

**BANK OF FINLAND**

**56<sup>TH</sup> YEAR BOOK 1975**



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# ECONOMIC DEVELOPMENTS IN 1975

The international cyclical recession started to affect the Finnish economy in the second half of 1974 through a marked decline in export demand. The volume of commodity exports in 1975 was one sixth below that of the previous year, although still strong domestic demand maintained total production at the 1974 level. In the course of the year, reductions in output became necessary in several sectors, involving a deterioration in employment, although the average unemployment rate was still low by international standards. Despite a slackening in the pace of import price rises, inflation accelerated rapidly because of increasing domestic production costs. The imbalance in foreign trade widened substantially, and the current account deficit amounted to 7 900 million marks.

## AGGREGATE DEMAND AND SUPPLY

### Exports

Total production started to grow in 1975 in the major Western industrialized countries, partly because of the implementation of expansionary fiscal and monetary policies. Although the international downswing had been exceptionally deep and long-lasting, the rate of inflation remained rapid in most countries. Attempts were made to revive economic activity by gradually relaxing monetary policy.

As a result of the downswing and a related reduction in stocks held in customer countries, Finnish commodity exports declined by 17 per cent. The volume of timber industry exports fell by one quarter from the already low level of the previous year, and the prices of these products fell at the same time. The volume of exports of paper industry products declined by almost 30 per cent, with prices remaining at the level of the beginning of the year. Exports of forest industry products seemed to have reached their trough level by the end of 1975. Owing to deliveries to the Soviet

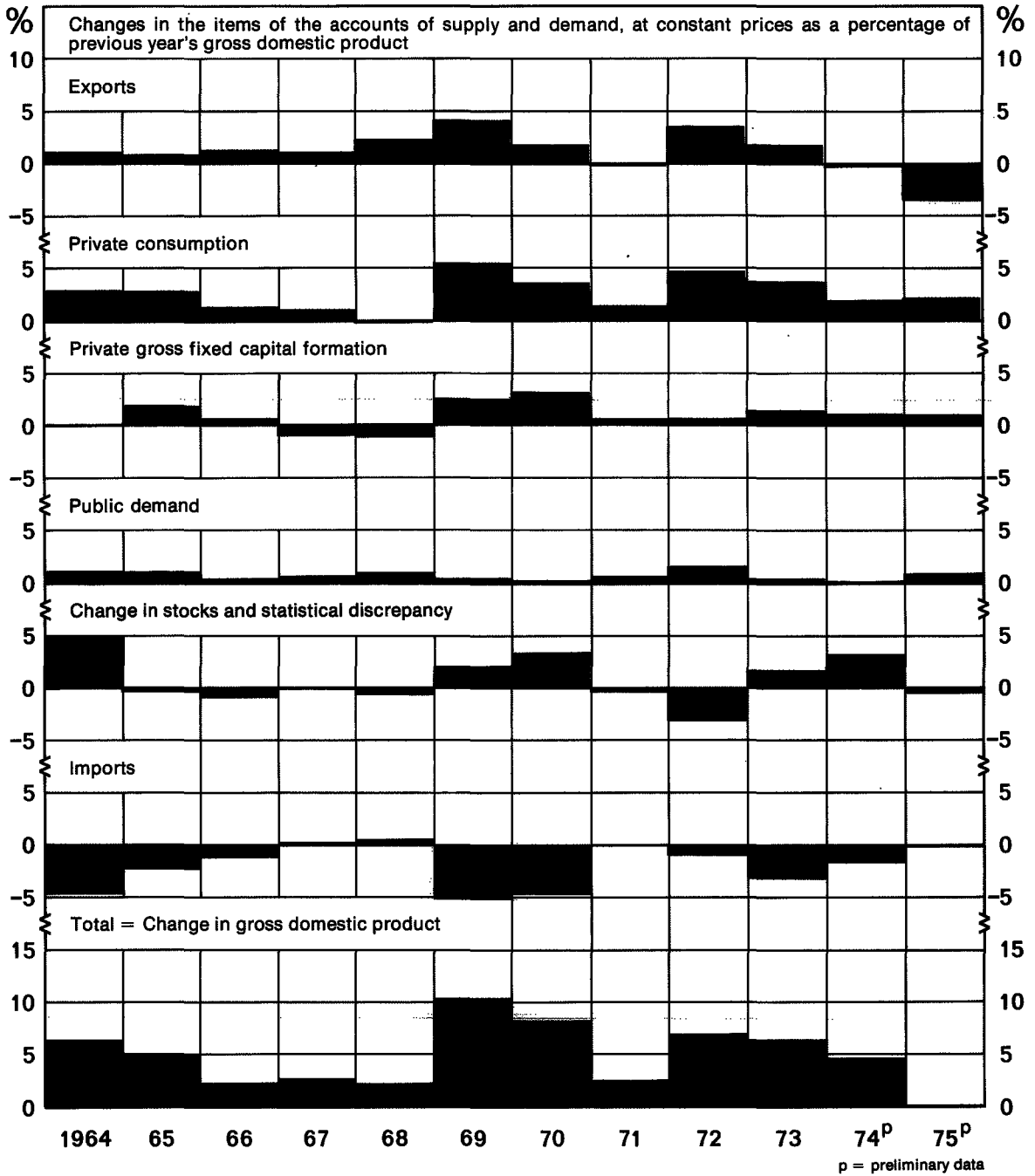
Union, the volume of metal industry exports remained at the level of the previous year, while the value of exports rose by 20 per cent. There was a marked decline in the volumes of exports of other industrial products, with the exception of textiles. Although export prices were on average 18 per cent higher than in 1974, the value of commodity export fell by two per cent. Moreover, the growth of foreign exchange receipts from services came to a halt, as freight receipts declined and travel receipts remained the same as in the previous year (Chart 1).

### Domestic demand

In 1975 industrial investment by the private sector remained fairly vigorous, relative to the cyclical stage. Total industrial investment increased by eight per cent in volume terms. The largest increases were recorded for investments made by the metal, forest and energy supply industries. Since the investment tax had been completely removed from business building by the end of 1974, investment by the service sector (excluding housing) increased by almost 14 per cent in 1975.

Chart 1.

CONTRIBUTION TO THE GROWTH OF DOMESTIC PRODUCT



The volume of total investment in new industrial buildings grew by 18 per cent. The growth of investment in machinery and equipment remained strong, at more than nine per cent. On the other hand, residential construction began to decline markedly towards the end of 1975 but, owing to the great number of buildings started in the previous year, completions still totalled 69000. The volume of total private fixed investment increased by five per cent (Chart 1).

The real disposable income of the household sector increased by only one per cent during 1975. However, the household sector's propensity to consume rose substantially, and so the volume of private consumption grew by four per cent, slightly more than in 1974 (Chart 1). Purchases of consumer durables increased the most. The introduction of a temporary surtax on cars in October reduced car sales during the closing months of the year, but the increase in sales in the year as a whole was still almost 20 per cent. As a result of price rises, the consumption of alcoholic beverages and tobacco declined markedly.

The volume of public consumption grew by more than six per cent, clearly more than in the previous year. Part of this growth was due to the transfer of some institutions of higher education to the Central Government and that of many private secondary schools to the local authorities in connection with the implementation of the comprehensive school system. As the employment situation deteriorated towards the end of the year, state employment appropriations were increased. The volume of general government investment grew by five per cent (Chart 1).

## Production

The decline in the output of export industries and its repercussions in other sectors caused a decrease in total production during the second half of 1975. Although the volume of production in the first half of the year was slightly larger than that in the same period of 1974, there was no increase for the year as a whole, and the rate of capacity utilization was very low (Chart 1). In many

industrial sectors, particularly in the forest industry, production was maintained only by accumulating stocks of finished goods. The metal industry formed an exception to the general pattern: owing to an ample stock of orders, the output volume of the metal industry grew by four per cent. The output of the service sector, excluding transport and communications, continued to grow, although in the course of the year signs appeared of a deterioration, particularly in trade, and in catering and accommodation services.

## Imports

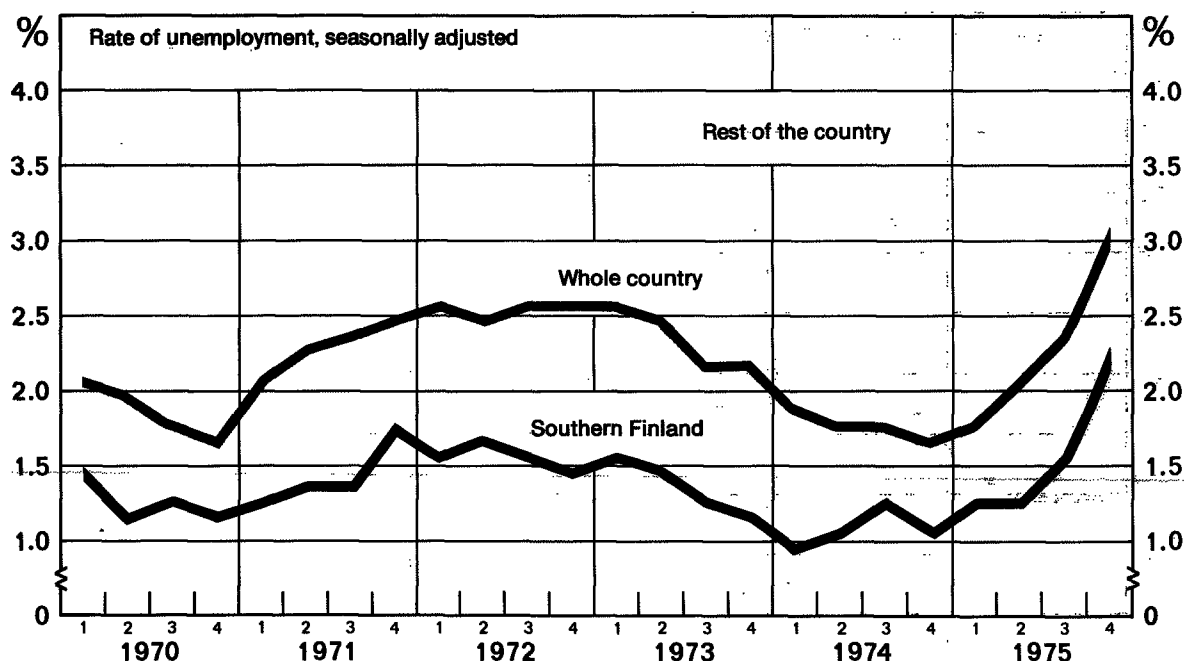
The volume of commodity imports continued to grow during the first half of 1975, with imports of investment and consumer goods increasing particularly. In order to curb imports, a six-month Import Deposit Scheme was introduced in March 1975; during the first year of its validity, the scheme covered about 50 per cent of imported goods, and the deposits amounted on average to 20 per cent of the c.i.f. price. During the second half of the year imports began to decline as a result of weakening economic activity. The volume of imports of goods and services grew by 0.2 per cent for the year as a whole (Chart 1), and import prices rose by almost ten per cent. The volume of imports of raw materials declined by five per cent, slightly more than the decline in industrial production. In the commodity group 'investment goods', imports of transport equipment increased particularly. The value of imports of consumer goods rose by about 20 per cent, with passenger cars accounting for the largest growth. Expenditure arising from imports of services increased sharply, while travel expenditure grew by one third.

## ECONOMIC EQUILIBRIUM

### Employment

The weakening in export demand was reflected in employment fairly slowly, and the average rate of unemployment was 2.2 per cent. However, unemployment began to increase markedly towards the end of the year when the effects of the export downswing had spread into other sectors

Chart 2.  
UNEMPLOYMENT



as well, and when construction and forestry production were also declining. Regional differences in employment started to increase again, for in southern Finland the weakening in the employment situation appeared first simply as a gradual fall in the excess demand for labour. At the end of the year, employment deteriorated also in a number of industrialized areas in the south because of stoppages and lay-offs in the industrial sector (Chart 2). Net emigration again appeared from Finland to other Nordic countries, although until 1975 the flow of returnee immigrants had, for a number of years, exceeded the number of emigrants. Net emigration to Nordic countries totalled 4400 persons.

### Prices, wages and income

In 1975 the rate of inflation in Finland was more rapid than that in most of her competitor countries. Rising labour costs had a direct effect on production costs, and the fall in the rate of capacity

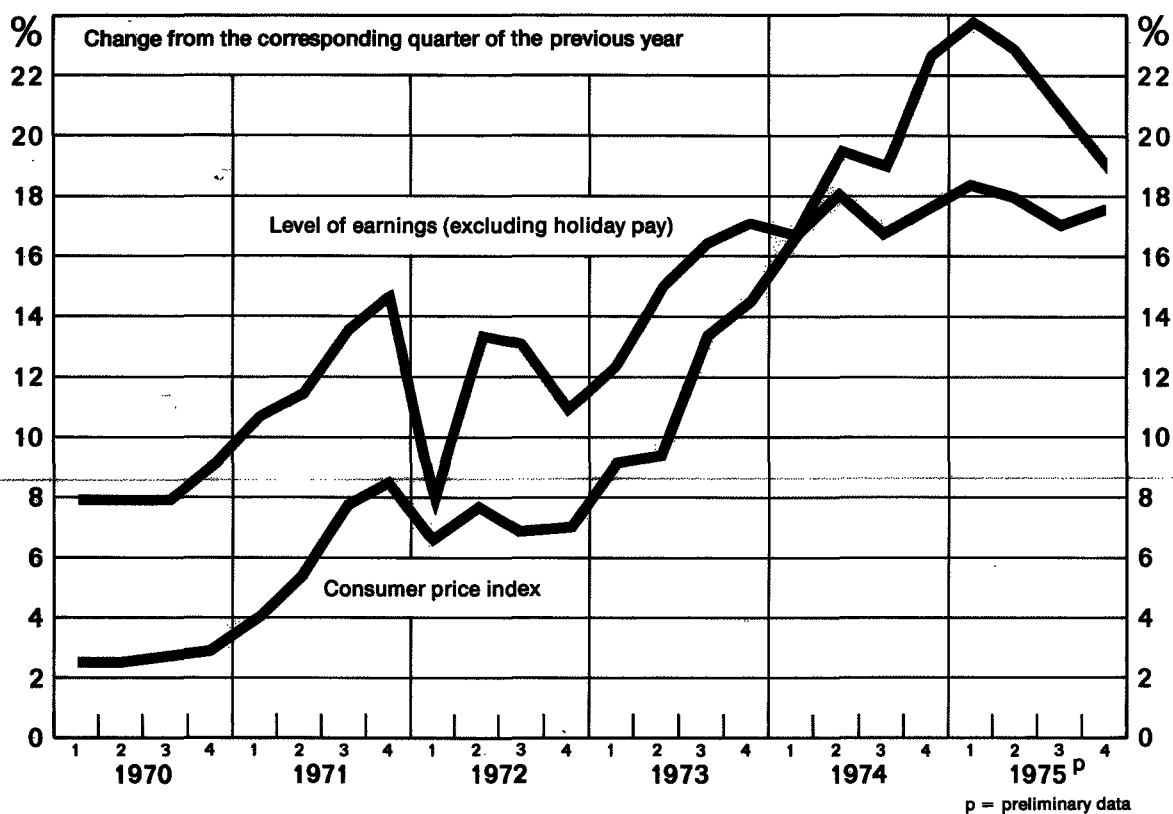
utilization also contributed to the rise in unit costs. Consumer prices rose by 18 per cent on average, one percentage point more than in the previous year (Chart 3). The increase in wholesale prices and building costs decelerated markedly, and the price component of the increase in GDP at market prices was 17 per cent, two percentage points less than in 1974.

Wages and salaries rose substantially as a result of revisions made in the 22-month incomes policy agreement concluded in the spring of 1974. The increases in negotiated wages and salaries meant a 13 per cent rise in the average level of earnings. During the first six months of the year wage drift was strong, so wage earnings rose altogether by 22 per cent, excluding holiday pay, and by 23 per cent including it (Chart 3). This implied an acceleration in the rate of increase of real earnings.

There was also a substantial real increase in pension income, and transfer payments to the

Chart 3.

PRICES, WAGES AND SALARIES



household sector increased rapidly. The impact of a progressive tax system was mitigated by revisions made in tax scales. However, as the rise in forest and other capital income was small, the real disposable income of the household sector increased by no more than one per cent.

loans rose heavily because of an increase in borrowing, the deficit on the net investment income and transfer payments account grew by almost one third to 1500 million marks. The current account deficit thus exceeded the visible trade account and amounted to 7900 million marks, about eight per cent of gross domestic product.

Current account and external liquidity

Finland's terms of trade improved by about eight per cent in 1975 with export prices being on average 18 per cent and import prices 9 per cent higher than in 1974. However, the favourable development of the terms of trade was of minor practical importance since the volume of exports declined substantially.

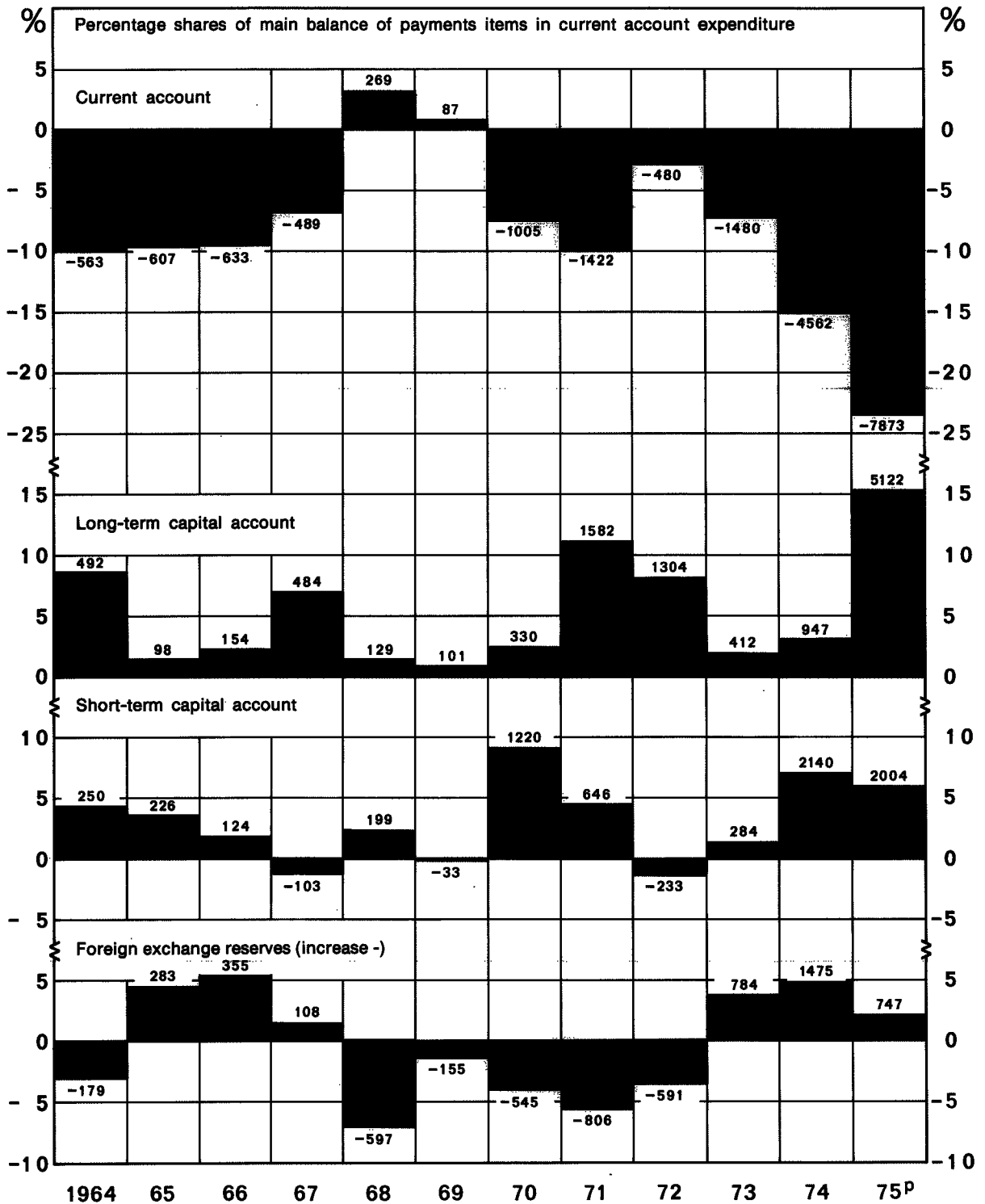
5100 million marks of the current account deficit was offset by the net inflow of long-term capital and more than 2000 million marks by that of short-term capital. The growth in the net short-term foreign debt was caused by three factors: a decline in export receipts; the lengthening, due to the introduction of an import deposit scheme in Finland, of payment periods for import credits received; and a decline in advance receipts from exports to the Soviet Union. The overall balance showed a deficit of more than 700 million marks (Chart 4).

The surplus on the services account decreased from 1400 million marks in 1974 to about 1300 million marks. As interest expenses on foreign



Chart 4.

**BALANCE OF PAYMENTS**



p = preliminary data

The foreign exchange liabilities of the commercial banks grew by 1700 million marks. On the other hand, foreign receivables of the Central Government, Postipankki and other financial institutions increased by almost 500 million marks. The convertible foreign exchange reserves of the Bank of Finland declined by 300 million marks, but Finland's accounts position in tied currencies improved by more than 700 million marks. At the end of the year, the liquidity position of the Bank of Finland was still supported by the stand-by credit agreements which had been concluded both with private banking consortia and with the International Monetary Fund.

