

**BANK OF FINLAND**

**57<sup>TH</sup> YEAR BOOK 1976**

ISSN 0081-9468

Printed in Finland by Frenckellin Kirjapaino Oy, Helsinki 1977

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# ECONOMIC DEVELOPMENTS IN 1976

Improvements in the international cyclical outlook during the first half of 1976 increased the demand for Finnish export products. The volume of commodity exports grew by 20 per cent, although forest industry exports were still below the volume achieved during the previous boom. Total output increased only slightly, with domestic demand declining as a result of a cyclical weakening in investment activity and an economic policy designed to restore current account balance and curb inflation. The volume of imports was therefore less than in the previous year, and the current account deficit, 4 400 million marks, was just over half of the deficit in 1975. Although the rate of inflation was slower than in the previous year, cost and price rises remained rapid by international standards. Unemployment increased sharply, and the slight recovery of industrial output had no improving influence on the employment situation. The average rate of unemployment was 4 per cent.

## AGGREGATE DEMAND AND SUPPLY

### Exports

The recovery by the major Western industrialized countries from the deep economic recession was still proceeding fairly rapidly during the first half of 1976. However, the growth of production decelerated in the autumn when there was a weakening in consumption and inventory investment demand. In most countries, economic policy was focussed mainly on the curbing of inflation; nevertheless, consumer prices in the OECD countries still rose on average by 8.5 per cent during 1976. The production revival was limited to only a few countries, so that in the United Kingdom and Sweden, for example, output remained very sluggish throughout the year.

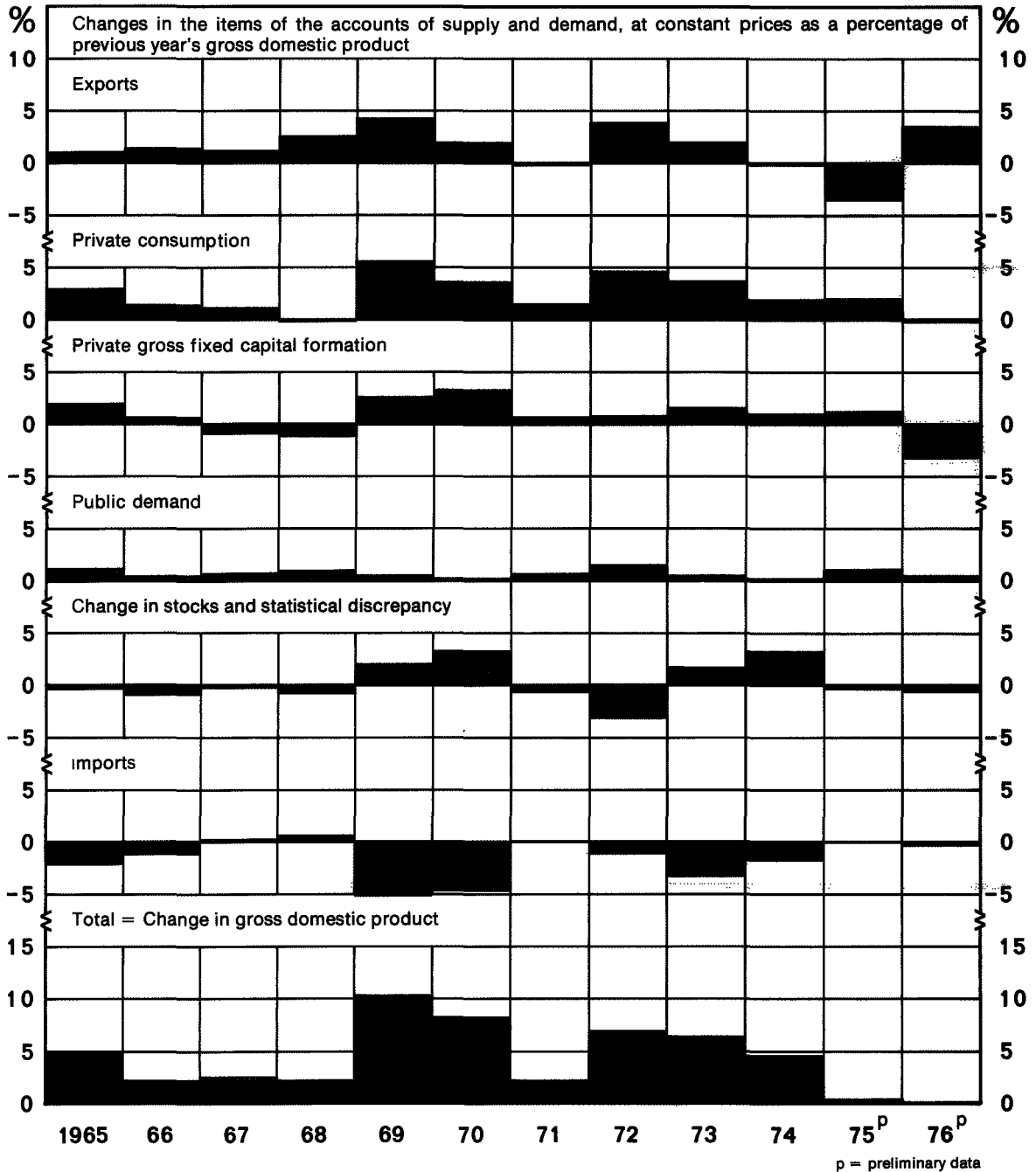
After the period of destocking had come to an end in Finland's customer countries, exports of forest industry products started to grow again towards the end of 1975. The volume of timber industry exports increased by more than 25 per cent in 1976, although a new

weakening in export demand was already being felt towards the end of the year. The export prices for timber products also rose in the course of the year. The volume of paper and paper product exports increased on average by 15 per cent from the previous year. Although paper prices rose during the second half of the year, the average price level was five per cent lower than in 1975. Owing to substantial deliveries by the heavy metal industry, metal and machinery exports also increased by about 15 per cent. Of other industrial sectors, the fastest export growth was achieved by the chemical industries, by agriculture and by food manufacturing.

After a decline in the previous year, export prices started to rise again during the first half of 1976. The export unit-price index for 1976 was only slightly higher than that for the previous year, so that the increase in commodity exports was almost entirely attributable to an increase in volume. The growth of receipts from services accelerated, with receipts from transport and other services increasing almost as rapidly as did the value of commodity exports (Chart 1).

Chart 1.

CONTRIBUTION TO THE GROWTH OF DOMESTIC PRODUCT



## Domestic demand

A weakening in corporate profitability and a low capacity utilization rate tended to reduce investment activity. Difficulties in obtaining credit also caused postponements of investment projects. The volume of private fixed investment was more than 15 per cent below that in 1975. Investment in housing declined by about 13 per cent, but completions of dwellings still totalled 57 000. Attempts were made to stimulate investment in new industrial buildings by granting extra depreciation rights on them; this concession came into force at the beginning of May. Investment in machinery and equipment declined rapidly during the first half of 1976 and was 13 per cent down for the year as a whole. The decline in investment was not as noticeable in the service sector as it was in the manufacturing sector.

The growth of household sector disposable income was held back by a weakening in the employment situation, an increase in the tax burden and a slow growth of capital earnings. The rate of inflation was faster than the growth of nominal income, so that real disposable income declined for the first time since 1957. However, since the rate of saving declined at the same time, the volume of private consumption fell less than real income; by less than one per cent, according to preliminary figures. In addition to a weakening in the demand for consumer durables, there was also a decline in the purchases of semi-durable and disposable goods.

In order to restore balance to the economy, attempts were made to curb the growth of public consumption by means of various measures designed to cut down state and local government expenditure. As a result, its growth slowed down clearly during the second half of the year, but with pension, education and public health expenditure still rising rapidly, the volume of public consumption expenditure increased, for the year as a whole, by about four per cent.

Central and local government administrative investment expenditure grew clearly more slowly than in 1975. Several investment projects were postponed, and attempts to promote employment were made instead by granting state subsidies and loans.

## Production

The volume of total output was still declining during the first quarter of 1976. Although production started to recover slowly during the second quarter, factor cost GDP for the year as a whole was only one per cent above the 1975 level.

Industrial output increased by 2.5 per cent. The fastest growth was recorded in the mining and quarrying industry and in electricity, gas and water supply. Although forest industry output grew clearly from the previous year, it was still smaller than in 1974. Accumulated large stocks of finished goods, particularly in the pulp industry, were a drag on the revival of production. On the other hand, timber industry output increased by 15 per cent. Metal industry output fell slightly, and the stock of orders declined. The weakening of private consumption was reflected in a decline in the output of consumer goods.

With fellings picking up slightly towards the end of 1976, forest industry output started to grow. However, the volume for 1976 as a whole was slightly smaller than for 1975. Thanks to a good harvest, agricultural output increased substantially. The construction industry continued to decline sharply. The weakening of domestic demand was also reflected in the service sector.

## Imports

The volume of commodity imports decreased further during the first half of 1976. In the summer, the upturn in production induced a need to supplement stocks, and this started to boost raw material imports, which then continued to increase fairly rapidly until the end of the year. Substantial crude-oil deliveries

also took place at the end of the year. The volume of oil product imports was clearly smaller than one year earlier. Prices of raw materials (excl. oil) were rising throughout the year, but the 1976 average was more than one per cent lower than that of 1975. Although the price of oil was not increased during 1976, the average price level for crude oil and fuel in 1976 was 10 per cent up on 1975 as a result of increases implemented during that year.

As a result of a decline in domestic demand, the volume of imports of investment goods decreased by 16 per cent and that of consumer goods by 5 per cent. Prices of imports of finished goods rose substantially faster than prices of raw materials. The prices of investment goods and passenger cars increased by about 15 per cent. The Import Deposit Scheme introduced in March 1975 was gradually relaxed, and the collection of deposits was discontinued at the end of the year.

The total volume of commodity imports fell by about two per cent but, with import prices rising on average by five per cent, the total value of commodity imports was slightly increased. As expenditure on imports of services grew much faster than did the value of commodity imports, the total value of imports of goods and services increased by over three per cent (Chart 1).

## ECONOMIC EQUILIBRIUM Employment

With industrial profitability remaining low the rate of unemployment continued to rise in 1976. The deterioration in the employment situation caused widespread lay-offs and short-time working. According to the revised Employment Inquiry, the average rate of unemployment was four per cent.<sup>1</sup>

<sup>1</sup> The sampling and methods used in the Employment Inquiry of the Central Statistical Office were revised at the beginning of 1976; the revised series is not fully comparable with the former one.

Chart 2.  
UNEMPLOYMENT

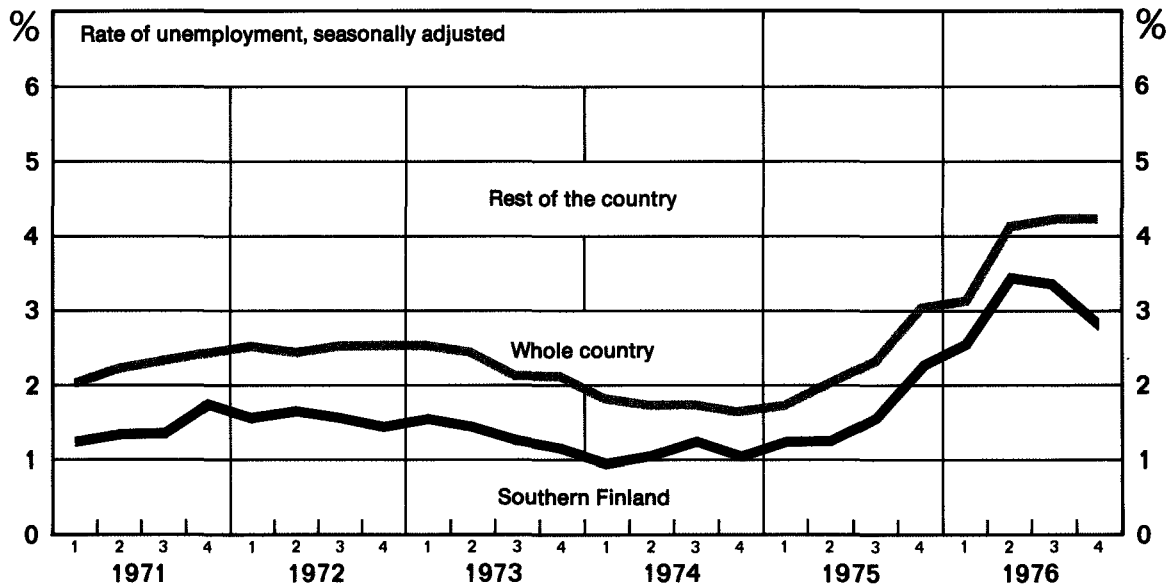
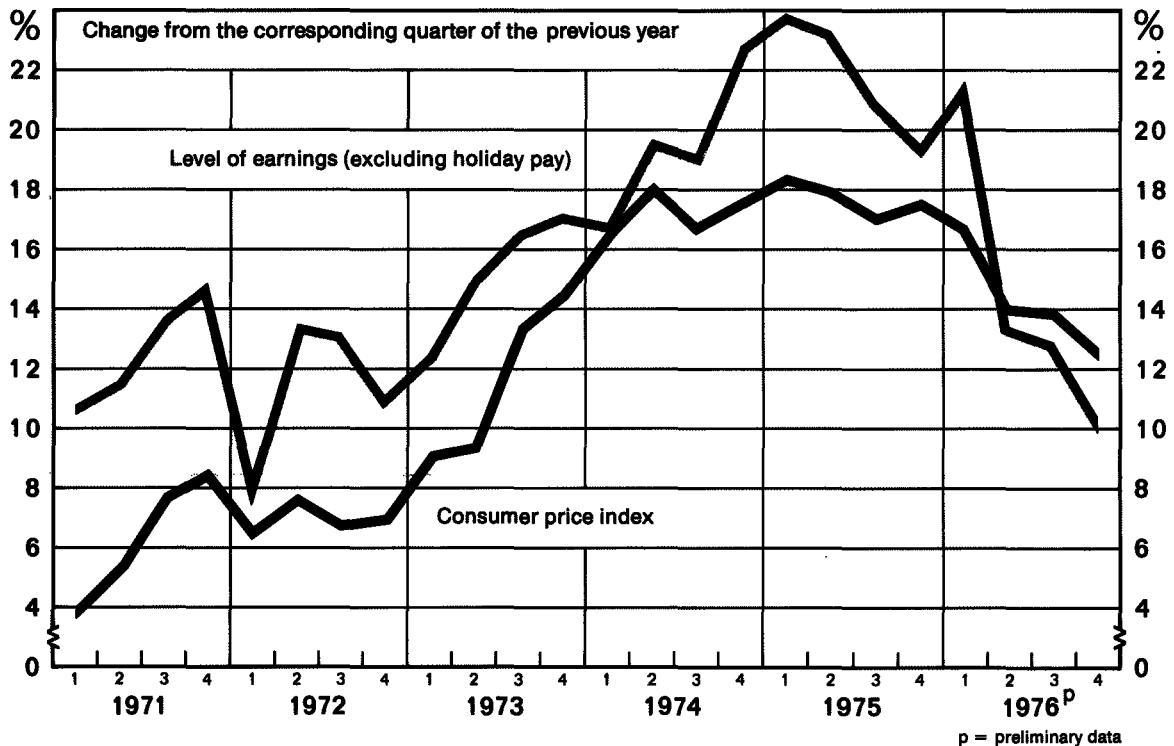


Chart 3.  
PRICES, WAGES AND SALARIES



The number of persons in employment declined substantially, and there also occurred a cyclically typical fall in the labour force participation rate. The employment situation weakened in all industrial sectors, most of all in construction and in manufacturing. The long period of growth in the number of persons employed by the service industries came to an end. The weakening in the demand for labour was reflected particularly in the unemployment figures for young people. Moreover, the regional differences in employment were still large (Chart 2). Internal migration slowed down slightly, while emigration to Sweden increased, particularly during the last few months of the year. Net emigration totalled 9 400 persons.

### Prices, wages and income

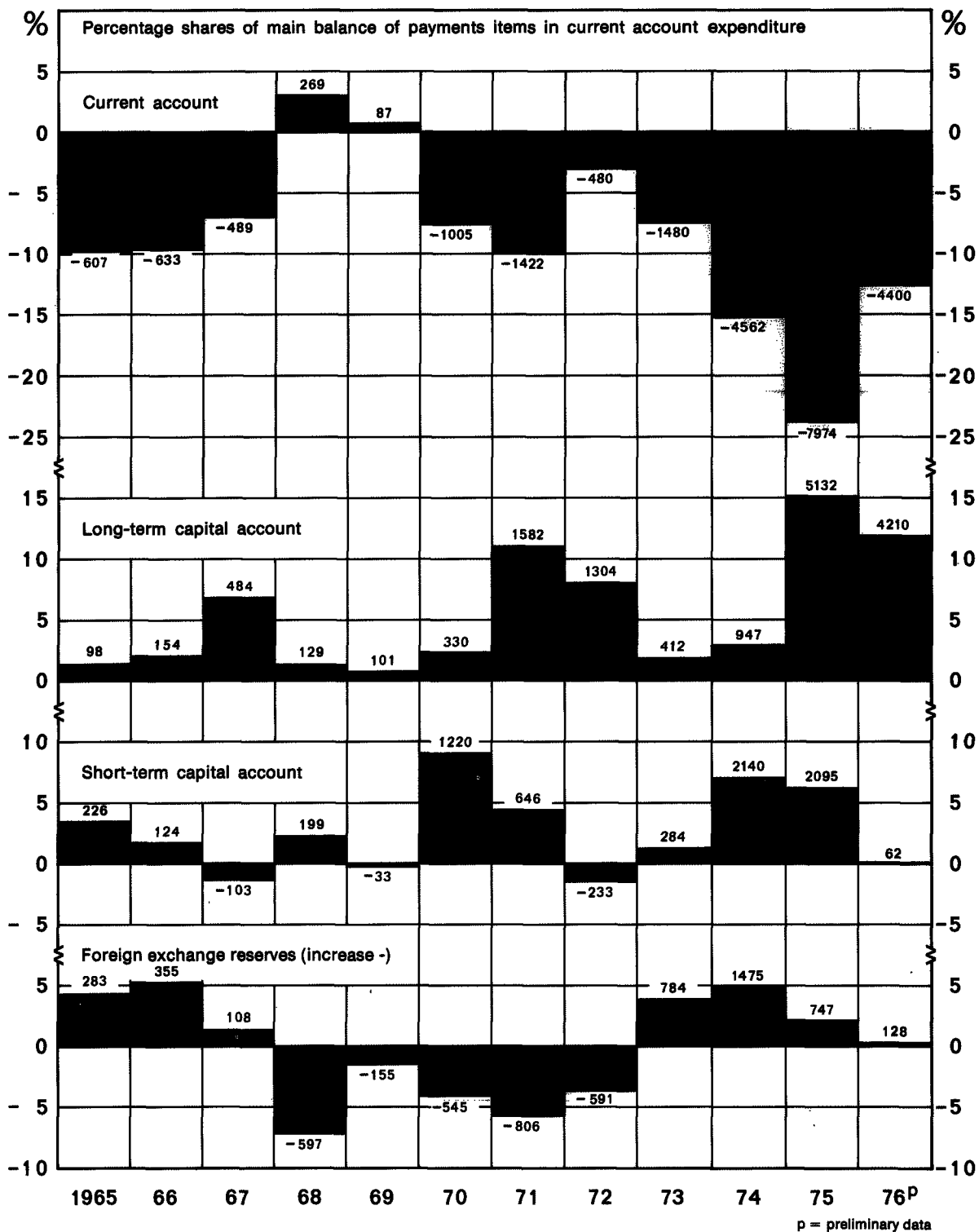
Despite a deceleration in the rate of inflation, price rises were still rapid and clearly above

the OECD average. Consumer prices rose by 14 per cent. Of this rise, three percentage points were attributable to increases in indirect tax rates and public charges. Building costs and wholesale prices rose slightly more slowly than consumer prices. Measured in terms of the GDP price deflator, the rate of inflation was 12.7 per cent. In connection with the conclusion of the comprehensive incomes policy agreement, an Act was passed concerning the control and regulation of prices and rents. On the basis of this Act, a five-month price-freeze was implemented until the end of June; it was followed by strict price controls.

Wage and salary earnings rose on average by 15 per cent in 1976. As the rise in prices was almost the same, real earnings rose only slightly. An increase of the net tax burden to 27.4 per cent implied that the public sector took a greater share of disposable income.



Chart 4.  
BALANCE OF PAYMENTS



## Current account and external liquidity

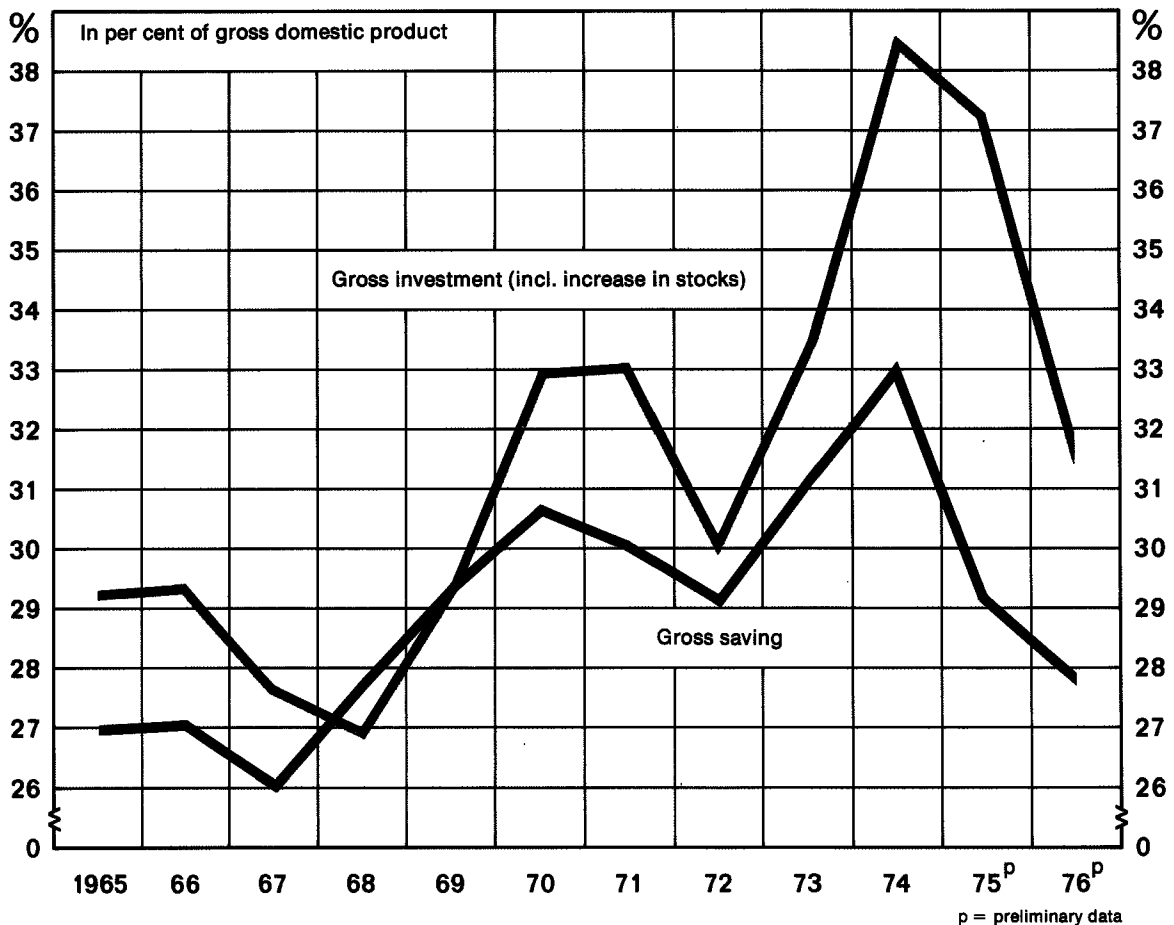
Finland's terms of trade deteriorated by almost four per cent from the previous year, falling back to the level of the early 1970s. Export prices were, on average, one per cent and import prices almost five per cent higher than in the previous year. However, import prices rose only slightly faster than export prices during the year under review, so that most of the deterioration in the terms of trade can be attributed to the decline in export prices which had taken place already, in 1975.

