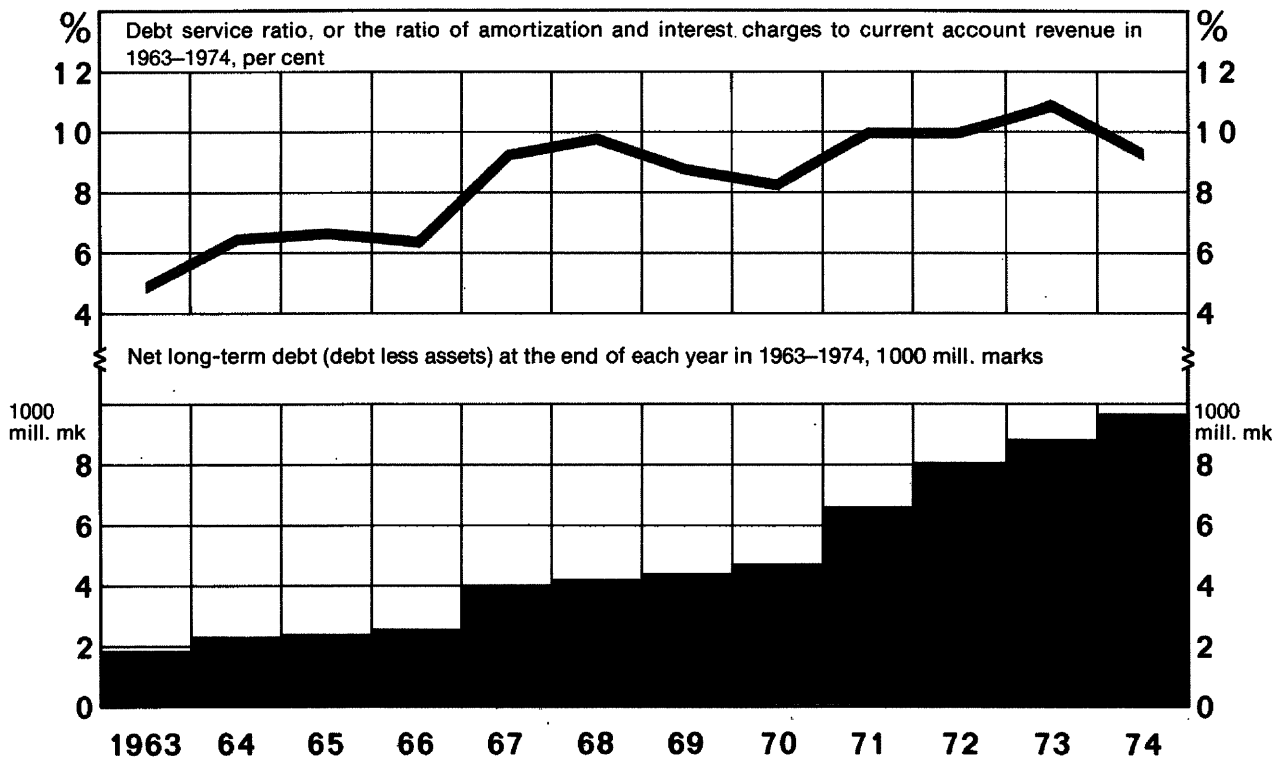
Union and Romania in clearing roubles, with Bulgaria, the German Democratic Republic and Hungary in clearing dollars, and with the People's Republic of China in clearing marks. With Poland and Czechoslovakia the arrangement of keeping accounts in freely convertible U.S. dollars was continued. As in the past, U.S. dollar rates were adopted for sales and purchases of clearing dollars.

Long-term capital flows

The acceleration in worldwide inflation and the brisk demand for capital, caused particularly by the rise in the price of oil and the ensuing balance of payments deficits, were reflected in the development of international credit markets during 1974. In order to meet their financial needs, borrowers were forced to resort mainly to Euro-bond markets, because inflation and the investment problems of oil-producing countries caused a weakening in the long-term capital market. Foreign exchange earnings of oil-producing countries were thus mainly channel-

Chart 19.

DEVELOPMENT OF INDEBTEDNESS



led to Euro-markets, where the interest rate on short-term foreign exchange deposits occasionally rose substantially above the effective rate on long-term loans. Because of the high level of interest rates, also borrowers were unwilling to raise long-term loans.

During the first half of the year, lending was extremely buoyant in the Euro-markets, and the amount of loans totalled almost 20 000 million dollars, which nearly reached the volume of lending of the whole of 1973. The brisk demand tightened loan terms, and this was reflected both in a rise in interest rates and a shortening in loan periods. Towards the autumn, however, pressures on the Euro-markets were reduced, since arrangements had been made to finance balance-of-payments deficits multilaterally or through international organizations. Long-term

credit markets picked up, while interest rates started to go down in the Euro-markets. However, no corresponding decline took place in interest rates on long-term loans, which remained relatively high.

The development of international credit markets also affected the Finnish inflow of capital. The amount of long-term foreign loan capital needed for domestic investment purposes turned out to be larger than could be obtained on reasonable terms in the credit market. For this reason it was necessary to acquire part of the foreign capital needed in the form of short-term loans and credits.

At the end of 1974, Finland's long-term foreign debt totalled 12 443 million marks. Drawings of new long-term loans amounted to 2 870 million

marks — a 50 per cent increase on the previous year. Redemptions totalled 1 470 million marks, and the net inflow of long-term capital thus amounted to 1 308 million marks, when the 92 million mark deduction from the loan granted to Finland by the Swedish government is taken into account. The amount was more than double the net inflow of capital in 1973, which was unusually small. More than two thirds of capital imports took the form of financial loans, which include both individual financial loans and bonds. Of the latter group, two were publicly issued bonds and six private placement loans. At the end of 1974, 48 per cent of Finland's long-term foreign debt was denominated in dollars, 19 per cent in D-marks, and 9 per cent in Swiss francs, while the remainder was distributed among various currencies. As compared with the previous years, the share of the dollar had slightly increased, whereas those of the D-mark and the Swiss franc had declined.

Debt service charges, i.e., interest charges and amortizations, were in 1974 about 13 per cent larger than in the previous year. The growth was markedly smaller than in the previous three years, when debt service charges grew at an annual rate of 20 per cent. The deceleration was caused by the unusually small inflow of long-term capital in 1973. The debt service ratio, or the ratio of total service charges to current account earnings, fell from 11 per cent in 1973 to more than 9 per cent (Chart 19). However, the short-term debt is not taken into account when calculating the debt service ratio; the decline in the inflow of long-term capital was partly offset by a vigorous growth in this debt. Finland's long-term foreign assets totalled 2 806 million marks; these consisted mainly of export credits, loans by Finnish parent companies to foreign subsidiaries, and of development aid credits granted by the Finnish government. At the end of the year, net long-term foreign debt thus amounted to 9 637 million marks.

DIRECT INVESTMENT IN 1972—1974 ACCORDING TO PAYMENTS STATISTICS OF THE BANK OF FINLAND, MILL. MARKS

Year	Total	In Finland Industry	Other enterprises	Total	Abroad Industry	Other enterprises
1972	109	21	88	126	118	8
1973	65	22	43	100	83	17
1974	84	20	64	70	20	50

Flows of direct investment capital tend to play a rather insignificant role in the Finnish capital movements. In the year under review, the amount of these remained fairly small; Finnish direct investment in foreign countries declined substantially from the exceptionally high level of the previous two years. According to the payments statistics of the Bank of Finland, the value of foreign direct investment in Finland amounted to 84 million marks in 1974, while repatriation of foreign investments in Finland totalled about 20 million marks. Almost 60 per cent of direct investment came from the EFTA countries, predominantly Sweden.