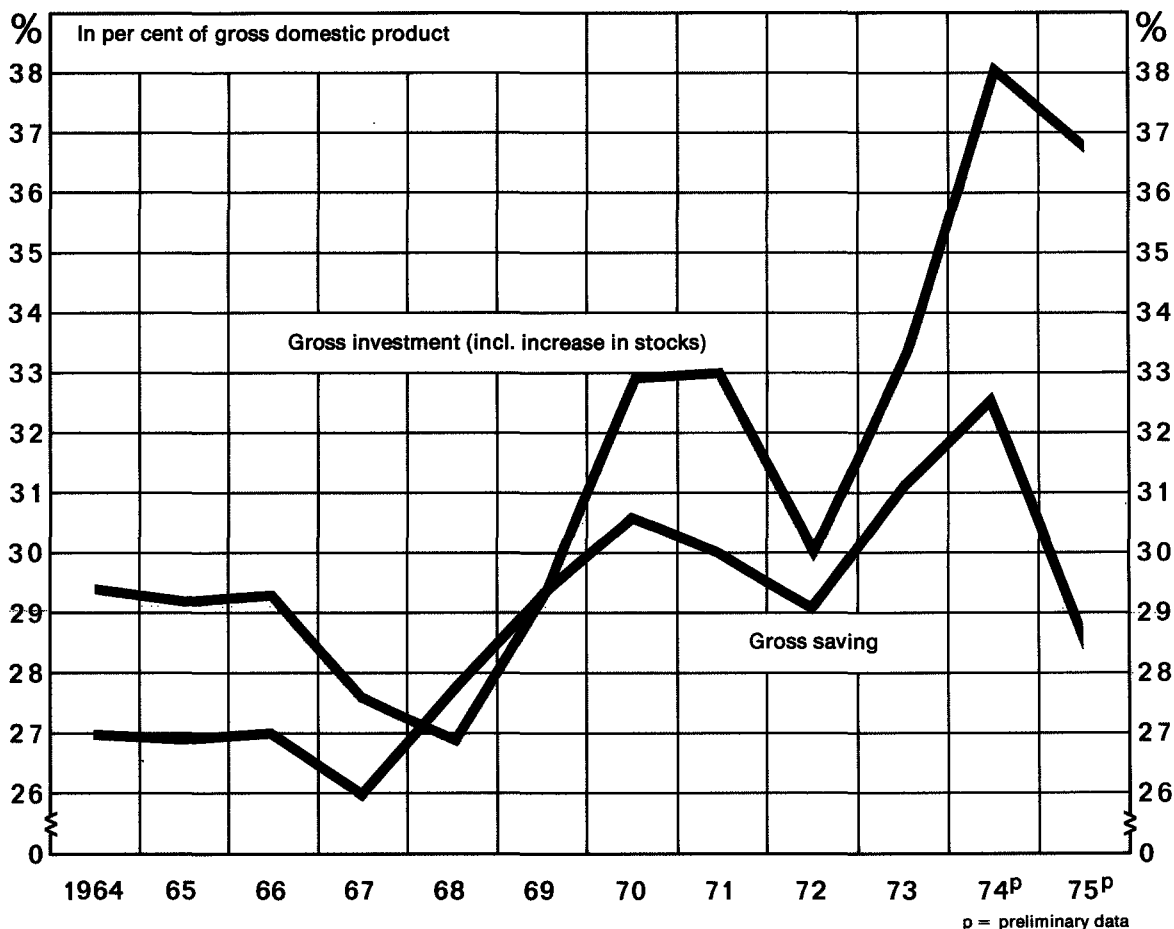
Finland's net foreign debt at the end of 1975

amounted to more than 20000 million marks, which was about one fifth of annual GDP. Interest expenses and amortizations on long-term foreign loans totalled nearly 2600 million marks, about ten per cent of current account revenue. The liquidity position was further strained by the unfavourable structure of the country's foreign debt, almost 25 per cent of which is short-term debt.

## FINANCIAL DEVELOPMENTS

While investment was still vigorous in 1975, there was a sharp decline in domestic saving (Chart 5). After the domestic propensity to save had fallen, the share of foreign capital in the financing of investment became larger than ever before. The

Chart 5.  
TOTAL SAVING AND INVESTMENT



need for external financing of the corporate sector was increased by a weakening in the corporations' internal financing ability and by the collection of import deposits which caused a strain on their liquidity positions. As a result of the fall in the propensity to save and the steadily vigorous rate of housing investment, the financial surplus of the household sector remained smaller than in the previous year.

The financial position of the Central Government was weakened considerably by an acceleration in state expenditure and a deceleration in revenue growth. Hence the financial surplus of the public sector as a whole declined by much more than in the previous year (Chart 6).

### Foreign financing

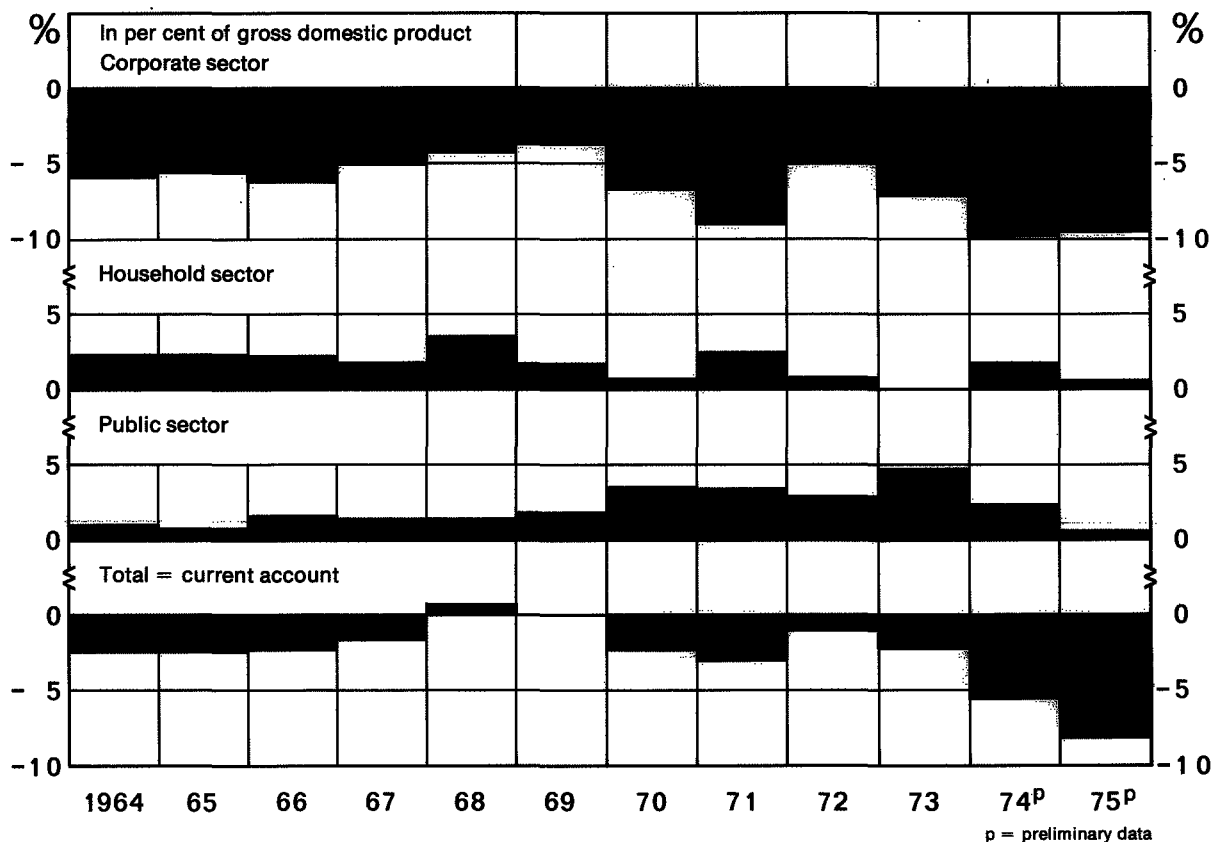
Foreign capital financed almost 20 per cent of

total investment, a proportion double that of the previous year. Since interest rates had fallen in the international capital market and access to long-term foreign credit had improved, the Bank of Finland granted corporations, during the first half of the year, a fairly large number of permits to import long-term foreign capital. As the current account deficit started to grow faster than had been expected, measures were taken towards the end of the year to limit the inflow of foreign capital. Two thirds of the current account deficit was covered by the net inflow of long-term foreign capital (Chart 4).

### Financial institutions

In spite of the large current account deficit, the Bank of Finland's foreign exchange reserves increased by 444 million marks, totalling 1 778 million marks at the end of the year. This did not,

Chart 6.  
FINANCIAL SURPLUSES AND DEFICITS BY SECTOR



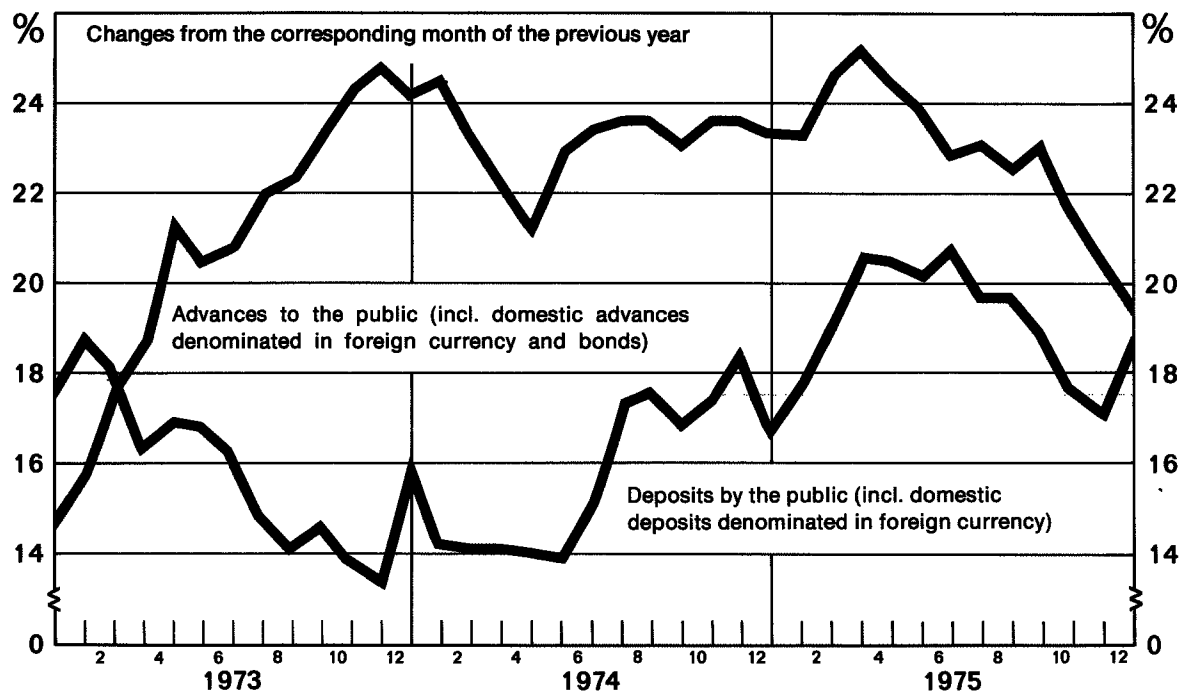
however, imply any easing of the domestic financial market, since the Bank of Finland's other foreign receivables declined at the same time, and the growth in the Bank's foreign exchange reserves was, to a great extent, due to a drawing made under the I.M.F. Oil Facility. The stringency of the financial market was caused mainly by the collection of import deposits and capital import deposits. The import deposit scheme was introduced in March, and at the end of the year deposits totalled 1 135 million marks. Capital import deposits increased by 352 million marks. On the other hand the pressures on the financial market were reduced because Bank of Finland deposit certificates declined by 790 million marks and the Central Government released 389 million marks from its counter-cyclical reserves. In addition, the Bank of Finland increased its direct advances to the public by 410 million marks.

The commercial banks' central bank financing (including the sale of bonds with a repurchase obli-

gation and the Bank of Finland's net deposits on the call money market) grew by 621 million marks, amounting to 3 810 million marks at the end of the year. Throughout the year, excluding January, the commercial banks exceeded their basic rate central bank credit quotas. The Bank of Finland reduced the quotas from 2 800 million marks to 2 500 million marks at the beginning of October. The quantity of notes and coins in circulation increased by 393 million marks.

Total deposit bank lending to the public increased by almost 20 per cent in 1975, about four percentage points less than in the previous year (Chart 7). The growth in actual lending (advances, bills, overdrafts) was 15 per cent, almost five percentage points smaller than the growth in total lending. On the other hand, bonds in circulation increased by 25 per cent, and the amount of outstanding domestic advances denominated in foreign currency doubled. Lending by the banks was centred mainly on the financing of industrial

Chart 7.  
BANK DEPOSITS AND ADVANCES TO THE PUBLIC



fixed investment, stock accumulation and export credits. Housing loans granted by the banks increased much more slowly than total lending. Examined by different banking categories, the growth in lending was again the largest in the Postipankki, more than 22 per cent, although the rate of growth of its advances to the public decelerated markedly because of the tightened cash position of the Central Government. Commercial and co-operative bank lending increased by 20 per cent and that of the savings banks by less than 18 per cent.

Deposits by the public with the deposit banks increased by about 19 per cent, two percentage points more than in the previous year (Chart 7). Despite the tight financial situation, the relative growth of demand deposits, nearly 32 per cent, was almost double that of time deposits, just over 16 per cent. The growth of time deposits decelerated markedly towards the end of the year, due mainly to a decline in income formation, particularly in forestry. However, for the year as a whole, the household sector propensity to deposit was high, as it has been in recent years. The increase in deposits was the largest in the Postipankki, almost 29 per cent, while it varied between less than 16 per cent and more than 20 per cent in the other banking categories. Bank lending to the public increased by 7 557 million marks and deposits by the public by 6 303 million marks, so that the excess of lending over deposits grew by 1 254 million marks (Chart 8).

Commercial bank advances to the public increased by 3 739 million marks, of which actual lending accounted for 1 605 million marks, bonds for 403 million marks and domestic advances denominated in foreign currency for 1 731 million marks. As the commercial banks' total deposits increased by 2 113 million marks at the same time, the excess of their lending over deposits grew by 1 625 million marks. In addition, the commercial banks' investment in shares and real estate increased by 310 million marks. In order to meet their financial requirements, the commercial banks had to increase their net debt to the Bank of Finland by 621 million marks and their net foreign

liabilities by 1 716 million marks, involving a doubling in their foreign debt outstanding. The net liabilities of the commercial banks to other domestic financial institutions declined by 398 million marks.

At the beginning of 1975, two new types of time deposit account were introduced, a 36-month savings premium deposit account and a 36-month tax concession deposit account.

The banks paid the following rates of interest on different types of accounts during 1975:

	per cent
36-month time deposits <sup>1</sup>	8 1/4
24-month time deposits	7 3/4
12-month time deposits	6 3/4
6-month time deposits	6 1/4
Deposits with 4—5 months' notice	4 3/4
Deposits with 2—3 months' notice	3 3/4
Deposits with one month's notice	2 3/4
Ordinary deposit accounts, savings accounts and deposit accounts with cheque facility <sup>2</sup>	5 3/4
Domestic deposit accounts denominated in foreign currency	3
Cheque accounts and postal giro accounts <sup>2</sup>	1 1/2
Domestic cheque accounts denominated in foreign currency	0

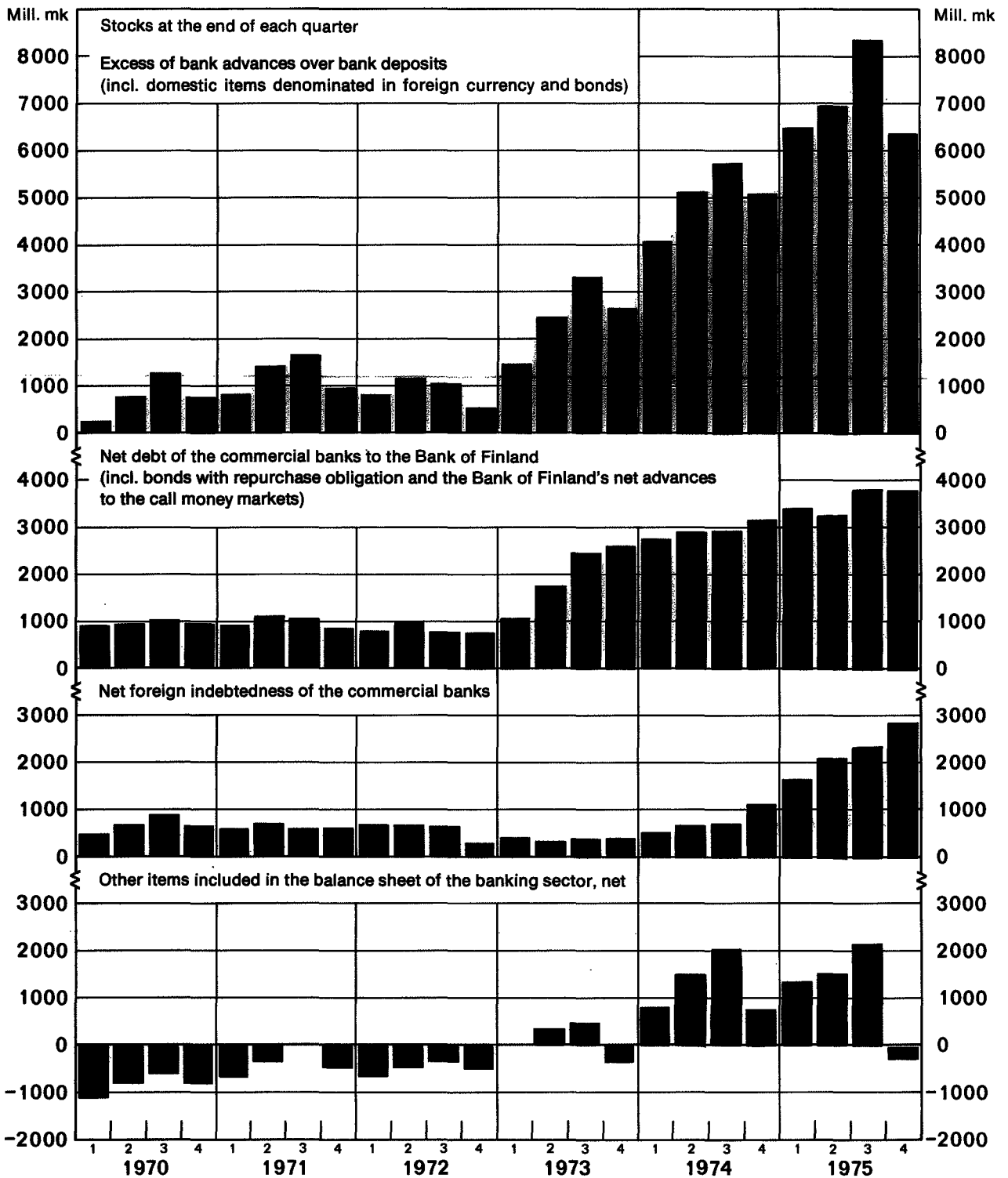
Credit expansion by other financial institutions accelerated in 1975. According to preliminary data, lending by the insurance companies increased by about 20 per cent and that by the mortgage credit institutions by about 25 per cent. Lending by the mortgage credit institutions was particularly stimulated by the heavy inflow of foreign finance. On the other hand, the growth of lending by the development credit institutions slowed down slightly. Lending by the hire-purchase, factoring and leasing institutions accelerated during the first half of the year, decelerating markedly, however, towards the end of the year, when the commercial banks reduced their financing of the hire-purchase credit companies.

1. Total returns on these accounts consist of interest earnings of 8 1/4 per cent plus, in the case of savings premium deposit accounts, an interest premium of 3/4 per cent, and in the case of tax concession deposit accounts, a tax concession benefit of 1.33 per cent.

2. Interests paid on deposit accounts with cheque facility, on cheque accounts and on postal giro accounts are calculated on the basis of the lowest balances during the month.

Chart 8.