The trade account deficit amounted to 4 100 million marks, as against 7 800 million marks in 1975. The surplus on the services account

increased from 1 300 million marks in 1975 to more than 1 500 million marks. As a result of an increase in interest expenses, the deficit on the net investment income and transfer payments account rose to 1 800 million marks. The current account deficit thus amounted to 4 400 million marks, four per cent of GDP, as against about eight per cent in the previous year.

The current account deficit was offset almost entirely by inflows of long-term capital. The net inflow of long-term capital amounted to about 4 200 million marks, almost 1 000 million marks less than in 1975. Short-term borrowing abroad by corporations declined even more, so that the net inflow of short-

Chart 5.  
TOTAL SAVING AND INVESTMENT



term capital amounted to less than 100 million marks. The development of short-term capital flows reflected a revival of exports and a decline in the foreign trade import surplus. The overall balance showed a deficit of slightly more than 100 million marks (Chart 4).

Owing to the near equilibrium on the overall balance, changes in the reserves were small. The convertible foreign exchange reserves of the Bank of Finland declined by 100 million marks, but the receivable on the tied currency accounts increased slightly. The net foreign debt of other foreign exchange holders grew by 50 million marks.

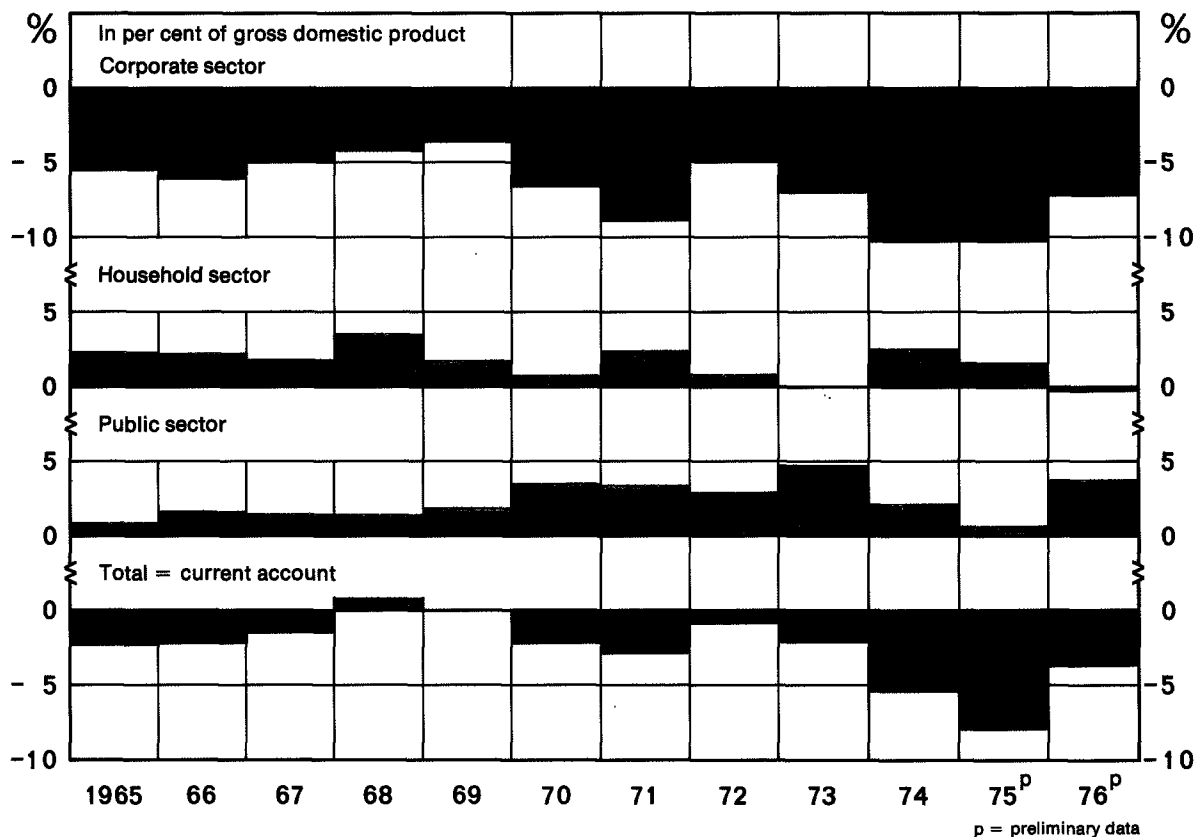
Finland's net foreign debt had increased by the end of the year to 24 500 million marks, which was over 22 per cent of annual GDP.

The rate of growth of the net debt was substantially slower than in the previous year. In addition, the structure of foreign debt improved as the share of short-term debt declined. Service charges on foreign debt amounted to 3 100 million marks, about ten per cent of current account revenue.

## FINANCIAL DEVELOPMENTS

Financial equilibrium was restored to the economy when the rate of investment was reduced by recession, by the tight domestic monetary policy and by selective regulation of capital imports (Chart 5). At the same time, the weakening in income formation caused a slight fall in the domestic propensity to save. Although investment was sluggish, the deterioration in corporate profitability and the need for operating capital sustained the demand

Chart 6.  
FINANCIAL SURPLUSES AND DEFICITS BY SECTOR



for external finance. According to preliminary data, a fall in the rate of saving induced a financial deficit for the household sector. On the other hand, the financial surplus of the public sector increased substantially owing to vigorous growth of receipts and the pursuit of a fiscal policy aimed at curbing the growth of public expenditure (Chart 6).

### Foreign financing

In line with the economic policy designed to restore current account balance and curb inflation, the Bank of Finland cut down the number of permits granted for the taking of long-term foreign loans; hence the net inflow of capital declined by almost one fifth. Nevertheless, the economy's financial deficit, amounting to about four per cent of GDP, was covered almost entirely by the net inflow of long-term capital. The share of capital imports in the financing of investment declined

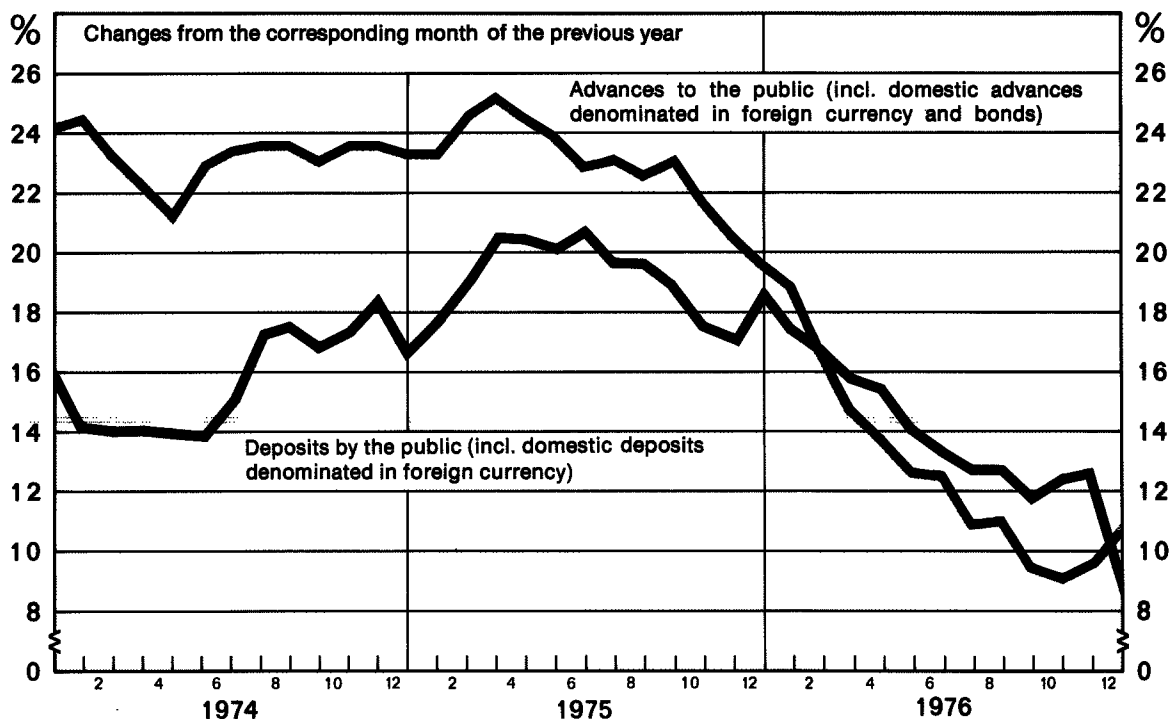
by nearly one third from the previous year and amounted to almost 13 per cent.

### Financial institutions

In the year under review, the stringency of the financial market was increased by a cash surplus which occurred in state finances; as a result of the surplus, the Central Government's and Postipankki's net receivable from the Bank of Finland grew by 478 million marks. To offset the increase in the public's liquidity as a result of the repayment of import deposits, the commercial banks' basic-rate central bank credit quotas were reduced by 200 million marks as from the beginning of July.

Due to the tightened liquidity position, the commercial banks increased their central bank borrowing, particularly towards the end of the year. The commercial banks' net debt to

Chart 7.  
BANK DEPOSITS AND ADVANCES TO THE PUBLIC



the Bank of Finland (incl. the Bank of Finland's net placements in the call money market) grew by 517 million marks during 1976. At the same time, the Bank of Finland expanded its selective lending, by granting corporations a total of 376 million marks of suppliers' credits, new export credits and short-term export credits, and an additional 362 million marks on the basis of temporary financing arrangements. Furthermore, the corporate sector's capital import deposits declined by 208 million marks and import deposits by 162 million marks.

Deposit bank lending to the public increased by only 11 per cent in the year under review (Chart 7). The growth in advances (term loans, bills, cheque account and postal giro account overdrafts) was 12 per cent. Placements in bonds increased by 10 per cent and domestic advances denominated in foreign currencies by 4 per cent. The stringency of the financial market was reflected in a deceleration in the growth of lending by the commercial banks and Postipankki. Advances outstanding increased for the commercial banks by 7 per cent and for Postipankki by 9 per cent. On the other hand, the savings banks increased their lending by 16 per cent and the co-operative banks by 18 per cent, almost as much as in the previous year.

The growth in public deposits with the deposit banks weakened substantially, being no more than 9 per cent (Chart 7). The increase in time deposits (incl. domestic deposit accounts denominated in foreign currency) was only 12 per cent, much less than in the previous year. The decline in deposit saving was mainly induced by a deceleration in the growth of the household sector's disposable income, considerable central government issues of bonds intended for public subscription, and by continuing inflation. Demand deposits (incl. spot-rate foreign exchange accounts) were reduced, in turn, by a decline in corporate earnings.

Mainly because of the decline in demand deposits, deposit growth in the commercial

banks and Postipankki was slower than the average: in the commercial banks the increase was 5 per cent and in Postipankki 9 per cent. On the other hand, deposits in the savings banks increased by 13 per cent and in the co-operative banks by 15 per cent.

The deposit banks paid the following rates of interest on different types of accounts during 1976:

|  | Per cent |
|--|----------|
| 36-month savings premium and tax concession deposits <sup>1</sup>                                  | 8 ¼      |
| 24-month time deposits   | 7 ¾      |
| 12-month time deposits   | 6 ¾      |
| 6-month time deposits  | 6 ¼      |
| Deposits with 4—5 months' notice   | 4 ¾      |
| Deposits with 2—3 months' notice   | 3 ¾      |
| Deposits with one month's notice   | 2 ¾      |
| Savings accounts, ordinary deposit accounts and deposit accounts with cheque facility <sup>2</sup> | 5 ¾      |
| Domestic deposit accounts denominated in foreign currency  | 3        |
| Cheque accounts and postal giro accounts <sup>2</sup>  | 1 ½      |
| Domestic spot-rate foreign exchange accounts   | 0        |

Total deposit bank lending to the public increased by 5 025 million marks and deposits by the public by 3 761 million marks, so that the excess of deposit bank lending over deposits grew by 1 264 million marks (Chart 8). Commercial bank advances to the public increased by 1 537 million marks and exceeded the growth of deposits by 832 million marks.

Typical of the prevailing cyclical situation, lending by other financial institutions increased more rapidly than that by the deposit banks. According to preliminary data, lending by the insurance companies and the development credit institutions grew by about one fifth in 1976, the same rate as in the previous year. On the other hand, the growth of lending by the mortgage credit institutions was no more than 11 per cent, as their prospects for obtaining credit abroad or on the domestic bond market weakened substantially. Because of

<sup>1</sup> In addition, the Central Government pays an interest premium of ¾ per cent on savings premium deposits. In the case of tax concession deposits, the depositor receives a tax concession benefit.

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

Chart 8.  
THE FINANCING OF THE EXCESS OF BANK ADVANCES OVER DEPOSITS

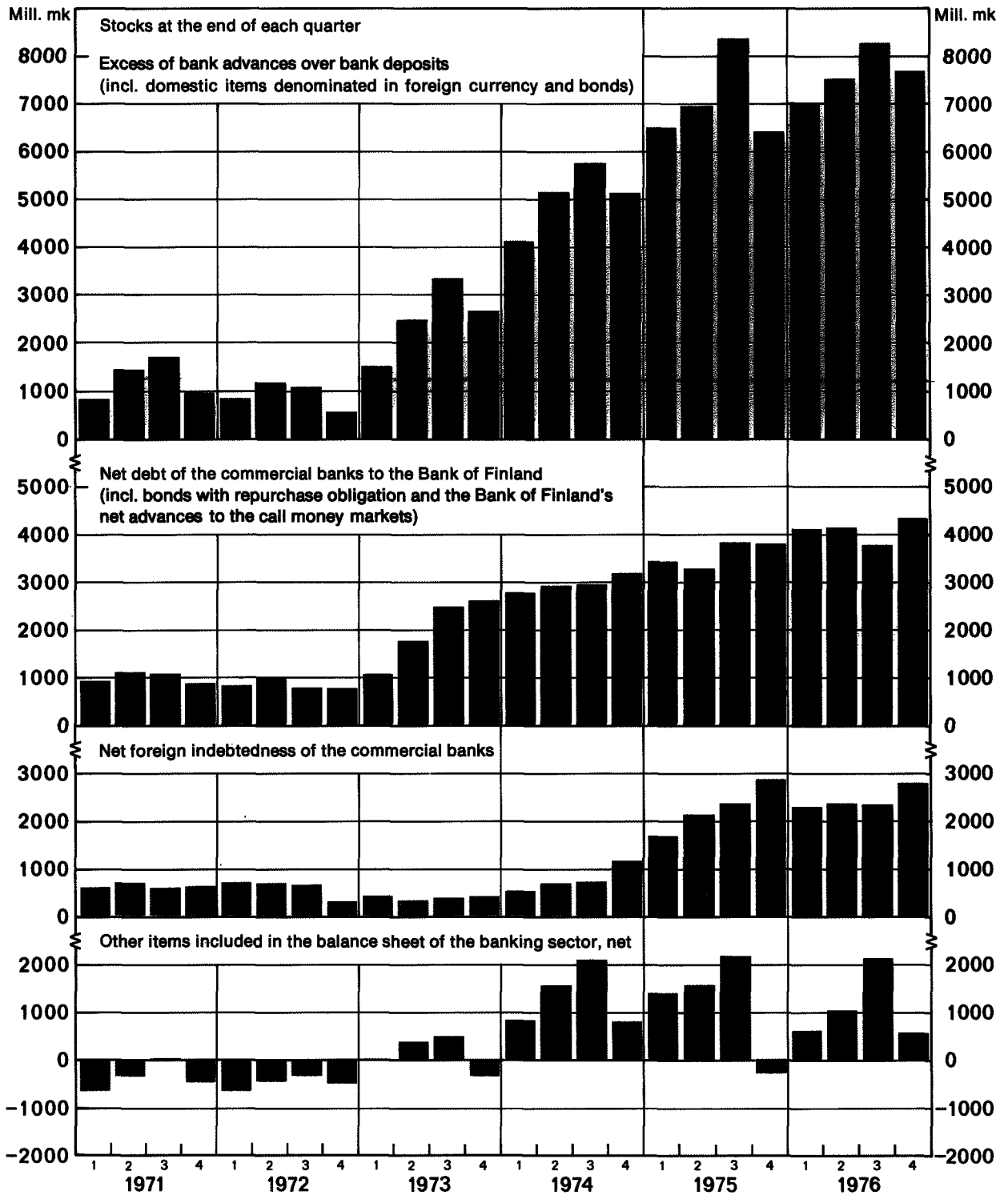
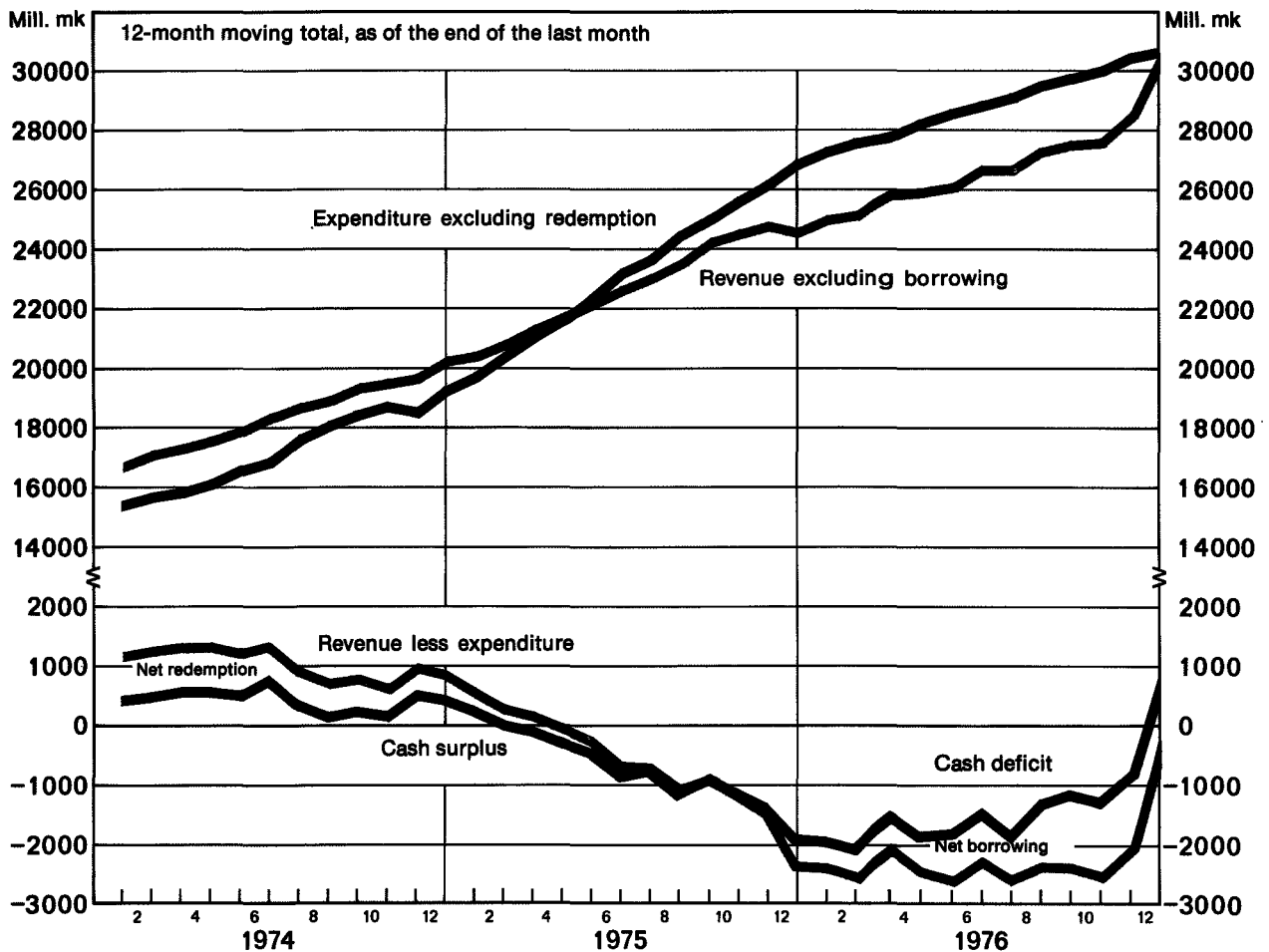


Chart 9.  
STATE FINANCES



the tightened liquidity position of the commercial banks, the growth of lending by the hire-purchase institutions was no more than four per cent.