At the end of the year, there were 739 enterprises in Finland which were totally or partly owned by foreign proprietors. According to the payments statistics of the Bank of Finland, Finnish direct investment in foreign countries amounted to 70 million marks in 1974, while the value of repatriation of Finnish investments in foreign countries came to about 9 million marks in the same year. Three quarters of these investments went to the EEC countries and about 11 per cent to the EFTA countries. At the end of the year, there were 523 enterprises abroad which were totally or partly owned by Finnish proprietors.

Foreign exchange situation

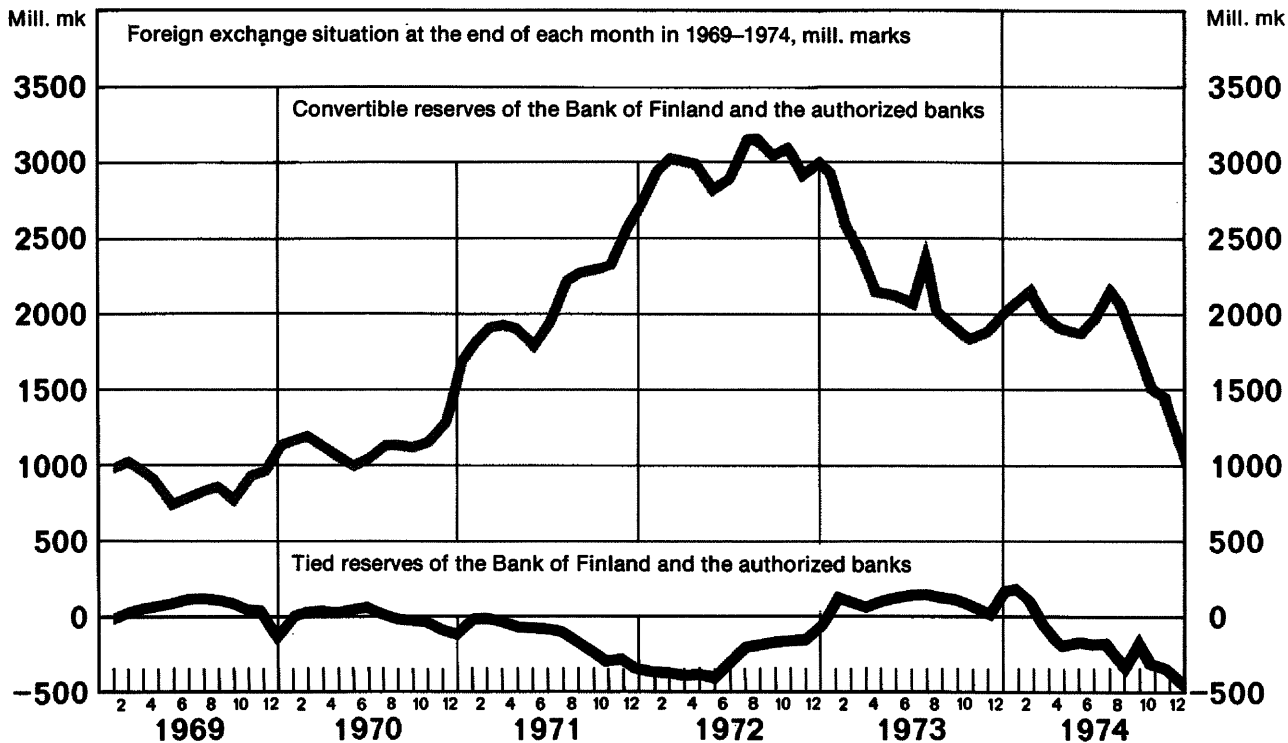
As a result of the growth in the current account deficit, the country's total convertible foreign exchange reserves declined by 836 million marks and the tied foreign exchange reserves by 629 million marks during the year under review. The convertible foreign exchange reserves of the Bank of Finland decreased by 107 million marks and the tied reserves by 622 million marks. Because of substantial advance payments for exports, the development of the tied foreign exchange reserves does not reflect the total deficit that occurred in bilateral trade. The net foreign assets of authorized banks were reduced

by 736 million marks. These developments are shown in Chart 20 and in the table on page 36.

At the end of 1974, 7 per cent of the convertible foreign exchange reserves of the Bank of Finland was in gold, 17 per cent in SDRs and 60 per cent in convertible currencies. The gold tranche in the International Monetary Fund accounted for 16 per cent of the reserves.

At the end of 1974, the Bank of Finland had negotiated stand-by credits with foreign private consortia to the total value of 500 million dollars. No drawings were made on these credits during the year under review.

Chart 20.
FOREIGN EXCHANGE SITUATION



FOREIGN EXCHANGE RESERVES AT THE END OF 1973 AND 1974, MILL. MARKS

	1973			1974			Change		
	Bank of Finland	Others	Total	Bank of Finland	Others	Total	Bank of Finland	Others	Total
Gold	121	—	121	121	—	121	—	—	—
Special drawing rights	285	—	285	286	—	286	+ 1	—	+ 1
IMF gold tranche	268	—	268	268	—	268	—	—	—
Convertible currencies	1155	165	1320	1047	-564	483	-108	-729	-837
Total convertible reserves	1829	165	1994	1722	-564	1158	-107	-729	-836
Tied currencies	234	2	236	-388	-5	-393	-622	-7	-629

THE BALANCE SHEET AND THE INCOME STATEMENT OF THE BANK OF FINLAND

The Balance Sheet and the Income Statement of the Bank of Finland are presented in detail in the statistical section of the Year Book. The coverage and development of individual items are examined below.

REVISIONS IN ACCOUNTING PRACTICES

When the new Accounting Law came into force at the beginning of 1974, the Balance Sheet and the Profit and Loss Account were revised in connection with the closing of the books for 1974, and the name of the latter was changed into an Income Statement. In the Balance Sheet, the items on the assets and liabilities side have been classified, as far as possible, into five

sectors: foreign sector; financial institutions; public sector; corporations; and others. Foreign exchange receivables and liabilities have been divided into convertible and tied accounts. Revisions presented below in the figures for the end of 1973 have been calculated according to the new accounting practices. The Income Statement has also been revised and drawn up in the format provided for by the New Accounting Law.

FOREIGN ACCOUNTS

The following changes took place in the foreign accounts of the Bank of Finland during the year under review:

FOREIGN ACCOUNTS, MILLION MARKS

	December 31, 1973	December 31, 1974	Change
Gold	121	121	— 0
Special drawing rights	285	286	+ 1
IMF gold tranche	268	268	+ 0
Convertible currencies	1 228	1 109	—119
Tied currencies	308	7	—301
Gold and foreign exchange receivables	2 210	1 791	—419
Foreign bills	103	252	+ 149
Foreign bonds	319	341	+ 22
Currency subscription to Finland's quota in the IMF	530	530	— 0
Other foreign receivables	952	1 123	+ 171
Total foreign receivables	3 162	2 914	—248
Convertible accounts	73	62	— 11
Tied accounts	74	395	+ 321
Foreign exchange liabilities	147	457	+ 310
IMF mark accounts	530	530	— 0
Allocations of special drawing rights	258	258	—
Other foreign liabilities	788	788	— 0
Total foreign liabilities	935	1 245	+ 310
Net foreign receivables	2 227	1 669	—558

The convertible foreign exchange reserves of the Bank of Finland, which include gold, special drawing rights, the gold tranche in the International Monetary Fund, and net convertible foreign exchange receivables, declined by 107 million marks during 1974 and amounted to 1 722 million marks at the end of the year.