THE FINANCING OF THE EXCESS OF BANK ADVANCES OVER DEPOSITS



## Central Government

The financial position of the Central Government deteriorated substantially during 1975. The growth of tax revenue was curtailed by an overall weakening in economic activity and by reductions in income tax rates. On the other hand, the growth in state expenditure was boosted by once-and-for-all changes in transfer expenditure, including the payment of compensation for harvest losses in 1974 and the speeding-up of payments of state grants to local authorities. Drawings of state housing loans increased by almost 50 per cent to 1 536 million marks. The Investment Fund of Finland started its operations in 1975, although

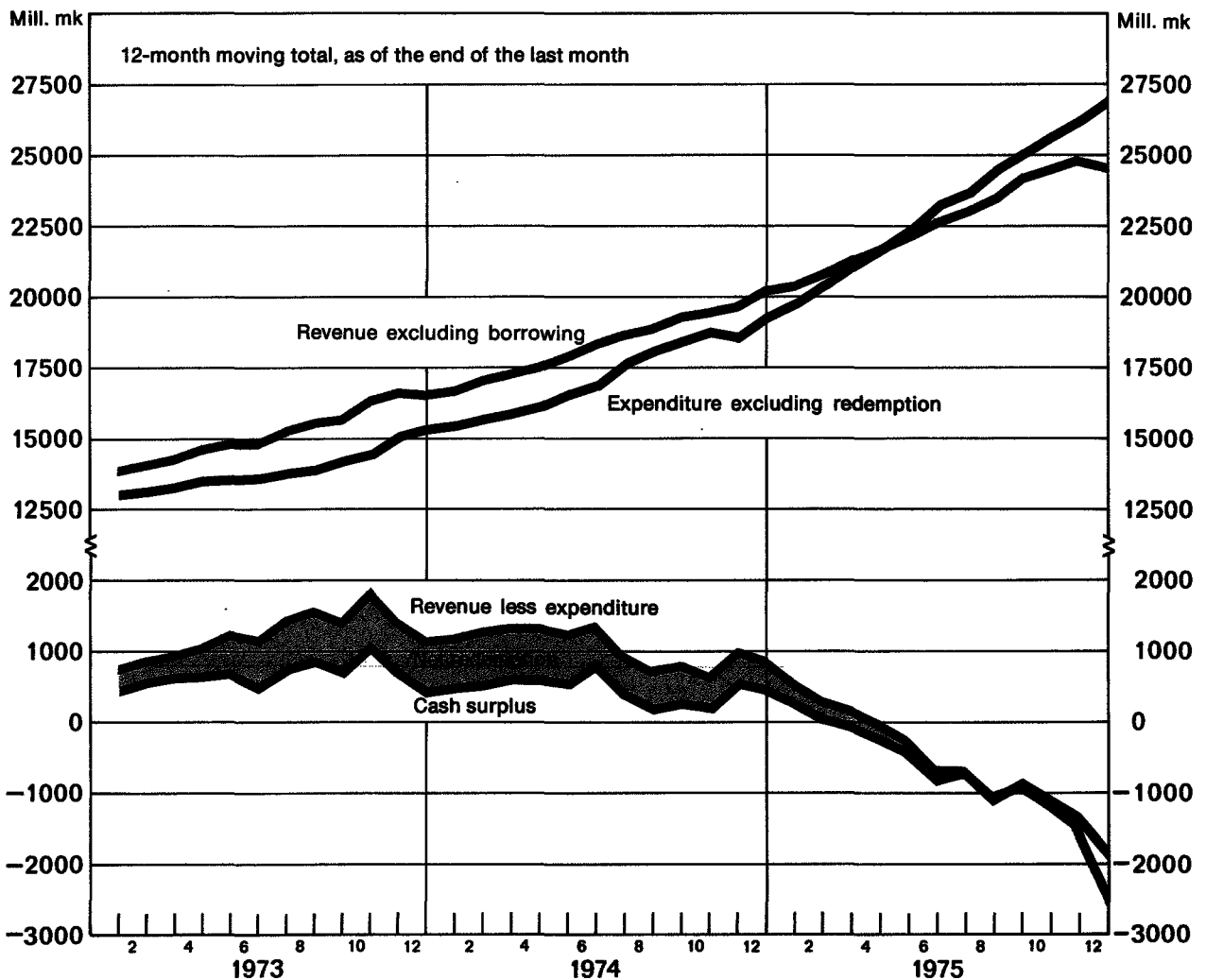
the use of loans granted by the Fund did not become significant.

Total state expenditure (excluding debt redemption) was 2 270 million marks greater than total state revenue (excluding borrowing), whereas revenue had clearly exceeded expenditure in the previous year.

In order to meet its financial requirements, the Central Government drew long-term loans of 988 million marks (including foreign borrowing by the Investment Fund of Finland), while debt redemption amounted to 496 million marks. It was the

Chart 9.

### STATE FINANCES



first time since 1970 that the state's net debt had increased. The cash deficit amounted to 1 780 million marks; to finance the deficit, the Central Government reduced its short-term financial claims on the Bank of Finland and the Postipankki and drew a short-term loan from the Postipankki, which it repaid, however, at the beginning of 1976.

### Stock market

In the year under review, domestic bond issues totalled 1 515 million marks, of which bonds intended for public subscription accounted for 700 million marks and investment agreed upon with financial institutions for the remainder. Although sales of government bonds doubled on the previous year, total sales of bonds amounted to no more than 1 266 million marks. The issues of government bonds intended for public subscription totalled 501 million marks and their sales 394 million marks.

The tightened financial situation and poor economic prospects both reduced the demand for securities and increased the supply of them. The imbalance in the stock market was also reflected in the development of share prices. On average, the prices of securities quoted on the Stock Exchange fell by about 12 per cent from the previous year, although the fall from December 1974 to December 1975 was only three per cent. The fall in share prices was also reflected in the total turnover of the Helsinki Stock Exchange, which remained the same as in the previous year, 288 million marks. On the other hand, the development of share prices was helped by the fact that bond issues were 60 millions marks smaller than in the previous year. New issues by companies listed on the Stock Exchange totalled 365 million marks in 1975.



# CENTRAL BANK POLICY

The expansion of productive capacity required for the restoration of long-term balance-of-payments equilibrium and the need to curb overall domestic demand and to hold back the rate of price increase were the main considerations underlying central bank policy during the first half of the year. A sharp deterioration in the balance of payments during the first few months of the year led to further tightening of central bank policy which became still more necessary when the Government started to run down large amounts of the reserves it had deposited in the Bank of Finland during previous years. In order to mitigate the adverse effects of the overall stringency on short-term growth and employment prospects, more emphasis was placed on selective central bank policy measures.

## MONETARY POLICY

### General outlines

In January, in order to complete and particularize the credit policy guidelines given in the autumn of 1974, the Bank of Finland issued to the financial institutions a circular concerning the granting of personal loans. In it the Bank stated that, to reduce the severe imbalances in the economy, it would be necessary to promote saving and to channel all disposable savings to industrial investment, housing, and other closely related investment projects. The circular also gave fairly detailed guidelines on the criteria for granting personal loans.

Because of a weakening in balance-of-payments prospects, in the spring the main emphasis in monetary policy was shifted more clearly to curbing domestic demand even, to some extent, at the cost of industrial investment. In March, the Bank of Finland decided to tighten the terms on credit in excess of the central bank quotas. The financial market was also squeezed by the import deposit scheme, introduced by the Council of State in the

spring, and by related regulations, issued by the Bank of Finland, concerning the financing of these import deposits.

Since the current account deficit deepened further in the course of the year, the commercial banks' central bank credit quotas were reduced at the beginning of October. At the same time, the Bank of Finland started to assume an even more restrictive attitude towards the inflow of foreign capital. In the related credit policy guidelines given by the Bank in October, the financial institutions were advised to alleviate the negative production and employment effects of the overall stringency in financial markets by making their credit policies as selective as their liquidity positions would allow. At the same time revisions were made in the lists of recommended and low-priority credit objects. Furthermore, the financial institutions were advised to be prepared, when making longer-range credit commitments, for the continuation of a tight monetary policy even during the coming upswing.

In the course of the year, the Bank of Finland intensified its permanent special financing

arrangements, so as to ensure access to credit for the industrial sectors which are macro-economically most vital. In order to promote employment, the Bank of Finland also participated, through temporary arrangements, in the financing of increased stocks of export goods, and of raw timber transactions.

Despite the stringency of monetary policy, the growth in bank lending did not decelerate to any great extent. In order to finance their domestic lending, the commercial banks increased their central bank indebtedness, even though their interest expenses thus grew substantially. To an increasing extent, the banks were forced to borrow in the call money market, where the level of interest rates was very high from the beginning. However, the general interest rate level was kept unchanged throughout the year.

### The quota policy

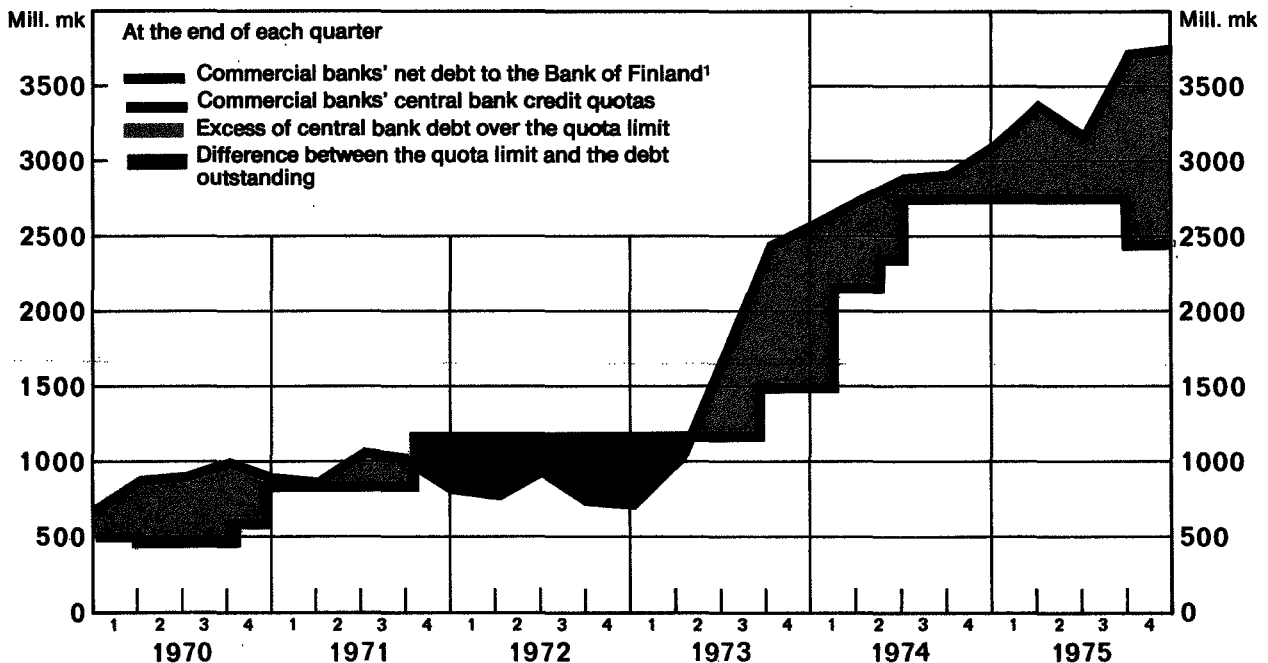
In March the Bank of Finland decided to revise its central bank credit regulations concerning borrow-

ing in excess of credit quotas: the right to exceed the quotas was still limited to 50 per cent, but automatic access to central bank finance above this limit through bond transactions was discontinued. From then on additional financing obtained through bond transactions with a repurchase obligation was dependent upon negotiations with the Bank of Finland and upon conditions imposed by it on the management of the liquidity of the bank concerned.

Until the end of September 1975, the commercial banks' central bank credit quotas were kept on the level to which they had been raised in June 1974. At the beginning of October, the Bank of Finland reduced total central bank credit quotas from 2 800 million marks to 2 500 million marks (Chart 10). The distribution of quotas between banks and the schedule of penalty charges on central bank debt were kept unchanged throughout the year.

The total debt of the commercial banks to the central bank exceeded total credit quotas through-

Chart 10.  
COMMERCIAL BANKS' CENTRAL BANK FINANCING



1. Incl. the sale of bonds with repurchase obligation and the Bank of Finland's call money markets

CENTRAL BANK CREDIT QUOTAS OF THE COMMERCIAL BANKS AND THEIR BREAKDOWN BY BANK, FROM OCT. 1, 1971, MILL. MARKS

	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— Sept. 30, 1975	Oct. 1, 1975—
HOP	75	95	135	141.6	162.4	145.0
KOP	345	437	621	667.2	767.2	685.0
OKO	210	266	378	420.0	498.4	445.0
SKOP	240	304	432	508.8	638.4	570.0
SYP	345	437	621	645.6	716.8	640.0
ÅAB	9	11.4	16.2	16.8	16.8	15.0
<b>Total</b>	<b>1 224</b>	<b>1 550.4</b>	<b>2 203.2</b>	<b>2 400.0</b>	<b>2 800.0</b>	<b>2 500.0</b>

out the year under review (Chart 10). The total annual cost of central bank financing was at its largest during the fourth quarter of the year, when the average cost was 14.2 per cent, and at its smallest, 10.5 per cent, during the first quarter. The annual average of interest and penalty charges paid on central bank financing was 12.1 per cent (Chart 11 A).

### The call money market

In order to improve both the efficacy to monetary policy and the functioning of the financial market, the Bank of Finland opened a call money market at the beginning of September, temporary permission having been granted by the Bank Supervisors delegated by Parliament. Under this, the Bank of Finland was entitled, until the end of May 1976, to pay interest at an annual rate of not more than 30 per cent on call money deposits and to charge an annual rate of interest between 9 ¼ and 30 per cent, at the discretion of the Board of Management, on call money advances.

The call money market was mainly designed to even out differences in the banks' liquidity positions and short-term fluctuations in the liquidity of the financial market. At the same time, the market provided a coherent framework for call money operations which had long been carried out between the commercial banks themselves. However, the central bank credit quotas, on which the basic rate of interest was applied, and which could be exceeded subject to progressively increasing

penalty charges, still constituted the foundation of policy.

Under the call money market system, the commercial banks entitled to discount at the Bank of Finland are allowed to draw advances maturing on the following banking day or to deposit money until the following banking day, at a rate confirmed daily by the Bank of Finland. In order to clear the market, the Bank of Finland may also participate by supplying advances or by absorbing the excess supply of deposits. The upper limit on the call money advances of an individual commercial bank was set at 60 per cent of its central bank credit quota. To restrain the growth of the commercial banks' indebtedness a surveillance limit, amounting to 180 per cent of the bank's central bank credit quota, was set on the monthly average total of the bank's call money advances, central bank debt and call money advances other than those from the call money market. If the bank in question exceeded this limit, the development of its liquidity became subject to scrutiny similar to that applied when the banks conduct weekly transactions in bonds with a repurchase obligation.

During September the Bank of Finland cleared the call money market almost entirely by altering the call money rate. The demand for call money advances was then on average 540 million marks per day, and the weighted average rate for call money advances was 22 per cent.

From the beginning of October until the beginning

WEIGHTED AVERAGE LENDING AND DEPOSIT RATES OF INTEREST APPLIED BY FINANCIAL INSTITUTIONS, AND DIFFERENCES IN RATES AT THE END OF 1974 AND 1975, PER CENT

	Dec. 31, 1974			Dec. 31, 1975		
	Lending rate	Deposit rate	Difference in rates	Lending rate	Deposit rate	Difference in rates
Postipankki	9.43	4.30	5.13	9.88	4.17	5.71
Commercial banks	9.68	5.43	4.25	9.77	5.30	4.47
Savings banks	10.32	5.98	4.34	10.47	5.98	4.49
Co-operative banks	10.44	5.99	4.45	10.52	5.93	4.59
<b>Financial institutions, total</b>	<b>9.92</b>	<b>5.54</b>	<b>4.38</b>	<b>10.08</b>	<b>5.45</b>	<b>4.63</b>

of December, excess demand for advances prevailed on the call money market. The temporary imbalance in the market was partly caused by the Bank of Finland's decision to lower the commercial banks' central bank credit quotas as from the beginning of October and partly by a weakening in the liquidity positions of the commercial banks which was mainly due to a seasonal state financial surplus and a decline in the country's foreign exchange reserves. In October—November the demand for call money advances averaged 760 million marks per day. Because of the excess demand, the call money rate amounted to 29 per cent, almost reaching its upper limit. Even with this high rate of interest, the Bank of Finland had to place an average of 420 million marks per day in the market.

Balance was reached on the call money market in December, mainly because state finances had an easing effect on the financial situation. The demand for call money advances fell to 400 million marks per day. The call money rate declined to an average of 26 per cent, being 18 per cent at its lowest.

#### Interest rate policy

The general interest rate level was kept unchanged during 1975. The basic rate on the central bank debt of the commercial banks still was 9 ¼ per cent (Chart 11 A). With the rate of inflation remaining high, real rates of interest continued to be clearly negative. As the level of interest rates in

international financial markets declined, the use of foreign credit became relatively more attractive. The development of the interest rate paid on three-month Euro-dollar deposits is shown in Chart 11 A.

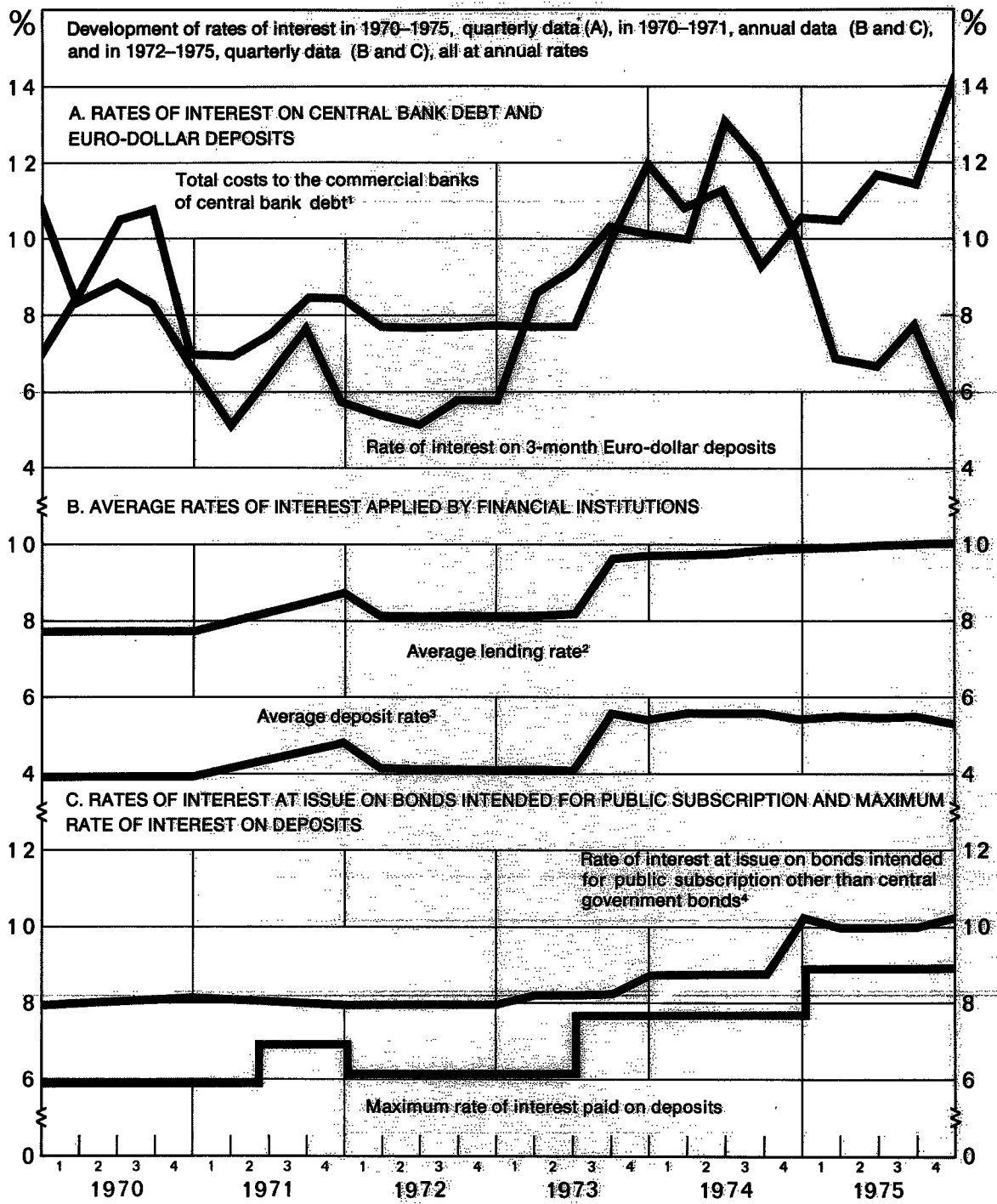
The banks' average lending rate rose slightly (Chart 11 B), amounting to 10.08 per cent at the end of the year; this is 0.16 percentage points higher than one year earlier.

The average interest rate paid by the financial institutions on deposits (Chart 11 B) was on average 0.08 percentage points lower than in the previous year, although new high-interest deposit accounts were introduced at the beginning of the year under review (Chart 11 C). The decline in the average interest rate was mainly caused by a growth in the share of cheque accounts. At the end of the year, the average interest rate paid on deposits was 5.45 per cent, while it had been 5.54 per cent one year earlier. The year-end difference between the interest rates paid on loans and deposits thus rose by 0.25 percentage points to 4.63 percentage points in the course of the year. Measured in terms of annual averages, the margin was 0.27 percentage points greater in 1975 than in 1974.

In 1975 the rates of interest on bond issues intended for public subscription were slightly higher than in the previous year (Chart 11 C). The rate of interest on Government bonds intended for public subscription has traditionally been slightly

Chart 11.

**RATES OF INTEREST**



1. Incl. the sale of bonds with repurchase obligation and the Bank of Finland's call money markets  
 2. Weighted by shares in loans outstanding  
 3. Weighted by shares of various types of deposit accounts  
 4. Weighted by issues of bonds  
 5. Weighted by sales of bonds

lower than that on other bonds intended for public subscription. At the beginning of the year, the average effective rate at issue on Government bonds intended for public subscription was 9.52 per cent and the rate on other loans intended for public subscription 10.00 per cent. At the end of the year, the corresponding rates of interest were 9.75 per cent and 10.25 per cent. In addition, the Government bonds intended for public subscription issued towards the end of the year had shorter maturities than those issued previously.