### Central Government

The financial position of the Central Government improved noticeably, particularly during the second half of the year. By then the effects of the measures designed to curb the growth of public expenditure were beginning to be felt and, on the other hand, the accrual of taxes grew substantially, due both to the

collection of new temporary taxes and additional taxes and to the deferment of the repayment of excess income tax prepayments (Chart 9).

The disbursement of new state housing loans took place mainly during the second half of the year; they amounted, for the year as a whole, to 1 740 million marks, slightly more than in the previous year. Although other financial placements by the Central Government were rather insignificant, the Investment Fund of Finland granted loans up to the value of 625 million marks.

Total state expenditure (excluding debt redemption) was 221 million marks greater than total state revenue (excluding borrowing). In order to meet its financial requirements, the Central Government drew long-term domestic loans of 784 million marks and foreign loans of 803 million marks. The majority of the foreign loans drawn were taken by the Investment Fund of Finland. Redemption of long-term loans totalled 484 million marks. Except for the first months of the year, the Central Government's liquidity position remained fairly good, and it improved towards the end of the year. Hence, the Central Government had a cash surplus of 882 million marks, which was mainly placed by Postipankki on the Bank of Finland call money market.

### Stock market

At the end of 1976, the amount of domestic bonds outstanding was 779 million marks greater than one year earlier. Sales of government bonds intended for public subscription totalled 625 million marks and the issues of bonds sold to financial institutions and in-

surance companies 164 million marks. Other borrowers' prospects for obtaining credit weakened. The mortgage credit banks managed to sell to the public tax-free bonds up to the value of 146 million marks, while sales of bonds to financial institutions and insurance companies by the mortgage credit banks and corporations totalled 466 million marks. New issues by companies were rather insignificant as compared with those in the previous year: for example, the new issues in 1976 from companies listed on the Stock Exchange totalled only 210 million marks.

Due to a weakening in corporate profitability, the increased tax burden on corporations and shareholders, and a tightening of the financial market, share prices fell by an average of 22 per cent during the year under review. Moreover, the growth in the supply of new government bonds intended for public subscription tended to depress the prices of shares quoted on the Helsinki Stock Exchange. As a result of the fall in share prices, the total turnover value of the Stock Exchange declined by 17 per cent from the previous year.



# CENTRAL BANK POLICY

In order to sustain the improvement already achieved on the balance of payments and rate of inflation fronts, it was necessary to pursue stringent monetary and capital import policies and to maintain a stable international value for the mark. It was considered important that the benefits gained from the economic revival then in prospect should be used to reduce the economy's external and internal imbalances. No general relaxation in central bank policy was therefore possible, but resort was made to certain selective credit policy measures in order to alleviate the worst employment and output effects of the recession.

## MONETARY POLICY

### General outline

The policies adopted in 1975 to reduce the current account deficit and curb inflation were continued, and thus the aim of monetary policy was to keep the domestic financial market tight. To maintain this overall stringency it was necessary to pay particular attention to the effects of the running down of import deposits, which was to take place in the course of the year. Measures were taken to cut down the commercial banks' access to central bank financing, and a start was made on the dismantling of the temporary special financing scheme for export firms.

The central role in monetary policy was still played by the regulation of the cost and availability of central bank finance to the commercial banks. In addition to quota-related measures, the call money market policy, the special financing schemes, and the credit policy guidelines were all used to affect conditions in the financial market. The set of monetary policy instruments was developed by making some mainly technical improvements, such as changing the schedule of penalty charges on central bank debt, and introducing a call money market interest rate equalization scheme.

At the beginning of the year, Postipankki became entitled to participate as a depositor in the Bank of Finland call money market. At the same time, the commercial banks' direct Postipankki borrowing facility was discontinued. To offset this, the surveillance limit set in September 1975 on each commercial bank's monthly average total of its central bank debt and call money advances was increased from 180 per cent to 200 per cent of its basic quota.

When the Council of State decided in March to start gradually dismantling the import deposit system, the Bank of Finland announced to the commercial banks that they would have to reduce their use of central bank financing by amounts related to the steps by which the quantity of import deposits in the Bank of Finland declined. The commercial banks' credit quotas were indeed reduced as from the beginning of July, and this reflected not only a reduction in import deposits but also an accelerated growth in export earnings.

In the course of the autumn there were signs that the favourable developments over the balance of payments and the rate of inflation might be coming to an end. The Bank of Finland therefore announced in October that it would further reduce the commercial banks'

credit quotas as from the beginning of 1977. At the same time, and in the context of the then approaching incomes policy negotiations, the Bank emphasized that finance would be available only to cover such income formation under which the rate of inflation would slow down further.

In December the Bank of Finland announced that it had imposed target levels for the curtailment of the commercial banks' central bank financing in January—August 1977. Compliance with these target levels was linked to a special bonus scheme designed to stimulate the commercial banks into adjusting their central bank debt in line with the stance taken in monetary policy. It was stated that this scheme would, at the same time, provide scope for the commercial banks to ease the burden placed on their profitability by the stringent quota and call money policies.

In November the financial institutions received new credit policy guidelines in which the Bank emphasized that, even in the long run, lending could be expanded only within the range set by the growth of deposits. It was also announced that net imports of foreign capital would be substantially reduced. Moreover, the financial institutions were warned that the temporary scheme for the financing of surplus stocks of export products was to be dismantled during 1977. The financial institutions were reminded of, on the one hand, the projects to which priority in credit granting should be given and, on the other hand, the projects to which the strictest selective treatment should be applied. In the guidelines it was stressed that credit should be granted mainly for satisfying the need for operating capital and for financing investment projects already under way. A new category to which the strictest credit-granting criteria were to be applied were enterprises receiving repayments of import deposits.

In order to secure credit facilities for exporting and import-substituting enterprises, the Bank

of Finland continued its permanent special financing arrangements. Through its own lending and by granting permits for borrowing abroad, the Bank also maintained its temporary scheme for the financing of surplus stocks of export products. In the course of the year, the Bank of Finland also granted temporary credit for ensuring the continued operations of certain other industries.

The stringency of monetary policy was reflected in a marked deceleration in the growth of bank lending. Weak income formation, continuing inflationary expectations and increased sales of central government bonds nevertheless combined to result in deposit growth clearly more sluggish than in the past, and so the banks' use of central bank financing increased despite the targets set for its curtailment. On the other hand, 1976 did see a clear slow-down in the rate of growth of central bank financing, after three years of rapid increase. As certain commercial banks occasionally exceeded the surveillance limit set on the total of their central bank debt and call money advances, the development of their liquidity became subject to special scrutiny by the Bank of Finland.

Because of their weak liquidity position and the reduction in their credit quotas, the commercial banks had to pay high penalty charges on their central bank debt and to make increasingly large borrowings on the call money market. The call money market was expanded when Postipankki joined the market as a depositor, and deposits by it increased particularly in the second half of the year as a result of an improvement in the Central Government's financial position. The commercial banks' use of central bank financing thus increased substantially from the previous year. The average rate of interest paid by the commercial banks on their central bank financing rose by 0.3 percentage points to 12.4 per cent. In order to ease the cost burden incurred by the banks on their central bank finance, the Bank of Finland supported the

call money market occasionally, revised the schedule of penalty charges on excess quota debt in the spring, and introduced an interest rate equalization scheme in the autumn. On the other hand, the basic rate applied to central bank credit and the general interest rate level were kept unchanged throughout the year.

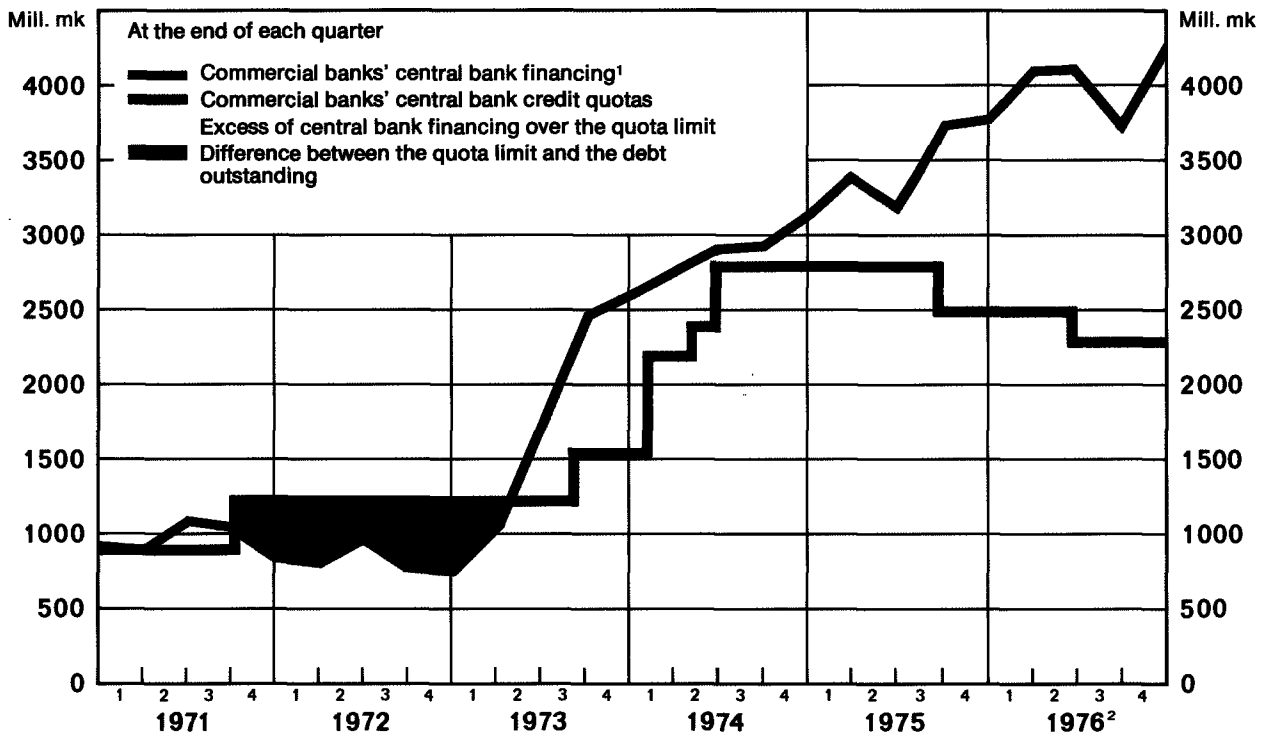
### The quota policy

The greater part of the commercial banks' central bank financing was made up of central bank credit granted within individual quota limits, and subject to the basic rate of interest. The banks remained entitled to exceed their quotas by up to 50 per cent, by paying

penalty charges. During the year under review, the commercial banks exceeded their quotas on average by 34 per cent.

Until the end of June 1976, the commercial banks' total central bank credit quotas were kept at 2 500 million marks, the amount to which they had been reduced in October 1975. At the beginning of July, the Bank of Finland reduced this further, to 2 300 million marks (Chart 10). The distribution of quotas between banks was kept unchanged. In October the Bank of Finland announced that it would reduce the commercial banks' total central bank credit quotas by another 200 million marks with effect from the beginning of 1977.

Chart 10.  
COMMERCIAL BANKS' CENTRAL BANK FINANCING



<sup>1</sup> Commercial Banks' Central Bank Financing consists of their central bank credit, their call money advances net of their call money deposits and their transactions in bonds with repurchase obligation. Commercial Banks' Central Bank Credit includes bills discounted by the banks at the Bank of Finland and their cheque account debts to the Bank of Finland net of their cheque account receivables from the Bank of Finland.

<sup>2</sup> At the beginning of 1976 Postipankki joined the call money market as a depositor. This caused an increase in figures for the commercial banks' central bank financing. The figures for the central bank financing in 1976 are therefore not fully comparable with those for previous years.

**THE COMMERCIAL BANKS' CENTRAL BANK CREDIT QUOTAS AND THEIR BANK-BY-BANK BREAKDOWN, FROM OCT. 1, 1975, MILL. MARKS**

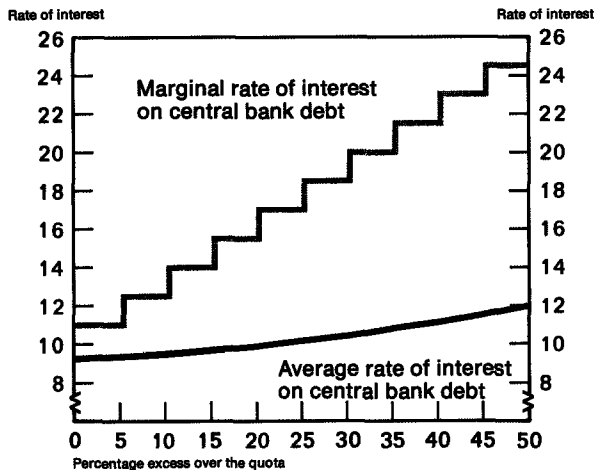
|              | Oct. 1,<br>1975—<br>June 30, 1976 | July 1,<br>1976—<br>Dec. 31, 1976 | Jan. 1,<br>1977— |
|--------------|-----------------------------------|-----------------------------------|------------------|
| HOP          | 145.0                             | 133.4                             | 121.8            |
| KOP          | 685.0                             | 630.2                             | 575.4            |
| OKO          | 445.0                             | 409.4                             | 373.8            |
| SKOP         | 570.0                             | 524.4                             | 478.8            |
| SYP          | 640.0                             | 588.8                             | 537.6            |
| ÅAB          | 15.0                              | 13.8                              | 12.6             |
| <b>Total</b> | <b>2 500.0</b>                    | <b>2 300.0</b>                    | <b>2 100.0</b>   |

The schedule of penalty charges on central bank debt was revised at the beginning of April, because the original schedule, the design of which took into account only the quota policy aspects, was causing exaggeratedly stepwise movements in the operation of the call money market. In the revised schedule, the average rate of interest was fixed so as to rise evenly. At the same time, the schedule of penalty charges was slightly relaxed, so that the maximum penalty charge was reduced from the allowed four per cent to slightly less than three per cent. During the year under review, the banks paid an annual average interest rate of slightly more than 11 per cent

on their quota debt, the average penalty charge thus being a little less than two per cent. When calculating the annual average interest rate paid on total central bank financing, account is also taken of interest expenses on call money advances and the difference between the purchase and resale rates for bonds with repurchase obligation.

The daily limit on each commercial bank's central bank debt was 150 per cent of its quota, and its call money overdraft limit was equal to the quota. If the bank's need for finance exceeded both these maximum amounts, the bank could, after negotiations with the Bank of Finland, carry out one-week transactions in bonds with repurchase obligation; the Bank of Finland's purchase rate for these was 99½ per cent and the resale rate 100 per cent.

If a bank made resort to such bond transactions, then at the same time it became subject to special liquidity scrutiny by the Bank of Finland, in the same way as if it was exceeding the surveillance limit set on the monthly average of its central bank financing. Bond transactions with repurchase obligation were carried out to some extent in the second half of the year.



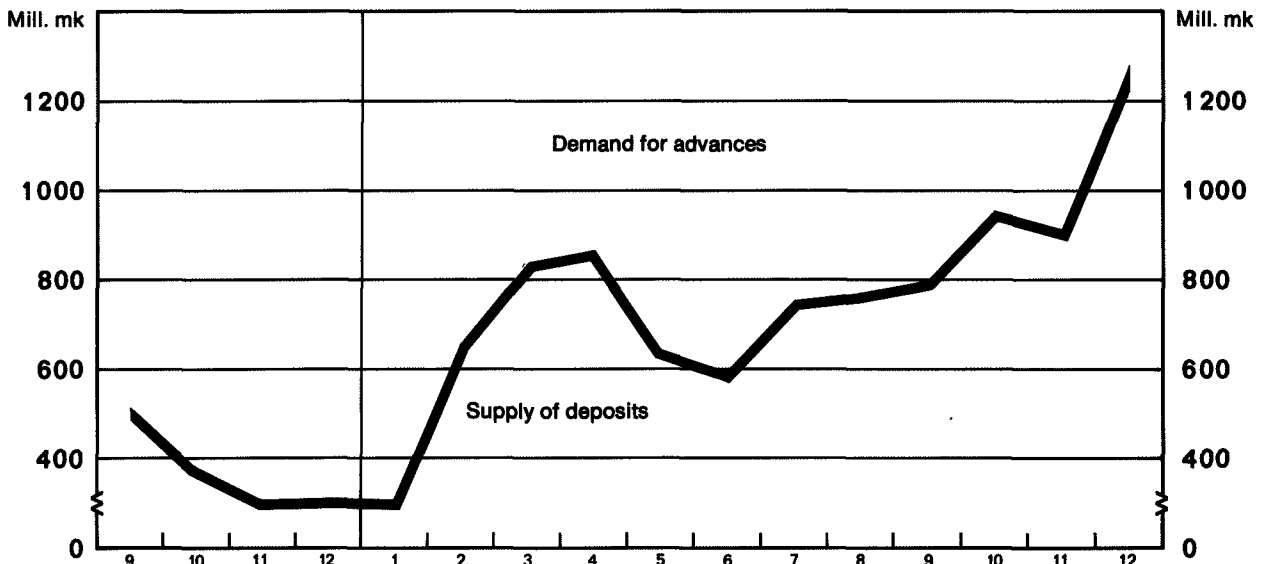
**The call money market**

The Bank of Finland call money market continued operating during 1976. The Bank's temporary authority to confirm the rate of interest applied on the call money market, which was at first valid until the end of May, was extended by the Bank Supervisors delegated by Parliament until the end of 1977. At the same time, the upper limit on the rate of interest was reduced from 30 per cent to 25 per cent as from the beginning of June. Participating in the call money market were, besides the Bank of Finland itself, all the commercial banks entitled to discount at the Bank of Finland plus Postipankki, which participated only as a depositor.

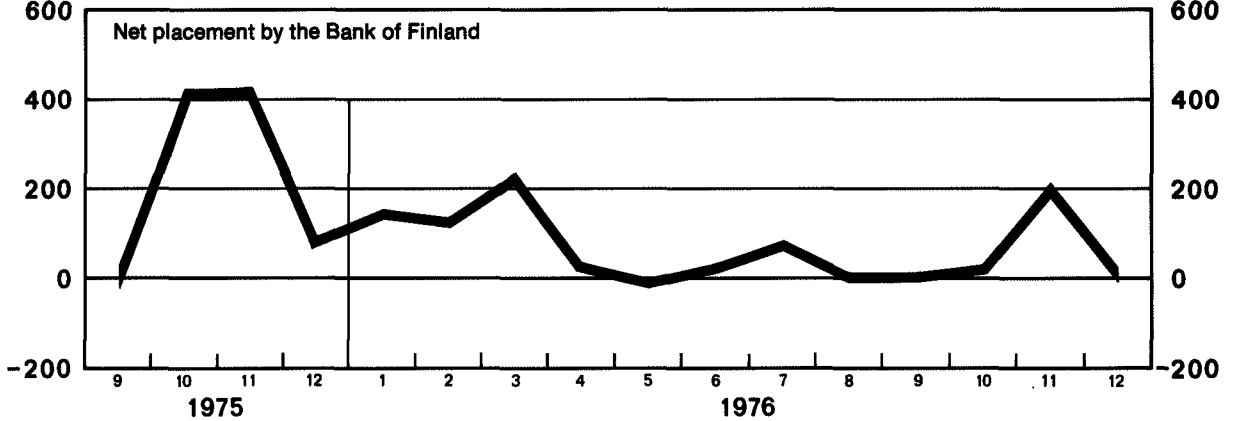
Chart 11.  
**BANK OF FINLAND CALL MONEY MARKET**  
**RATE OF INTEREST**



**DEMAND AND SUPPLY**



**BALANCE**



In order to develop the call money market further, the Bank of Finland revised the regulations so that from the beginning of the year Postipankki became entitled to participate as a depositor in the market. At the same time, the commercial banks' overnight borrowing facility at Postipankki was discontinued. These arrangements made it possible to even out week-to-week and seasonal fluctuations in bank liquidity which were being caused by changes in the Central Government's financial position. Postipankki's right to place funds in the market was restricted so that initially the monthly average of its placements could not exceed 500 million marks; from the beginning of February, however, this limit was increased to 800 million marks.

From the beginning of April, operating conditions in the call money market improved as a result of a revision in the schedule of penalty charges on central bank debt. This made it easier to balance the market by means of rate of interest adjustments (see page 20).

At the beginning of November, the Bank of Finland revised the call money market regulations by introducing an interest rate equalization scheme to reduce the interest expenses on the commercial banks' call money market transactions caused by state finance. Under this scheme, if the interest charged on Postipankki's call money deposits exceeds 11 per cent, then half of the excess is distributed monthly between the commercial banks entitled to discount at the central bank. At the same time, the upper limit set on the monthly average of Postipankki's call money deposits was cancelled.

Apart from the quota policy and call money market policy itself, the main influences on the operations of the call money market in 1976 were the central government cash flow as reflected in the volume of Postipankki's call money deposits, and the developments in the country's foreign exchange reserves.

The improvement in the Central Government's financial position in 1976 was indicated by an increase in the volume of call money deposits and advances (Chart 11). In 1976 the demand for call money advances amounted on average to 859 million marks and the supply of call money deposits to 780 million marks.