Due to Finland's increased deficit in trade with the Socialist countries, the tied foreign exchange reserves of the Bank of Finland fell during 1974. In fact the difference between tied

foreign exchange receivables and liabilities decreased by 622 million marks, and the reserve position at the end of the year was in fact a net liability of 388 million marks.

The net foreign receivables of the Bank of Finland have declined since the second half of 1972, as the inflow of foreign capital has been smaller than the current account deficit. The decline in net foreign receivables has had a tightening impact on the capital market; in 1974 the decline came to 558 million marks.

FINANCIAL INSTITUTIONS

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

ACCOUNTS OF FINANCIAL INSTITUTIONS, MILL. MARKS

	December 31, 1973	December 31, 1974	Change
Cheque accounts of the commercial banks	19	114	+ 95
Discounted bills	2 556	3 034	+ 478
Bonds	121	220	+ 99
Other accounts	49	46	- 3
Receivables from financial institutions	2 745	3 414	+ 669
Cheque account of Postipankki	2	4	+ 2
Cheque accounts of the commercial banks	7	4	- 3
Other accounts	4	1	- 3
Claims of financial institutions	13	9	- 4
Net receivables of financial institutions	2 732	3 405	+ 673

Despite the tightness prevailing in the financial market, there was a net increase of 673 million marks in receivables due from the financial institutions. Of this amount, 576 million marks stemmed from a growth in the central bank debt of the commercial banks, which was caused by the fact that, owing to the steadily strong demand for credit, their lending grew at a more rapid rate than their borrowing. The remaining 97 million marks of the increase in receivables was caused by a growth in the Bank of Finland's holdings of bonds issued by financial institutions.

The central bank debt of the commercial banks totalled 3 144 million marks at the end of the year. This includes the cheque account debt of the commercial banks to the Bank of Finland, the bills discounted by the commercial banks at

the Bank of Finland, and as a deduction, the cheque account receivables of the commercial banks from the Bank of Finland. The central bank debt exceeded the basic quotas of the commercial banks by 344 million marks, some 12 per cent. The deposit certificates sold to the financial institutions are not included in the claims of the financial institutions on the Bank of Finland; they are included in "Deposit certificates in circulation".

When considering the position of the financial institutions, account must be taken of the liabilities incurred by the banks as a result of special credit arrangements, and hence not included in the table. These consist of new export credits and export bills denominated in foreign currency. The latter accounts form the major part of the balance sheet item "Foreign

bills". In addition, these liabilities comprise bills arising from the domestic suppliers' credit

arrangements and issued against the guarantee of the financial institutions.

THE PUBLIC SECTOR

The following table illustrates the position of the Bank of Finland in relation to the public sector:

ACCOUNTS OF THE PUBLIC SECTOR, MILL. MARKS

	December 31, 1973	December 31, 1974	Change
Bonds	53	71	+ 18
Total coinage	200	225	+ 25
Other accounts	15	6	- 9
Receivables from the public sector	268	302	+ 34
Cheque accounts	2	7	+ 5
Counter-cyclical reserves	509	543	+ 34
Other accounts	24	10	- 14
Claims of the public sector	535	560	+ 25
Net claims of the public sector	267	258	- 9

Receivables from the public sector increased by 34 million marks, mainly as a result of an increase in the amount of bonds issued by the Central Government and held by the Bank of Finland, and a growth in total coinage. The new balance sheet item "Total coinage" is the accounting equivalent to coins in circulation.

Claims of the public sector grew by 25 million marks. In these, the counter-cyclical reserves of

the Central Government increased as a result of a rise in interest charges. On the other hand, a total of 14 million marks of the Central Government's funds which had accrued from the export levy, the counter-cyclical tax, and the investment tax accounts was used during 1974. At the end of the year, these accounts showed a total balance of 10 million marks. Public sector claims on the Bank of Finland do not include deposit certificates sold to the public sector.

CORPORATIONS

The position of the Bank of Finland towards corporations is shown in the table below:

ACCOUNTS OF CORPORATIONS, MILL. MARKS

	December 31, 1973	December 31, 1974	Change
New export bills	47	90	+ 43
Financing of suppliers' credits	271	276	+ 5
Bonds	255	231	- 24
Other accounts	40	34	- 6
Receivables from corporations	613	631	+ 18
Investment deposits	5	34	+ 29
Counter-cyclical withholdings	—	50	+ 50
Capital import deposits	214	98	-116
Import levy deposits	6	6	—
Other accounts	14	7	- 7
Claims of corporations	239	195	-44
Net receivables from corporations	374	436	+ 62

The net receivables of the Bank of Finland from corporations increased by 62 million marks, which made the liquidity position of corporations slightly easier. Lending to corporations, which includes new export bills, the financing of domestic suppliers' credits, and other credits, increased by 42 million marks and totalled 400 million marks at the end of the year. The total value of bonds issued by corporations and held by the Bank at the end of the year was 231 million marks.

Claims of corporations declined by 44 million marks. A 116 million mark drawing was made during 1974 on capital import deposits. These had been collected in order to neutralize the liquidity impact of the inflow of foreign capital, and they had totalled 214 million marks at the end of 1973. On the other hand, investment deposits and similar, so-called ship-purchase deposits increased by 29 million marks. Counter-cyclical withholdings are a new balance sheet item, which are collected from the forest industries. They totalled 50 million marks at the end of October.

NOTES, COINS AND DEPOSIT CERTIFICATES IN CIRCULATION

Notes and coins in circulation increased by 380 million marks — 18 per cent — to total 2 462 million marks at the end of the year. Of this increase, notes accounted for 352 million marks and coins for 28 million marks. In connection with the balance sheet revision, "coins in circulation" was included in the balance sheet of the Bank of Finland and combined with notes in circulation into a new balance sheet item "Notes and coins in circulation". In addition, the balance sheet item "Other liabilities" includes 10 million marks of notes denominated in the old monetary unit.

Deposit certificates in circulation decreased by 410 million marks to 1 040 million marks, which meant an equivalent easing on the money market. The quantity of deposit certificates was at its lowest, 1 024 million marks, in January and at its highest, 1 800 million marks, in October. In connection with the balance sheet revision, these were separated into an item of their own, whereas they had previously been entered under "Domestic term liabilities".