### Credit policy guidelines

In January the Bank of Finland issued guidelines to the financial institutions on the granting of personal loans; the importance of prior deposits for receiving personal loans was emphasized, and tight selective treatment should be particularly focussed on applications for personal loans which were likely to increase consumption. In addition, the maximum amount of credit in relation to prior deposits and the rate of interest to be paid on these loans were determined by category of personal loan. The guidelines did not concern loans related to the carrying-on of a profession or trade, nor state-guaranteed study loans.

The credit policy guidelines given in October stated that, in order to reduce the current account deficit and to curb inflation, monetary policy would have to remain tight, and that imports of capital would have to be held back. The financial institutions were advised to grant credit selectively, so as to mitigate the negative impact of overall stringency on employment and economic growth.

At the same time, the Bank of Finland advised the financial institutions to be prepared for a further reduction in central bank credit quotas and for a deceleration in the growth of deposits. In addition, the Bank pointed out that there was no significant scope for increasing financing facilities through domestic or foreign special financing arrangements.

When granting credit within the narrow limits set by the general guidelines, and subject to their liquidity constraints, the banks were to give priori-

ty to projects designed to satisfy the need for operating capital required to maintain production of goods for which market prospects were favourable. Priority was also to be given to industrial investment projects which were microeconomically highly profitable, and particularly to projects in which the share of domestic inputs was large at the construction stage. The financing of stock accumulation for maintaining a reasonable level of production was also deemed justified in the case of enterprises which were microeconomically sound and the products of which had good market prospects in the longer run. Furthermore, priority was also to be given to loans for financing state-supported residential construction.

The strictest criteria were to be used when granting credit for warehousing imported goods, investment projects designed to expand the service sector, and non-industrial municipal investment projects. The financing of household purchase of consumer durables and other consumer goods was also subject to the strictest selective treatment in credit granting.

In keeping with the credit policy guidelines it had given, the Bank of Finland announced that it would take a more restrictive attitude towards imports of foreign capital.

The Bank of Finland decided to cancel, as from the beginning of November 1975, the requirement, introduced after the expiration of the Investment Tax Act, that its approval was needed for the financing of certain construction projects. However, at the same time the Bank emphasized that, according to the credit policy guidelines, the strictest criteria were still to be used when granting credit for the financing of these construction projects and that, even in the longer run, a very restrictive attitude should be taken towards such financing.

### 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 a statement of its attitude concerning loan flotations; in all, 27 such statements for domestic loans were given in 1975. All issue applications received favourable statements, following which they were approved by the Council of State. The total nominal value of these loans amounted to 800 million marks.

Of these loans, 22 were issued by private mortgage banks and five by industrial or power companies. Of the total nominal value of the loans, private mortgage bank issues accounted for 597 million marks and those of industrial or power companies for 203 million marks. The loans issued by mortgage banks were mainly used to finance residential construction and corporate sector and municipal investment projects.

Of the private bonds issued, six were intended for public subscription, and their total nominal value amounted to 200 million marks. The Bank of Finland recommended that a fixed interest rate of 10 or 10¼ per cent be applied to these loans. On the basis of the Act Concerning Tax Concessions on Bonds, it was also recommended that the bonds intended for public subscription be exempt

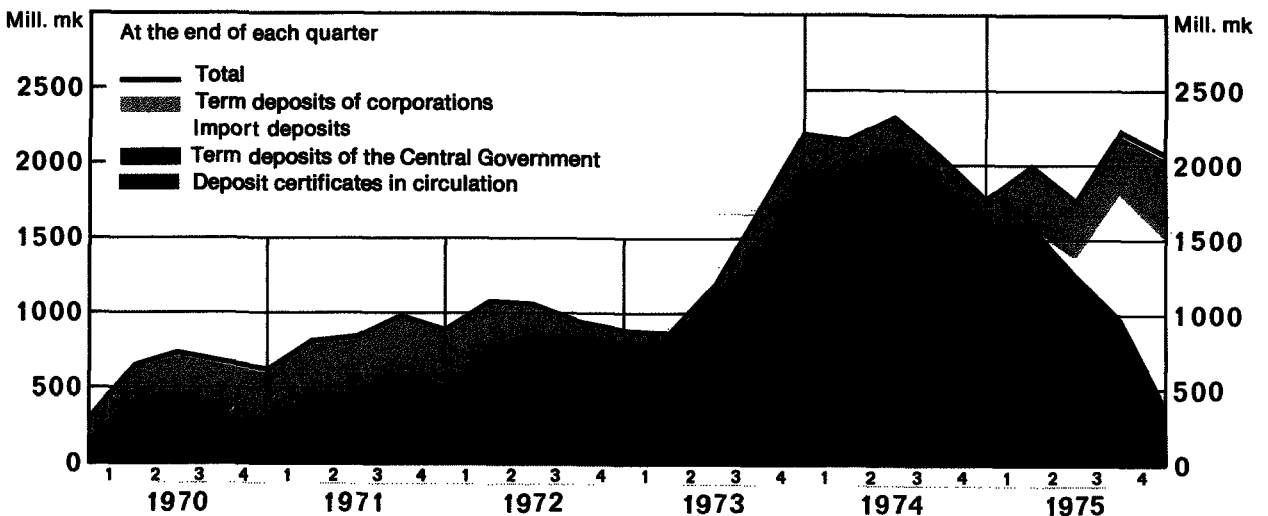
from tax. For the rest of the bonds issued, with a total nominal value of 600 million marks, the Bank of Finland was in favour of an interest rate ranging between 9¼ and 10¼ per cent; a variable interest rate was applied to some of these loans.

### Deposit certificates and term deposits

During 1975 state finances moved into deficit. Reserves accrued in the central bank were therefore run down particularly during the second half of the year, and this contributed to easing in the financial market. Deposit certificates in circulation decreased by 790 million marks in the course of the year, while drawings on central governmental counter-cyclical reserves amounted to 388 million marks. Export levy, counter-cyclical tax and investment tax funds declined from 8 million marks to 1 million marks. At the end of the year, deposit certificates in circulation totalled 250 million marks and counter-cyclical reserves 155 million marks.

In March the Council of State introduced the import deposit scheme, according to which deposits collected from importers were to be placed in the Bank of Finland for six months.

Chart 12.  
DEPOSIT CERTIFICATES AND TERM DEPOSITS



Because of delays in collection and accounting, import deposits did not really begin to grow until June. The monthly accruals and repayments of deposits started to offset each other in December, and at the end of the year, deposits totalled 1 135 million marks. However, the tightening impact on the financial market was not so large, since part of the deposits were financed by the extension of payment periods.

Corporations' term deposits in the Bank of Finland increased by 340 million marks to 534 million marks. The majority of these were capital import deposits, which grew from 352 million marks to 450 million marks. Corporate deposits required under the counter-cyclical investment fund scheme increased from 39 million marks to 73 million marks. In September the Council of State decided, on the Bank of Finland's proposal, that corporations would be allowed to make drawings in 1976 on the deposits they had made out of their net profits for accounting periods ended before the beginning of 1975.

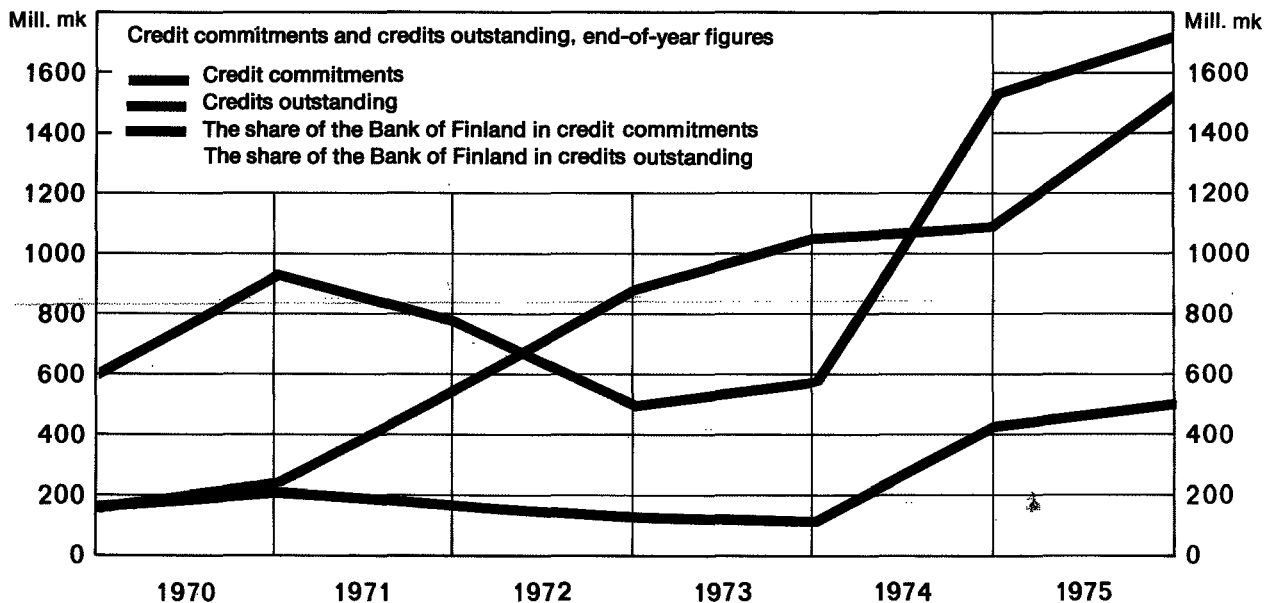
The agreement on the collection of counter-cyclical withholding from the forest industries was

revised in January so that the total amount of withholdings, half of which had to be deposited on a blocked account in the Bank of Finland, was reduced to 240 million marks from the originally agreed amount of 300 million marks. The schedule of payment for these deposits was accelerated so that they could be drawn before the end of June. The amount of deposits was at its largest, 120 million marks, in March—June. In net terms, counter-cyclical withholdings fell by 49 million marks in 1975.

### Special financing arrangements

The Bank of Finland continued to refinance short-term export credits and new export credits through the commercial banks and the Postipankki, and to participate in the system of financing domestic suppliers' credits. The total stock of credits under these three permanent special financing arrangements rose to 825 million marks during 1975. Of the end-of-year stock of credits, domestic suppliers' credits accounted for 402 million marks, short-term export credits for 295 million marks and new export credits for 128 million marks.

Chart 13.  
FINANCING OF DOMESTIC SUPPLIERS' CREDITS





After a weakening in the export demand for forest industry products, the Bank of Finland made available both domestic credit and permits to use foreign loan capital, so as to promote production and employment in the forest industries. In November the Bank decided to participate in the financing of raw timber transactions concluded between November 26, 1975 and February 28, 1976. This was designed to promote employment and to keep the raw timber stocks of the forest industries at a reasonable level.

Domestic suppliers' credits are used to finance domestic suppliers' deliveries of capital goods to domestic customers. The system is operated by the Bank of Finland, the commercial banks and the Postipankki. In November the Bank of Finland revised the regulations concerning domestic suppliers' credits so that a definite lower limit was no longer set on the value of the transactions eligible under the scheme. In the year under review, the Bank of Finland's share in the financing of these credits remained at 30 per cent of that part of the contract price financed with bank credit, while the interest rate applied was 9¼ per cent. The stock of orders to be financed

totalled 2218 million marks at the end of the year. The increase was mainly due to vigorous investment in the forest industries.

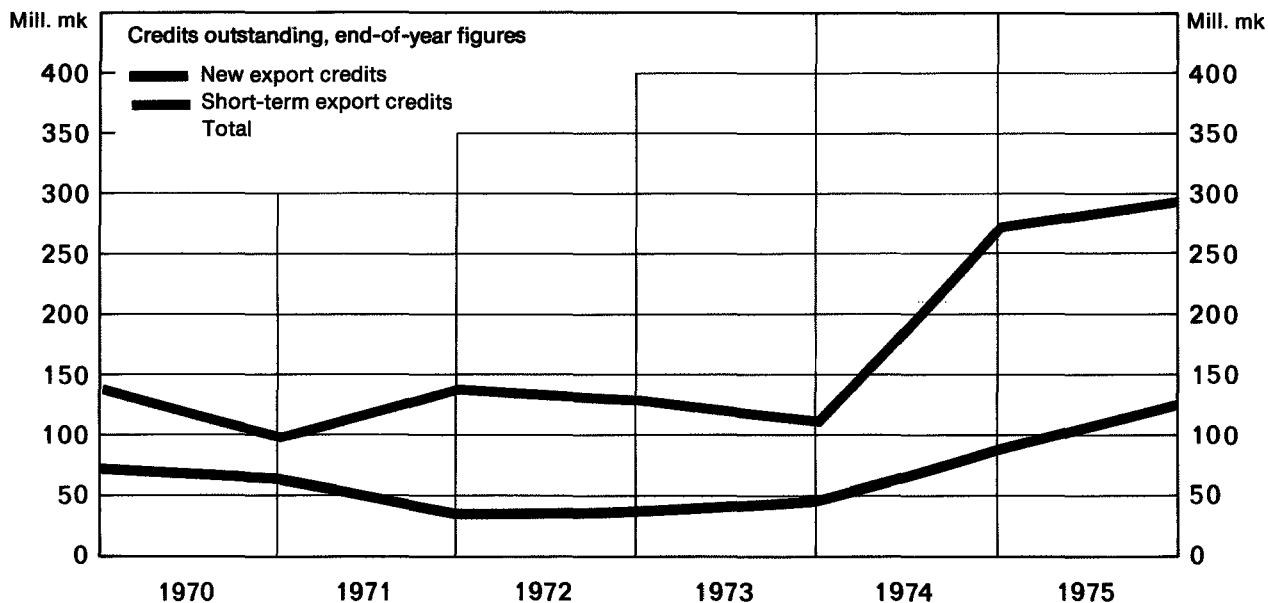
New credit commitments made in 1975 under this system totalled 947 million marks, in which the share of the Bank of Finland amounted to 284 million marks. At the end of the year, credit commitments outstanding totalled 1734 million marks, with the share of the Bank of Finland amounting to 507 million marks (Chart 13).

Drawings of credits in 1975 totalled 751 million marks, of which the Bank of Finland financed 202 million marks. At the end of the year, credits outstanding totalled 1534 million marks, in which the share of the Bank of Finland was 402 million marks.

Regulations concerning the financing of new export credits were kept unchanged during 1975. This programme is designed to provide pre-shipment finance to meet the demand for additional working capital needed by small and medium-sized industrial enterprises as a result of the expansion of their exports; enterprises with an

Chart 14.

**FINANCING OF NEW EXPORT CREDITS AND SHORT-TERM EXPORT CREDITS**



annual turnover below 100 million marks were eligible for this programme. The ceiling for new export credits for an individual enterprise was 2 million marks, and the interest rate applied was 8½ per cent. The stock of new export credits grew from 90 million marks to 128 million marks in the course of the year (Chart 14). The industrial categories benefiting the most from these credits were the textile, wearing apparel and leather industries (accounting for 33 per cent of the stock of credits outstanding) and the manufacture of fabricated metal products, machinery and equipment (33 per cent). At the end of the year, a total of 373 enterprises were in receipt of credit of this type.

The arrangements for the financing of short-term export credits are intended for the refinancing for up to 12 months of supplier credits payable in convertible currencies. The regulations concerning these arrangements were unchanged throughout 1975, and the interest rate applied to the credits was 8½ per cent. At the end of the year, credits outstanding amounted to 295 million marks, which was an increase of 21 million marks during the year (Chart 14). Of total credits outstanding, those granted to manufacturers of electrical machinery, apparatus, appliances and supplies accounted for 29 per cent, those granted to manufacturers of other metal products, machinery and equipment for 24 per cent, and those to the textile, wearing apparel and leather industries for 15 per cent. At the end of the year, a total of 393 enterprises were benefiting from 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 for the Finnish mark remained 3.90 marks per U.S. dollar during the year under review. The decisions made by the Bank of Finland

in 1973 and 1974 not to observe, in its daily exchange rate policy, the lower and the upper fluctuation limit for the dollar remained in force unchanged during 1975. The mark thus floated against all other currencies, including the rouble used in bilateral payments.

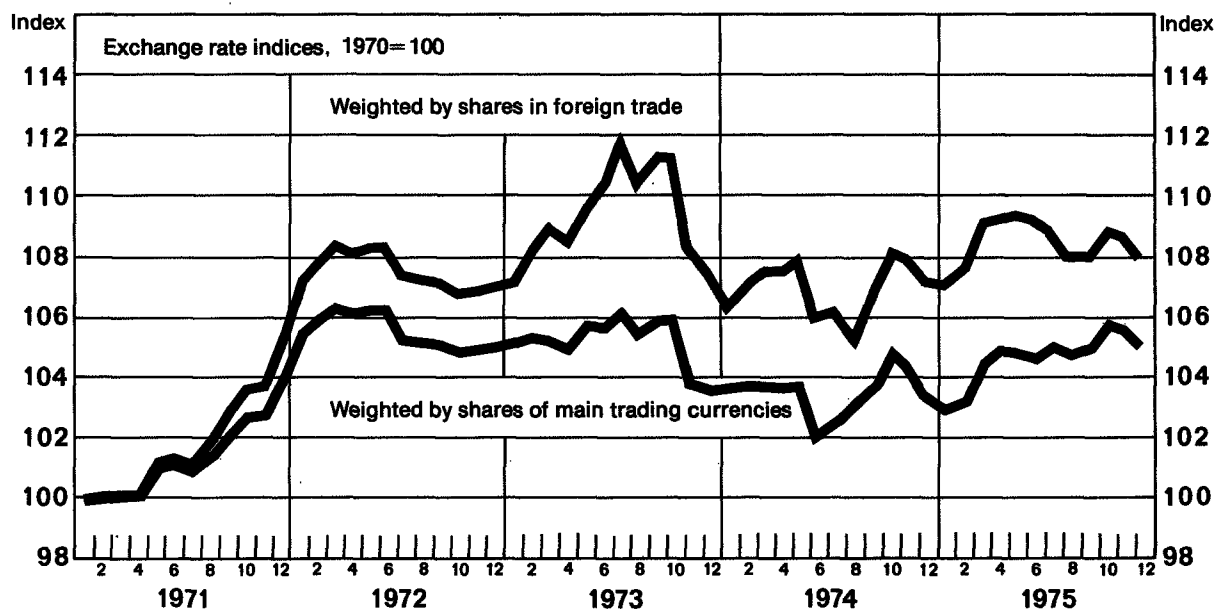
## Developments in international foreign exchange markets

The system of floating exchange rates, which had become general in 1973, was still operating in international foreign exchange markets in the year under review. On the whole, the markets were more peaceful than in previous years. However, in order to stabilize the development of exchange rates, the central banks of several countries were forced to intervene in the markets by making supporting purchases or by taking other measures:

In the United States and Europe, there were relatively few changes in interest rates. In order to stimulate economic activity, the discount rates and other rates of interest were reduced in the course of the year. The development of the exchange rates for several major currencies was affected by the exceptionally deep economic recession, and by consequent changes in expectations about balance-of-payments and cyclical developments. During the first half of the year, the U.S. dollar weakened by about five per cent against other major currencies. The United States then started to place more emphasis in its economic policy on the promotion of productive activities as well as on the curbing of inflation, and the dollar strengthened during the third quarter of the year. This was also a reflection of the improvement in the United States' trade balance following the cyclical recession. However, partly as a result of the uncertainty created by the financial crisis of the City of New York, the international value of the dollar ceased rising towards the end of the year.

France re-entered the foreign exchange rate system applied amongst the EEC countries on July 10, after having been outside the system for one and a half years. This measure had no effect on the

Chart 15.  
AVERAGE DEVELOPMENT OF EXCHANGE RATES



exchange rate for the franc, which had already reached the level to be applied under the system. The Deutschemerk was almost continuously the weakest currency in the EEC countries' exchange rate system. This was mainly due to the low level of interest rates prevailing in the Federal Republic of Germany and by a less restrictive stance in its monetary policy. Sterling, which had departed from the system earlier, weakened further because of Britain's high rate of inflation, weak balance-of-payments situation and uncertainty over economic prospects for the near future.