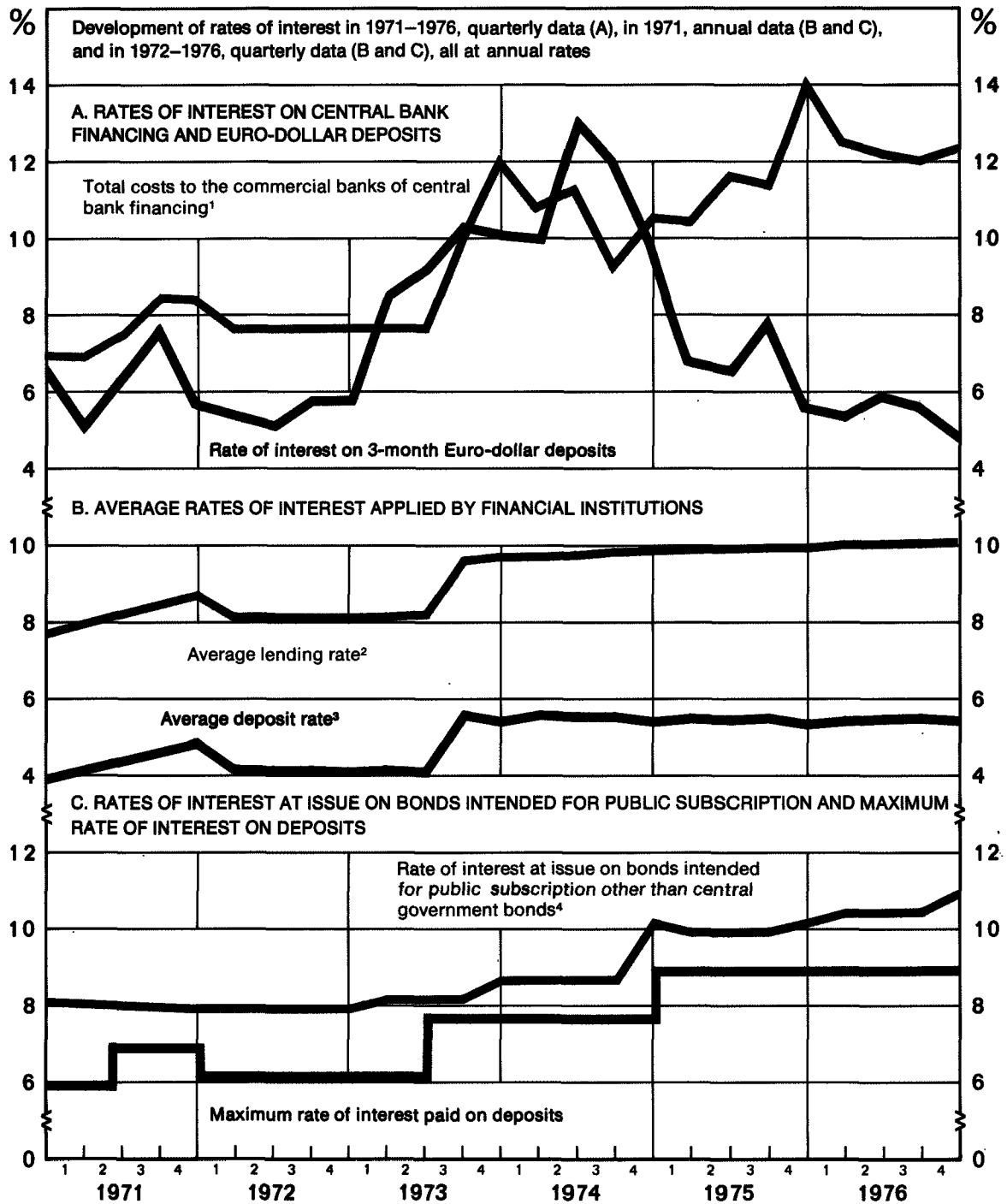
The Bank of Finland cleared the call money market generally by altering the call money rate, but occasionally also by supporting the market by making placements of its own. In the first quarter of 1976 this support was aimed at alleviating the problems caused when the call money market became the channel through which variations in the Central Government's liquidity position were evened out. In order to facilitate adjustment by the banks when their credit quotas were reduced, the Bank of Finland made call money placements in July. From the beginning of November, the Bank of Finland supported the call money market in order to check rises in the call money rate. During the year as a whole, the Bank of Finland's average net placement in the call money market was 79 million marks. The average call money rate of interest was 18.4 per cent.

### Interest rate policy

The general interest rate level was kept unchanged during 1976, and the basic rate on the commercial banks' central bank credit remained 9¼ per cent (Chart 12 A). The Bank of Finland's upper limit on the financial institutions' lending rate continued to be 12½ per cent.

With the rate of inflation slowing down, real rates of interest went up, although they were still mostly negative. As the average level of interest rates in the international financial market was lower than in the previous year, foreign credit became relatively more attractive. The development of the interest rate on three-month Euro-dollar deposits is shown in Chart 12 A.

Chart 12.  
**RATES OF INTEREST**



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

The average lending rate applied by financial institutions again rose slightly (Chart 12 B) and was 10.18 per cent at the end of the year; this is 0.10 percentage points higher than one year earlier.

The borrowing terms applied by the financial institutions remained unchanged during the year under review. As a result of slight changes in the relative shares of different deposit accounts in total borrowing, particularly during the last quarter of the year, the average deposit rate rose by 0.11 percentage points, to 5.56 per cent at the end of 1976 (Chart 12 B). At the turn of the year, the difference between the interest rates paid on loans and deposits was thus almost the same as one year earlier, 4.62 percentage points. Measured

in terms of annual averages, however, the margin was 0.10 percentage points greater than in 1975.

The rates of interest on bond issues intended for public subscription rose during the year under review (Chart 12 C). The average effective rate at issue on Government bonds intended for public subscription issued during the first quarter of the year was 9.8 per cent and the rate on other loans intended for public subscription 10.5 per cent. During the last quarter of the year, both these rates of interest were 11.0 per cent. In addition, the Government bonds intended for public subscription issued during the year under review had shorter maturities than those issued during the previous year.

#### WEIGHTED AVERAGE LENDING AND DEPOSIT RATES OF INTEREST APPLIED BY FINANCIAL INSTITUTIONS AND THE DIFFERENCES BETWEEN THESE RATES AT THE END OF 1975 AND 1976, PER CENT

|  | Dec. 31, 1975 |              |             | Dec. 31, 1976 |              |             |
|--|---------------|--------------|-------------|---------------|--------------|-------------|
|  | Lending rate  | Deposit rate | Difference  | Lending rate  | Deposit rate | Difference  |
| Postipankki                            | 9.88          | 4.17         | 5.71        | 9.94          | 4.28         | 5.66        |
| Commercial banks                       | 9.77          | 5.30         | 4.47        | 9.84          | 5.48         | 4.36        |
| Savings banks                          | 10.47         | 5.98         | 4.49        | 10.59         | 6.03         | 4.56        |
| Co-operative banks                     | 10.52         | 5.93         | 4.59        | 10.59         | 5.91         | 4.68        |
| <b>Financial institutions, overall</b> | <b>10.08</b>  | <b>5.45</b>  | <b>4.63</b> | <b>10.18</b>  | <b>5.56</b>  | <b>4.62</b> |

#### Credit policy guidelines

In November the Bank of Finland issued new credit policy guidelines. These stated that the international cyclical upswing had so far proved to be based on rather narrow and uncertain foundations, as there was, for example, no indication of a substantial revival in investment. It was estimated that the current upswing would in any case be considerably weaker than the previous one. The guidelines pointed out that it would thus be necessary to utilize most of the benefit gained from the upswing and the growth of export earnings for restoring balance to the economy. The

weaker the upswing, the less scope there would be for increasing domestic demand. In order to restore balance, the tight credit policy would in any case have to be continued and imports of foreign capital to be held back.

As for credit policy for the immediate future, the Bank of Finland stated that the banks would have to reduce their use of central bank financing substantially during the first half of 1977 because of the releasing of import deposits. In addition, the banks were advised to use discretion when utilizing their rights to make borrowings abroad on the basis



of general permissions from the Bank of Finland.

When granting credit for 1977 and even for 1978, the financial institutions were to follow a stringent overall line. They were advised to give priority to loans satisfying the need for operating capital required to maintain profitable production of goods with favourable market prospects, to loans for those uncompleted investment projects whose capacity could be taken into profitable use right after completion and, of new investment projects, only to such industrial investment projects that were microeconomically highly profitable.

The strictest criteria were to be used when granting credit to enterprises due to receive substantial sums in repayments of import deposits. Subject to the same criteria were credits for commodity imports and storage of such, for investment projects designed to expand commerce, tourism and other service sector industries, for non-industrial municipal investment projects, and for the financing of consumption in its various forms.

As for longer-term prospects, the Bank of Finland stated that the financial institutions would have to base their credit commitments on the fact that they would have no scope to increase their use of central bank finance even in the longer run, but that increases in lending would have to be fitted into the range set by the growth of deposits.

The guidelines concerning the granting of personal loans issued in January 1975 remained in force. These guidelines emphasized the importance of a prior deposit record as a condition for receiving a personal loan and also the need to focus tight selective treatment particularly on applications for personal loans likely to increase consumption.

The Bank of Finland's agreement with the Central Association of Finnish Forest Industries, which was aimed to keep the new

investment projects increasing the use of wood within limits set by the growth of forest resources, was extended at the beginning of January until 1979.

### Statements concerning bonds

The Bank of Finland gave the Council of State 23 statements concerning loan flotations, as provided for by the 1969 Law on Bond and Debenture Loans. All issue applications received favourable statements from the Bank of Finland. The Council of State granted the issue permits, but reduced the total nominal value of the three public subscription loans issued by the mortgage banks in the autumn from the 150 million marks applied for to 70 million marks. The total nominal value of all the loans approved was 681 million marks, while the corresponding figure for 1975 was 800 million marks. The decline in issues of private bonds was affected by an increase in sales of Government bonds, as well as by the general stringency in the financial market.

Of the loans, 17 were issued by private mortgage banks, five by industrial companies and one by one of the special credit institutions. Issues made by private mortgage banks amounted to 435 million marks, those by industrial companies to 225 million marks, and the one by the special credit institution was of 21 million marks. The share of industrial companies was larger than in the previous year, whereas the share of the mortgage banks was smaller. The loans issued by mortgage banks and the special credit institution were mainly used to finance residential construction and corporate and municipal industrial investments.

Of the private bonds issued, six were intended for public subscription, and their total nominal value amounted to 170 million marks. The Bank of Finland recommended that a fixed rate of interest, 10½ per cent during the first half of the year and 11 per cent during the

second half of the year, 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 511 million marks, the interest rates favoured by the Bank of Finland lay between 8¼ and 11 per cent; some of these loans bore a variable interest rate.

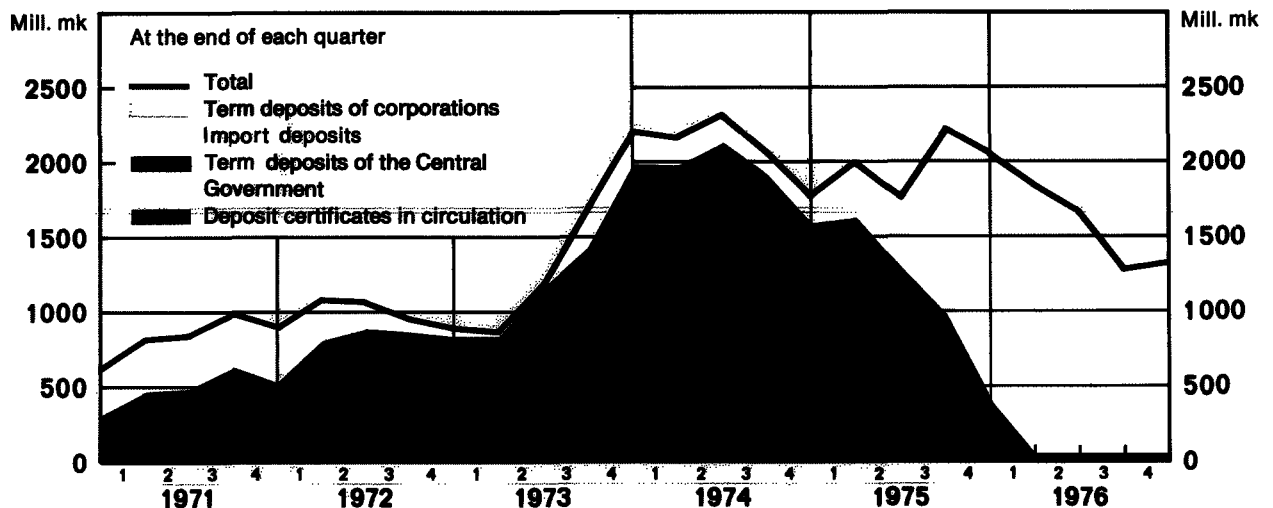
### Deposit certificates and term deposits

The central government reserves kept at the Bank of Finland were mainly used to finance the 1975 cash deficit (Chart 13). There were no deposit certificates in circulation after the end of April; at the end of 1975 these had amounted to 250 million marks. Sales of deposit certificates had taken place under a temporary interest payment permission granted by the Bank Supervisors delegated by Parliament; this permission expired at the end of the year under review. Central government counter-cyclical reserves declined by 96 million marks to 59 million marks, mainly during the first half of the year.

In March the Council of State decided to start gradually dismantling the import deposit scheme. The import deposits in the Bank of Finland reached their maximum, almost 1 400 million marks, in February—March. As the scheme was dismantled, the amount of deposits declined gradually so that at the end of 1976 they totalled 973 million marks. The collection of new deposits was discontinued at the end of the year even for the very last category of goods to be removed from the scheme. It was estimated that the import deposits placed in the Bank of Finland would all have been repaid to corporations by the end of July 1977, allowing for delays in accounting.

Corporations' term deposits in the Bank of Finland declined by 228 million marks. Capital import deposits, which reached a maximum of over 520 million marks in March, fell in the course of 1976 by a net 209 million marks and were 241 million marks at the end of the year. Corporate deposits required under the counter-cyclical investment fund scheme decreased by 15 million marks to 58 million marks. In September 1975, the Council of State had, on the proposal of the Bank of

Chart 13.  
DEPOSIT CERTIFICATES AND TERM DEPOSITS



Finland, granted permission for drawings to be made from these investment deposits. In April 1976 the Council of State obliged corporations to make drawings between April 15, 1976 and August 31, 1977 from the deposits they had made out of their net profits for accounting periods ended before the beginning of 1975. In addition, no placement could be made in the investment fund during the accounting period during which drawings of investment deposits had been made, regardless of whether the drawings were made on the basis of the permission or as a result of the obligation.

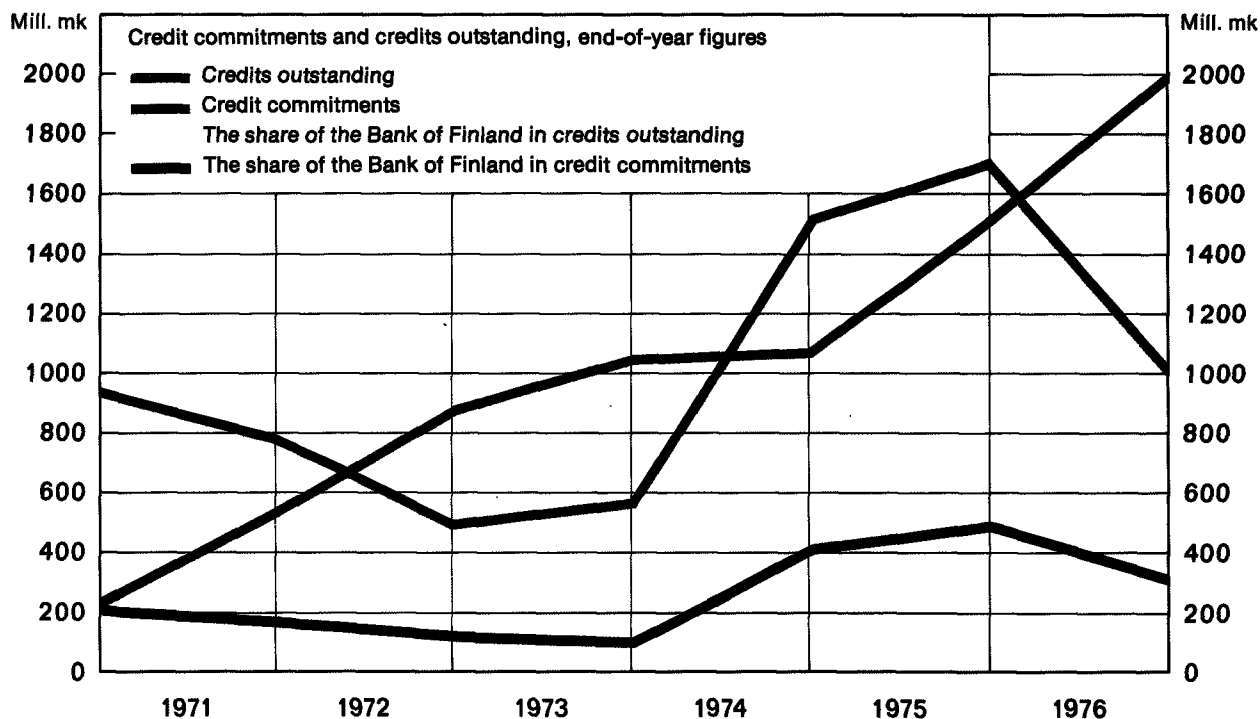
again participated in the system of financing domestic suppliers' credits and continued to refinance short-term export credits and new export credits through the commercial banks and Postipankki. The availability terms for new export credits were revised in June, but the terms for the other financing arrangements were kept unchanged throughout 1976. The total stock of credits under these three permanent special financing arrangements increased by 376 million marks and amounted to 1 201 million marks at the end of the year.

As the revival in export demand for forest industry products was weaker than had been expected, the Bank of Finland continued to provide temporary domestic financing and to grant permits to use foreign loan capital, so as to support production and employment in the forest industries. In December the Bank of Finland decided upon new arrangements

### Special financing arrangements

The Bank of Finland's permanent special financing arrangements were continued with, so as to secure credit facilities for exporting and import-substituting enterprises. The Bank

Chart 14.  
FINANCING OF DOMESTIC SUPPLIERS' CREDITS



for the financing of raw timber transactions concluded during the winter season 1976—1977. In the course of the year, the Bank of Finland also provided temporary financing to certain other industries, among other things to finance dairy product stocks. The total stock of credits under these temporary domestic financing arrangements increased by 362 million marks, and amounted to 536 million marks at the end of the year.

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 Postipankki. 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. As a result of a substantial weakening in industrial investment, the stock

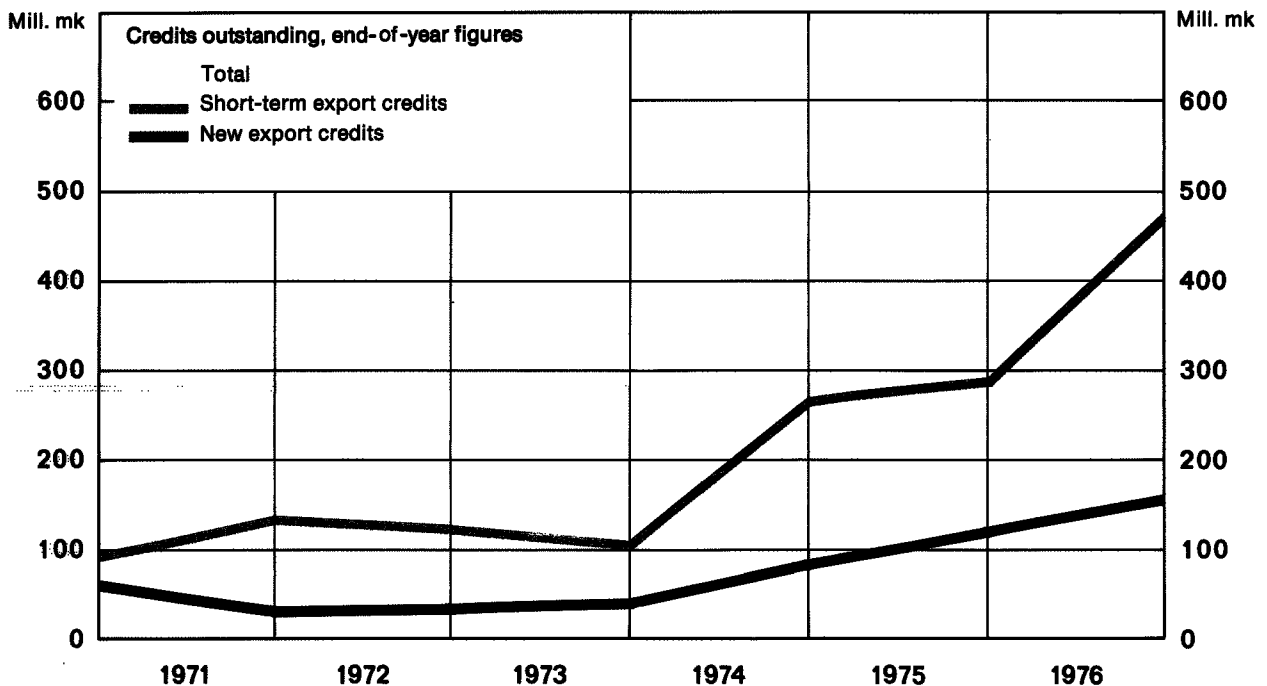
of orders to be financed with these credits declined by 852 million marks and amounted to 1 366 million marks at the end of the year.

New credit commitments made in 1976 under this system totalled 272 million marks, in which the share of the Bank of Finland was 82 million marks. At the end of the year, credit commitments outstanding totalled 1 044 million marks, of which the Bank of Finland's share amounted to 325 million marks.

Drawings of credits totalled 918 million marks, of which the Bank of Finland financed 263 million marks. The stock of credits outstanding grew by almost 40 per cent in the course of the year, totalling 2 022 million marks at the end of the year. In this amount, the share of the Bank of Finland was 554 million marks.

New export credits are used to provide pre-shipment finance to meet the

Chart 15.  
FINANCING OF NEW EXPORT CREDITS AND SHORT-TERM EXPORT CREDITS



demand for additional working capital needed by small and medium-sized industrial enterprises as a result of an expansion in their exports. In June the upper limit on the annual turnover of enterprises eligible for this programme was increased to 150 million marks, and the ceiling on new export credits for an individual enterprise to 3 million marks. In the year under review, the interest rate applied to new export credits was again 8 ½ per cent. The stock of new export credits outstanding continued to grow at a steady rate and amounted to 165 million marks at the end of the year. Of the stock of credits outstanding, the fabricated metal products, machinery and equipment industry accounted for 41 per cent, and the textile, wearing apparel and leather industries for 32 per cent. At the end of the year, a total of 488 enterprises were in receipt of credit of this type.