NOTE ISSUE

The following table illustrates the right of note issue of the Bank of Finland and developments in its use:

RIGHT OF NOTE ISSUE AND ITS USE, MILL. MARKS

	December 31, 1973	December 31, 1974	Change
Ordinary cover	2 438	2 141	—297
Supplementary cover	1 215	1 500	+ 285
Right of note issue	3 653	3 641	— 12
Notes in circulation	1 907	2 259	+ 352
Liabilities payable on demand	184	498	+ 314
Unutilized cheque credits	1	1	+ 0
Used right of note issue	2 092	2 758	+ 666
Note reserve	1 561	883	—678

Ordinary note cover, which includes gold and the Bank's undisputable foreign receivables, declined by 297 million marks during 1974 and amounted to 2 141 million marks at the end of

the year. On the basis of a temporary revision in the Regulations for the Bank of Finland, the upper limit for supplementary note cover stood at 1 500 million marks at the end of the year. As

coverable discounted bills and other bills denominated in marks totalled 1 631 million marks at the end of the year, supplementary note cover reached its upper limit, and the right to issue notes declined by 12 million marks. As, on the other hand, notes in circulation, liabilities payable on demand and the unutilized cheque credits increased by a total of 666 million marks, the unused right of note issue declined by 678 million marks, amounting to 883 million marks at the end of the year.

OTHER BALANCE SHEET ACCOUNTS

According to the statement of the Bank of Finland, the Bank's capital accounts, excluding profits for the accounting year, amounted to 763 million marks, which is 49 million marks more than at the end of the previous year. The increase was a result of a transfer of one-half of the 1973 profits to the reserve fund. Apart from these funds, the Bank has some capital items which are not shown in the Bank's 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, a paper mill which manufactures high quality paper for bank notes and similar purposes.

INCOME STATEMENT

The Income Statement of the Bank of Finland for 1974 is shown in Table 3. Because of the revision of accounting legislation, the Income Statement for 1974 is not comparable with the Profit and Loss Accounts of previous years. The Bank's earnings totalled 569 million marks. Of this amount, interest on domestic receivables accounted for 355 million marks and interest on foreign receivables for 119 million marks.

The Bank's total expenses amounted to 289 million marks. Of this total, interest on domestic claims accounted for 157 million marks, *agio* for 39 million marks and depreciation for 35 million marks. The Bank's profits for 1974 amounted to 149 million marks. In accordance with the Regulations for the Bank of Finland, one half of the profits was transferred to the reserve fund when opening the accounts for 1975. The disposal of the other half of the profits will be decided by Parliament.

FINLAND'S RELATIONS WITH INTERNATIONAL ORGANIZATIONS

The Bank of Finland acts as an agent for the Government in its relations with the International Monetary Fund (IMF). In addition, the Bank assists the ministries concerned in relations with the International Bank for Reconstruction and Development (World Bank, IBRD), the International Finance Corporation (IFC) and the International Development Association (IDA), in all of which Finland is a member. Moreover, Finland is a member of the Asian Development Bank (ADB) and the African Development Fund (AfDF). In accordance with respective agreements, the Bank of Finland operates as the Finnish deposit bank for these organizations. The Bank of Finland is a shareholder in the Bank for International Settlements (BIS).

INTERNATIONAL MONETARY FUND

From the point of view of financing operations, the year 1974 was a record year in the history of the International Monetary Fund. At the Fund's annual meeting in the autumn, the Committee of Twenty, assigned to prepare reforms to the foreign exchange system, submitted its report, which suggested a programme of gradual reforms.

When planning the reform of the foreign exchange system, it had originally been intended that total reform be implemented fairly soon. However, there were severe differences between major countries about vital aspects of the proposed reform. In addition, when the volatility of international foreign exchange policies increased further as a result of effects induced by the rise in the price of energy, plans for a total reform were suspended, and a decision was made to develop the system by making gradual revisions. At the same time, the Fund started special arrangements to facilitate the financing of current account deficits caused by increases in the price of oil.

In order to finance current account deficits caused by oil imports during 1974, an Oil Facility was set up within the Fund. This system was financed mainly by oil-producing countries, and it operated, in principle, separately from other lending by the fund. Access to the Oil Facility in 1974 was based on an assessment by the Fund of increases in the member country's oil import costs, its inflow of foreign capital and its reserve position. In all, 33 countries made drawings under Oil Facility during 1974; among the OECD countries, Iceland, Italy, Greece and New Zealand resorted to the system. Total drawings under these arrangements amounted to the equivalent of 1 700 million SDRs in 1974.

In addition to the Oil Facility, a new method of evaluating SDRs on the basis of exchange rates for 16 major international trading currencies was created. At the same time, the level of payment transactions related to the Fund's operations and accounts was raised to correspond slightly better to the general level of interest rates. The introduction of the new method of evaluating

SDRs meant, in fact, that the gold linkage of SDRs was abolished in the Fund's transactions and accounts.

A so-called Extended Fund Facility was set up in September; it was designed to finance current account deficits of member countries in the medium run. This financing system was not exclusively coupled with the situation brought about by the rise in the price of oil; it was set up for expanding the sphere of activities of the Fund, paying special attention to the needs of developing countries.

Apart from the financing arrangements mentioned above, the Board of Governors of the Fund sanctioned in June a recommendatory floating regime for currencies. This regime was designed to check sharp occasional fluctuations in exchange rates occurring in foreign exchange markets, and to improve co-ordination between the exchange rate policies of major countries.

At the Fund's annual meeting, held at the turn of September and October, two new committees were set up to supersede the Committee of Twenty. The Interim Committee of the Fund was charged with investigating the following matters: arrangements related to the recycling of oil funds; increases in quotas; balance-of-payments adjustment mechanisms; the position of gold; and the use of potential new SDRs partly for purposes of development aid. The Development Committee, which was established jointly by the International Monetary Fund and the World Bank, was charged with examining the chances of fostering the transfer of real resources into developing countries. The representation of member countries on these committees is based on the same grouping of countries as on the Boards of Governors of the Fund and the Bank, so that Finland is represented in the group of the five Nordic countries.

In negotiations held in connection with the annual meeting, the representatives of the Group of Ten decided to continue their

agreement on mutual financing arrangements, called General Arrangements to Borrow, over the five-year period starting on October 24, 1975.

Because of disturbances in balances of payments and in the international capital market, the transactions of the Fund reached a record level in 1974. Sales of foreign exchange and SDRs amounted to the equivalent of 4 053 million SDRs (in 1973 to the equivalent of 733 million SDRs, and in the previous record year, 1968, to 3 552 million SDRs). Of this total, the sum of 1 716 million SDRs was drawn under the Oil Facility. Drawings to the equivalent of 107 million SDRs were made under the Compensatory Financing Facility, which is intended for smoothing out variations in export earnings of developing countries. Total drawings, including those under the Oil Facility and the Compensatory Financing Facility, amounted to 5627 million SDRs at the end of 1974, while they had amounted to 3 505 million SDRs at the end of 1973.

No new SDRs were distributed during 1974, and their total remained at 9 300 million units.

Finland made no use of Fund credit during the year under review, nor did the Fund allocate Finnish marks to other member countries, so that Finland's "super gold tranche" remained unchanged, or at 9 per cent of the Finnish quota. The mark holdings of the Fund thus totalled 66 per cent of the Finnish quota at the end of 1974. The Finnish quota was still 190 million SDRs or about 800 million marks, which is about 0.65 per cent of all quotas of the Fund. The total amount of SDRs held by Finland at the end of the year amounted to 68 million units or 286 million marks.

The Governor of the Fund was H. Johannes Witteveen, who had been elected in this post in 1973. Per Åsbrink, a former Governor of the Bank of Sweden, continued to represent the five Nordic countries on the Board of Governors, with Knut Andreassen of Norway as his alternate.

BANK FOR INTERNATIONAL SETTLEMENTS

The total of the Balance Sheet of the Bank for International Settlements increased by about a third during 1974, amounting to 43 200 million gold francs.