The price of gold fell markedly during the year under review. The weakening was insignificant during the first half of the year, being mainly caused by a levelling-off of the previous year's record quotations. After the International Monetary Fund had decided at its Annual Meeting in September to sell on the free market part of the member countries' gold which it held, the price of gold fell by more than ten per cent in one month. In London the price per ounce was 188 dollars at the end of 1974 and 141 dollars one year later — a

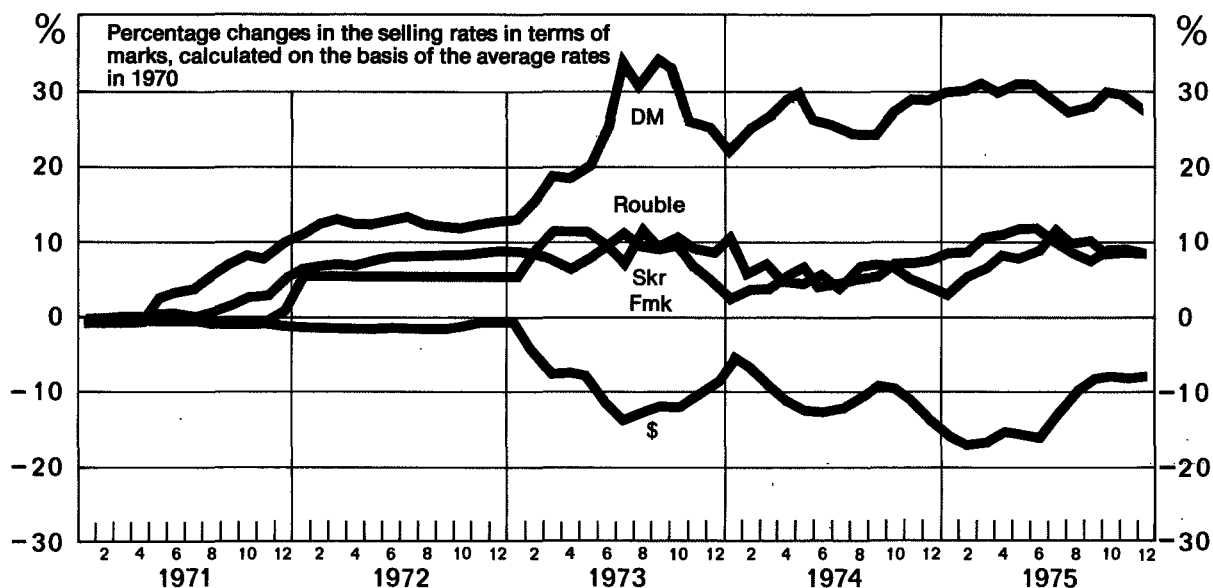
fall in price of 47 dollars per ounce, about 25 per cent, in one year.

### Spot markets

During the year under review, the Bank of Finland continued to pursue a foreign exchange policy designed to keep the external value of the mark fairly stable. Under the floating exchange rate system this implied that the average value of the mark, expressed as an index weighted by shares in Finland's foreign trade, varied within a range of about three per cent, remaining at the end of the year at almost the same level as at the beginning (see Chart 15). However, according to the index weighted by trade shares, the value of the mark fell, if the annual average exchange rates are taken into account, by 1.7 per cent from the average level of exchange rates of the previous year. A vigorous demand for foreign exchange during the first half of the year and a standstill in the inflow of foreign capital caused a sharp decline in the foreign exchange reserves of the Bank of Finland. The value of the mark also weakened slightly.

Chart 16.

CHANGES IN EXCHANGE RATES OF MAJOR CURRENCIES



However, the inflow of foreign capital picked up in early summer, with the result that the Bank of Finland became a net buyer on the foreign exchange markets, and the external value of the mark rose again towards the end of the year.

BREAKDOWN OF CURRENCIES USED IN FINNISH COMMODITY TRADE IN 1971—1975, PER CENT

Currency	1971	1972	1973	1974	1975
Dollar	22.1	19.5	19.4	17.8	16.7
Sterling	18.3	18.3	15.4	13.4	9.2
Swedish krona	15.0	16.0	17.1	18.1	16.8
DM	12.4	11.6	12.9	11.2	11.5
Rouble	12.8	13.7	12.0	16.2	20.2
Other currencies	19.4	20.9	23.2	23.3	25.6
Total	100.0	100.0	100.0	100.0	100.0

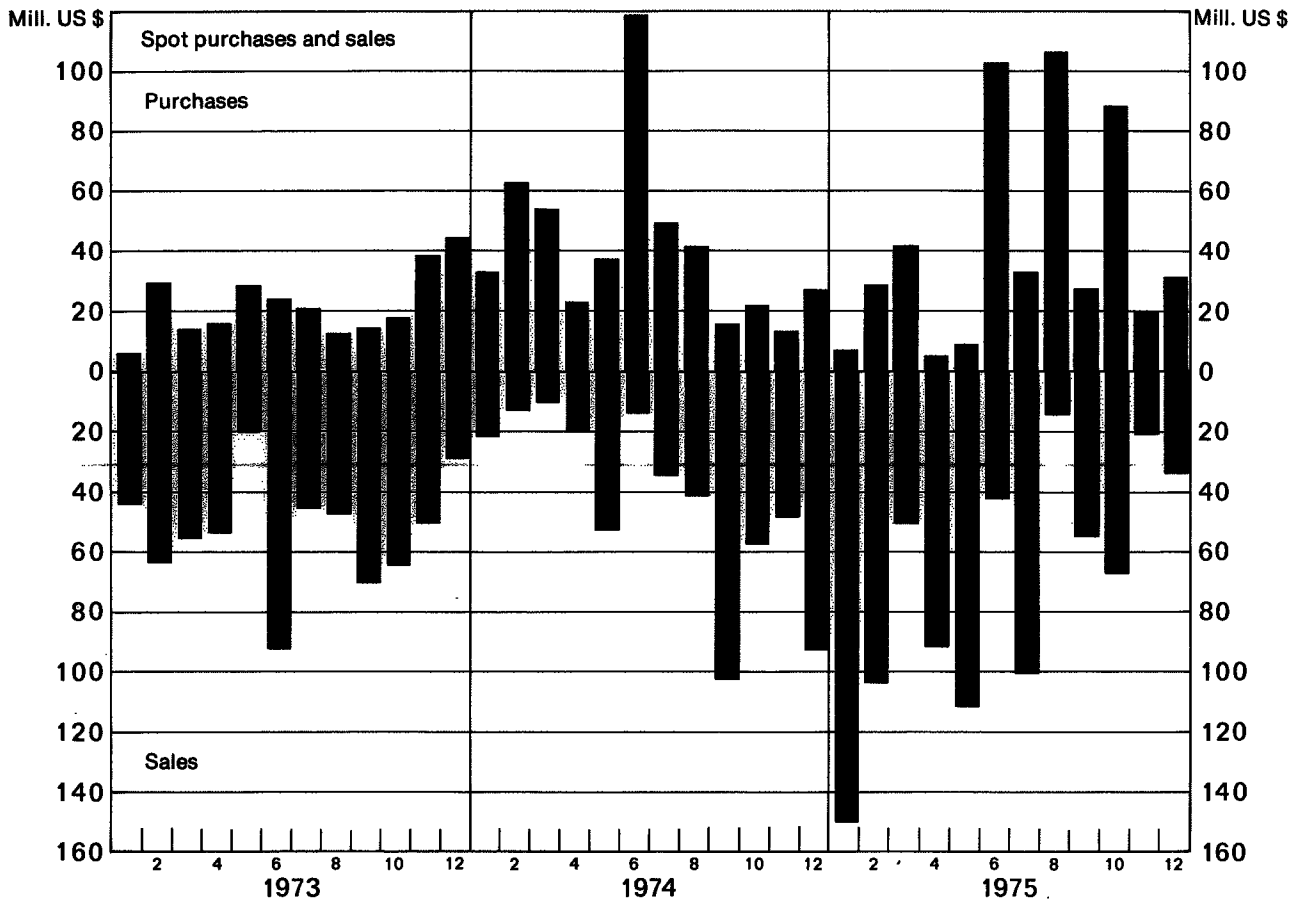
Of the currencies most important for Finland's foreign trade, the exchange rates for the U.S. dollar and for sterling fluctuated the most (Chart 16). From the end of 1974 until the end of the year

under review, the selling rate for the U.S. dollar rose by 8.4 per cent, while that for sterling fell by 6.9 per cent. The selling rate for the Swedish krona was quoted 0.3 per cent and that for the rouble 4.4 per cent higher than one year earlier, while that for the DM was 0.7 per cent lower. The selling rates for currencies quoted by the Bank of Finland in 1975 are shown in Table 12.

The changes during 1975 in the breakdown of currencies used in Finnish commodity trade followed the trend of the previous years. The most important changes concerned sterling and the rouble. The decline in sterling's share was caused by the fact that the rate of exchange for sterling had weakened steadily in the international foreign exchange markets. The share of the rouble increased because of a relative growth in trade between Finland and the Soviet Union.

During the first half of the year, sales of foreign exchange exceeded purchases in the spot transactions between the Bank of Finland and the authorized banks: its net sales to the authorized

Chart 17.  
SPOT TRANSACTIONS OF THE BANK OF FINLAND



banks amounted to 356 million dollars. Towards the end of the year, however, the situation reversed so that the Bank of Finland's net purchases of foreign exchange amounted to 14 million dollars during the second half of the year. For the year as a whole, sales of foreign exchange in the spot transactions amounted to 844 million dollars and purchases to 502 million dollars. Monthly developments in these transactions are shown in Chart 17.

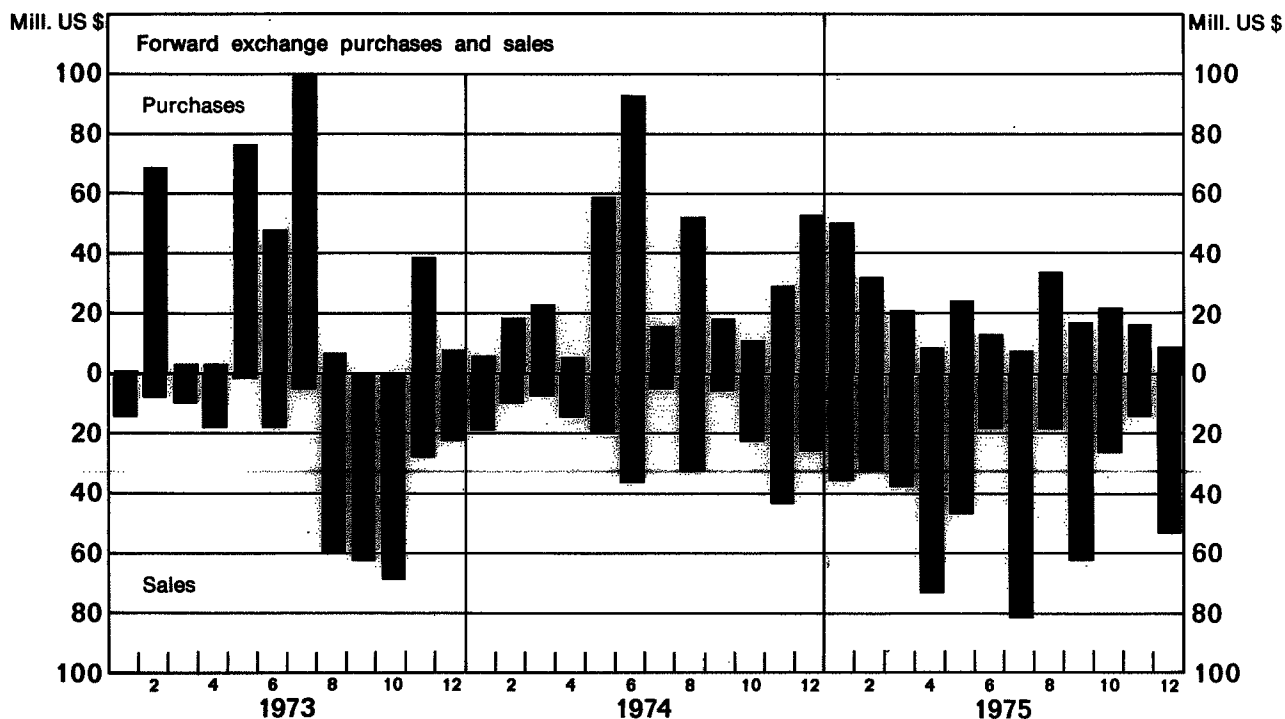
### Forward exchange markets

The total volume of the Bank of Finland's forward

exchange transactions increased in 1975, after having declined in the previous year. Sales totalled 502 million dollars and purchases 259 million dollars. The forward exchange rates for the dollar are quoted daily for three to twelve-month periods, but the agreements were made mainly for three to six months. The development of forward exchange transactions in 1975 is shown in Chart 18.

In order to balance purchases and sales on the forward exchange markets, the difference between the forward exchange and the spot rates altered substantially in the course of the year. For example, on an annual basis the three-month

Chart 18.  
**FORWARD EXCHANGE TRANSACTIONS OF THE BANK OF FINLAND**



forward exchange rates were between 3.4 and 20.6 per cent above the spot rates. On December 31 the forward exchange rate for the dollar was 3.980 marks, 3.1 per cent (12.5 per cent on an annual basis) above the spot rate. Forward exchange transactions in roubles totalled 86 million roubles. As a rule, the forward exchange rates for the rouble remained during 1975 at the same level as the spot rate.

#### Measures related to foreign exchange control

On August 28, 1975, the Bank of Finland issued an amendment to § 27a of its Decision on the Application of the Decision of the Council of State on the Execution of the Law on Foreign Exchange (912/72), issued on December 29, 1972, as revised

by the Decision (473/73) issued on June 13, 1973. This amendment was issued in the Statute Book under 699/75, and it came into force on September 8, 1975.

The amendment revised the list of tariff headings for goods subject to import credit restrictions and stipulated that the payment or deposit for these goods should be made before the goods were cleared through Customs. Under the previous procedure, the payment or deposit for the goods had to be made before the buyer took the goods into his custody or obtained permission to use the goods from the Customs authorities.

At the same time, a corresponding amendment was made to § 10 of the Decision.

## 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 arrangements of keeping accounts in freely convertible U.S. dollars were continued. As in the past, U.S. dollar rates were adopted for sales and purchases of clearing dollars. In the course of the year an agreement was reached between the Mongolian People's Republic and Finland that, on the basis of a trade

agreement concluded in 1974, convertible US-dollar accounts would be opened for settling payments between the countries.

## Long-term capital flows

After a lull in the previous year, international long-term lending picked up substantially in 1975. A record number of bond issues were floated on the Euro-markets, to the equivalent of almost 7 000 million dollars, while the corresponding amount in 1974 was less than 2 000 million dollars. In addition, a large number of foreign loans were floated on the capital markets of a number of countries, mainly the United States, the Federal Republic of Germany and Switzerland; the loans issued totalled about 10 000 million dollars.

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

	Debt <sup>1</sup> December 31, 1974	Drawings <sup>3</sup> in 1975	Amortizations <sup>3</sup> in 1975	Net change in 1975	Impact of exchange rates <sup>4</sup> in 1975	Debt <sup>2</sup> December 31, 1975
<b>FINANCIAL LOANS</b>	<b>9 497</b>	<b>5 102</b>	<b>955</b>	<b>4 147</b>	<b>+ 651</b>	<b>14 295</b>
Individual loans	5 066	3 230	638	2 592	+ 165	7 823
Loans from foreign gov'ts	161	—	38	—38	—21	102
Bonds	4 431	1 872	317	1 555	+ 486	6 472
Publicly issued bonds	2 561	1 059	227	832	+ 311	3 704
Private placement loans	1 396	779	4	775	+ 143	2 314
Loans from the World Bank	474	34	86	—52	+ 32	454
<b>IMPORT CREDITS</b>	<b>2 098</b>	<b>1 627</b>	<b>490</b>	<b>1 137</b>	<b>+ 138</b>	<b>3 373</b>
<b>DIRECT INVESTMENTS</b>	<b>848</b>	<b>315</b>	<b>38</b>	<b>277</b>	<b>—</b>	<b>1 125</b>
Equity	605	183	17	166	—	771
Loans to Finnish subsidiaries from foreign parent companies	243	132	21	111	—	354
<b>Total debt</b>	<b>12 443</b>	<b>7 044</b>	<b>1 483</b>	<b>5 561</b>	<b>+ 789</b>	<b>18 783</b>
<b>DEVELOPMENT CREDITS</b>	<b>42</b>	<b>53</b>	<b>—</b>	<b>53</b>	<b>—</b>	<b>95</b>
<b>EXPORT CREDITS</b>	<b>1 642</b>	<b>617</b>	<b>403</b>	<b>214</b>	<b>15</b>	<b>1 871</b>
<b>DIRECT INVESTMENTS</b>	<b>1 122</b>	<b>216</b>	<b>114</b>	<b>102</b>	<b>—</b>	<b>1 224</b>
Equity	520	173	3	170	—	690
Loans to foreign subsidiaries from Finnish parent companies	602	43	111	—68	—	534
<b>Total assets</b>	<b>2 806</b>	<b>886</b>	<b>517</b>	<b>369</b>	<b>15</b>	<b>3 190</b>
<b>Net debt</b>	<b>9 637</b>	<b>6 158</b>	<b>966</b>	<b>5 192</b>	<b>774</b>	<b>15 603</b>

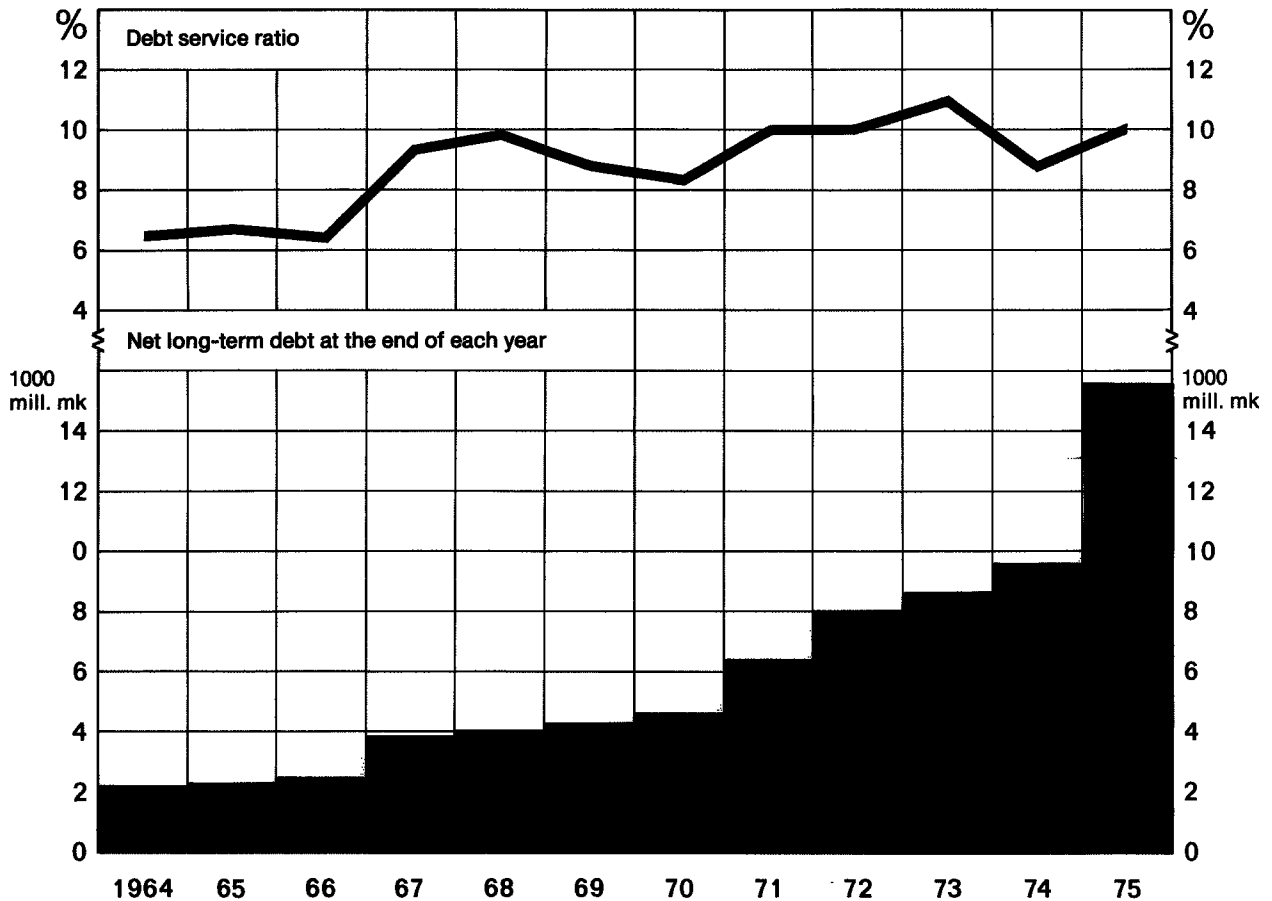
1. The debt outstanding on December 31, 1974, is the accumulated value of net changes in previous years.

2. The debt outstanding on December 31, 1975, has been calculated by using the selling rates of the same date, excluding the debt in the form of direct investments which has been obtained by adding the net change in 1975 to the debt outstanding at the end of 1974.

3. Drawings and amortizations have been calculated by using the average monthly selling rates; however, daily rates have been used for direct investments.

4. The impact of exchange rates is the difference between the debt outstanding at the end of 1974 increased by the net change in 1975 and the debt outstanding at the end of 1975; this figure shows the effect of exchange rate fluctuations on the value of the debt outstanding at the end of the year.