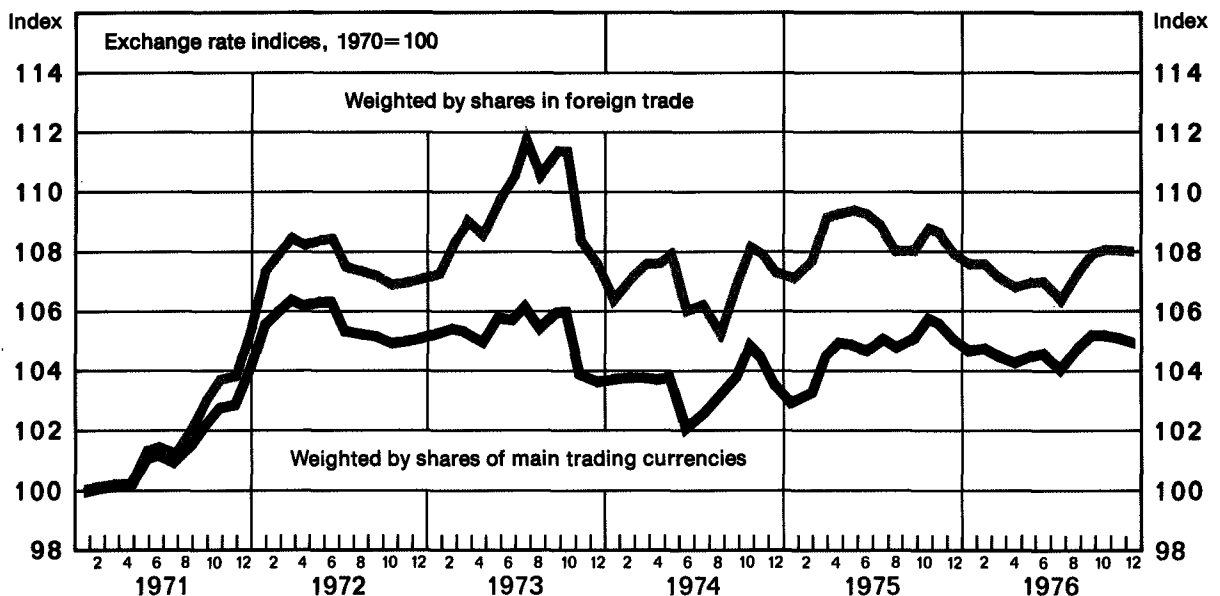
Regulations concerning the arrangements for the financing of short-term export credits were kept unchanged during 1976. These arrangements cover the refinancing for

up to 12 months of supplier credits payable in convertible currencies. The interest rate applied to these credits was 8 ½ per cent. As a result of a tightening in the financial situation and a revival in exports, the stock of credits outstanding grew by more than 60 per cent, and reached 482 million marks at the end of the year. Of the stock of credits outstanding, the fabricated metal products, machinery and equipment industry accounted for 62 per cent, and the textile, wearing apparel and leather industries for 13 per cent. At the end of the year, a total of 456 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.

Chart 16.  
AVERAGE DEVELOPMENT OF EXCHANGE RATES



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 limits for the dollar remained in force during 1976. The mark thus floated against all other currencies, including the rouble used in bilateral payments.

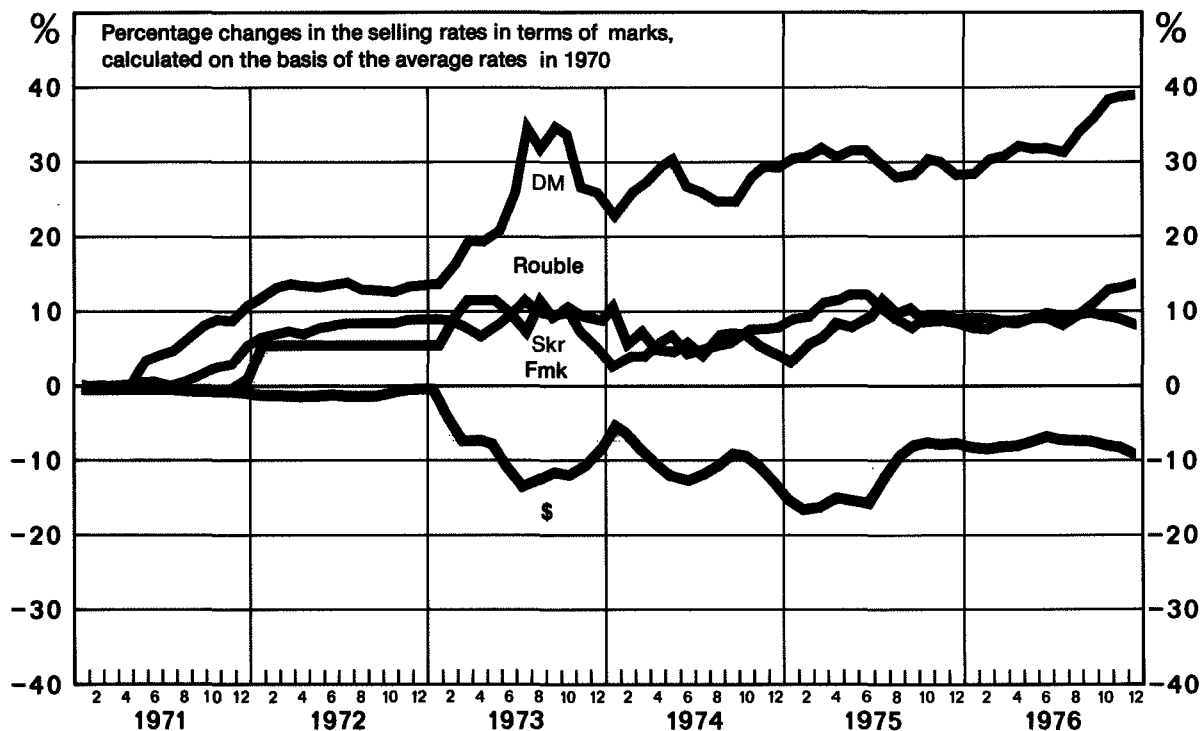
### Developments in international foreign exchange markets

The system of floating exchange rates, which had become general three years earlier, was still operating in the international foreign exchange markets during 1976. After a fairly peaceful period in 1975, the markets again became rather unstable, with the exchange rates for several currencies changing substantially. The central banks of several countries

tried to stabilize exchange rate developments by intervening in the markets by making supporting purchases or by taking other measures.

Developments in interest rates in the United States and Europe showed a slight downward trend and the major discount and deposit rates remained fairly stable in the course of the year. However, certain countries, such as the United Kingdom and Sweden, raised their discount rates in order to support their currencies. Changes in the exchange rates for the U.S. dollar and other major currencies were affected by the overall uncertainty about the international cyclical situation prevailing in the year under review, and by price and balance-of-payments developments in different countries. The dollar strengthened during the first half of the year, but weakened towards the end of the year as a result of the United

Chart 17.  
CHANGES IN EXCHANGE RATES OF MAJOR CURRENCIES



States' uncertain economic prospects and relatively relaxed monetary and interest rate policies.

On March 15, exchange rate speculation resulting from strong expectations culminated in France suspending for the second time her participation in the foreign exchange rate system applied between the EEC countries; the French franc thereafter weakened against the dollar. Exchange rate expectations then focussed on the currencies remaining in the system, particularly the DM, with the result that the exchange rate system was revised in October by altering the dollar exchange rates which are used as the basis of comparison for the currencies. This did not, however, have any significant direct effect on the market rates. The mutual exchange rates for the currencies in the system remained almost unchanged during the second half of the year.

Sterling, which was outside the EEC countries' exchange rate system, continued to weaken further because of the United Kingdom's high rate of inflation and weak balance-of-payments situation. After the International Monetary Fund granted a stand-by credit to the United Kingdom in December, the external value of sterling stabilized.

The price of gold fell slightly during the year under review. The price fluctuated in the course of the year, being at its lowest in the autumn. In June the International Monetary Fund started its gold sales, which then took place at intervals of about six weeks. In London the price of gold was 141 dollars per ounce at the end of 1975 and 135 dollars one year later. The price thus fell by six dollars per ounce, four per cent, in one year.

### Spot markets

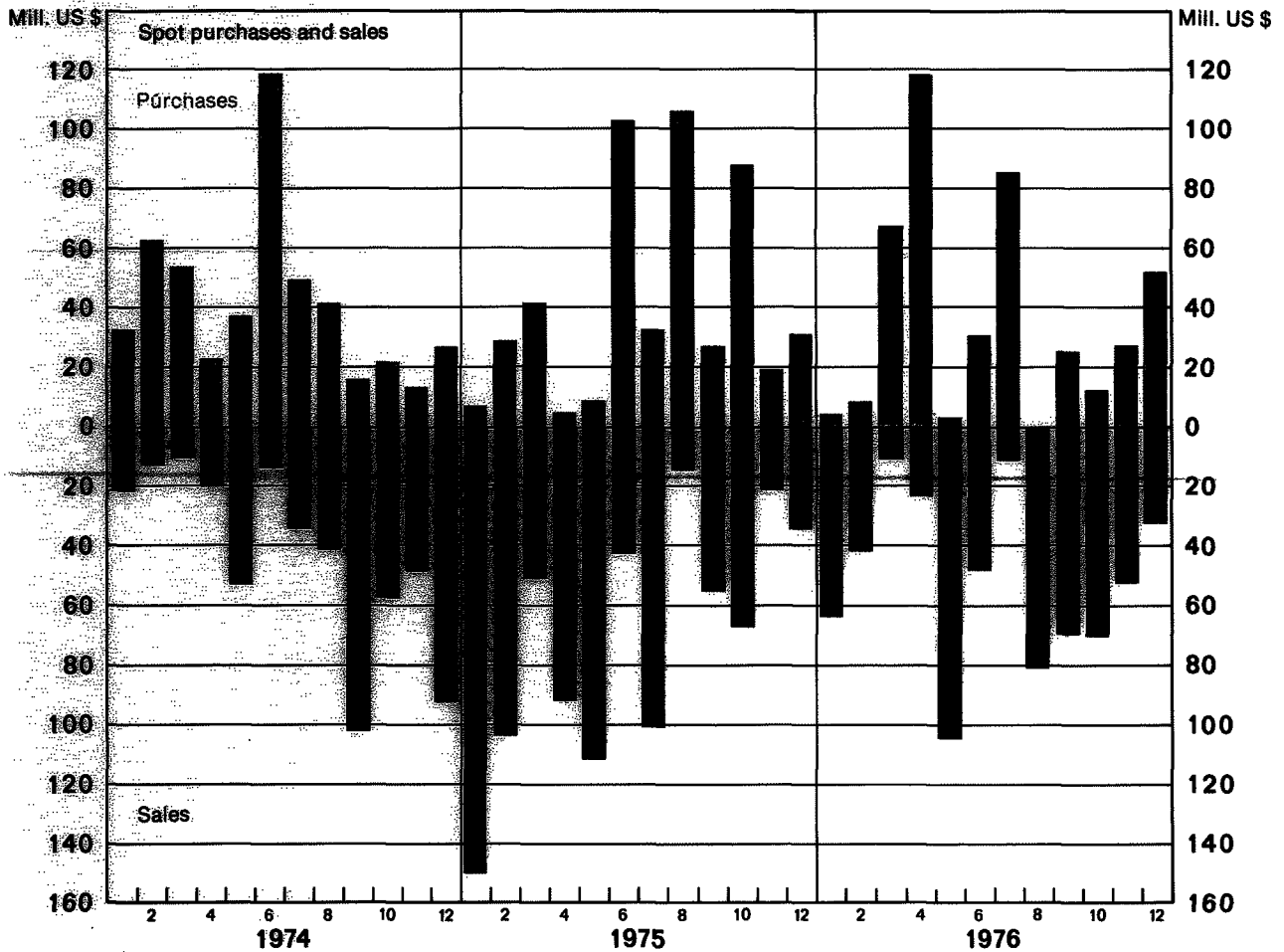
To measure the external value of the mark, the Bank of Finland applies a method of calculation based on the average changes in the exchange rates for different currencies. Expressed as a currency index weighted by

shares in Finland's foreign trade, the value of the mark strengthened during the year under review by 1.0 per cent from the average exchange rate level in 1975 (see Chart 16). The exchange rate at the end of the year, however, was only 0.5 per cent higher than one year earlier. The range of fluctuation of the index was less than two per cent during 1976, so that the value of the mark remained quite stable.

During the first half of the year the inflow of foreign capital was fairly vigorous, and this supported the value of the mark. At the same time, the Bank of Finland was showing a net purchase balance on its foreign exchange transactions. Towards the end of the summer, however, sales of foreign exchange caused a decline in the Bank of Finland's convertible foreign exchange reserves, and the value of the mark fell slightly. The central bank's total sales of foreign exchange amounted to 608 million dollars, while purchases totalled 442 million dollars. Monthly developments in these transactions are shown in Chart 18. During the last quarter of the year under review, the average exchange rate for the mark remained almost unchanged.

Although the external value of the mark remained very stable, there were substantial fluctuations in the exchange rates for the currencies most important for Finland (see Chart 17). During the year under review the U.S. dollar fell by 2.2 per cent compared with the Finnish mark, and sterling went down by 17.6 per cent. The mark rate for the Swedish krona rose by 4.3 per cent and that of the DM by 8.8 per cent. At the end of 1976, the exchange rate for the rouble was almost the same as one year earlier. The selling rates for currencies quoted by the Bank of Finland are shown in Table 12. The use of sterling as a trading currency was reduced further by a significant weakening in the exchange rate for sterling in the international foreign exchange market; on the other hand, the use of the dollar increased.

Chart 18.  
SPOT TRANSACTIONS OF THE BANK OF FINLAND



### Forward exchange markets

The total volume of Bank of Finland forward exchange transactions increased further in 1976, and the market was more balanced than in the previous year. Forward purchases totalled 429 million dollars and sales 404 million dollars. The majority of the forward agreements were made, as before, for periods of three to six months. Developments in forward exchange transactions are shown in Chart 19.

When trying to balance forward purchases and sales, the Bank of Finland was forced to alter substantially the margin between the

forward and the spot rates in the course of the year. On an annual basis, the three-month forward exchange rates were between 9.9 and 20.4 per cent higher than the spot rates. On December 31 the three-month forward exchange rate for the dollar was 3.887 marks, on an annual basis 11.8 per cent above the spot rate. Forward exchange transactions in roubles totalled 170 million roubles.

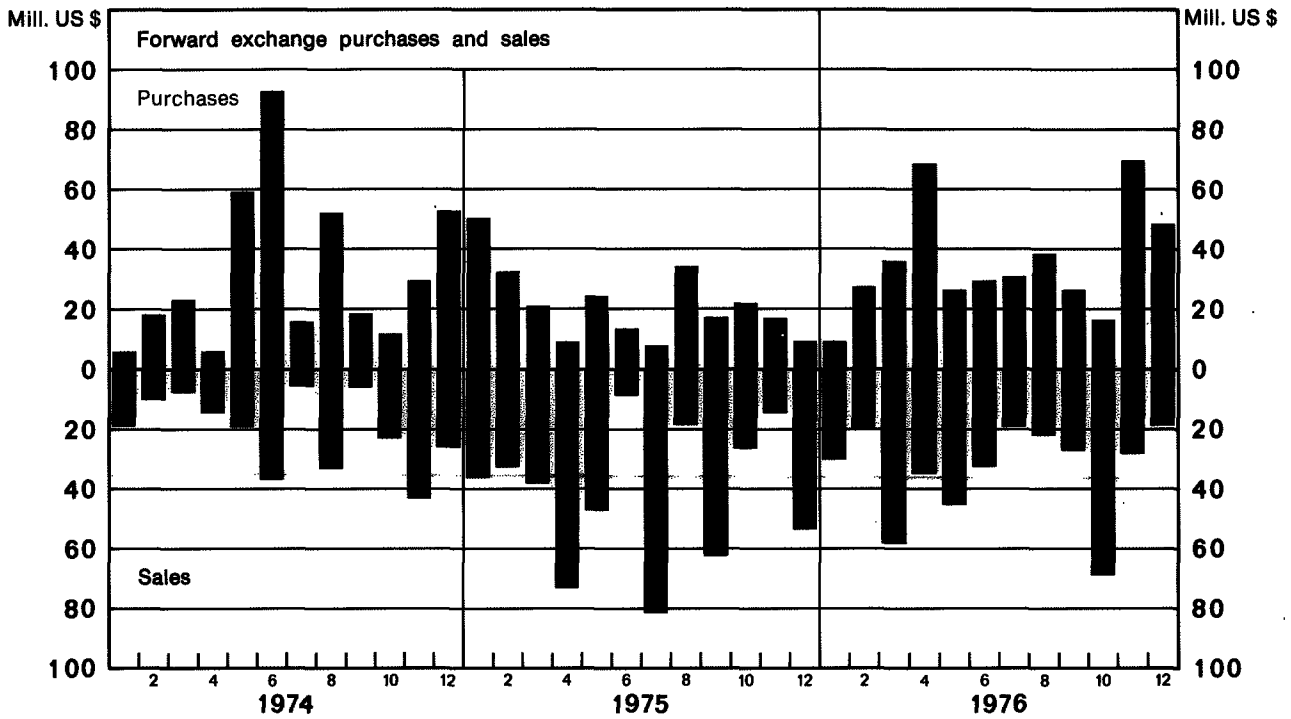
### Measures related to foreign exchange control

On January 27, 1976, the Bank of Finland issued amendments to clause 1 of § 4, clause 3 of § 10, §16, and item a) of Commodity



Chart 19.

FORWARD EXCHANGE TRANSACTIONS OF THE BANK OF FINLAND



Imports in §51 of its Decision (912/72) on the Application of the Decision of the Council of State on the Execution of the Law on Foreign Exchange, issued on December 29, 1972, as revised by the Decision (933/74) issued on November 22, 1974. At the same time, a new clause 4 was added to § 10.

These amendments were issued in the Statute Book under 90/76, and they came into force on March 1, 1976.

They dealt with the application of an excess-duration surcharge system on certain import credits. A surcharge of between 10 and 30 per cent, according to the length of the credit period, was to be collected on import credits with more than six-month credit period for which the Bank of Finland had not granted a special permission. The system was designed to curb the use of short-term credit.

Bilateral payments arrangements

At the end of 1976, 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 to keep 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 accordance with the trade agreement between the Mongolian People's Republic and Finland, payments between these countries were settled through convertible U.S. dollar accounts kept in the Bank of Finland and the central bank of the Mongolian People's Republic.

## Long-term capital flows

On international capital markets, long-term and medium-term lending remained vigorous throughout 1976. According to publicly announced data, banking syndicates granted Euro-currency loans up to the equivalent of 28 000 million dollars, a third more than in the previous year. The bond issues floated on international bond markets totalled about 14 000 million dollars, compared with about 8 000 million dollars in 1975. In addition, a large number of loans were floated on the capital markets of the United States, the Federal Republic of Germany, Switzerland and Japan; these loans amounted to the equivalent of about 15 000 million dollars. If the unpublicized international loans, such as Euro-currency, private placement and similar loans, are also taken into account, the total volume of international borrowing amounted to an estimated 80 000 million dollars in 1976.

The expansion in the international capital markets was attributable to the fact that the level of short-term interest rates remained fairly low in most of the Western industrialized countries as a result of sluggish domestic demand for credit. Hence, the banks in these countries shifted their attention to international markets, particularly bond markets, where business was profitable. The effective interest yield on placements in international bonds remained substantially higher throughout 1976 than short-term Euro-dollar deposit rates, although there was an overall decline in nominal interest rates on bonds during the period. With the rate of inflation slowing down, new investment capital was attracted to bond markets, and this facilitated a slight lengthening in loan periods. Although investment was sluggish in most countries, the demand for credit on the international capital market remained quite strong; loan capital was needed mainly to cover the current account deficits of non-OPEC countries and to convert maturing loans into new ones, on more favourable terms. In fact, borrowers

were primarily governments and public corporations which, for the above-mentioned reasons, were continually in need of finance.

Drawings of new foreign loans by Finnish borrowers totalled 6 390 million marks<sup>1</sup> in 1976, 654 million marks less than in the previous year. As redemptions of loans increased slightly, the net inflow of long-term capital was about 1 000 million marks smaller than in 1975 and amounted to 4 570 million marks.<sup>2</sup> Finland's long-term foreign debt thus amounted to 23 721 million marks at the end of the year.

Most of the drawings of new foreign loans were made on the international capital market, where there was an abundance of capital available. The decline in borrowing was attributable to the tightened line assumed by the Bank of Finland towards imports of foreign capital. Drawings of individual financial loans granted by foreign banks — the most usual form of foreign debt incurred by Finnish firms — were smaller than in the previous year and totalled 2 477 million marks. On the other hand, bond issues almost reached the level of 1975, as Finnish borrowers floated abroad nine publicly launched bonds, with a total value of 986 million marks, and, in addition, several private placement loans, with a total value of 782 million marks.

The favourable issue conditions prevailing on international bond markets were thus utilized selectively by Finnish borrowers. The Finnish Government issued three loans abroad: a DM 100 million loan in the Federal Republic of Germany in June, a Sfr 80 million loan in Switzerland in September, and a US \$ 50 million loan on the United States' capital market in December. The last-mentioned was

<sup>1</sup> This figure includes the purchase of about 510 million marks under the Oil Facility of the International Monetary Fund.

<sup>2</sup> 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.

the first bond issue to be launched by the Finnish Government in the United States since 1967, and it proved very successful. Drawings of long-term import credits and leasing credits totalled 1 784 million marks in 1976, almost the same amount as in 1975. In order to coordinate various domestic monetary policy measures, part of the capital imported was to be kept, as in the past, for a fixed period in the form of capital import deposits held in the

Bank of Finland. At the end of the year, these deposits totalled 1 254 million marks, twice the amount one year earlier.

At the end of the year, 46 per cent of Finland's long-term foreign debt was denominated in U.S. dollars, 18 per cent in D-marks, 10 per cent in Swiss francs, and 6 per cent in Finnish marks. The remainder was distributed between some 20 different currencies.