The Bank participated in the reform of the international foreign exchange system within the framework of the Committee of Twenty. In 1974 the International Monetary Fund granted to the Bank for International Settlements the right to receive, hold and use SDRs, a right which financial institutions other than the central banks have not previously had.

The number of shares and the size of the share capital of the Bank remained unchanged during the year under review. The Bank of Finland possessed shares worth 25 020 000 gold francs, which is about 2.1 per cent of the total share capital subscribed. Of this total, one quarter is paid, and the Bank paid a dividend of 9 per cent on it.

THE WORLD BANK GROUP AND REGIONAL DEVELOPMENT INSTITUTIONS

In 1974 the World Bank group (IBRD, IFC, and IDA) granted an increasing amount of credits to the very poorest countries.

At the same time, the share of the International Development Association in total lending by the World Bank group increased. Furthermore, when channelling credits, attempts were made to pay greater attention not only to the impact of credits on total output, but also to their other social effects. At the end of the year, the loans

granted by the World Bank (drawn but unredeemed) totalled 19 500 million dollars and those granted by the International Development Association 7 800 million dollars.

In 1974 Finland had bilateral financial relations with the World Bank only, but in the activities of other development funds Finland participated unilaterally, as a credit-granting partner.

A development fund granting low-interest long-term loans was set up in connection with the Asian Development Bank during the year under review; Finland transferred her part of the Bank's share capital to this fund.

No significant changes took place in Finland's relations with the African Development Fund during the year under review.

OTHER INTERNATIONAL ORGANIZATIONS

The Bank of Finland continued to take part in the activities of the Organization for Economic Co-operation and Development (OECD), the European Free Trade Association (EFTA), and the Economic Commission for Europe (ECE). Nordic co-operation was continued, on traditional lines, in the Nordic Financial Commission and the Nordic Central Bank Meeting.

The Exchange Rate Guarantee System, which was set up by the central banks of the OECD countries and for which the Bank for International Settlements functioned as an agent, could not be applied in the case of Finland during 1974. As a result of increased floating of currencies, the system was only used within the framework of the joint float of EEC currencies.

TABLES

The activities of the Bank of Finland

Table 1.

**THE BALANCE SHEET OF THE BANK OF FINLAND AT THE END OF 1973 AND 1974,
MILLION MARKS**

ASSETS	1973	1974
Gold	121	121
Special drawing rights	285	286
IMF gold tranche	268	268
Convertible currencies	1 228	1 109
Tied currencies	308	7
Gold and foreign exchange receivables	2 210	1 791
Foreign bills	103	252
Foreign bonds	319	341
Currency subscription to Finland's quota in the IMF	530	530
Other foreign receivables	952	1 123
Cheque accounts of the commercial banks	19	114
Discounted bills	2 556	3 034
Bonds	121	220
Other financial institution receivables	49	46
Receivables from financial institutions	2 745	3 414
Bonds	53	71
Total coinage	200	225
Other public sector receivables	15	6
Receivables from the public sector	268	302
New export bills	47	90
Financing of suppliers' credits	271	276
Bonds	255	231
Other corporate receivables	40	34
Receivables from corporations	613	631
Other assets	34	37
TOTAL	6 822	7 298

LIABILITIES	1973	1974
Convertible accounts	73	62
Tied accounts	74	395
Foreign exchange liabilities	147	457
IMF mark accounts	530	530
Allocations of special drawing rights	258	258
Other foreign liabilities	788	788
Notes	1 907	2 259
Coins	175	203
Notes and coins in circulation	2 082	2 462
Deposit certificates in circulation	1 450	1 040
Cheque account of Postipankki	2	4
Cheque accounts of the commercial banks	7	4
Other financial institution claims	4	1
Claims of financial institutions	13	9
Cheque accounts	2	7
Counter-cyclical reserves	509	543
Other public sector claims	24	10
Claims of the public sector	535	560
Investment deposits	5	34
Counter-cyclical withholdings	—	50
Capital import deposits	214	98
Import levy deposits	6	6
Other corporate claims	14	7
Claims of corporations	239	195
Other liabilities	16	17
Equalization accounts	740	858
Primary capital	600	600
Reserve fund	114	163
Net earnings for the accounting year	98	149
Capital accounts	812	912
TOTAL	6 822	7 298

Table 2.

CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES AT THE END OF 1973 AND 1974, MILLION MARKS

	1973	1974
Gold	121	121
Special drawing rights	285	286
IMF gold tranche	268	268
Convertible foreign exchange		
Receivables	1 228	1 109
Liabilities	—73	—62
Convertible foreign exchange reserves	1 829	1 722
Tied foreign exchange		
Receivables	308	7
Liabilities	—74	—395
Tied foreign exchange reserves	234	—388

Table 3.

THE INCOME STATEMENT OF THE BANK OF FINLAND, 1st JANUARY 1974—31st DECEMBER 1974, MILLION MARKS

Interest on domestic receivables	355
Interest on foreign receivables	119
Interest on bonds	83
Interest earnings	557
Interest on domestic claims	157
Interest and reservations for commissions of foreign claims	8
Interest expenses	165
Interest earnings, net	392
Commissions	5
Other earnings	7
Other earnings	12
Salaries	25
Social security contributions	2
Pensions	5
Printing of bank notes	11
Depreciation	35
Agio	39
Other expenses	8
Other expenses	125
Transfer to equalization accounts	130
NET EARNINGS FOR THE ACCOUNTING YEAR	149

Table 4.

INTEREST RATES APPLIED BY THE BANK OF FINLAND IN 1958—1974, PER CENT

From	Basic discount rate of the Bank of Finland ¹	Range of discount rates set by Bank Supervisors	
		Minimum	Maximum
Oct. 1, 1958	7 1/4	6 1/2	8
March 1, 1959	»	6	7 1/2
April 1, 1959	6 3/4	»	»
March 30, 1962	8	7	8 1/2
April 28, 1962	7	6	7 1/2
Dec. 12, 1969	»	»	9
June 1, 1971	8 1/2	»	»
Jan. 1, 1972	7 3/4	»	»
July 1, 1973	9 1/4	7 1/2	10 1/2

1. In addition to the basic rate, the Bank of Finland occasionally charges a penalty rate when the debt of a banking institution exceeds its normal credit quota.

Table 5.

INTERNAL CLEARING OPERATIONS: NUMBER AND VALUE OF BANK BILLS, CHEQUES AND TRANSFERS BETWEEN ACCOUNTS IN 1971—1974

Year and month	Head office		Branch offices		Total	
	Number, in thousands	Value, in million marks	Number, in thousands	Value, in million marks	Number, in thousands	Value, in million marks
1971	16 425	52 344	7 615	13 746	24 040	66 090
1972	17 800	62 200	8 690	16 256	26 490	78 456
1973	19 410	78 243	9 380	20 158	28 790	98 401
1974						
January	1 757	7 727	839	1 980	2 596	9 707
February	1 587	7 282	787	1 840	2 374	9 122
March	1 700	8 039	830	2 009	2 530	10 048
April	1 731	8 193	876	2 048	2 607	10 241
May	1 894	8 754	916	2 198	2 810	10 952
June	1 706	8 129	823	2 068	2 529	10 197
July	1 950	9 321	917	2 283	2 867	11 604
August	1 752	8 248	866	2 110	2 618	10 358
September	1 763	8 504	878	2 182	2 641	10 686
October	2 005	9 905	974	2 468	2 979	12 373
November	2 189	9 314	891	2 386	3 080	11 700
December	1 924	10 651	944	2 550	2 868	13 201
Total	21 958	104 067	10 541	26 122	32 499	130 189

Table 6.