Chart 19.  
DEVELOPMENT OF INDEBTEDNESS



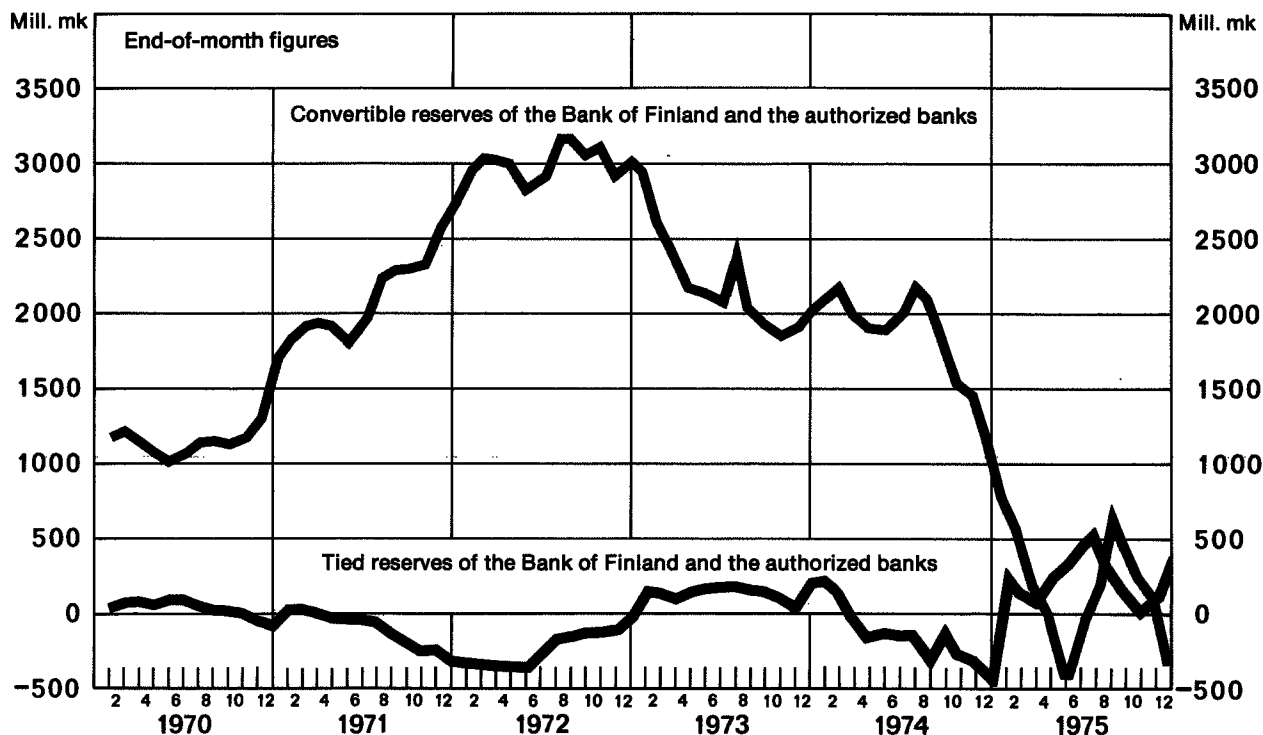
Because of the slackness in lending in the previous year, loan periods were shortened in the Euro-bond markets from the normal ten to fifteen years to five to seven years, and the level of nominal interest rates on the loans remained quite high throughout the year. During the year under review there was thus no actual long-term lending in the Euro-markets, because Euro-bonds began to resemble, as their loan periods shortened, the so-called medium-term syndicate loans. These Euro-currency loans, which banking syndicates grant from their own funds and which are generally classified as medium-term loans, make up at present a significant part of the Euro-markets. In 1975 the number of syndicate loans granted in the Euro-markets was noticeably smaller than in the

previous year; the total value was estimated to be some 20 000 million dollars. The stabilization of the Euro-markets was substantially due to the fact that they shifted back to European and American sources for their financing. The relative share of oil-producing countries in the markets declined, as their export surpluses were smaller than had been estimated, and as their own industrialization and development programmes absorbed more funds than had been expected. On the other hand, the current account position improved in several major industrial countries in the course of the year.

At the end of the year, Finland's long-term foreign debt amounted to 18 793 million marks. Drawings



Chart 20.  
FOREIGN EXCHANGE RESERVE POSITION



of new loans totalled 7 044 million marks, which was more than double the amount in the previous year. Interest expenses and redemptions on loans remained at the 1974 level, totalling 1 483 million marks. The net inflow of long-term capital thus amounted to 5561 million marks<sup>1</sup>, four times the amount in 1974.

Almost three quarters of the inflow of long- and medium-term capital took the form of financial loans, including both individual financial loans and bonds. The share of ordinary individual financial loans was the largest; drawings of them doubled from the previous year and amounted to 3 230 million marks. The ample supply of capital depressed the level of interest rates, particularly in the Euro-markets, and the interest rates on finan-

cial loans drawn by Finnish firms varied between eight and ten per cent, according to the type of loan. The expansion of the international bond markets was very clearly reflected in the number of bond issues made: it increased by more than five times from the previous year. There were thirteen issues of both publicly launched bonds and of private placement loans, with a total value of 1 059 million marks and 779 million marks respectively. The Government issued two loans abroad: in June a private placement loan of 350 million Saudi Arabian riyals (about 360 million marks) and in July a loan of 10 000 million yen (about 120 million marks) from the Japanese capital market. The majority of the Finnish bonds issued were denominated in currencies already established as the loan currencies of the international credit markets, i.e. U.S. dollars, D-marks and Swiss francs. Finnish borrowers also launched three EUA (European Unit of Account) loans and two Kuwaiti dinar loans.

1. At present the mark value of drawings and redemptions on loans is calculated monthly on the basis of average selling rates for the foreign currencies concerned, whereas the balance outstanding at the end of each month is calculated on the basis of the selling rates prevailing on the last day of the month.

Drawings of import credits also doubled from the previous year. This growth was caused by the stringency of the domestic financial market and by investment needs. However, the growth was curbed towards the end of the year by the Bank of Finland's measures designed to restrain the country's indebtedness; measures which were focussed particularly on import credits. At the end of the year, about 45 per cent of Finland's long-term foreign debt was denominated in U.S. dollars, 19 per cent in D-marks, and 10 per cent in Swiss francs, while the remainder was distributed between some 20 different currencies.

Debt service charges, i.e. interest expenses and redemptions on long-term loans, increased by only about 12 per cent. The ratio of total debt service charges to current account earnings amounted to about 10 per cent (Chart 19).

Finland's long-term foreign assets, which consisted of export credits, direct investments and development aid credits granted by the Finnish Government, totalled 3 190 million marks, compared with 2 806 million marks one year earlier. At the end of the year, Finland's net long-term foreign debt amounted to 15 603 million marks.

In 1975 the net inflow of investment capital more than doubled from the previous year. Despite this heavy growth, direct investments in Finland still covered only a small part of the total inflow of long-term capital. On the other hand, direct investments abroad by Finnish enterprises accounted for almost half of the total outflow of long-term capital. In the year under review, foreign equity direct investment in Finland amounted to 183 million marks, while repatriation of foreign capital totalled about 17 million marks. Drawings of loans to Finnish subsidiaries granted by foreign parent companies amounted to 132 million marks and amortizations to about 21 million marks. About half of the net inflow of investment capital came from the EFTA countries, predominantly Sweden. At the end of the year, there were 792 enterprises in Finland which were totally or partly foreign owned.

Finnish direct investment in foreign countries, in the form of equity capital, amounted to 173 million

marks in 1975, while the repatriation of capital totalled more than 3 million marks. Loans to subsidiaries abroad granted by Finnish parent companies totalled about 43 million marks, while outstanding loans were redeemed or converted into share capital up to a total value of 111 million marks. About 62 per cent of the net outflow of investment capital went to the EEC countries, about 17 per cent to North America and about 12 per cent to the EFTA countries. At the end of the year, there were 682 enterprises abroad which were totally or partly owned by Finnish proprietors.

### Foreign exchange situation

The country's total convertible foreign exchange reserves declined by 1 231 million marks during the year under review. The tied foreign exchange reserves grew by 760 million marks, totalling 367 million marks at the end of the year. The gold reserves of the Bank of Finland remained unchanged. SDRs declined by 8 million marks, and the entire gold tranche in the International Monetary Fund, 268 million marks, was converted into foreign currencies. The Bank of Finland's total foreign currency receivables increased by 435 million marks. The Bank's foreign liabilities declined by 285 million marks, because of a decline in the tied foreign exchange liabilities. The convertible foreign exchange reserves of the Bank of Finland amounted to 1 410 million marks and the tied accounts showed a net receivable of 368 million marks. The net foreign receivables of authorized banks declined by a total of 1 191 million marks.

On June 4 Finland made an agreement with the International Monetary Fund on a stand-by credit arrangement under which drawings totalling 95 million SDRs (more than 400 million marks) can be made, whenever needed. At the same time, a purchase was made under the Oil Facility which amounted to 71.25 million SDRs (more than 300 million marks). At the end of the year, the Bank of Finland had negotiated stand-by credit arrangements with foreign private consortia to the total value of almost 500 million dollars. No drawings were made on these credits during the year under review.

# 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. Chart 21 shows monthly changes in the major items of the Bank of Finland balance sheet.

## FOREIGN SECTOR

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 312 million marks during 1975, and amounted to 1 410 million marks at the end of the year.

The tied foreign exchange reserves, which are calculated as the difference between the tied foreign exchange receivables and liabilities of the Bank of Finland, amounted to 368 million marks at the end of the year. Since tied accounts had shown a net liability of 388 million marks at the end of the previous year, there was in fact a net increase of 756 million marks in the tied foreign exchange reserves.

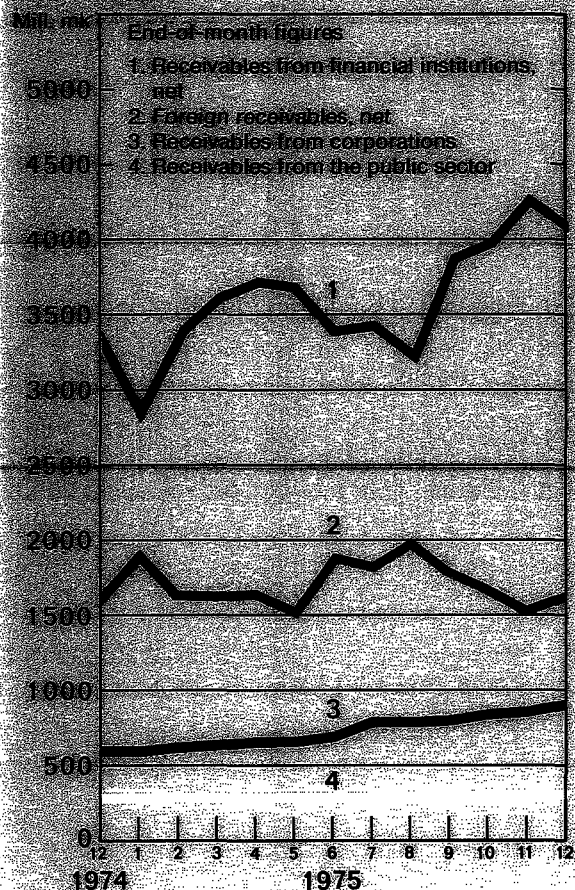
## FOREIGN ACCOUNTS, MILL. MARKS

	December 31, 1974	December 31, 1975	Change
Gold	121	121	— 0
Special drawing rights	286	278	— 8
IMF gold tranche	268	—	—268
Convertible currencies	1 109	1 089	— 20
Tied currencies	7	462	+ 455
Gold and foreign exchange receivables	1 791	1 950	+ 159
Foreign bills	252	272	+ 20
Foreign bonds	341	204	—137
Currency subscription to Finland's quota in the IMF	530	798	+ 268
Other foreign receivables	1 123	1 274	+ 151
<b>Total foreign receivables</b>	<b>2 914</b>	<b>3 224</b>	<b>+ 310</b>
Convertible accounts	62	78	+ 16
Tied accounts	395	94	—301
Foreign exchange liabilities	457	172	—285
IMF mark accounts	530	1 127	+ 597
Allocations of special drawing rights	258	258	— 0
Other foreign liabilities	788	1 385	+ 597
<b>Total foreign liabilities</b>	<b>1 245</b>	<b>1 557</b>	<b>+ 312</b>
<b>Net foreign liabilities</b>	<b>1 669</b>	<b>1 667</b>	<b>— 2</b>

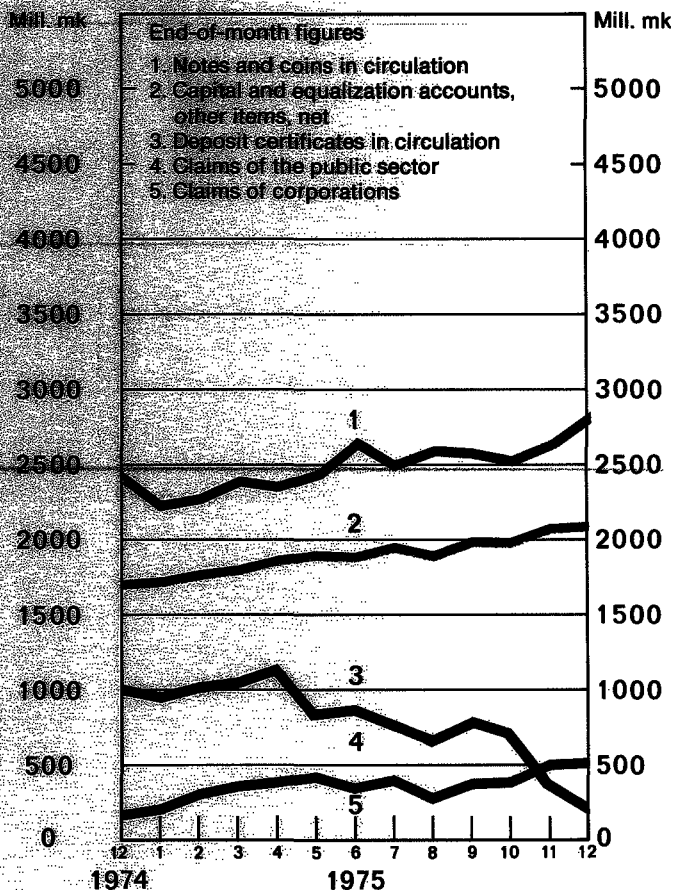
Chart 21

THE BALANCE SHEET OF THE BANK OF FINLAND

ASSETS



LIABILITIES



Other net foreign receivables of the Bank of Finland declined by 446 million marks during 1975. The currency subscription to Finland's quota in the IMF included in "Other foreign receivables" grew by 268 million marks, while the IMF mark accounts included in "Other foreign liabilities" increased by 597 million marks. This increase was caused by the conversion of the gold tranche into foreign exchange and by the drawing made under the Oil Facility.

The net foreign receivables of the Bank of Finland declined by only 2 million marks, as the current account deficit was covered almost entirely by the inflow of foreign capital. The development of net foreign receivables was fairly stable

FINANCIAL INSTITUTIONS

The imbalance prevailing in the financial market continued further during 1975. Pressures on the liquidity of the financial institutions increased, particularly towards the end of the year, and they resorted to central bank financing to an increasing extent. Hence, the Bank of Finland's receivables from financial institutions increased by 730 million marks, net, during the year under review.

The excess demand for credit, which was focussed on the commercial banks, was steadily strong. In order to finance the excess of their lending over deposits, the commercial banks increased their borrowing from the central bank by

a net amount of 648 million marks during 1975. Total central bank financing of the commercial banks (incl. the Bank of Finland's net deposits in the call money market) amounted to 3792 million marks at the end of the year. This was 52 per cent above the commercial banks' basic quotas which totalled 2500 million marks.

Deposit certificates sold to financial institutions are not included in the claims of financial institutions but in the item "Deposit certificates in circulation". When considering the position on the

financial institutions, account must also be taken of the commitments incurred by the banks as a result of special credit arrangements, and not included in the table above. These commitments are connected with new export credits and export bills denominated in foreign currency: the latter from the major part of the balance sheet item "Foreign bills". In addition, these commitments include bills arising from the domestic suppliers' credit arrangements and issued against the guarantee of the financial institutions.

## ACCOUNTS OF FINANCIAL INSTITUTIONS, MILL. MARKS

	December 31, 1974	December 31, 1975	Change
Cheque accounts of the commercial banks	114	133	+ 19
Discounted bills	3034	3385	+ 351
Bonds	220	327	+ 107
Other accounts	46	319	+ 273
<b>Receivables from financial institutions</b>	<b>3414</b>	<b>4164</b>	<b>+ 750</b>
Cheque account of Postipankki	4	1	- 3
Cheque accounts of the commercial banks	4	3	- 1
Other accounts	1	25	+ 24
<b>Claims of financial institutions</b>	<b>9</b>	<b>29</b>	<b>+ 20</b>
<b>Net receivables from financial institutions</b>	<b>3405</b>	<b>4135</b>	<b>+ 730</b>

## THE PUBLIC SECTOR

Receivables from the public sector increased by 37 million marks, mainly as a result of an increase in total coinage. The balance sheet item "Total coinage" is the accounting equivalent of coins in circulation. The development of receivables was very stable during 1975 (Chart 21).

Claims of the public sector grew by 741 million marks. This growth was caused by import deposits which the Central Government had collected in the course of the year and deposited with the Bank of Finland: these totalled 1135 million marks at the end of the year. On the other hand, the Central Government's counter-cyclical reserves declined by 388 million marks to 155

million marks and its funds accrued from export levies, the counter-cyclical tax, and the investment tax accounts fell from 8 million marks to one million. The claims of the public sector on the Bank of Finland do not include deposit certificates sold to the public sector, which are included in the balance sheet item "Deposit certificates in circulation".

Claims of the public sector remained almost unchanged during the first half of the year. Towards the end of the year, they began to grow, mainly as a result of the collection of import deposits, causing a tightening in the financial market (Chart 21).

## ACCOUNTS OF THE PUBLIC SECTOR, MILL. MARKS

	December 31, 1974	December 31, 1975	Change
Bonds	71	70	— 1
Total coinage	225	256	+ 31
Other accounts	6	13	+ 7
<b>Receivables from the public sector</b>	<b>302</b>	<b>339</b>	<b>+ 37</b>
Cheque accounts	7	2	— 5
Counter-cyclical reserves	543	155	— 388
Import deposits	—	1135	+1135
Other accounts	10	9	— 1
<b>Claims of the public sector</b>	<b>560</b>	<b>1301</b>	<b>+ 741</b>
<b>Net claims of the public sector</b>	<b>258</b>	<b>962</b>	<b>+ 704</b>

## CORPORATIONS

The receivables of the Bank of Finland from corporations increased by 302 million marks to 933 million marks, as a result of the increased emphasis given to the selective credit granting (Chart 21). Lending to corporations grew by 310 million marks, totalling 710 million marks at the end of the year. Of this amount, new export bills accounted for 128 million marks and the financing of domestic suppliers' credits for 402 million marks. The total value of bonds issued by corporations and held by the Bank declined by 8 million marks to 223 million marks.

Claims of corporations grew by 344 million marks to 539 million marks (Chart 21). Capital import deposits, which were collected in order to neutralize the liquidity effect of capital imports, made up the majority of these claims; they increased by 352 million marks in the course of the year. The investment deposits of corporations increased by 39 million marks and totalled 73 million marks at the end of the year. Counter-cyclical withholdings, which amounted to 49 million marks at the beginning of the year, were released by the end of June. They reached their peak, at 120 million marks, in the March—June quarter.

## ACCOUNTS OF CORPORATIONS, MILL. MARKS

	December 31, 1974	December 31, 1975	Change
New export bills	90	128	+ 38
Financing of suppliers' credits	276	402	+126
Bonds	231	223	— 8
Other accounts	34	180	+146
<b>Receivables from corporations</b>	<b>631</b>	<b>933</b>	<b>+ 302</b>
Investment deposits	34	73	+ 39
Counter-cyclical withholdings	49	—	— 49
Capital import deposits	98	450	+352
Import levy deposits	6	8	+ 2
Other accounts	8	8	+ 0
<b>Claims of corporations</b>	<b>195</b>	<b>539</b>	<b>+ 344</b>
<b>Net receivables from corporations</b>	<b>436</b>	<b>394</b>	<b>— 42</b>

## NOTES, COINS AND DEPOSIT CERTIFICATES IN CIRCULATION

Notes and coins in circulation increased by 392 million marks, 16 per cent, to total 2855 million marks at the end of the year. Of this increase, notes accounted for 358 million marks and coins for 35 million marks. In addition, the balance sheet item "Other liabilities" included 9 million marks of notes denominated in the old monetary unit.

Following normal seasonal movements, the amount of notes and coins in circulation was at its highest at the end of June and December, and at its lowest at the end of January (Chart 21).

Deposit certificates in circulation decreased by 790 million marks, totalling 250 million marks at the end of the year. The quantity of these was at its highest, 1 170 million marks, at the end of April (Chart 21).

## NOTE ISSUE

Ordinary note cover, which includes gold and the Bank's undisputable foreign receivables, increased by 141 million marks during 1975 and amounted to 2 282 million marks at the end of the year. Coverable domestic bills increased by 211 million marks to 1 842 million marks, but supplementary note cover remained unchanged as it had, on the basis of a temporary revision in the Regulations for the Bank of Finland, already stood at its upper limit of 1 500 million marks at the beginning of the year. As a result of the increase in ordinary note cover, the total right of note issue thus increased by 141 million marks.

As, on the other hand, the used right of note issue — notes in circulation, liabilities payable on demand, and the unutilized cheque credits — increased by a total of 90 million marks, the note reserve grew by 51 million marks to 934 million marks.