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

|   | Balance out-<br>standing <sup>1</sup><br>Dec. 31, 1975 | Drawings <sup>2</sup><br>in 1976 | Redemptions <sup>2</sup><br>in 1976 | Net change<br>in 1976 | Impact of ex-<br>change rates <sup>3</sup><br>in 1976 | Balance out-<br>standing <sup>1</sup><br>Dec. 31, 1976 |
|---|--|----------------------------------|-------------------------------------|-----------------------|---|--|
| <b>FINANCIAL LOANS</b>                                      | <b>14 295</b>  | <b>4 267</b>                     | <b>1 192</b>                        | <b>+3 075</b>         | <b>+114</b>   | <b>17 484</b>  |
| Individual loans  | 7 823  | 2 477                            | 626                                 | +1 851                | - 23  | 9 651  |
| Loans from foreign governments                              | 123  | —                                | 33                                  | - 33                  | - 2   | 88   |
| Bonds   | 6 472  | 1 790                            | 566                                 | +1 224                | +137  | 7 833  |
| Publicly issued bonds                                       | 3 704  | 986                              | 272                                 | + 714                 | + 98  | 4 516  |
| Private placement loans                                     | 2 314  | 782                              | 214                                 | + 568                 | + 34  | 2 916  |
| Loans from the World Bank                                   | 454  | 22                               | 80                                  | - 58                  | + 5   | 401  |
| <b>IMPORT CREDITS</b>                                       | <b>3 373</b>   | <b>1 784</b>                     | <b>572</b>                          | <b>+1 212</b>         | <b>- 14</b>   | <b>4 571</b>   |
| Ships and aircraft  | 1 394  | 902                              | 251                                 | + 651                 | - 26  | 2 019  |
| Other import credits  | 1 979  | 882                              | 321                                 | + 561                 | + 12  | 2 552  |
| <b>LEASING CREDITS</b>                                      | <b>67</b>  | <b>79</b>                        | <b>21</b>                           | <b>+ 58</b>           | <b>- 2</b>  | <b>123</b>   |
| <b>DIRECT INVESTMENTS</b>                                   | <b>1 125</b>   | <b>237</b>                       | <b>16</b>                           | <b>+ 221</b>          | <b>- 34</b>   | <b>1 497</b>   |
| Equity  | 771  | 156                              | 3                                   | + 153                 | —   | 1 102  |
| Loans to Finnish subsidiaries from foreign parent companies | 354  | 81                               | 13                                  | + 68                  | - 34  | 395  |
| <b>SUBSCRIPTIONS<sup>4</sup></b>                            | <b>42</b>  | <b>23</b>                        | <b>19</b>                           | <b>+ 4</b>            | <b>—</b>  | <b>46</b>  |
| <b>Total debt</b>   | <b>18 902</b>  | <b>6 390</b>                     | <b>1 820</b>                        | <b>+4 570</b>         | <b>+ 64</b>   | <b>23 721</b>  |
| <b>FINANCIAL LOANS</b>                                      | <b>6</b>   | <b>8</b>                         | <b>—</b>                            | <b>+ 8</b>            | <b>+ 0</b>  | <b>14</b>  |
| <b>EXPORT CREDITS</b>                                       | <b>1 871</b>   | <b>638</b>                       | <b>447</b>                          | <b>+ 191</b>          | <b>- 93</b>   | <b>1 969</b>   |
| <b>DEVELOPMENT CREDITS</b>                                  | <b>95</b>  | <b>53</b>                        | <b>—</b>                            | <b>+ 53</b>           | <b>—</b>  | <b>148</b>   |
| <b>DIRECT INVESTMENTS</b>                                   | <b>1 224</b>   | <b>139</b>                       | <b>21</b>                           | <b>+ 118</b>          | <b>—</b>  | <b>1 342</b>   |
| Equity  | 690  | 110                              | 11                                  | + 99                  | —   | 789  |
| Loans to foreign subsidiaries from Finnish parent companies | 534  | 29                               | 10                                  | + 19                  | —   | 553  |
| <b>SUBSCRIPTIONS<sup>4</sup></b>                            | <b>263</b>   | <b>54</b>                        | <b>—</b>                            | <b>+ 54</b>           | <b>—</b>  | <b>317</b>   |
| <b>Total assets</b>   | <b>3 459</b>   | <b>892</b>                       | <b>468</b>                          | <b>+ 424</b>          | <b>- 93</b>   | <b>3 790</b>   |
| <b>Net long-term debt</b>                                   | <b>15 443</b>  | <b>5 498</b>                     | <b>1 352</b>                        | <b>+4 146</b>         | <b>+157</b>   | <b>19 931</b>  |

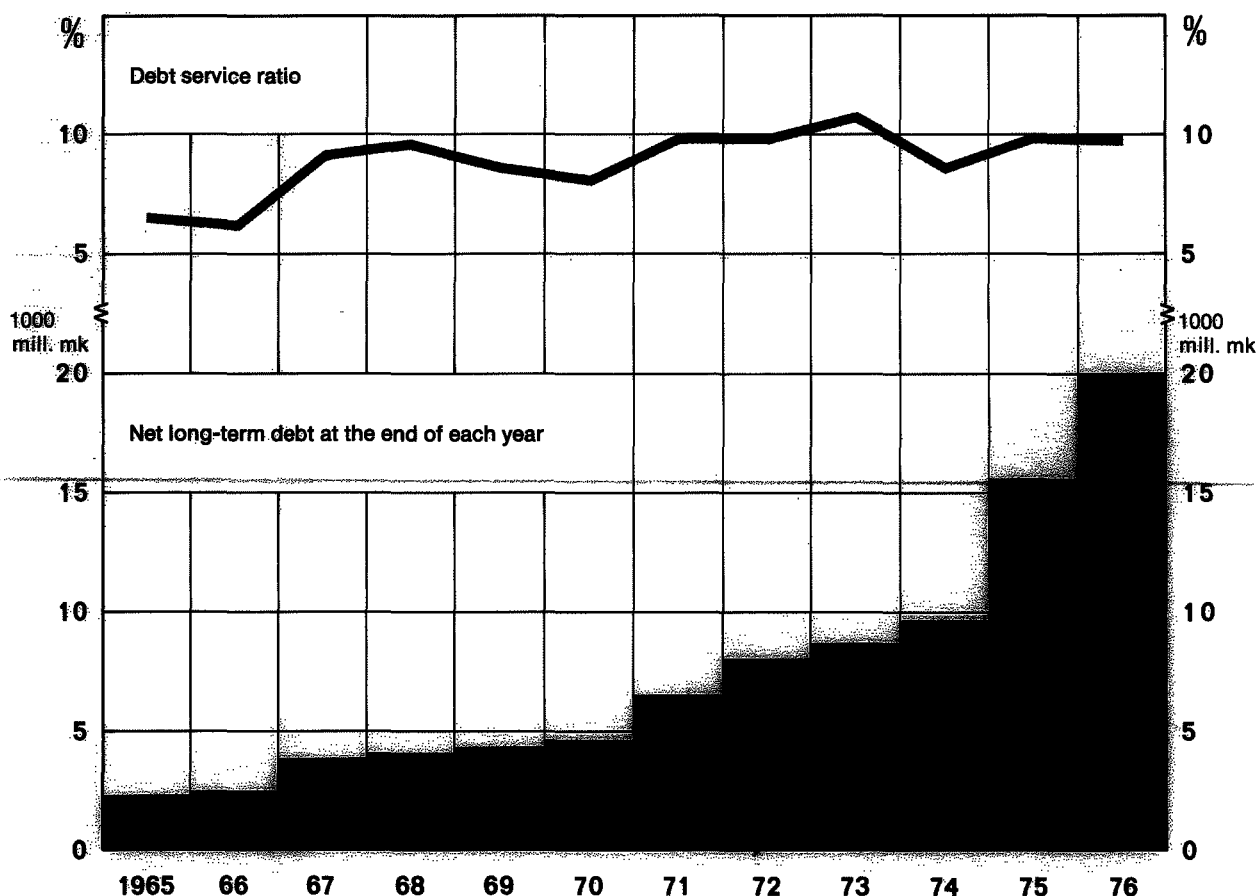
<sup>1</sup> The mark values of balances outstanding have been calculated by using the exchange rates current on that date.

<sup>2</sup> Drawings and redemptions have been calculated by using the average monthly selling rates; however, daily rates have been used for direct investments.

<sup>3</sup> The impact of exchange rates figure shows the effect of exchange rate fluctuations on the value of balance outstanding at the end of the year; it is the difference between the balance outstanding at the end of 1976 and the figure obtained by adding the net change to the balance outstanding at the end of 1975. For the debt figure, the difference between the balances outstanding does not exactly equal the sum of the net change and the impact of exchange rates figure, since the basis for calculating the balance outstanding in the form of direct investments was revised on December 31, 1976.

<sup>4</sup> On the debt side, subscriptions to international financial institutions paid up in the form of bonds and, on the assets side, Finland's subscriptions to international financial institutions.

Chart 20.  
DEVELOPMENT OF INDEBTEDNESS



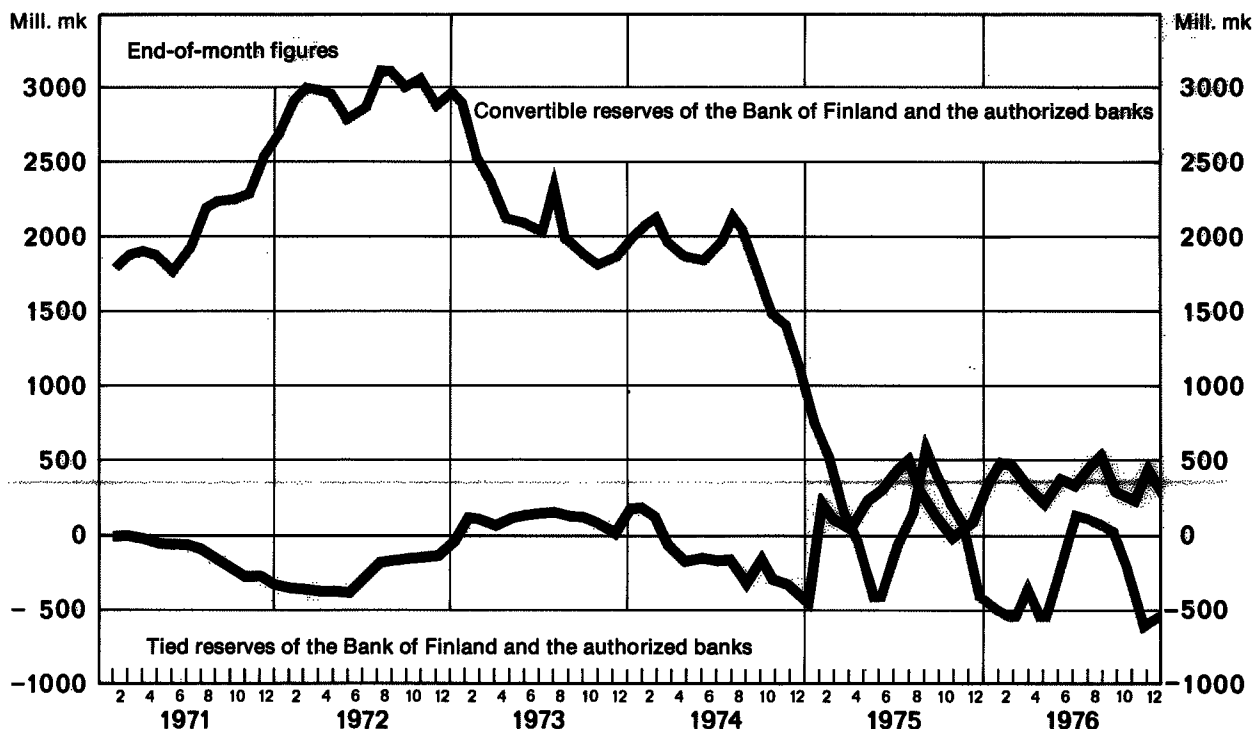
Direct investments by foreign firms in Finland decreased slightly, while direct investments abroad by Finnish enterprises increased. The net inflow of investment capital amounted to 221 million marks and the net outflow to 118 million marks. Payments of dividends and interest expenses abroad amounted to 126 million marks, while the corresponding transfers to Finland were approximately 4 million marks. The overall balance on direct investment thus showed a deficit of 18 million marks. At the end of the year, there were 831 partly or wholly foreign-owned firms in Finland, while Finnish firms had 711 subsidiaries abroad. As these had 69 subsidiaries of their own, there were, in all, 780 partly or wholly Finnish-owned

enterprises abroad.

Finland's long-term foreign assets, consisting of export credits, Finnish direct investments abroad, and development aid credits granted by the Finnish Government, increased from 3 459 million marks in 1975 to 3 790 million marks.

At the end of 1976, Finland's net long-term foreign debt amounted to 19 931 million marks, while it was 15 443 million marks one year earlier. Debt service charges on long-term loans, i.e. interest expenses and redemptions, increased in the course of the year, in net terms, about 500 million marks above the 1975 figure. The ratio of total debt service

Chart 21.  
FOREIGN EXCHANGE RESERVE POSITION



charges to current account earnings amounted to about 10 per cent, the same as in the previous year (Chart 20). At the end of the year, Finland's net long-term debt was equivalent to about 18 per cent of gross domestic product.

### Foreign exchange situation

The country's total convertible foreign exchange reserves declined by 123 million marks during the year under review. The tied foreign exchange reserves remained almost unchanged, totalling 362 million marks at the end of the year.

The gold reserves of the Bank of Finland remained unchanged, but SDRs declined by 42 million marks. The Bank of Finland's total foreign exchange receivables declined by 107 million marks. The Bank's foreign liabilities declined by 71 million marks. The convertible

foreign exchange reserves amounted to 1 311 million marks at the end of the year and the tied accounts showed a net receivable of 389 million marks. The net foreign receivables of the authorized banks declined by the total of 50 million marks.

In March Finland made a purchase of 115.11 million SDRs (about 510 million marks) under the Oil Facility granted by the International Monetary Fund. During the year under review, the credit facilities negotiated by the Bank of Finland with foreign private banking consortia increased by 200 million dollars. At the end of the year, the total value of these facilities was 690 million dollars. The stand-by credit agreement concluded between Finland and the International Monetary Fund in June 1975, entitling drawings of 95 million SDRs, was discontinued in June 1976. No drawings were made under this agreement.

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

The Bank of Finland's end-of-year Balance Sheets for the year under review and the preceding two years are presented in Table 1 of the statistical section of the Yearbook. In keeping with the Regulations for the Bank, weekly balance sheets are prepared four times a month. The balance sheets for the end of each month are presented in Table 2. The Income Statements relating to the end-of-year Balance Sheets for the year under review and the preceding two years are presented in detail in Table 4.

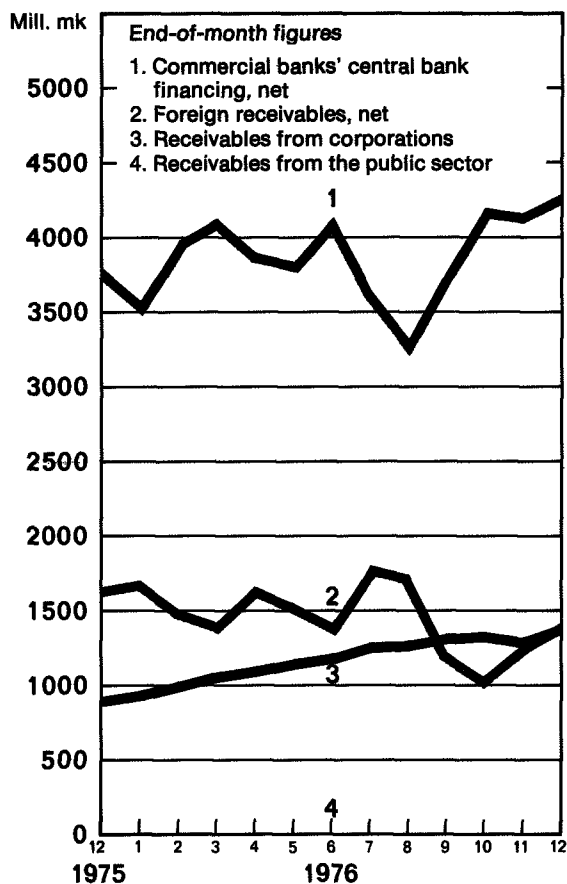
The largest movements in the Balance Sheet of the Bank of Finland during 1976 took place under the headings: commercial banks' central bank financing; net foreign receivables; receivables from corporations and claims of corporations; and claims of financial institutions (Chart 22). Changes in the Balance Sheet are analyzed in more detail in the following sector-by-sector examination, which also presents supplementary information on the coverage and development of the various balance sheet items.

## FOREIGN SECTOR

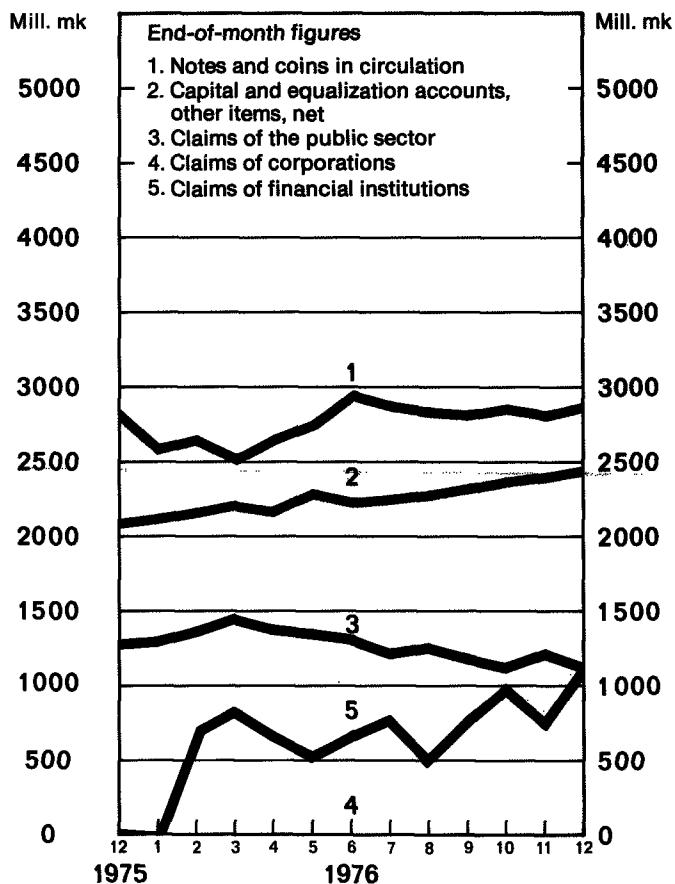
### FOREIGN ACCOUNTS, MILL. MARKS

|   | December<br>31, 1975 | December<br>31, 1976 | Change      |
|---|----------------------|----------------------|-------------|
| Gold  | 121                  | 121                  | —           |
| Special drawing rights                              | 278                  | 236                  | - 42        |
| IMF gold tranche                                    | —                    | —                    | —           |
| Convertible currencies                              | 1 089                | 1 004                | - 85        |
| Tied currencies                                     | 462                  | 440                  | - 22        |
| Gold and foreign exchange receivables               | 1 950                | 1 801                | -149        |
| Foreign bills                                       | 272                  | 436                  | +164        |
| Foreign bonds                                       | 204                  | 397                  | +193        |
| Currency subscription to Finland's quota in the IMF | 798                  | 827                  | + 29        |
| Other foreign receivables                           | 1 274                | 1 660                | +386        |
| <b>Total foreign receivables</b>                    | <b>3 224</b>         | <b>3 461</b>         | <b>+237</b> |
| Convertible accounts                                | 78                   | 50                   | - 28        |
| Tied accounts                                       | 94                   | 51                   | - 43        |
| Foreign exchange liabilities                        | 172                  | 101                  | - 71        |
| IMF mark accounts                                   | 1 127                | 1 665                | +538        |
| Allocations of special drawing rights               | 258                  | 258                  | —           |
| Other foreign liabilities                           | 1 385                | 1 923                | +538        |
| <b>Total foreign liabilities</b>                    | <b>1 557</b>         | <b>2 024</b>         | <b>+467</b> |
| <b>Net foreign receivables</b>                      | <b>1 667</b>         | <b>1 437</b>         | <b>-230</b> |

Figur 22.  
THE BALANCE SHEET OF THE BANK OF FINLAND  
ASSETS



LIABILITIES



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 99 million marks during 1976 and amounted to 1 311 million marks at the end of the year. The convertible foreign exchange reserves were supported by making a purchase of about 510 million marks under the Oil Facility of the International Monetary Fund.

The tied foreign exchange reserves, which are calculated as the difference between the tied foreign exchange receivables and liabilities of the Bank of Finland, increased by 21 million

marks during 1976 and amounted to 389 million marks at the end of the year.

Other foreign receivables of the Bank of Finland grew by 386 million marks, which was mainly attributable to an increase in foreign bills and bonds. The IMF mark accounts item under 'Other Foreign Liabilities' increased by 538 million marks, primarily due to the purchase made under the Oil Facility of the International Monetary Fund.

The net foreign receivables of the Bank of Finland declined by 230 million marks during 1976 and amounted to 1 437 million marks; the current account deficit was thus covered

both by importing foreign capital and by gathering in foreign receivables. The amount of net receivables fluctuated substantially in the course of the year, being at its highest, 1 805 million marks, at the end of July and at its lowest, 1 064 million marks, at the end of October (Chart 22).

## FINANCIAL INSTITUTIONS

The financial market remained tight during 1976. Due to the weak development of deposits, the commercial banks' credit-granting facilities declined substantially. In order to finance the excess of their lending over deposits, the commercial banks resorted to central bank financing to an increasing extent. Total central bank financing of the commercial banks, which includes central bank credit, bond transactions with repurchase obligation and the commercial banks' net call money market advances, increased, in net terms, by 492 million marks and amounted to 4 284 million marks at the end of the year (Chart 22). This was 86 per cent above the commercial banks' basic quotas, the total of which was 2 300 million marks at the end of the year.

The claims of financial institutions on the Bank of Finland grew by 1 018 million marks, mainly as a result of an increase in call money

market deposits on the Bank of Finland call money market. This increase in call money market deposits was caused by the fact that Postipankki started to participate in the call money market as from the beginning of the year. Net receivables from financial institutions declined by 604 million marks.

The call money market advances and deposits of the Bank of Finland call money market were entered as separate items in the Balance Sheet as from the beginning of February 1976. They were previously included as a net item in the Bank of Finland's other receivables from financial institutions. In Chart 22 call money market deposits make up the largest part of 'Claims of Financial Institutions'.

When considering the position of 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 bills and export bills denominated in foreign currency: the latter form the major part of the balance sheet item 'Foreign Bills'. In addition, these commitments include loans arising from the domestic suppliers' credit arrangements and issued against the financial institutions' guarantee.