NOTE ISSUE IN 1961—1974, MILLION MARKS

Date	Right of note issue			Used right of note issue				Note reserve
	Ordinary cover	Supplementary cover ¹	Total	Notes in circulation	Liabilities payable on demand	Undrawn cheque credits	Total	
Dec. 31,								
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	2 846	341	3 187	1 730	136	0	1 866	1 321
1973	2 438	1 215	3 653	1 907	184	1	2 092	1 561
1974								
Jan. 31	2 387	1 190	3 577	1 706	175	1	1 882	1 695
Feb. 28	2 401	1 346	3 747	1 744	184	0	1 928	1 819
March 29	2 311	1 407	3 718	1 792	333	0	2 125	1 593
April 30	2 216	1 500	3 716	1 806	353	0	2 159	1 557
May 31	2 251	1 500	3 751	1 907	234	1	2 142	1 609
June 28	2 492	1 500	3 992	2 134	224	1	2 359	1 633
July 31	2 511	1 489	4 000	1 970	301	1	2 272	1 728
Aug. 30	2 544	1 500	4 044	2 042	334	1	2 377	1 667
Sept. 30	2 234	1 500	3 734	2 060	246	0	2 306	1 428
Oct. 31	2 197	1 500	3 697	2 019	341	0	2 360	1 337
Nov. 29	2 127	1 500	3 627	2 169	379	1	2 549	1 078
Dec. 31	2 141	1 500	3 641	2 259	498	1	2 758	883

1. The upper limit to the supplementary note cover was 500 million marks from the beginning of 1960 to November 23, 1966, and 700 million marks to the end of 1968. From the beginning of 1969 to May 23, 1973, the 500 million mark limit was in force. From May 23 to the end of October 1973, the limit was 1 500 million marks, and in November it was lowered to 500 million marks. Since the beginning of December 1973, it has been 1 500 million marks.

Table 7.

**NOTES AND COINS IN CIRCULATION, END-OF-YEAR FIGURES, 1969—1974,
MILLION MARKS**

Denomination	1969	1970	1971	1972	1973	1974
NOTES						
NEW						
100 mk	814.2	857.3	970.7	1 174.5	1 323.4	1 623.0
50 »	267.7	266.4	277.6	305.6	318.6	347.4
10 »	175.8	178.5	187.6	201.5	213.7	227.4
5 »	38.3	39.1	40.3	45.2	47.8	53.6
1 »	2.4	2.5	2.9	3.2	3.5	8.1
Total	1 298.4	1 343.8	1 479.1	1 730.0	1 907.0	2 259.5
OLD						
10 000—100 omk	8.6	8.4	8.4	8.3	8.3	8.3
50—5 »	1.2	1.2	1.2	1.2	1.2	1.2
Total	9.8	9.6	9.6	9.5	9.5	9.5
Grand total	1 308.2	1 353.4	1 488.7	1 739.5	1 916.5	2 269.0
COINS						
NEW						
10 mk	10.0	15.8	24.8	23.9	24.6	24.8
5 »	—	—	—	1.6	9.5	11.7
1 »	47.4	53.1	60.5	68.2	77.8	92.6
50 p	12.4	13.7	15.9	18.4	21.2	24.7
20 »	10.2	11.1	12.3	13.6	15.6	18.5
10 »	6.0	6.5	7.2	8.5	9.4	10.8
5 »	5.0	5.7	6.5	7.6	8.6	9.9
1 »	5.1	5.7	6.6	7.6	8.5	9.7
Total	96.1	111.6	133.8	149.4	175.2	202.7
OLD						
1 000—1 omk	15.3	15.3	15.3	15.3	15.2	15.2
50—1 op	0.5	0.5	0.5	0.5	0.5	0.5
Total	15.8	15.8	15.8	15.8	15.7	15.7
Grand total	111.9	127.4	149.6	165.2	190.9	218.4

Table 8.

PRINTING AND DESTRUCTION OF NOTES, 1972—1974

Denomination	Notes printed			Notes cancelled		
	1972	1973	1974	1972	1973	1974
NOTES						
NEW						
100 mk	930.0	1 060.0	480.0	555.0	450.0	605.0
50 »	327.8	487.2	255.0	270.0	240.0	340.0
10 »	394.0	366.4	478.4	339.5	358.5	434.5
5 »	31.2	232.5	67.6	111.5	108.5	130.3
1 »	—	—	—	0.8	0.5	1.0
Total	1 683.0	2 146.1	1 281.0	1 276.8	1 157.5	1 510.8
In millions	61.5	103.6	71.3	68.1	67.3	83.4
OLD						
Total	—	—	—	0.1	0.1	0.0
In millions	—	—	—	0.0	0.0	0.0
Grand total	1 683.0	2 146.1	1 281.0	1 276.9	1 157.6	1 510.8
In millions	61.5	103.6	71.3	68.1	67.3	83.4

Table 9.

NOTES AND COINS IN 1974, MILLION MARKS

Denomination	Total issue Dec. 31, 1973	Issued in 1974	Destroyed in 1974	Total issue Dec. 31, 1974	Held by the Bank of Finland Dec. 31, 1974	In circulation Dec. 31, 1974
NOTES						
NEW						
100 mk	2 636.2	480.0	605.0	2 511.2	888.2	1 623.0
50 »	759.5	255.0	340.0	674.5	327.1	347.4
10 »	453.6	478.4	434.5	497.5	270.1	227.4
5 »	200.7	67.6	130.3	138.0	84.4	53.6
1 »	16.2	—	1.0	15.2	7.1	8.1
Total	4 066.2	1 281.0	1 510.8	3 836.4	1 576.9	2 259.5
In millions	143.3	71.3	83.4	131.2	66.5	64.7
OLD						
Total	9.5	—	0.0	9.5	0.0	9.5
In millions	11.5	—	0.0	11.5	0.0	11.5
Grand total	4 075.7	1 281.0	1 510.8	3 845.9	1 576.9	2 269.0
In millions	154.8	71.3	83.4	142.7	66.5	76.2
COINS						
NEW						
10 mk	25.5	—	—	25.5	0.7	24.8
5 »	12.9	1.5	0.4	14.0	2.3	11.7
1 »	90.9	18.1	2.4	106.6	14.0	92.6
50 p	25.6	2.6	0.1	28.1	3.4	24.7
20 »	16.3	2.5	0.0	18.8	0.3	18.5
10 »	11.0	0.9	0.0	11.9	1.1	10.8
5 »	9.3	1.1	0.0	10.4	0.5	9.9
1 »	8.8	1.0	0.0	9.8	0.1	9.7
Total	200.3	27.7	2.9	225.1	22.4	202.7
OLD						
1 000—100 omk	7.0	—	—	7.0	0.0	7.0
50 omk—1 op	8.7	—	—	8.7	0.0	8.7
Total	15.7	—	—	15.7	0.0	15.7
Grand total	216.0	27.7	2.9	240.8	22.4	218.4

Table 10.