## RIGHT OF NOTE ISSUE AND ITS USE, MILL. MARKS

	December 31, 1974	December 31, 1975	Change
Ordinary cover	2 141	2 282	+ 141
Supplementary cover	1 500	1 500	—
<b>Right of note issue</b>	<b>3 641</b>	<b>3 782</b>	<b>+ 141</b>
Notes in circulation	2 259	2 617	+ 358
Liabilities payable on demand	498	229	— 269
Unutilized cheque credits	1	2	+ 1
<b>Used right of note issue</b>	<b>2 758</b>	<b>2 848</b>	<b>+ 90</b>
<b>Note reserve</b>	<b>883</b>	<b>934</b>	<b>+ 51</b>

## OTHER BALANCE SHEET ITEMS

According to the statement of the Bank of Finland, the Bank's capital accounts, excluding profits for the accounting year, amounted to 1 637 million marks, which is 874 million marks more than at the end of the previous year. The increase was the result of two measures: in accordance with a parliamentary decision, the primary capital was raised by 800 million marks in connection with the closing of accounts; and one-half of the 1974 profits was

transferred 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 Head Office and branch office buildings, a note-printing works, certain other real properties indispensable for the Bank's operations, 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 1975 is shown in Table 4. The Bank's total earnings increased by 148 million marks in 1975 to 717 million marks. Of this amount, interest on domestic receivables grew by 157 million marks. On the other hand, interest on foreign receivables declined by 60 million marks. In other earnings, agio increased by 51 million marks.

The Bank's total expenses declined by 5 million marks and amounted to 284 million marks in the year under review. Interest on domestic claims decreased by 22 million marks and agio by 39

million marks. Depreciation increased by 24 million marks, salaries by 6 million marks and expenses on the printing of bank notes by 5 million marks. In addition, interest expenses and reserved commissions for foreign claims grew by 16 million marks.

The Bank's profits for 1975 amounted to 193 million marks, which was 44 million marks more than in the previous year. In accordance with the Regulations of the Bank of Finland, one half of the profits was transferred to the reserve fund when opening the accounts for 1976. The disposal of the other half 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 or 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 the respective agreements, the Bank of Finland is the Finnish deposit taker for these organizations. The Bank of Finland is a share-holder in the Bank for International Settlements (BIS).

## INTERNATIONAL MONETARY FUND (IMF)

Imbalances in international payments continued further in 1975 as a result of previous rises in the price of oil and of the prolonged recession in industrial countries. Hence the Fund's financing operations expanded considerably. The reform of the international monetary system and the Monetary Fund was not completed during the year under review; however, substantial progress was made by the Interim Committee established in 1974.

In addition to the foreign exchange policy discussions conducted in the International Monetary Fund, international monetary co-operation strengthened in other respects as well. During the second half of the year, certain central banks intervened on a substantial scale in the foreign exchange markets in order to curb fluctuations in exchange rates. Towards the end of the year, major OECD countries agreed to strengthen co-operation in their foreign exchange policies, i.a. by closer contacts in matters concerning market intervention.

The adjustment of the Fund's Articles of Agreement to fit the prevailing monetary conditions was the most important single task facing the Interim Committee and the Executive Board of the Fund. In this context, foreign exchange regulations, the role of monetary gold and problems related to the operations of the Fund were tackled. Apart from these, a proposal for increasing members' quotas in the Fund was being finalized. Problems related to development co-operation were raised to the fore by the fact that the international balance-of-payments structure had become particularly burdensome to the developing countries. After the Fund's Annual Meeting, held in September, it was set as a goal in the reform talks that solutions would be reached at the meeting of the Interim Committee in January 1976.

The Oil Facility system set up in 1974 was continued in 1975. In all, 41 member countries made purchases under the Oil Facility during 1975. Total purchases under these arrangements in 1974 and 1975 amounted to the equivalent of 4759 million SDRs at the end of 1975. An interest subsidy account was set up in August to subsidize interest

expenses on Oil Facility purchases made by those developing countries which had suffered most from rises in the price of oil (MSA countries). However, the participation in the financing of this account of a number of industrial countries, like Finland, remained uncertain.

The Compensatory Financing Facility, which had been set up in 1963 for financing shortfalls in export earnings, was expanded in December. Under the revised arrangements, a member country is allowed to purchase, in special cases, up to 75 per cent of its quota, in order to finance a deficit caused by a sharp fall in export earnings due to external reasons.

In 1975 the transactions of the Fund were more extensive than before. Sales of currencies and SDRs totalled the equivalent of 4 658.4 million SDRs (in 1974 the equivalent of more than 4 000 million SDRs and in 1973 of more than 700 million SDRs). Of this total, the sum of 3 043 million SDRs was purchased under the Oil Facility. The financing of shortfalls in the developing countries' export earnings amounted to the equivalent of 239 million SDRs. Total purchases of foreign exchange, including those under the Oil Facility and the Compensatory Financing Facility, amounted to 9 386 million SDRs at the end of 1975, while they had amounted to 5 627 SDRs at the end of 1974.

No new SDRs were allocated during 1975, so the total remained at just over 9 300 million units.

On June 4 the Executive Board of the International Monetary Fund approved a stand-by arrangement with Finland designed to support the country's external liquidity and to promote the implementation of an economic policy designed to strengthen the balance-of-payments. The programme was described in a letter approved by the Government and sent to the Fund by doctor Mauno Koivisto, the Governor of the Bank of Finland, in his capacity as the country's representative on the Fund's Board of Governors. The stand-by arrangement amounted to 95 million SDRs (about 420 million marks), half of the Finnish quota. No purchases were made under the

stand-by arrangement during 1975. In addition, on June 4 the Executive Board of the Fund approved a Finnish purchase of 71.25 million SDRs (about 315 million marks) under the Oil Facility; it was effected in June. The credit period is seven years while the interest rate charged during the year under review was 7 <sup>5</sup>/<sub>8</sub> per cent.

As a result of the purchases made under the Oil Facility and the preceding conversion of Finland's gold tranche and "super gold tranche" into foreign exchange, the mark holdings of the Fund amounted to 137.5 per cent of the Finnish quota. The Finnish quota was 190 million SDRs, about 840 million marks, which is about 0.65 per cent of all quotas. The total amount of SDRs held by Finland at the end of the year amounted to 77.5 million units, 345.7 million marks.

The Nordic countries were represented on the Fund's Executive Board by Per Åsbrink of Sweden, with Jörn Kjaer of Denmark as his alternate as from March 1. H. Johannes Witteveen continued as the Fund's Managing Director; he had been elected in 1973.

## BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

The Bank for International Settlements continued to participate in the work on the reform of the international monetary system as an observer on the Interim Committee, and it offered a forum for discussing and looking into questions mainly concerned with foreign exchange policy and the role of gold.

The total of the Balance Sheet of the Bank amounted to 42 715 million gold francs at the end of 1975. The number of shares and the size of the share capital of the Bank remained unchanged. The nominal value of the shares possessed by the Bank of Finland was 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 nine per cent on it.

## THE WORLD BANK GROUP

At the end of the year, the World Bank's loans outstanding totalled 22 800 million dollars and those of the International Development Association 9 500 million dollars.

In 1975 the World Bank group (IBRD, IFC, and IDA) channelled 38 per cent of its lending to the poorest countries; in the previous year, the corresponding share had been 31 per cent. Loans were granted to an increasing extent for agriculture, while the share of traditional infrastructure loans declined from 43 per cent in the fiscal year 1974 to 25 per cent.

## 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 operated by the OECD countries' central banks was discontinued and, by decision in November of the OECD Council, the operation of the Committee on Monetary and Foreign Exchange Matters, which had been established i.a. for the administration of the guarantee system, was suspended for the 1976—1978 period. After that, the exchange rate guarantee system will break down unless the development of international exchange rate relations justifies its restoration.

In April, all member countries of the OECD signed an agreement under which a Financial Support Fund for last-resort financing of balance-of-payments deficits would be set up, in connection with the OECD, for a two-year period. At the end of the year, the ratification of the agreement was under way in the member countries.



## **TABLES**

### **The activities of the Bank of Finland**

Table 1.

**THE BALANCE SHEET OF THE BANK OF FINLAND AT THE END OF 1973—1975,  
MILLION MARKS**

<b>ASSETS</b>	<b>1973</b>	<b>1974</b>	<b>1975</b>
Gold	121	121	121
Special drawing rights	285	286	278
IMF gold tranche	268	268	—
Convertible currencies	1 228	1 109	1 089
Tied currencies	308	7	462
<b>Gold and foreign exchange receivables</b>	<b>2 210</b>	<b>1 791</b>	<b>1 950</b>
Foreign bills	103	252	272
Foreign bonds	319	341	204
Currency subscription to Finland's quota in the IMF	530	530	798
<b>Other foreign receivables</b>	<b>952</b>	<b>1 123</b>	<b>1 274</b>
Cheque accounts of the commercial banks	19	114	133
Discounted bills	2 556	3 034	3 385
Bonds	121	220	327
Other financial institution receivables	49	46	319
<b>Receivables from financial institutions</b>	<b>2 745</b>	<b>3 414</b>	<b>4 164</b>
Bonds	53	71	70
Total coinage	200	225	256
Other public sector receivables	15	6	13
<b>Receivables from the public sector</b>	<b>268</b>	<b>302</b>	<b>339</b>
New export bills	47	90	128
Financing of suppliers' credits	271	276	402
Bonds	255	231	223
Other corporate receivables	40	34	180
<b>Receivables from corporations</b>	<b>613</b>	<b>631</b>	<b>933</b>
<b>Other assets</b>	<b>34</b>	<b>37</b>	<b>47</b>
<b>TOTAL</b>	<b>6 822</b>	<b>7 298</b>	<b>8 707</b>

<b>LIABILITIES</b>	<b>1973</b>	<b>1974</b>	<b>1975</b>
Convertible accounts	73	62	78
Tied accounts	74	395	94
<b>Foreign exchange liabilities</b>	<b>147</b>	<b>457</b>	<b>172</b>
IMF mark accounts	530	530	1 127
Allocations of special drawing rights	258	258	258
<b>Other foreign liabilities</b>	<b>788</b>	<b>788</b>	<b>1 385</b>
Notes	1 907	2 259	2 617
Coins	175	203	238
<b>Notes and coins in circulation</b>	<b>2 082</b>	<b>2 462</b>	<b>2 855</b>
<b>Deposit certificates in circulation</b>	<b>1 450</b>	<b>1 040</b>	<b>250</b>
Cheque account of Postipankki	2	4	1
Cheque accounts of the commercial banks	7	4	3
Other financial institution claims	4	1	25
<b>Claims of financial institutions</b>	<b>13</b>	<b>9</b>	<b>29</b>
Cheque accounts	2	7	2
Counter-cyclical reserves	509	543	155
Import deposits	—	—	1 135
Other public sector claims	24	10	9
<b>Claims of the public sector</b>	<b>535</b>	<b>560</b>	<b>1 301</b>
Investment deposits	5	34	73
Counter-cyclical withholdings	—	50	—
Capital import deposits	214	98	450
Import levy deposits	6	6	8
Other corporate claims	14	7	8
<b>Claims of corporations</b>	<b>239</b>	<b>195</b>	<b>539</b>
<b>Other liabilities</b>	<b>16</b>	<b>17</b>	<b>15</b>
<b>Equalization accounts</b>	<b>740</b>	<b>858</b>	<b>331</b>
Primary capital	600	600	1 400
Reserve fund	114	163	237
Net earnings for the accounting year	98	149	193
<b>Capital accounts</b>	<b>812</b>	<b>912</b>	<b>1 830</b>
<b>TOTAL</b>	<b>6 822</b>	<b>7 298</b>	<b>8 707</b>

Table 2.

**THE BALANCE SHEET OF THE BANK OF FINLAND IN 1975, MILLION MARKS**

<b>ASSETS</b>	<b>I</b>	<b>II</b>	<b>III</b>
Gold	121	121	121
Special drawing rights	286	286	286
IMF gold tranche	268	268	268
Convertible currencies	713	574	625
Tied currencies	418	278	271
<b>Gold and foreign exchange receivables</b>	<b>1 806</b>	<b>1 527</b>	<b>1 571</b>
Foreign bills	232	230	254
Foreign bonds	343	346	305
Currency subscription to Finland's quota in the IMF	530	530	530
<b>Other foreign receivables</b>	<b>1 105</b>	<b>1 106</b>	<b>1 089</b>
Cheque accounts of the commercial banks	112	171	142
Discounted bills	2 572	2 970	3 275
Bonds	243	244	257
Other financial institution receivables	26	69	27
<b>Receivables from financial institutions</b>	<b>2 953</b>	<b>3 454</b>	<b>3 701</b>
Bonds	70	71	71
Total coinage	227	233	233
Other public sector receivables	5	3	3
<b>Receivables from the public sector</b>	<b>302</b>	<b>307</b>	<b>307</b>
New export bills	91	97	103
Financing of suppliers' credits	272	273	280
Bonds	231	244	246
Other corporate receivables	37	40	38
<b>Receivables from corporations</b>	<b>631</b>	<b>654</b>	<b>667</b>
<b>Other assets</b>	<b>37</b>	<b>37</b>	<b>37</b>
<b>TOTAL</b>	<b>6 834</b>	<b>7 085</b>	<b>7 372</b>



IV	V	VI	VII	VIII	IX	X	XI	XII
121	121	121	121	121	121	121	121	121
286	289	286	286	284	284	284	284	278
268	268	—	—	—	—	—	—	—
609	387	1 211	1 077	1 474	1 405	1 373	1 206	1 089
400	490	626	684	470	337	212	250	462
1 684	1 555	2 244	2 168	2 349	2 147	1 990	1 861	1 950
274	288	293	297	279	287	326	313	272
195	192	192	193	189	189	191	200	204
530	530	798	798	798	798	798	798	798
999	1 010	1 283	1 288	1 266	1 274	1 315	1 311	1 274
99	136	139	136	135	196	115	172	133
3 441	3 417	3 083	3 082	3 068	3 565	3 568	3 519	3 385
265	268	277	337	326	332	349	361	327
42	36	70	40	43	92	257	261	319
3 847	3 857	3 569	3 595	3 572	4 185	4 289	4 313	4 164
75	75	70	70	72	71	70	72	70
235	238	239	243	250	251	253	254	256
0	1	2	2	0	0	1	7	13
310	314	311	315	322	322	324	333	339
106	115	112	119	124	125	134	132	128
294	306	314	336	336	342	372	374	402
240	240	238	283	242	233	231	230	223
40	29	58	83	114	127	139	152	180
680	690	722	821	816	827	876	888	933
37	37	38	37	37	37	38	37	47
7 557	7 463	8 167	8 224	8 362	8 792	8 832	8 743	8 707

Table 2. (Cont.)

<b>LIABILITIES</b>	<b>I</b>	<b>II</b>	<b>III</b>
Convertible accounts	56	53	66
Tied accounts	112	117	139
<b>Foreign exchange liabilities</b>	<b>168</b>	<b>170</b>	<b>205</b>
IMF mark accounts	530	530	530
Allocations of special drawing rights	258	258	258
<b>Other foreign liabilities</b>	<b>788</b>	<b>788</b>	<b>788</b>
Notes	2 081	2 120	2 233
Coins	193	198	200
<b>Notes and coins in circulation</b>	<b>2 274</b>	<b>2 318</b>	<b>2 433</b>
<b>Deposit certificates in circulation</b>	<b>990</b>	<b>1 050</b>	<b>1 080</b>
Cheque account of Postipankki	2	2	1
Cheque accounts of the commercial banks	2	2	2
Other financial institution claims	23	23	41
<b>Claims of financial institutions</b>	<b>27</b>	<b>27</b>	<b>44</b>
Cheque accounts	4	4	8
Counter-cyclical reserves	543	543	543
Import deposits	—	—	—
Other public sector claims	8	4	2
<b>Claims of the public sector</b>	<b>555</b>	<b>551</b>	<b>553</b>
Investment deposits	36	36	62
Counter-cyclical withholdings	76	110	120
Capital import deposits	89	175	189
Import levy deposits	11	8	9
Other corporate claims	19	7	8
<b>Claims of corporations</b>	<b>231</b>	<b>336</b>	<b>388</b>
<b>Other liabilities</b>	<b>13</b>	<b>13</b>	<b>12</b>
<b>Equalization accounts</b>	<b>864</b>	<b>900</b>	<b>925</b>
Primary capital	600	600	600
Reserve fund	237	237	237
Net earnings for the accounting year	87	95	107
<b>Capital accounts</b>	<b>924</b>	<b>932</b>	<b>944</b>
<b>TOTAL</b>	<b>6 834</b>	<b>7 085</b>	<b>7 372</b>

IV	V	VI	VII	VIII	IX	X	XI	XII
66	67	67	60	60	53	50	79	78
145	138	143	139	143	151	151	127	94
211	205	210	199	203	204	201	206	172
530	530	1 127	1 127	1 127	1 127	1 127	1 127	1 127
258	258	258	258	258	258	258	258	258
788	788	1 385	1 385	1 385	1 385	1 385	1 385	1 385
2 194	2 275	2 483	2 330	2 413	2 396	2 345	2 450	2 617
202	204	209	214	222	224	226	228	238
2 396	2 479	2 692	2 544	2 635	2 620	2 571	2 678	2 855
1 170	870	900	800	700	820	740	400	250
1	1	0	0	2	1	1	1	1
1	2	2	3	4	2	2	2	3
84	134	128	120	282	274	269	2	25
86	137	130	123	288	277	272	5	29
3	2	3	0	3	1	7	3	2
543	543	388	300	237	175	149	149	155
2	9	119	416	629	842	1 032	1 222	1 135
2	2	2	2	2	1	1	9	9
550	556	512	718	871	1 019	1 189	1 383	1 301
63	65	66	67	67	69	69	69	73
120	120	1	0	0	—	—	—	—
216	244	292	344	225	320	330	448	450
8	4	7	5	6	5	4	6	8
10	13	8	7	7	7	10	7	8
417	446	374	423	305	401	413	530	539
12	12	13	12	12	12	12	13	15
969	999	964	1 019	1 027	1 105	1 086	1 147	331
600	600	600	600	600	600	600	600	1 400
237	237	237	237	237	237	237	237	237
121	134	150	164	99	112	126	159	193
958	971	987	1 001	936	949	963	996	1 830
7 557	7 463	8 167	8 224	8 362	8 792	8 832	8 743	8 707

Table 3.

**CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES AT THE END OF  
1973—1975, MILLION MARKS**

	1973	1974	1975
Gold	121	121	121
Special drawing rights	285	286	278
IMF gold tranche	268	268	—
Convertible foreign exchange			
Receivables	1 228	1 109	1 089
Liabilities	—73	—62	—78
<b>Convertible foreign exchange reserves</b>	<b>1 829</b>	<b>1 722</b>	<b>1 410</b>
Tied foreign exchange			
Receivables	308	7	462
Liabilities	—74	—395	—94
<b>Tied foreign exchange reserves</b>	<b>234</b>	<b>—388</b>	<b>368</b>

Table 4.

**THE INCOME STATEMENT OF THE BANK OF FINLAND IN 1974 AND 1975, MILLION  
MARKS**

	1974	1975
Interest on domestic receivables	355	513
Interest on foreign receivables	119	59
Interest on bonds	83	78
<b>Interest earnings</b>	<b>557</b>	<b>650</b>
Interest on domestic claims	157	135
Interest and reservations for commissions of foreign claims	8	23
<b>Interest expenses</b>	<b>165</b>	<b>158</b>
<b>Interest earnings, net</b>	<b>392</b>	<b>492</b>
Commissions	5	8
Agio	—	51
Other earnings	7	8
<b>Other earnings</b>	<b>12</b>	<b>67</b>
Salaries	25	31
Social security contributions	2	3
Pensions	5	7
Printing of bank notes	11	16
Depreciation	35	59
Agio	39	—
Other expenses	8	10
<b>Other expenses</b>	<b>125</b>	<b>126</b>
<b>Transfer to equalization accounts</b>	<b>130</b>	<b>240</b>
<b>NET EARNINGS FOR THE ACCOUNTING YEAR</b>	<b>149</b>	<b>193</b>

Table 5.

### INTEREST RATES APPLIED BY THE BANK OF FINLAND IN 1958—1975, PER CENT

From <sup>1</sup>	Basic discount rate of the Bank of Finland <sup>2</sup>	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. On the call money market introduced on September 1, 1975, the same interest rate is applied to both advances and deposits. The Bank Supervisors have set thirty per cent as the upper limit for this rate.

2. 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 6.

### INTERNAL CLEARING OPERATIONS: NUMBER AND VALUE OF BANK BILLS, CHEQUES AND TRANSFERS BETWEEN ACCOUNTS IN 1972—1975

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
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	21 958	104 067	10 541	26 122	32 499	130 189
1975						
January	1 862	10 323	891	2 472	2 753	12 795
February	1 727	9 322	1 031	2 418	2 758	11 740
March	1 750	9 616	854	2 375	2 604	11 991
April	2 142	11 421	1 038	2 690	3 180	14 111
May	1 997	10 222	940	2 570	2 937	12 792
June	2 202	10 262	960	2 685	3 162	12 947
July	2 196	11 592	993	2 974	3 189	14 566
August	1 326	6 986	919	2 443	2 245	9 429
September	2 057	11 165	1 023	2 764	3 080	13 929
October	2 152	11 821	1 055	2 909	3 207	14 730
November	1 923	10 299	964	2 623	2 887	12 922
December	2 180	13 759	1 123	3 020	3 303	16 779
Total	23 514	126 788	11 791	31 943	35 305	158 731

Table 7.