## ACCOUNTS OF FINANCIAL INSTITUTIONS, MILL. MARKS

|  | December<br>31, 1975 | December<br>31, 1976 | Change        |
|--|----------------------|----------------------|---------------|
| Cheque accounts of the commercial banks            | 133                  | 174                  | + 41          |
| Discounted bills                                   | 3 385                | 2 920                | - 465         |
| Bonds  | 327                  | 332                  | + 5           |
| Call money market advances                         | 373                  | 1 204                | + 831         |
| Other accounts                                     | 42                   | 44                   | + 2           |
| <b>Receivables from financial institutions</b>     | <b>4 260</b>         | <b>4 674</b>         | <b>+ 414</b>  |
| Cheque account of Postipankki                      | 1                    | 2                    | + 1           |
| Cheque accounts of the commercial banks            | 3                    | 2                    | - 1           |
| Call money market deposits                         | 96                   | 1 137                | +1 041        |
| Other accounts                                     | 25                   | 2                    | - 23          |
| <b>Claims of financial institutions</b>            | <b>125</b>           | <b>1 143</b>         | <b>+1 018</b> |
| <b>Net receivables from financial institutions</b> | <b>4 135</b>         | <b>3 531</b>         | <b>- 604</b>  |



## THE PUBLIC SECTOR

Receivables from the public sector increased by 108 million marks, partly as a result of an increase in total coinage. The development of receivables was very steady throughout the year (Chart 22).

Claims of the public sector declined by 168 million marks (Chart 22). This decline was caused by decreases in the Central Government's counter-cyclical reserves and in the amount of import deposits collected from the corporate sector. The Central Government released in January 100 million marks of its counter-cyclical reserves, the majority of which had already been drawn during 1975. Owing

to interest accrued, the counter-cyclical reserves increased by 4 million marks to 59 million marks at the end of the year. Import deposits, which totalled 1 135 million marks at the beginning of the year, reached their peak level, 1 396 million marks, at the end of February. By the end of the year, they had declined by 423 million marks to 973 million marks, since February had also marked the beginning of the dismantling of the scheme. Other claims of the public sector grew by 90 million marks, mainly as a result of an increase in the capital import deposits of local authorities.

Net claims of the public sector eased the financial market by a total of 276 million marks.

## ACCOUNTS OF THE PUBLIC SECTOR, MILL. MARKS

|   | December<br>31, 1975 | December<br>31, 1976 | Change      |
|---|----------------------|----------------------|-------------|
| Bonds                                     | 70                   | 67                   | - 3         |
| Total coinage                             | 256                  | 279                  | + 23        |
| Other accounts                            | 13                   | 101                  | + 88        |
| <b>Receivables from the public sector</b> | <b>339</b>           | <b>447</b>           | <b>+108</b> |
| Cheque accounts                           | 2                    | 2                    | —           |
| Counter-cyclical reserves                 | 155                  | 59                   | - 96        |
| Import deposits                           | 1 135                | 973                  | -162        |
| Other accounts                            | 9                    | 99                   | + 90        |
| <b>Claims of the public sector</b>        | <b>1 301</b>         | <b>1 133</b>         | <b>-168</b> |
| <b>Net claims of the public sector</b>    | <b>962</b>           | <b>686</b>           | <b>-276</b> |

## CORPORATIONS

The receivables of the Bank of Finland from corporations increased by 467 million marks, as a result of the increased emphasis placed on selective credit granting (Chart 22). Lending to corporations increased by 492 million marks, totalling 1 202 million marks at the end of the year. Of this amount, new export bills accounted for 165 million marks, the financing of domestic suppliers' credits for 554 million marks, and temporary special financing arrangements for 440 million marks. The total value of bonds issued by corporations and held by the Bank declined by 25 million marks.

Claims of corporations declined by 231 million marks (Chart 22). Most of the claims were capital import deposits, which were reduced by a net amount of 208 million marks. In order to offset the easing effect of foreign capital inflows on the financial market, the collection of capital import deposits was continued. As a result of a decision by the Council of State, corporations used a net 15 million marks of their investment deposits held by the Bank of Finland.

Net lending by the Bank of Finland to corporations increased by about 700 million marks in the course of the year; this provided some easing of their tight financial position.

## ACCOUNTS OF CORPORATIONS, MILL. MARKS

|  | December<br>31, 1975 | December<br>31, 1976 | Change      |
|--|----------------------|----------------------|-------------|
| New export bills                         | 128                  | 165                  | + 37        |
| Financing of suppliers' credits          | 402                  | 554                  | +152        |
| Bonds                                    | 223                  | 198                  | - 25        |
| Other accounts                           | 180                  | 483                  | +303        |
| <b>Receivables from corporations</b>     | <b>933</b>           | <b>1 400</b>         | <b>+467</b> |
| Investment deposits                      | 73                   | 58                   | - 15        |
| Capital import deposits                  | 450                  | 242                  | -208        |
| Import levy deposits                     | 8                    | 6                    | - 2         |
| Other accounts                           | 8                    | 2                    | - 6         |
| <b>Claims of corporations</b>            | <b>539</b>           | <b>308</b>           | <b>-231</b> |
| <b>Net receivables from corporations</b> | <b>394</b>           | <b>1 092</b>         | <b>+698</b> |

## NOTES, COINS AND DEPOSIT CERTIFICATES IN CIRCULATION

Exceptionally, notes and coins in circulation increased by no more than 30 million marks, 1.1 per cent, during 1976, totalling 2 885 million marks at the end of the year (Chart 22). This small growth was due partly to the deferment of the repayment of excess income tax prepayments from December 1976 until March 1977, partly to the stringency of the financial market and partly to weak income formation.

Deposit certificates in circulation, a total of 250 million marks at the end of 1975, were all redeemed during the first half of the year.

## 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 1 734 million marks, which is 97 million marks more than at the end of the previous year. The increase was caused by the fact that one-half of the 1975 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, and certain other real properties indispensable for the Bank's operations, plus some shareholdings, mainly majority ownership of Tervakoski Oy, a paper mill which manufactures high quality paper for bank notes and similar purposes.

## THE NET BALANCE SHEET OF THE BANK OF FINLAND ITEMS IN THE NET BALANCE SHEET, MILL. MARKS

|  | December<br>31, 1975 | December<br>31, 1976 | Change       |
|--|----------------------|----------------------|--------------|
| + Net foreign receivables  | 1 667                | 1 437                | - 230        |
| + Net receivables from the commercial banks                                  | 3 792                | 4 284                | + 492        |
| + Net receivables from corporations  | 394                  | 1 092                | + 698        |
| <b>= Net receivables together</b>  | <b>5 853</b>         | <b>6 813</b>         | <b>+ 960</b> |
| + Net claims of the public sector  | 962                  | 686                  | - 276        |
| + Net claims of other financial institutions                                 | - 343                | 753                  | +1 096       |
| + Notes, coins and deposit certificates in circulation                       | 3 105                | 2 885                | - 220        |
| + Capital accounts, equalization accounts and other balance sheet items, net | 2 129                | 2 489                | + 360        |
| <b>= Net claims plus capital accounts</b>                                    | <b>5 853</b>         | <b>6 813</b>         | <b>+ 960</b> |

Developments in the various sectors of the Balance Sheet of the Bank of Finland are summarized in the net balance sheet table presented above. Because the commercial banks play a central role in the Finnish financial system, the financial institution sector has been included in the table in two parts: 'Net Receivables from the Commercial Banks' and 'Net Claims of Other Financial Institutions'.

## NOTE ISSUE

Ordinary note cover, which includes gold and the Bank's undisputable foreign receivables, increased by 25 million marks during 1976 and amounted to 2 307 million marks at the end of the year. Although coverable domestic

bills included in supplementary note cover increased by 66 million marks to 1 908 million marks, this 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 cover, the total right of note issue increased by 25 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 — declined by a total of 81 million marks, the note reserve grew by 106 million marks and amounted to 1 040 million marks at the end of the year.

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

|                                 | December<br>31, 1975 | December<br>31, 1976 | Change      |
|---------------------------------|----------------------|----------------------|-------------|
| Ordinary cover                  | 2 282                | 2 307                | + 25        |
| Supplementary cover             | 1 500                | 1 500                | —           |
| <b>Right of note issue</b>      | <b>3 782</b>         | <b>3 807</b>         | <b>+ 25</b> |
| Notes in circulation            | 2 617                | 2 635                | + 18        |
| Liabilities payable on demand   | 229                  | 131                  | - 98        |
| Unutilized cheque credits       | 2                    | 1                    | - 1         |
| Note reserve                    | 934                  | 1 040                | +106        |
| <b>Used right of note issue</b> | <b>3 782</b>         | <b>3 807</b>         | <b>+ 25</b> |

## INCOME STATEMENT

The Income Statement of the Bank of Finland for 1976 is presented in Table 4. The Bank's total earnings declined by 27 million marks to 690 million marks. Of this amount, interest on domestic receivables declined by 15 million marks, interest on foreign receivables by 19 million marks and agio by 22 million marks. On the other hand, interest on bonds increased by 15 million marks and the Bank's other earnings by 13 million marks.

The Bank's total expenses were down by 48 million marks and amounted to 236 million marks. Of this amount, interest on domestic claims decreased by 91 million marks, while interest expenses and reserved commissions for foreign claims increased by 39 million marks, salaries by 6 million marks and ex-

penses incurred in the printing of bank notes by 2 million marks. Depreciation was 7 million marks down on the previous year.

The amount transferred from the Bank's profits to the equalization accounts was 10 million marks larger than the transfer made in connection with the previous closing of the accounts.

The Bank's profits for 1976 amounted to 203 million marks, 10 million marks more than one year earlier. In keeping with the Regulations for the Bank of Finland, one-half of the profits was transferred to the reserve fund on the opening of the accounts for 1977. The disposal of the other half will be decided by Parliament.

# FINLAND'S RELATIONS WITH INTERNATIONAL ORGANIZATIONS

The Bank of Finland acts as 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. Finland is also 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 bank 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 1976, mainly as a result of the prolonged recession in industrialized countries. Hence the Fund's financing operations expanded substantially.

A proposal for Amendments to the Fund's Articles of Agreement was completed during the year under review. It was finalized by the Executive Board of the Fund in March 1976, and on April 30 the Fund's Board of Governors sanctioned its submission to member countries for ratification.

The amended agreement will enter into force three months after the Fund announces that three-fifths of the members, having four-fifths of the total voting power, have accepted the proposed amendment. This is expected to take place sometime after the middle of 1977. In the following, the amendments are examined in broad outline.

In the reform of the Articles of Agreement, the main attention has been paid to the revision of certain aspects, rather than aiming at the introduction of a new international pay-

ments system. According to the amended agreement, each member undertakes to collaborate with the Fund and other members to promote a stable system of exchange rates. According to the amended articles, each member shall, in particular:

- i) endeavour to direct its economic and financial policies towards the objective of fostering orderly economic growth with reasonable price stability;
- ii) seek to promote stability by fostering orderly underlying economic and financial conditions;
- iii) avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members; and
- iv) follow exchange policies compatible with these undertakings.

These obligations are supplemented by a regulation under which the Fund oversees the international monetary system in order to ensure its effective operation. Moreover, the Fund will check that each member complies with the general obligations set. After the

Amendment to the Articles of Agreement has entered into force, each member will notify the Fund of the exchange arrangements it intends to apply. The Fund must also be notified promptly of any changes to be made later on in such arrangements.

According to the amended Articles of Agreement, the official price of gold will be abolished, and the function of gold as the international denominator of the par value system will be eliminated. The values of currencies and the special drawing rights (SDR) will no longer be expressed in terms of gold. In fact, the value of the special drawing right has, for practical purposes, been determined by means of a basket of 16 currencies ever since July 1, 1974. This practice has been officially sanctioned in the amended Articles, and the evaluation basis can only be amended by a majority decision.

Attempts have been made to promote the role of special drawing rights and to increase their use as a reserve asset. Participants in the Special Drawing Rights System can now buy or sell special drawing rights between themselves without the permission of the Fund.

Although the proposed modifications of the Articles are extensive, the proposal concerns a revision of the present Articles, not the conclusion of a new international agreement. The amendments to the Agreement now proposed imply, in particular, that the prevailing foreign exchange arrangements will also find sanction in the Articles of Agreement of the Fund. Because of this, it will be possible to maintain for the foreseeable future the present variety of very different foreign exchange arrangements.

It was agreed during the year under review that the Fund's membership quotas would be increased; the increases will take effect simultaneously with the amended Articles of Agreement. The total amount of membership quotas will rise from about 29 000 million

SDRs to about 39 000 million SDRs. As a result of this increase, the Finnish quota will rise to 262 million SDRs, 0.67 per cent of the total of all quotas; at present the Finnish quota is 190 million SDRs, 0.65 per cent of all quotas.

During the year under review, the Fund started to auction gold on the free gold markets. The gold auctions are related to a decision made in May on the basis of which one-sixth of the Fund's holdings of gold will be reimbursed to the member countries at the former official price of 35 SDRs per ounce, and another one-sixth will be sold on free markets. The profits from the sale will be used for the benefit of the developing countries through the Trust Fund established during the year under review. The auctions held during the year under review brought 278.9 million SDRs into the Trust Fund.

The Fund's transactions continued to expand further during 1976. Sales of currencies and SDRs totalled the equivalent of about 7 000 million SDRs (compared with 4 700 million SDRs in 1975 and just over 4 000 million SDRs in 1974). The last credits under the Fund's Oil Facility were granted during the year under review. Total purchases under this arrangement in 1976 amounted to the equivalent of 2 100 million SDRs. The system, set up in 1974, was extended only for the first months of 1976. The interest subsidy account, set up 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), was in use during the year under review, although Finland was not yet participating in the financing of this account. Purchases under the Compensatory Financing Facility totalled the equivalent of 2 300 million SDRs. Total purchases of foreign exchange, including those under the Oil Facility and the Compensatory Financing Facility, amounted to 15 000 SDRs by the end of 1976, while they had amounted to 9 400 million SDRs during 1975.

No new SDRs were allocated during 1976, so the total remained at 9 300 million units.

The stand-by credit of 420 million marks granted to Finland by the International Monetary Fund in June 1975 lapsed in June 1976, and the credit was not drawn. In March the Fund approved the second Finnish purchase of foreign exchange under the Oil Facility; it amounted to about 510 million marks and it took place during the year under review. As a result, the mark holdings of the Fund amounted to 198.08 per cent of the Finnish quota. The total amount of SDRs held by Finland at the end of the year amounted to 56.1 million units, 235.7 million marks.

The Nordic countries were represented on the Fund's Executive Board until October 31 by Per Åsbrink of Sweden and thereafter by Frede Hollensen of Denmark; Jörn Kjaer of Denmark acted as the alternate for both of them. Markku Pietinen of Finland worked until October 31 as the technical assistant to the Nordic representative on the Executive Board. H. Johannes Witteveen continued as the Fund's Managing Director.

## THE 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 BIS Balance Sheet amounted to 43 425 million gold francs at the end of the fiscal year which closed on March 31, 1976. 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 about 25 million gold francs, which is about 2.1 per cent of the total share capital subscribed. Of this

total, one quarter is paid up, and the Bank paid a dividend of nine per cent on it.

## THE WORLD BANK GROUP (IBRD, IFC, IDA)

Loans granted by the World Bank during the fiscal year closing on June 30, 1976 amounted to 4 977 million dollars and those granted by the International Development Association to 1 655 million dollars. Calculated in real terms, lending by the World Bank group increased by six per cent on the previous year.

During the year under review, the Bank's Executive Board proposed to the Board of Governors that the Bank's authorized capital should be increased by about 20 per cent. The implementation and the details of the increase have not been finally agreed upon, and voting has not yet finished. Finland's share in the authorized capital will remain unchanged at 0.65 per cent. An increase in its authorized capital will provide the World Bank group with more scope for expanding its lending activities.

## 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 (NFU), which held two meetings during 1976, and in the Nordic Central Bank Meeting. These meetings were mainly concerned with the formulation of the Nordic countries' common opinions on matters relating to the International Monetary Fund.

The Nordic Central Bank's Currency Support Agreement was revised at the beginning of

February. According to the revised Agreement, the central banks of the four larger countries can obtain foreign exchange support from the other Nordic central banks up to a total of 60 million SDRs and the central bank of Iceland up to a total of 10 million SDRs.

The year under review saw the establishment of the Nordic Investment Bank (NIB), which was located in Helsinki, Finland. The purpose of the Bank is to finance projects which are macro-economically important and of common interest to several Nordic countries. Pentti Uusivirta, Member of the Board of Management of the Bank of Finland, acted as the chairman of the commission preparing for the establishment of the Bank.

The exchange rate guarantee system established between the OECD countries' central banks was not in operation in 1976, and a November 1975 decision of the OECD Council suspended for 1976—1978 the operation of the Committee on Monetary and Foreign Exchange Matters, which was established to administer the guarantee system. After 1978, the exchange rate guarantee system will disappear completely unless the development of international exchange rate relations justifies its restoration.

At the end of the year under review, the ratification of the 1975 Agreement on the Establishment of a Financial Support Fund in connection with the OECD was still under way in the member countries.





## TABLES

The activities of the Bank of Finland

Table 1.

**THE END-OF-YEAR BALANCE SHEET OF THE BANK OF FINLAND FOR THE YEARS  
1974—1976, MILLION MARKS**

| <b>ASSETS</b>                                       | <b>1974</b>  | <b>1975</b>  | <b>1976</b>   |
|---|--------------|--------------|---------------|
| Gold  | 121          | 121          | 121           |
| Special drawing rights                              | 286          | 278          | 236           |
| IMF gold tranche                                    | 268          | —            | —             |
| Convertible currencies                              | 1 109        | 1 089        | 1 004         |
| Tied currencies                                     | 7            | 462          | 440           |
| <b>Gold and foreign exchange receivables</b>        | <b>1 791</b> | <b>1 950</b> | <b>1 801</b>  |
| Foreign bills                                       | 252          | 272          | 436           |
| Foreign bonds                                       | 341          | 204          | 397           |
| Currency subscription to Finland's quota in the IMF | 530          | 798          | 827           |
| <b>Other foreign receivables</b>                    | <b>1 123</b> | <b>1 274</b> | <b>1 660</b>  |
| Cheque accounts of the commercial banks             | 114          | 133          | 174           |
| Discounted bills                                    | 3 034        | 3 385        | 2 920         |
| Bonds   | 220          | 327          | 332           |
| Call money market advances                          | —            | 373          | 1 204         |
| Other financial institution receivables             | 46           | 42           | 44            |
| <b>Receivables from financial institutions</b>      | <b>3 414</b> | <b>4 260</b> | <b>4 674</b>  |
| Bonds   | 71           | 70           | 67            |
| Total coinage                                       | 225          | 256          | 279           |
| Other public sector receivables                     | 6            | 13           | 101           |
| <b>Receivables from the public sector</b>           | <b>302</b>   | <b>339</b>   | <b>447</b>    |
| New export bills                                    | 90           | 128          | 165           |
| Financing of suppliers' credits                     | 276          | 402          | 554           |
| Bonds   | 231          | 223          | 198           |
| Other corporate receivables                         | 34           | 180          | 483           |
| <b>Receivables from corporations</b>                | <b>631</b>   | <b>933</b>   | <b>1 400</b>  |
| <b>Other assets</b>                                 | <b>37</b>    | <b>47</b>    | <b>53</b>     |
| <b>TOTAL</b>  | <b>7 298</b> | <b>8 803</b> | <b>10 035</b> |

| <b>LIABILITIES</b>                         | <b>1974</b>  | <b>1975</b>  | <b>1976</b>   |
|--|--------------|--------------|---------------|
| Convertible accounts                       | 62           | 78           | 50            |
| Tied accounts                              | 395          | 94           | 51            |
| <b>Foreign exchange liabilities</b>        | <b>457</b>   | <b>172</b>   | <b>101</b>    |
| IMF mark accounts                          | 530          | 1 127        | 1 665         |
| Allocations of special drawing rights      | 258          | 258          | 258           |
| <b>Other foreign liabilities</b>           | <b>788</b>   | <b>1 385</b> | <b>1 923</b>  |
| Notes                                      | 2 259        | 2 617        | 2 635         |
| Coins                                      | 203          | 238          | 250           |
| <b>Notes and coins in circulation</b>      | <b>2 462</b> | <b>2 855</b> | <b>2 885</b>  |
| <b>Deposit certificates in circulation</b> | <b>1 040</b> | <b>250</b>   | <b>—</b>      |
| Cheque account of Postipankki              | 4            | 1            | 2             |
| Cheque accounts of the commercial banks    | 4            | 3            | 2             |
| Call money market deposits                 | —            | 96           | 1 137         |
| Other financial institution claims         | 1            | 25           | 2             |
| <b>Claims of financial institutions</b>    | <b>9</b>     | <b>125</b>   | <b>1 143</b>  |
| Cheque accounts                            | 7            | 2            | 2             |
| Counter-cyclical reserves                  | 543          | 155          | 59            |
| Import deposits                            | —            | 1 135        | 973           |
| Other public sector claims                 | 10           | 9            | 99            |
| <b>Claims of the public sector</b>         | <b>560</b>   | <b>1 301</b> | <b>1 133</b>  |
| Investment deposits                        | 34           | 73           | 58            |
| Counter-cyclical withholdings              | 50           | —            | —             |
| Capital import deposits                    | 98           | 450          | 242           |
| Import levy deposits                       | 6            | 8            | 6             |
| Other corporate claims                     | 7            | 8            | 2             |
| <b>Claims of corporations</b>              | <b>195</b>   | <b>539</b>   | <b>308</b>    |
| <b>Other liabilities</b>                   | <b>17</b>    | <b>15</b>    | <b>13</b>     |
| <b>Equalization accounts</b>               | <b>858</b>   | <b>331</b>   | <b>592</b>    |
| Primary capital                            | 600          | 1 400        | 1 400         |
| Reserve fund                               | 163          | 237          | 334           |
| Net earnings for the accounting year       | 149          | 193          | 203           |
| <b>Capital accounts</b>                    | <b>912</b>   | <b>1 830</b> | <b>1 937</b>  |
| <b>TOTAL</b>                               | <b>7 298</b> | <b>8 803</b> | <b>10 035</b> |

Table 2.