FOREIGN EXCHANGE: SPOT SELLING RATES IN 1969—1974, MARKS

Currency	1969			1970			1971		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	4.215	4.201	4.187	4.197	4.180	4.176	4.204	4.174	4.152
1 £, London	10.095	10.079	9.985	10.080	10.014	9.945	10.610	10.205	9.995
100 Skr, Stockholm	81.75	81.28	80.95	81.30	80.62	80.15	85.40	81.82	80.60
100 Nkr, Oslo	59.06	58.82	58.55	58.82	58.52	58.41	62.00	59.50	58.47
100 Dkr, Copenhagen	56.15	55.68	55.59	56.07	55.76	55.63	58.80	56.41	55.72
100 DM, Frankfurt o. M.	114.62	106.29	104.00	115.21	114.67	113.44	128.50	120.17	114.60
100 Hfl, Amsterdam	117.34	115.98	115.16	116.15	115.62	114.86	127.85	119.72	115.80
100 FB, Brussels ¹	8.480	8.381	8.320	8.455	8.421	8.405	9.270	8.607	8.405
100 Sfr, Zurich	98.10	97.44	96.70	97.65	97.00	96.30	107.20	101.63	96.74
100 FF, Paris ²	84.80	81.16	75.40	75.80	75.62	75.40	79.70	75.78	75.07
100 Lit, Rome	0.6735	0.6702	0.6660	0.6718	0.6669	0.6641	0.7000	0.6765	0.6690
100 ÖS, Vienna	16.33	16.25	16.16	16.27	16.18	16.13	17.60	16.75	16.13
1 Rbl, Moscow, clearing	4.6799	4.6799	4.6799	4.6799	4.6799	4.6799	4.960	4.684	4.6799

1. Since September 12, 1972, the Bank of Finland has quoted both a commercial and a financial rate for the Belgian franc. The commercial rate has been used in these calculations.

2. The Bank of Finland quoted a separate commercial and financial rate for the French franc from August 24, 1971, to March 20, 1974. The commercial rate has been used in these calculations.

Currency	1972			1973			1974		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	4.178	4.146	4.134	4.178	3.816	3.580	4.030	3.774	3.560
1 £, London	10.950	10.368	9.710	9.945	9.355	8.850	9.075	8.833	8.355
100 Skr, Stockholm	88.15	87.20	85.52	91.50	87.76	83.85	87.80	85.22	82.45
100 Nkr, Oslo	63.85	62.97	61.65	70.00	66.64	62.80	70.80	68.44	66.10
100 Dkr, Copenhagen	61.10	59.72	58.75	67.30	63.47	60.45	64.00	62.17	58.80
100 DM, Frankfurt o. M.	131.41	130.07	126.90	158.90	144.34	130.00	152.60	146.21	139.20
100 Hfl, Amsterdam	130.80	129.22	127.50	150.20	137.50	129.28	145.30	140.70	134.20
100 FB, Brussels	9.490	9.424	9.245	10.600	9.852	9.350	9.970	9.715	9.230
100 Sfr, Zurich	111.10	108.64	105.79	133.50	121.22	110.76	142.60	127.19	116.75
100 FF, Paris	83.10	82.25	79.60	92.00	86.10	81.45	81.95	78.65	73.85
100 Lit, Rome	0.7172	0.7110	0.6980	0.7170	0.6571	0.6120	0.6370	0.5827	0.5550
100 ÖS, Vienna	18.17	17.95	17.55	21.55	19.71	18.00	22.30	20.27	19.10
1 Rbl, Moscow, clearing	4.960	4.960	4.960	5.438	5.159	4.960	5.321	4.995	4.852

Table 11.

FOREIGN EXCHANGE: SPOT SELLING RATES IN 1974, MARKS

Currency	January			February			March		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	4.030	3.980	3.888	3.970	3.924	3.880	3.900	3.833	3.740
1 C \$, Montreal	4.065	4.017	3.905	4.050	4.017	3.995	4.025	3.945	3.850
1 £, London	9.010	8.869	8.690	9.075	8.933	8.830	9.060	8.970	8.870
100 Skr, Stockholm	84.10	83.08	82.45	84.30	83.92	83.55	85.10	83.95	83.20
100 Nkr, Oslo	68.00	66.80	66.10	68.80	68.06	67.20	68.40	67.99	67.70
100 Dkr, Copenhagen	61.25	59.94	58.80	62.00	61.11	60.30	62.00	61.52	61.20
100 DM, Frankfurt O. M.	143.00	141.74	139.20	146.50	144.66	143.20	149.00	146.31	144.95
100 Hfl, Amsterdam	137.30	135.68	134.20	140.20	138.93	137.90	140.75	139.35	138.40
100 FB, Brussels commercial rate	9.400	9.316	9.230	9.720	9.584	9.420	9.670	9.618	9.590
financial rate	9.410	9.295	9.200	9.630	9.492	9.350	9.560	9.506	9.430
100 Sfr, Zurich	120.90	118.55	116.75	126.55	123.77	121.10	125.70	124.44	123.20
100 FF, Paris ¹ commercial rate	81.95	79.47	76.75	80.85	79.26	78.40	80.25	79.59	78.90
financial rate	79.35	77.25	75.10	80.85	78.46	77.00	80.10	79.54	78.80
100 Lit, Rome	0.6370	0.6183	0.5990	0.6040	0.6013	0.5980	0.6095	0.6027	0.5940
100 ÖS, Vienna	19.50	19.31	19.10	19.94	19.69	19.45	20.05	19.85	19.70
100 Esc., Lisbon	15.10	14.92	14.80	15.40	15.20	15.00	15.30	15.25	15.15
100 lkr, Reykjavik	4.65	4.62	4.60	4.60	4.60	4.60	4.60	4.52	4.47
100 Ptas, Madrid	7.00	6.89	6.75	6.75	6.69	6.62	6.65	6.53	6.40
1 Rbl, Moscow, clearing	5.321	5.218	5.160	5.025	4.990	4.937	5.065	5.049	4.980
100 Y, Tokyo ²									

1. On March 21, 1974, the Bank of Finland ceased to quote a separate commercial and financial rate for the French franc.

2. The Bank of Finland started to quote the rate for the Japanese yen from April 1, 1974.

Currency	April			May			June		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.800	3.749	3.670	3.740	3.686	3.640	3.716	3.670	3.625
1 C \$, Montreal	3.915	3.879	3.825	3.890	3.835	3.785	3.865	3.804	3.745
1 £, London	9.040	8.974	8.920	8.970	8.907	8.800	8.920	8.785	8.685
100 Skr, Stockholm	86.40	85.40	84.80	87.45	86.43	85.80	86.45	84.24	82.90
100 Nkr, Oslo	69.20	68.39	67.90	70.80	69.40	68.70	68.70	67.75	66.85
100 Dkr, Copenhagen	62.70	62.08	61.20	63.60	62.95	62.30	63.15	61.64	60.30
100 DM, Frankfurt o. M.	150.70	148.79	147.40	152.60	150.21	147.00	147.95	145.66	143.00
100 Hfl, Amsterdam	142.15	140.50	139.70	145.30	142.31	140.25	141.10	138.80	137.20
100 FB, Brussels commercial rate	9.850	9.674	9.600	9.920	9.820	9.730	9.830	9.709	9.580
financial rate	9.590	9.317	9.170	9.460	9.373	9.300	9.470	9.283	9.210
100 Sfr, Zurich	126.10	124.28	123.00	130.80	126.96	125.00	125.10	122.96	121.05
100 FF, Paris	78.70	77.41	75.60	76.85	76.02	74.50	76.15	74.98	73.85
100 Lit, Rome	0.6030	0.5933	0.5810	0.5910	0.5858	0.5780	0.5780	0.5668	0.5590
100 ÖS, Vienna	20.32	20.06	19.87	22.30	20.71	20.24	20.65	20.32	20.02
100 Esc., Lisbon	15.50	15.19	15.10	15.65	15.27	15.10	15.15	14.90	14.75
100 lkr, Reykjavik	4.35	4.35	4.35	4.35	4.18	3.97	3.97	3.93	3.92
100 Ptas, Madrid	6.49	6.44	6.38	6.54	6.46	6.39	6.52	6.45	6.38
1 Rbl, Moscow, clearing	4.934	4.934	4.934	4.980	4.925	4.900	4.980	4.980	4.980
100 Y, Tokyo	1.375	1.358	1.320	1.340	1.327	1.315	1.320	1.304	1.285