**NOTE ISSUE IN 1973—1975, MILLION MARKS**

Date	Right of note issue			Used right of note issue				Note reserve
	Ordinary cover	Supplementary cover <sup>1</sup>	Total	Notes in circulation	Liabilities payable on demand	Undrawn cheque credits	Total	
Dec. 31, 1973	2 438	1 215	3 653	1 907	184	1	2 092	1 561
1974	2 141	1 500	3 641	2 259	498	1	2 758	883
1975								
Jan. 31	2 143	1 500	3 643	2 081	237	2	2 320	1 323
Feb. 28	1 863	1 500	3 363	2 120	200	1	2 321	1 042
March 27	1 914	1 500	3 414	2 233	243	2	2 478	936
April 30	2 032	1 500	3 532	2 194	242	2	2 438	1 094
May 30	1 911	1 500	3 411	2 275	235	2	2 512	899
June 30	2 613	1 500	4 113	2 483	239	2	2 724	1 389
July 31	2 538	1 500	4 038	2 330	222	1	2 553	1 485
Aug. 29	2 697	1 500	4 197	2 413	232	2	2 647	1 550
Sept. 30	2 496	1 500	3 996	2 396	228	2	2 626	1 370
Oct. 31	2 359	1 500	3 859	2 345	232	2	2 579	1 280
Nov. 28	2 223	1 500	3 723	2 450	234	2	2 686	1 037
Dec. 31	2 282	1 500	3 782	2 617	229	2	2 848	934

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

Table 8.

## NOTES AND COINS IN CIRCULATION AT THE END OF 1970—1975, MILLION MARKS

Denomination	1970	1971	1972	1973	1974	1975
<b>NOTES</b>						
<b>NEW</b>						
500 mk	—	—	—	—	—	163.1
100 »	857.3	970.7	1 174.5	1 323.4	1 623.0	1 788.4
50 »	266.4	277.6	305.6	318.6	347.4	362.6
10 »	178.5	187.6	201.5	213.7	227.4	239.8
5 »	39.1	40.3	45.2	47.8	53.6	56.6
1 »	2.5	2.9	3.2	3.5	8.1	6.3
<b>Total</b>	<b>1 343.8</b>	<b>1 479.1</b>	<b>1 730.0</b>	<b>1 907.0</b>	<b>2 259.5</b>	<b>2 616.8</b>
<b>OLD</b>						
10 000—100 omk	8.4	8.4	8.3	8.3	8.3	8.2
50—5 »	1.2	1.2	1.2	1.2	1.2	1.2
<b>Total</b>	<b>9.6</b>	<b>9.6</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.4</b>
<b>Grand total</b>	<b>1 353.4</b>	<b>1 488.7</b>	<b>1 739.5</b>	<b>1 916.5</b>	<b>2 269.0</b>	<b>2 626.2</b>
<b>COINS</b>						
<b>NEW</b>						
10 mk	15.8	24.8	23.9	24.6	24.8	34.9
5 »	—	—	1.6	9.5	11.7	14.4
1 »	53.1	60.5	68.2	77.8	92.6	107.2
50 p	13.7	15.9	18.4	21.2	24.7	27.4
20 »	11.1	12.3	13.6	15.6	18.5	20.7
10 »	6.5	7.2	8.5	9.4	10.8	12.2
5 »	5.7	6.5	7.6	8.6	9.9	11.1
1 »	5.7	6.6	7.6	8.5	9.7	10.4
<b>Total</b>	<b>111.6</b>	<b>133.8</b>	<b>149.4</b>	<b>175.2</b>	<b>202.7</b>	<b>238.3</b>
<b>OLD</b>						
1 000—1 omk	15.3	15.3	15.3	15.2	15.2	15.2
50—1 op	0.5	0.5	0.5	0.5	0.5	0.5
<b>Total</b>	<b>15.8</b>	<b>15.8</b>	<b>15.8</b>	<b>15.7</b>	<b>15.7</b>	<b>15.7</b>
<b>Grand total</b>	<b>127.4</b>	<b>149.6</b>	<b>165.2</b>	<b>190.9</b>	<b>218.4</b>	<b>254.0</b>

Table 9.

**PRINTING AND DESTRUCTION OF NOTES IN 1973—1975, MILLION MARKS**

Denomination	Notes printed			Notes cancelled		
	1973	1974	1975	1973	1974	1975
<b>NOTES</b>						
<b>NEW</b>						
500 mk	—	—	171.0	—	—	—
100 »	1 060.0	480.0	1 192.0	450.0	605.0	465.0
50 »	487.2	255.0	345.0	240.0	340.0	332.5
10 »	366.4	478.4	606.4	358.5	434.5	458.0
5 »	232.5	67.6	156.0	108.5	130.3	163.0
1 »	—	—	—	0.5	1.0	6.3
Total	2 146.1	1 281.0	2 470.4	1 157.5	1 510.8	1 424.8
In millions	103.6	71.3	110.9	67.3	83.4	96.0
<b>OLD</b>						
Total	—	—	—	0.1	0.0	0.1
In millions	—	—	—	0.0	0.0	0.0
<b>Grand total</b>						
In millions	2 146.1	1 281.0	2 470.4	1 157.6	1 510.8	1 424.9
	103.6	71.3	110.9	67.3	83.4	96.0



Table 10.

**NOTES AND COINS IN 1975, MILLION MARKS**

Denomination	Total issue Dec. 31, 1974	Issued in 1975	Destroyed in 1975	Total issue Dec. 31, 1975	Held by the Bank of Finland Dec. 31, 1975	In circulation Dec. 31, 1975
<b>NOTES</b>						
<b>NEW</b>						
500 mk	—	171.0	—	171.0	7.9	163.1
100 »	2511.2	1192.0	465.0	3238.2	1449.8	1788.4
50 »	674.5	345.0	332.5	687.0	324.4	362.6
10 »	497.5	606.4	458.0	645.9	406.1	239.8
5 »	138.0	156.0	163.0	131.0	74.4	56.6
1 »	15.2	—	6.3	8.9	2.6	6.3
Total	3836.4	2470.4	1424.8	4882.0	2265.2	2616.8
In millions	131.2	110.9	96.0	146.1	79.1	67.0
<b>OLD</b>						
Total	9.5	—	0.1	9.4	0.0	9.4
In millions	11.5	—	0.0	11.5	0.0	11.5
<b>Grand total</b>	<b>3845.9</b>	<b>2470.4</b>	<b>1424.9</b>	<b>4891.4</b>	<b>2265.2</b>	<b>2626.2</b>
In millions	142.7	110.9	96.0	157.6	79.1	78.5
<b>COINS</b>						
<b>NEW</b>						
	25.5	36.0	0.5	35.5	0.6	34.9
	14.0	15.9	0.4	15.5	1.1	14.4
	106.6	149.4	32.0	117.4	10.2	107.2
	28.1	30.3	0.2	30.2	2.8	27.4
	18.8	21.4	0.1	21.2	0.6	20.6
	11.9	13.4	0.1	13.4	1.2	12.2
	10.4	11.6	0.0	11.6	0.5	11.1
	9.8	11.0	0.0	10.9	0.4	10.5
Total	225.1	289.0	33.3	255.7	17.4	238.3
<b>OLD</b>						
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
<b>Grand total</b>	<b>240.8</b>	<b>289.0</b>	<b>33.3</b>	<b>271.4</b>	<b>17.4</b>	<b>254.0</b>

Table 11.

**FOREIGN EXCHANGE: SPOT SELLING RATES IN 1970—1975, MARKS**

Currency	1970			1971			1972		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	4.197	4.180	4.176	4.204	4.174	4.152	4.178	4.146	4.134
1 £, London	10.080	10.014	9.945	10.610	10.205	9.995	10.950	10.368	9.710
100 Skr, Stockholm	81.30	80.62	80.15	85.40	81.82	80.60	88.15	87.20	85.52
100 Nkr, Oslo	58.82	58.52	58.41	62.00	59.50	58.47	63.85	62.97	61.65
100 Dkr, Copenhagen	56.07	55.76	55.63	58.80	56.41	55.72	61.10	59.72	58.75
100 DM, Frankf. o.M.	115.21	114.67	113.44	128.50	120.17	114.60	131.41	130.07	126.90
100 Hfl, Amsterdam	116.15	115.62	114.86	127.85	119.72	115.80	130.80	129.22	127.50
100 FB, Brussels <sup>1</sup>	8.455	8.421	8.405	9.270	8.607	8.405	9.490	9.424	9.245
100 Sfr, Zurich	97.65	97.00	96.30	107.20	101.63	96.74	111.10	108.64	105.79
100 FF, Paris <sup>2</sup>	75.80	75.62	75.40	79.70	75.78	75.07	83.10	82.25	79.60
100 Lit, Rome	0.6718	0.6669	0.6641	0.7000	0.6765	0.6690	0.7172	0.7110	0.6980
100 ÖS, Vienna	16.27	16.18	16.13	17.60	16.75	16.13	18.17	17.95	17.55
100 Y, Tokyo									
1 Rbl, Moscow, clearing	4.6799	4.6799	4.6799	4.960	4.684	4.6799	4.960	4.960	4.960

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	1973			1974			1975		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	4.178	3.816	3.580	4.030	3.774	3.560	3.958	3.679	3.465
1 £, London	9.945	9.355	8.850	9.075	8.833	8.355	8.540	8.155	7.800
100 Skr, Stockholm	91.50	87.76	83.85	87.80	85.22	82.45	90.90	88.80	86.30
100 Nkr, Oslo	70.00	66.64	62.80	70.80	68.44	66.10	72.70	70.59	68.40
100 Dkr, Copenhagen	67.30	63.47	60.45	64.00	62.17	58.80	65.80	64.21	62.40
100 DM, Frankf. o.M.	158.90	144.34	130.00	152.60	146.21	139.20	152.30	149.80	146.70
100 Hfl, Amsterdam	150.20	137.50	129.28	145.30	140.70	134.20	149.05	145.73	141.90
100 FB, Brussels	10.600	9.852	9.350	9.970	9.715	9.230	10.300	10.033	9.710
100 Sfr, Zurich	133.50	121.22	110.76	142.60	127.19	116.75	148.00	142.64	138.00
100 FF, Paris	92.00	86.10	81.45	81.95	78.65	73.85	89.30	86.00	80.60
100 Lit, Rome	0.7170	0.6571	0.6120	0.6370	0.5827	0.5550	0.5770	0.5650	0.5480
100 ÖS, Vienna	21.55	19.71	18.00	22.30	20.27	19.10	21.50	21.18	20.80
100 Y, Tokyo							1.308	1.244	1.175
1 Rbl, Moscow, clearing	5.438	5.159	4.960	5.321	4.995	4.852	5.386	5.093	4.760

Table 12.

## FOREIGN EXCHANGE: SPOT SELLING RATES IN 1975, MARKS

Currency	January			February			March		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.582	3.543	3.475	3.527	3.497	3.470	3.545	3.509	3.465
1 C \$, Montreal	3.620	3.565	3.490	3.540	3.499	3.470	3.540	3.510	3.475
1 £, London	8.400	8.372	8.320	8.455	8.375	8.340	8.540	8.489	8.420
100 Skr, Stockholm	88.60	88.00	87.50	89.30	88.03	87.00	90.10	89.65	88.90
100 Nkr, Oslo	70.60	69.58	68.60	71.00	70.03	69.00	72.20	71.65	70.80
100 Dkr, Copenhagen	63.70	63.35	63.00	64.75	63.35	62.40	65.40	64.74	64.00
100 DM, Frankf. o. M.	151.90	150.13	148.50	152.20	150.39	148.50	152.30	151.78	150.80
100 Hfl, Amsterdam	145.50	144.54	142.90	148.00	145.37	143.50	149.05	148.27	146.90
100 FB, Brussels									
commercial rate	10.140	10.024	9.900	10.220	10.078	9.950	10.300	10.247	10.200
financial rate	10.000	9.942	9.860	10.100	9.954	9.820	10.160	10.113	10.000
100 Sfr, Zurich	144.50	140.81	139.50	145.10	141.45	138.00	144.70	142.01	140.50
100 FF, Paris	82.20	81.39	80.60	83.60	81.84	80.60	84.10	83.74	83.20
100 Lit, Rome	0.5550	0.5522	0.5500	0.5540	0.5501	0.5480	0.5610	0.5573	0.5540
100 ÖS, Vienna	21.35	21.15	20.92	21.48	21.20	20.90	21.50	21.39	21.30
100 Esc., Lisbon	14.63	14.56	14.45	14.65	14.49	14.35	14.75	14.63	14.55
100 lkr, Reykjavik	3.15	3.01	2.95	2.95	2.59	2.35	2.37	2.36	2.35
100 Ptas, Madrid	6.42	6.35	6.25	6.28	6.26	6.24	6.35	6.30	6.25
100 Y, Tokyo	1.200	1.189	1.180	1.225	1.204	1.175	1.230	1.225	1.215
1 Rbl, Moscow, clearing	4.972	4.861	4.760	5.003	4.964	4.929	5.064	5.013	4.950

Currency	April			May			June		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.590	3.569	3.540	3.580	3.553	3.530	3.560	3.539	3.525
1 C \$, Montreal	3.560	3.533	3.505	3.510	3.456	3.420	3.465	3.449	3.435
1 £, London	8.530	8.460	8.405	8.390	8.251	8.180	8.225	8.088	7.865
100 Skr, Stockholm	90.50	89.97	89.60	90.90	90.53	90.00	90.80	90.52	90.30
100 Nkr, Oslo	72.10	71.69	71.20	72.70	71.99	71.40	72.60	72.36	72.10
100 Dkr, Copenhagen	65.40	64.82	64.20	65.80	65.26	64.85	65.60	65.27	65.15
100 DM, Frankf. o. M.	151.60	150.40	149.80	152.00	151.49	150.35	151.85	151.43	151.10
100 Hfl, Amsterdam	148.50	147.46	146.70	148.90	148.03	147.30	148.00	147.14	146.00
100 FB, Brussels commercial rate	10.250	10.179	10.150	10.240	10.199	10.150	10.180	10.150	10.120
financial rate	10.080	9.947	9.850	9.930	9.870	9.820	9.870	9.804	9.750
100 Sfr, Zurich	140.90	139.76	139.20	143.70	142.02	139.80	142.50	142.08	141.50
100 FF, Paris	86.70	85.15	84.30	89.30	87.92	86.60	88.90	88.54	87.90
100 Lit, Rome	0.5660	0.5645	0.5620	0.5700	0.5685	0.5670	0.5690	0.5681	0.5670
100 ÖS, Vienna	21.40	21.25	21.18	21.50	21.41	21.25	21.45	21.41	21.38
100 Esc., Lisbon	14.63	14.58	14.53	14.70	14.63	14.56	14.69	14.65	14.62
100 Ikr, Reykjavik	2.37	2.37	2.37	2.37	2.37	2.37	2.37	2.34	2.33
100 Ptas, Madrid	6.38	6.37	6.35	6.40	6.39	6.37	6.39	6.38	6.37
100 Y, Tokyo	1.235	1.227	1.220	1.240	1.225	1.220	1.220	1.212	1.200
1 Rbl, Moscow, clearing	5.129	5.099	5.057	5.145	5.079	5.043	5.159	5.129	5.109

Table 12. (Cont.)

Currency	July			August			September		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US \$, New York	3.795	3.669	3.570	3.805	3.791	3.770	3.958	3.859	3.800
1 C \$, Montreal	3.680	3.562	3.470	3.685	3.664	3.640	3.865	3.761	3.695
1 £, London	8.190	8.021	7.800	8.145	8.017	7.975	8.075	8.052	8.030
100 Skr, Stockholm	90.70	89.23	88.00	88.50	88.01	87.35	87.85	87.06	86.30
100 Nkr, Oslo	72.20	70.89	69.90	69.95	69.55	69.05	69.80	69.05	68.40
100 Dkr, Copenhagen	65.05	64.42	63.75	64.10	63.76	63.55	64.10	63.72	63.20
100 DM, Frankf. o. M.	51.50	149.08	146.95	147.95	147.42	147.05	148.70	147.71	146.70
100 Hfl, Amsterdam	145.90	144.22	141.90	144.10	143.69	143.00	144.60	144.01	143.00
100 FB, Brussels									
commercial rate	10.100	10.002	9.870	9.960	9.934	9.900	9.910	9.867	9.710
financial rate	9.730	9.526	9.370	9.650	9.582	9.490	9.650	9.542	9.280
100 Sfr, Zurich	142.50	140.84	139.25	142.10	141.49	140.30	144.50	142.69	141.70
100 FF, Paris	88.20	87.13	86.00	87.15	86.80	86.60	87.20	86.47	85.40
100 Lit, Rome	0.5720	0.5667	0.5650	0.5720	0.5690	0.5680	0.5760	0.5708	0.5690
100 ÖS, Vienna	21.48	21.15	20.85	21.00	20.93	20.90	21.00	20.92	20.80
100 Esc., Lisbon	14.65	14.52	14.35	14.42	14.38	14.32	14.47	14.37	14.30
100 lkr, Reykjavik	2.33	2.32	2.32	2.39	2.38	2.32	2.38	2.38	2.38
100 Ptas, Madrid	6.52	6.43	6.37	6.54	6.53	6.52	6.63	6.55	6.53
100 Y, Tokyo	1.280	1.243	1.210	1.280	1.276	1.267	1.308	1.290	1.278
1 Rbl, Moscow, clearing	5.386	5.267	5.140	5.195	5.173	5.135	5.318	5.189	5.135

Currency	October			November			December		
	Max.	Av.	Min.	Max.	Av.	Min.	Max.	Av.	Min.
1 US\$, New York	3.938	3.876	3.835	3.900	3.866	3.832	3.900	3.873	3.854
1 C\$, Montreal	3.845	3.782	3.740	3.860	3.814	3.770	3.860	3.825	3.800
1 £, London	8.055	7.975	7.930	7.975	7.933	7.885	7.870	7.830	7.800
100 Skr, Stockholm	88.80	88.38	88.10	88.65	88.30	88.10	88.50	87.95	87.50
100 Nkr, Oslo	70.65	70.28	69.60	70.50	70.25	70.10	70.30	69.79	69.25
100 Dkr, Copenhagen	64.75	64.47	63.85	64.50	64.25	63.80	63.80	63.11	62.60
100 DM, Frankf. o. M.	150.80	150.28	149.60	150.45	149.72	148.60	148.60	147.78	147.00
100 Hfl, Amsterdam	146.80	145.98	145.10	146.50	145.83	145.00	145.15	144.21	143.60
100 FB, Brussels commercial rate	10.030	9.970	9.920	9.980	9.935	9.860	9.880	9.813	9.770
financial rate	9.730	9.664	9.620	9.720	9.661	9.600	9.610	9.563	9.520
100 Sfr, Zurich	146.40	145.60	144.10	146.40	145.99	145.60	148.00	146.96	145.70
100 FF, Paris	88.50	88.08	87.60	88.20	87.95	87.60	87.60	87.00	86.40
100 Lit, Rome	0.5770	0.5731	0.5700	0.5720	0.5711	0.5700	0.5700	0.5685	0.5670
100 ÖS, Vienna	21.32	21.22	21.10	21.25	21.15	21.00	21.07	20.96	20.86
100 Esc., Lisbon	14.60	14.56	14.50	14.58	14.53	14.50	14.52	14.39	14.25
100 lkr, Reykjavik	2.39	2.39	2.38	2.39	2.32	2.32	2.32	2.32	2.32
100 Ptas, Madrid	6.65	6.58	6.54	6.57	6.55	6.54	6.57	6.53	6.49
100 Y, Tokyo	1.308	1.286	1.276	1.287	1.281	1.274	1.280	1.270	1.262
1 Rbl, Moscow, clearing	5.182	5.112	5.053	5.150	5.119	5.075	5.145	5.109	5.084

## **BANK SUPERVISORS, DELEGATED BY PARLIAMENT, AT THE END OF 1975**

Harri Holkeri  
Jermu Laine  
Matti Maijala  
Aarne Saarinen  
Ulf Sundqvist  
Ele Alenius  
Ragnar Granvik  
Ahti Pekkala  
T. Junnila

Chairman  
Vice chairman

## **BANK OF FINLAND AT THE END OF 1975**

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Mauno Koivisto  
A. Simonen  
Ahti Karjalainen  
Päiviö Hetemäki  
Pentti Uusivirta  
Rolf Kullberg

Governor  
Deputy Governor

### **Directors**

Jouko J. Voutilainen  
Jorma Aranko  
Markku Puntila  
Seppo Lindblom  
K. Ignatius



**Director of ADP  
Planning**

Pertti Kukkonen

**Heads of Department**

Pauli Kanerva	Administration
Eino Helenius	Administration
Pentti Koivikko	Personnel
Reino Airikkala	Monetary Policy
Antti Lehtinen	Domestic Financial Operations
Kalle Koski	Capital Transfers
Kari Pekonen	Foreign Exchange Policy
Raine Panula	Foreign Exchange
Raili Nuortila	Eastern Trade Department
J. Ojala	Foreign Exchange Control
Kari Puumanen	Economics Department
Heikki Koskenkylä	Research Department
Stig Törnroth	Cash
K. Eirola	Automatic Data Processing
A. Nenonen	Correspondence
Stig G Björklund	Banking Services
Eino Suomela	Internal Audit

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Tuure Mynttinen	Director

**Managers of Branches**

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E. M. Tammi	Jyväskylä
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Keijo Kallasmaa	Kuopio
R. Kotkasaari	Lahti
Reino Ylönen	Mikkeli
Harri Salenius	Oulu
V. Kaarnakorpi	Pori
M. Hannula	Rovaniemi
E. Vuorela	Tampere
S. Paavola	Turku
Rauno Haikarainen	Vaasa