Table 11. (Cont.)

FOREIGN EXCHANGE: SPOT SELLING RATES IN 1974, MARKS

Currency	July			August			September		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.720	3.694	3.630	3.816	3.752	3.700	3.832	3.814	3.796
1 C \$, Montreal	3.810	3.789	3.735	3.880	3.832	3.780	3.895	3.869	3.850
1 £, London	8.895	8.833	8.665	8.855	8.811	8.780	8.940	8.838	8.810
100 Skr, Stockholm	85.50	84.56	82.60	85.40	85.01	84.60	86.20	85.36	85.00
100 Nkr, Oslo	69.20	68.55	66.55	68.80	68.62	68.30	69.40	68.81	68.50
100 Dkr, Copenhagen	63.10	62.37	60.60	62.50	62.29	61.85	62.70	61.71	60.85
100 DM, Frankfurt o. M.	146.50	144.99	142.40	144.65	143.64	142.95	144.90	143.61	142.95
100 Hfl, Amsterdam	143.50	140.44	136.40	141.60	140.75	139.80	142.00	140.84	140.25
100 FB, Brussels commercial rate	9.860	9.761	9.560	9.800	9.723	9.680	9.790	9.687	9.650
financial rate	9.550	9.397	9.180	9.530	9.439	9.380	9.740	9.592	9.520
100 Sfr, Zurich	126.90	124.73	120.85	126.90	126.00	124.75	130.00	127.45	126.60
100 FF, Paris	79.20	77.50	75.30	79.40	78.68	78.05	80.90	79.57	78.90
100 Lit, Rome	0.5850	0.5761	0.5620	0.5800	0.5747	0.5700	0.5800	0.5786	0.5770
100 ÖS, Vienna	20.62	20.39	19.88	20.45	20.29	20.20	20.42	20.26	20.20
100 Esc., Lisbon	14.95	14.88	14.65	14.90	14.83	14.78	14.90	14.80	14.75
100 lkr, Reykjavik	3.87	3.85	3.85	3.87	3.87	3.87	3.23	3.23	3.23
100 Ptas, Madrid	6.55	6.50	6.38	6.65	6.59	6.50	6.66	6.63	6.60
1 Rbl, Moscow, clearing	4.900	4.900	4.900	5.115	5.025	4.960	5.060	5.036	5.012
100 Y, Tokyo	1.300	1.277	1.245	1.265	1.246	1.230	1.300	1.278	1.260

Currency	October			November			December		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.834	3.805	3.783	3.790	3.736	3.687	3.702	3.642	3.560
1 C \$, Montreal	3.905	3.876	3.855	3.855	3.791	3.740	3.745	3.690	3.600
1 £, London	8.950	8.882	8.842	8.875	8.712	8.580	8.590	8.487	8.355
100 Skr, Stockholm	87.30	86.83	86.20	87.10	86.84	86.50	87.80	87.03	86.40
100 Nkr, Oslo	70.10	69.28	68.90	69.30	68.94	68.70	69.15	68.75	68.30
100 Dkr, Copenhagen	63.90	63.37	62.70	64.00	63.72	63.40	63.80	63.29	62.80
100 DM, Frankfurt o. M.	147.90	147.07	144.75	151.00	149.05	147.60	149.80	148.83	148.00
100 Hfl, Amsterdam	144.70	143.40	142.00	144.60	143.90	143.00	144.60	143.49	142.50
100 FB, Brussels commercial rate	9.960	9.870	9.780	9.970	9.921	9.900	9.950	9.893	9.820
financial rate	9.970	9.841	9.730	9.970	9.884	9.820	9.890	9.775	9.720
100 Sfr, Zurich	133.50	131.52	130.20	140.70	136.05	133.00	142.60	139.62	135.00
100 FF, Paris	81.10	80.56	80.10	81.00	80.19	79.10	81.50	80.58	79.80
100 Lit, Rome	0.5800	0.5739	0.5700	0.5720	0.5644	0.5550	0.5600	0.5569	0.5550
100 ÖS, Vienna	20.75	20.61	20.40	21.05	20.84	20.70	21.05	20.91	20.70
100 Esc., Lisbon	15.04	14.98	14.91	15.05	14.98	14.92	15.00	14.86	14.60
100 lkr, Reykjavik	3.23	3.23	3.23	3.23	3.22	3.15	3.15	3.15	3.15
100 Ptas, Madrid	6.67	6.64	6.62	6.63	6.58	6.53	6.53	6.51	6.45
1 Rbl, Moscow, clearing	5.063	5.025	4.995	5.020	4.951	4.883	4.969	4.905	4.852
100 Y, Tokyo	1.290	1.279	1.270	1.270	1.250	1.235	1.235	1.218	1.200

BANK SUPERVISORS, DELEGATED BY PARLIAMENT, AT THE END OF 1974

Harri Holkeri	Chairman
Valdemar Sandelin	Vice chairman
Aaro Lintilä	
Veikko Vennamo	
Ingvar S. Melin	
T. Junnila	
Sylvi Siltanen	
Heikki Hykkäälä	
Aarne Saarinen	

BANK OF FINLAND AT THE END OF 1974

Board of Management	Mauno Koivisto	Governor
	A. Simonen	Deputy Governor
	Ahti Karjalainen	absent as Minister of Foreign Affairs
	Päiviö Hetemäki	
	Pentti Uusivirta	
	Rolf Kullberg	
	Pertti Tammivuori	ad int.

Directors	Jouko J. Voutilainen
	Jorma Aranko
	Pertti Tammivuori
	Markku Puntila
	Seppo Lindblom

**Director of ADP
Planning**

Pertti Kukkonen

Heads of Department

Pauli Kanerva
Eino Helenius
K. Ignatius
Antti Lehtinen
Kalle Koski
Kari Nars
Raili Nuortila
J. Ojala
Kari Puumanen
Heikki Koskenkylä
Stig Törnroth
K. Eirola
A. Nenonen
Stig G Björklund
Eino Suomela

Administration
Administration
Personnel
Domestic Financial Operations
Capital Transfers
Foreign Exchange Policy
Eastern Trade Department
Foreign Exchange Control
Economics Department
Research Department, ad int.
Cash
Automatic Data Processing
Correspondence
Banking Services
Internal Audit

Note-printing Works

Toivo Rissanen
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