**THE MONTHLY BALANCE SHEET OF THE BANK OF FINLAND IN 1976,  
MILLION MARKS**

| <b>ASSETS</b>                                       | <b>I</b>     | <b>II</b>    | <b>III</b>   |
|---|--------------|--------------|--------------|
| Gold  | 121          | 121          | 121          |
| Special drawing rights                              | 278          | 278          | 272          |
| Convertible currencies                              | 878          | 714          | 791          |
| Tied currencies                                     | 599          | 532          | 424          |
| <b>Gold and foreign exchange receivables</b>        | <b>1 876</b> | <b>1 645</b> | <b>1 608</b> |
| Foreign bills                                       | 253          | 270          | 299          |
| Foreign bonds                                       | 322          | 322          | 317          |
| Currency subscription to Finland's quota in the IMF | 798          | 798          | 826          |
| <b>Other foreign receivables</b>                    | <b>1 373</b> | <b>1 390</b> | <b>1 442</b> |
| Cheque accounts of the commercial banks             | 147          | 196          | 202          |
| Discounted bills                                    | 3 085        | 3 035        | 3 035        |
| Bonds   | 380          | 467          | 416          |
| Call money market advances                          | 399          | 901          | 997          |
| Other financial institution receivables             | 33           | 40           | 8            |
| <b>Receivables from financial institutions</b>      | <b>4 044</b> | <b>4 639</b> | <b>4 658</b> |
| Bonds   | 69           | 71           | 72           |
| Total coinage                                       | 259          | 261          | 265          |
| Other public sector receivables                     | 7            | 2            | 1            |
| <b>Receivables from the public sector</b>           | <b>335</b>   | <b>334</b>   | <b>338</b>   |
| New export bills                                    | 125          | 126          | 125          |
| Financing of suppliers' credits                     | 418          | 426          | 458          |
| Bonds   | 221          | 220          | 211          |
| Other corporate receivables                         | 209          | 259          | 304          |
| <b>Receivables from corporations</b>                | <b>973</b>   | <b>1 031</b> | <b>1 098</b> |
| <b>Other assets</b>                                 | <b>47</b>    | <b>46</b>    | <b>47</b>    |
| <b>TOTAL</b>  | <b>8 648</b> | <b>9 085</b> | <b>9 191</b> |

| IV           | V            | VI           | VII          | VIII         | IX           | X            | XI           | XII           |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| 121          | 121          | 121          | 121          | 121          | 121          | 121          | 121          | 121           |
| 272          | 271          | 265          | 265          | 265          | 251          | 251          | 251          | 236           |
| 1 000        | 1 235        | 1 160        | 1 414        | 1 284        | 1 042        | 885          | 825          | 1 004         |
| 328          | 487          | 446          | 547          | 666          | 412          | 352          | 577          | 440           |
| <b>1 721</b> | <b>2 114</b> | <b>1 992</b> | <b>2 347</b> | <b>2 336</b> | <b>1 826</b> | <b>1 609</b> | <b>1 774</b> | <b>1 801</b>  |
| 281          | 297          | 288          | 288          | 303          | 328          | 349          | 379          | 436           |
| 342          | 342          | 341          | 368          | 373          | 378          | 384          | 389          | 397           |
| 826          | 826          | 827          | 827          | 827          | 827          | 827          | 827          | 827           |
| <b>1 449</b> | <b>1 465</b> | <b>1 456</b> | <b>1 483</b> | <b>1 503</b> | <b>1 533</b> | <b>1 560</b> | <b>1 595</b> | <b>1 660</b>  |
| 193          | 176          | 196          | 164          | 169          | 185          | 164          | 178          | 174           |
| <b>3 053</b> | <b>3 235</b> | <b>3 358</b> | <b>2 775</b> | <b>2 749</b> | <b>3 031</b> | <b>3 148</b> | <b>3 036</b> | <b>2 920</b>  |
| 413          | 426          | 394          | 356          | 357          | 361          | 426          | 381          | 332           |
| 671          | 540          | 698          | 794          | 533          | 781          | 1 096        | 981          | 1 204         |
| 14           | 38           | 19           | 39           | 36           | 11           | 44           | 39           | 44            |
| <b>4 344</b> | <b>4 415</b> | <b>4 665</b> | <b>4 128</b> | <b>3 844</b> | <b>4 369</b> | <b>4 878</b> | <b>4 615</b> | <b>4 674</b>  |
| 70           | 74           | 72           | 72           | 74           | 71           | 69           | 74           | 67            |
| 269          | 270          | 272          | 272          | 274          | 276          | 277          | 278          | 279           |
| 2            | 8            | 6            | 17           | 40           | 68           | 75           | 80           | 101           |
| <b>341</b>   | <b>352</b>   | <b>350</b>   | <b>361</b>   | <b>388</b>   | <b>415</b>   | <b>421</b>   | <b>432</b>   | <b>447</b>    |
| 128          | 129          | 130          | 143          | 144          | 144          | 157          | 154          | 165           |
| 456          | 473          | 487          | 484          | 490          | 515          | 528          | 541          | 554           |
| 208          | 208          | 201          | 206          | 209          | 204          | 204          | 202          | 198           |
| 334          | 365          | 397          | 451          | 454          | 479          | 467          | 418          | 483           |
| <b>1 126</b> | <b>1 175</b> | <b>1 215</b> | <b>1 284</b> | <b>1 297</b> | <b>1 342</b> | <b>1 356</b> | <b>1 315</b> | <b>1 400</b>  |
| 47           | 47           | 48           | 48           | 49           | 49           | 52           | 52           | 53            |
| <b>9 028</b> | <b>9 568</b> | <b>9 726</b> | <b>9 651</b> | <b>9 417</b> | <b>9 534</b> | <b>9 876</b> | <b>9 783</b> | <b>10 035</b> |

Table 2. (Cont.)

| <b>LIABILITIES</b>                         | <b>I</b>     | <b>II</b>    | <b>III</b>   |
|--|--------------|--------------|--------------|
| Convertible accounts                       | 86           | 82           | 157          |
| Tied accounts                              | 66           | 50           | 46           |
| <b>Foreign exchange liabilities</b>        | <b>152</b>   | <b>132</b>   | <b>203</b>   |
| IMF mark accounts                          | 1 127        | 1 127        | 1 155        |
| Allocations of special drawing rights      | 258          | 258          | 258          |
| <b>Other foreign liabilities</b>           | <b>1 385</b> | <b>1 385</b> | <b>1 413</b> |
| Notes                                      | 2 384        | 2 447        | 2 314        |
| Coins                                      | 230          | 230          | 230          |
| <b>Notes and coins in circulation</b>      | <b>2 614</b> | <b>2 677</b> | <b>2 544</b> |
| <b>Deposit certificates in circulation</b> | <b>160</b>   | —            | —            |
| Cheque account of Postipankki              | 3            | 0            | 1            |
| Cheque accounts of the commercial banks    | 2            | 5            | 1            |
| Call money market deposits                 | 269          | 708          | 834          |
| Other financial institution claims         | 2            | 1            | 9            |
| <b>Claims of financial institutions</b>    | <b>276</b>   | <b>714</b>   | <b>845</b>   |
| Cheque accounts                            | 6            | 0            | 0            |
| Counter-cyclical reserves                  | 55           | 55           | 55           |
| Import deposits                            | 1 248        | 1 309        | 1 378        |
| Other public sector claims                 | 9            | 16           | 32           |
| <b>Claims of the public sector</b>         | <b>1 318</b> | <b>1 380</b> | <b>1 465</b> |
| Investment deposits                        | 67           | 66           | 69           |
| Capital import deposits                    | 460          | 470          | 345          |
| Import levy deposits                       | 8            | 8            | 8            |
| Other corporate claims                     | 5            | 4            | 5            |
| <b>Claims of corporations</b>              | <b>540</b>   | <b>548</b>   | <b>427</b>   |
| <b>Other liabilities</b>                   | <b>13</b>    | <b>33</b>    | <b>12</b>    |
| <b>Equalization accounts</b>               | <b>345</b>   | <b>354</b>   | <b>401</b>   |
| Primary capital                            | 1 400        | 1 400        | 1 400        |
| Reserve fund                               | 334          | 334          | 334          |
| Net earnings for the accounting year       | 111          | 128          | 147          |
| <b>Capital accounts</b>                    | <b>1 845</b> | <b>1 862</b> | <b>1 881</b> |
| <b>TOTAL</b>                               | <b>8 648</b> | <b>9 085</b> | <b>9 191</b> |

| IV           | V            | VI           | VII          | VIII         | IX           | X            | XI           | XII           |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| 47           | 46           | 48           | 62           | 123          | 142          | 134          | 123          | 50            |
| 47           | 53           | 54           | 40           | 46           | 57           | 48           | 48           | 51            |
| <b>94</b>    | <b>99</b>    | <b>102</b>   | <b>102</b>   | <b>169</b>   | <b>199</b>   | <b>182</b>   | <b>171</b>   | <b>101</b>    |
| 1 155        | 1 664        | 1 665        | 1 665        | 1 665        | 1 665        | 1 665        | 1 665        | 1 665         |
| 258          | 258          | 258          | 258          | 258          | 258          | 258          | 258          | 258           |
| <b>1 413</b> | <b>1 922</b> | <b>1 923</b> | <b>1 923</b> | <b>1 923</b> | <b>1 923</b> | <b>1 923</b> | <b>1 923</b> | <b>1 923</b>  |
| 2 441        | 2 539        | 2 730        | 2 652        | 2 614        | 2 597        | 2 638        | 2 593        | 2 635         |
| 235          | 236          | 239          | 243          | 244          | 243          | 244          | 246          | 250           |
| <b>2 676</b> | <b>2 775</b> | <b>2 969</b> | <b>2 895</b> | <b>2 858</b> | <b>2 840</b> | <b>2 882</b> | <b>2 839</b> | <b>2 885</b>  |
| —            | —            | —            | —            | —            | —            | —            | —            | —             |
| 0            | 0            | 0            | 0            | 0            | 0            | 0            | 1            | 2             |
| 1            | 2            | 1            | 3            | 3            | 2            | 3            | 5            | 2             |
| 679          | 549          | 681          | 790          | 522          | 778          | 1 002        | 782          | 1 137         |
| 4            | 2            | 4            | 3            | 9            | 5            | 3            | 3            | 2             |
| <b>684</b>   | <b>553</b>   | <b>686</b>   | <b>796</b>   | <b>534</b>   | <b>785</b>   | <b>1 008</b> | <b>791</b>   | <b>1 143</b>  |
| 1            | 0            | 0            | 0            | 0            | 0            | 1            | 0            | 2             |
| 55           | 55           | 55           | 55           | 55           | 55           | 55           | 55           | 59            |
| 1 296        | 1 266        | 1 208        | 1 115        | 1 128        | 1 053        | 995          | 1 081        | 973           |
| 38           | 39           | 57           | 57           | 80           | 80           | 79           | 79           | 99            |
| <b>1 390</b> | <b>1 360</b> | <b>1 320</b> | <b>1 227</b> | <b>1 263</b> | <b>1 188</b> | <b>1 130</b> | <b>1 215</b> | <b>1 133</b>  |
| 68           | 67           | 66           | 63           | 63           | 62           | 63           | 59           | 58            |
| 441          | 415          | 341          | 302          | 232          | 120          | 230          | 247          | 242           |
| 8            | 2            | 3            | 2            | 3            | 4            | 2            | 3            | 6             |
| 6            | 4            | 3            | 7            | 3            | 3            | 2            | 43           | 2             |
| <b>523</b>   | <b>488</b>   | <b>413</b>   | <b>374</b>   | <b>301</b>   | <b>189</b>   | <b>297</b>   | <b>352</b>   | <b>308</b>    |
| 12           | 13           | 12           | 13           | 15           | 13           | 12           | 15           | 13            |
| <b>335</b>   | <b>433</b>   | <b>458</b>   | <b>462</b>   | <b>477</b>   | <b>507</b>   | <b>534</b>   | <b>555</b>   | <b>592</b>    |
| 1 400        | 1 400        | 1 400        | 1 400        | 1 400        | 1 400        | 1 400        | 1 400        | 1 400         |
| 334          | 334          | 334          | 334          | 334          | 334          | 334          | 334          | 334           |
| 167          | 191          | 109          | 125          | 143          | 156          | 174          | 188          | 203           |
| <b>1 901</b> | <b>1 925</b> | <b>1 843</b> | <b>1 859</b> | <b>1 877</b> | <b>1 890</b> | <b>1 908</b> | <b>1 922</b> | <b>1 937</b>  |
| <b>9 028</b> | <b>9 568</b> | <b>9 726</b> | <b>9 651</b> | <b>9 417</b> | <b>9 534</b> | <b>9 876</b> | <b>9 783</b> | <b>10 035</b> |

Table 3.

**CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES AT THE END OF THE YEAR, 1974—1976, MILLION MARKS**

|  | 1974         | 1975         | 1976         |
|--|--------------|--------------|--------------|
| Gold   | 121          | 121          | 121          |
| Special drawing rights                       | 286          | 278          | 236          |
| IMF gold tranche                             | 268          | —            | —            |
| <b>Convertible foreign exchange</b>          |              |              |              |
| Receivables                                  | 1 109        | 1 089        | 1 004        |
| Liabilities                                  | — 62         | — 78         | — 50         |
| <b>Convertible foreign exchange reserves</b> | <b>1 722</b> | <b>1 410</b> | <b>1 311</b> |
| <b>Tied foreign exchange</b>                 |              |              |              |
| Receivables                                  | 7            | 462          | 440          |
| Liabilities                                  | — 395        | — 94         | — 51         |
| <b>Tied foreign exchange reserves</b>        | <b>— 388</b> | <b>368</b>   | <b>389</b>   |

Table 4.

**THE INCOME STATEMENT OF THE BANK OF FINLAND, 1974—1976, MILLION MARKS**

|   | 1974       | 1975       | 1976       |
|---|------------|------------|------------|
| Interest on domestic receivables                            | 355        | 513        | 498        |
| Interest on foreign receivables                             | 119        | 59         | 40         |
| Interest on bonds   | 83         | 78         | 93         |
| <b>Interest earnings</b>                                    | <b>557</b> | <b>650</b> | <b>631</b> |
| Interest on domestic claims                                 | 157        | 135        | 44         |
| Interest and reservations for commissions of foreign claims | 8          | 23         | 62         |
| <b>Interest expenses</b>                                    | <b>165</b> | <b>158</b> | <b>106</b> |
| <b>Interest earnings, net</b>                               | <b>392</b> | <b>492</b> | <b>525</b> |
| Commissions   | 5          | 8          | 7          |
| Agio  | —          | 51         | 29         |
| Other earnings  | 7          | 8          | 22         |
| <b>Other earnings</b>                                       | <b>12</b>  | <b>67</b>  | <b>58</b>  |
| Salaries  | 25         | 31         | 37         |
| Social security contributions                               | 2          | 3          | 3          |
| Pensions  | 5          | 7          | 9          |
| Printing of bank notes                                      | 11         | 16         | 17         |
| Depreciation  | 35         | 59         | 52         |
| Agio  | 39         | —          | —          |
| Other expenses  | 8          | 10         | 12         |
| <b>Other expenses</b>                                       | <b>125</b> | <b>126</b> | <b>130</b> |
| <b>Transfer to equalization accounts</b>                    | <b>130</b> | <b>240</b> | <b>250</b> |
| <b>NET EARNINGS FOR THE ACCOUNTING YEAR</b>                 | <b>149</b> | <b>193</b> | <b>203</b> |



Table 5.

**INTEREST RATES APPLIED BY THE BANK OF FINLAND IN 1958—1976, PER CENT**

| From <sup>1</sup> | Basic discount rate<br>of the Bank of Finland <sup>2</sup> | Range of discount rates set by Bank Supervisors |         |
|-------------------|--|---|---------|
|                   |  | Minimum   | Maximum |
| Oct. 1, 1958      | 7 ¼  | 6 ½   | 8       |
| March 1, 1959     | 7 ¼  | 6   | 7 ½     |
| April 1, 1959     | 6 ¾  | 6   | 7 ½     |
| March 30, 1962    | 8  | 7   | 8 ½     |
| April 28, 1962    | 7  | 6   | 7 ½     |
| Dec. 12, 1969     | 7  | 6   | 9       |
| June 1, 1971      | 8 ½  | 6   | 9       |
| Jan. 1, 1972      | 7 ¾  | 6   | 9       |
| July 1, 1973      | 9 ¼  | 7 ½   | 10 ½    |

<sup>1</sup> On the call money market introduced on September 1, 1975, the same interest rate is applied to both advances and deposits. The Bank Supervisors set 30 per cent as the upper limit for this rate; as from the beginning of June 1976, it was reduced to 25 per cent.

<sup>2</sup> 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 1974—1976**

| Year and<br>month | Head office             |                               | Branch offices          |                               | Total                   |                               |
|-------------------|-------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|-------------------------------|
|                   | Number,<br>in thousands | Value, in<br>million<br>marks | Number,<br>in thousands | Value, in<br>million<br>marks | Number,<br>in thousands | Value, in<br>million<br>marks |
| 1974              | 21 958                  | 104 067                       | 10 541                  | 26 122                        | 32 499                  | 130 189                       |
| 1975              | 23 514                  | 126 788                       | 11 791                  | 31 943                        | 35 305                  | 158 731                       |
| 1976              |                         |                               |                         |                               |                         |                               |
| January           | 1 982                   | 11 136                        | 980                     | 2 759                         | 2 962                   | 13 895                        |
| February          | 1 875                   | 10 318                        | 982                     | 2 466                         | 2 857                   | 12 784                        |
| March             | 2 187                   | 11 130                        | 1 227                   | 2 953                         | 3 414                   | 14 083                        |
| April             | 2 372                   | 11 451                        | 1 164                   | 2 854                         | 3 536                   | 14 305                        |
| May               | 2 132                   | 11 267                        | 1 194                   | 2 837                         | 3 326                   | 14 104                        |
| June              | 2 273                   | 11 893                        | 1 208                   | 3 005                         | 3 481                   | 14 898                        |
| July              | 2 223                   | 12 430                        | 1 149                   | 2 976                         | 3 372                   | 15 406                        |
| August            | 2 302                   | 11 891                        | 1 207                   | 2 854                         | 3 509                   | 14 745                        |
| September         | 2 295                   | 12 480                        | 1 211                   | 3 092                         | 3 506                   | 15 572                        |
| October           | 2 240                   | 12 869                        | 1 186                   | 3 005                         | 3 426                   | 15 874                        |
| November          | 2 353                   | 13 243                        | 1 283                   | 3 221                         | 3 636                   | 16 464                        |
| December          | 2 478                   | 15 000                        | 1 347                   | 3 562                         | 3 825                   | 18 562                        |
| Total             | 26 712                  | 145 108                       | 14 138                  | 35 584                        | 40 850                  | 180 692                       |

Table 7.

**NOTE ISSUE IN 1974—1976, 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, 1974 | 2 141               | 1 500                            | 3 641 | 2 259                    | 498                           | 1                      | 2 758        | 883   |
| 1975          | 2 282               | 1 500                            | 3 782 | 2 617                    | 229                           | 2                      | 2 848        | 934   |
| 1976          |                     |                                  |       |                          |                               |                        |              |       |
| Jan. 30       | 2 198               | 1 500                            | 3 698 | 2 384                    | 187                           | 2                      | 2 573        | 1 125 |
| Feb. 27       | 1 980               | 1 500                            | 3 480 | 2 448                    | 179                           | 0                      | 2 627        | 853   |
| March 31      | 1 958               | 1 500                            | 3 458 | 2 314                    | 235                           | 2                      | 2 551        | 907   |
| April 30      | 2 065               | 1 500                            | 3 565 | 2 441                    | 122                           | 0                      | 2 563        | 1 002 |
| May 31        | 2 469               | 1 500                            | 3 969 | 2 539                    | 118                           | 2                      | 2 659        | 1 310 |
| June 30       | 2 340               | 1 500                            | 3 840 | 2 730                    | 122                           | 1                      | 2 853        | 987   |
| July 30       | 2 691               | 1 500                            | 4 191 | 2 652                    | 128                           | 1                      | 2 781        | 1 410 |
| Aug. 31       | 2 692               | 1 500                            | 4 192 | 2 615                    | 200                           | 1                      | 2 816        | 1 376 |
| Sept. 30      | 2 200               | 1 500                            | 3 700 | 2 597                    | 224                           | 2                      | 2 823        | 877   |
| Oct. 29       | 1 999               | 1 500                            | 3 499 | 2 638                    | 204                           | 0                      | 2 842        | 657   |
| Nov. 30       | 2 185               | 1 500                            | 3 685 | 2 593                    | 241                           | 0                      | 2 834        | 851   |
| Dec. 31       | 2 307               | 1 500                            | 3 807 | 2 635                    | 131                           | 1                      | 2 767        | 1 040 |

<sup>1</sup> 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 THE YEAR, 1971—1976,  
MILLION MARKS**

| Denomination       | 1971           | 1972           | 1973           | 1974           | 1975           | 1976           |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>NOTES</b>       |                |                |                |                |                |                |
| <b>NEW</b>         |                |                |                |                |                |                |
| 500 mk             | —              | —              | —              | —              | 163.1          | 408.5          |
| 100 »              | 970.7          | 1 174.5        | 1 323.4        | 1 623.0        | 1 788.4        | 1 573.0        |
| 50 »               | 277.6          | 305.6          | 318.6          | 347.4          | 362.6          | 354.8          |
| 10 »               | 187.6          | 201.5          | 213.7          | 227.4          | 239.8          | 235.5          |
| 5 »                | 40.3           | 45.2           | 47.8           | 53.6           | 56.6           | 57.9           |
| 1 »                | 2.9            | 3.2            | 3.5            | 8.1            | 6.3            | 5.7            |
| <b>Total</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>2 635.4</b> |
| <b>OLD</b>         |                |                |                |                |                |                |
| 10 000—100 omk     | 8.4            | 8.3            | 8.3            | 8.3            | 8.2            | 8.2            |
| 50—5 »             | 1.2            | 1.2            | 1.2            | 1.2            | 1.2            | 1.2            |
| <b>Total</b>       | <b>9.6</b>     | <b>9.5</b>     | <b>9.5</b>     | <b>9.5</b>     | <b>9.4</b>     | <b>9.4</b>     |
| <b>Grand total</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>2 644.8</b> |
| <b>COINS</b>       |                |                |                |                |                |                |
| <b>NEW</b>         |                |                |                |                |                |                |
| 10 mk              | 24.8           | 23.9           | 24.6           | 24.8           | 34.9           | 35.0           |
| 5 »                | —              | 1.6            | 9.5            | 11.7           | 14.4           | 15.7           |
| 1 »                | 60.5           | 68.2           | 77.8           | 92.6           | 107.2          | 112.5          |
| 50 p               | 15.9           | 18.4           | 21.2           | 24.7           | 27.4           | 28.4           |
| 20 »               | 12.3           | 13.6           | 15.6           | 18.5           | 20.7           | 22.3           |
| 10 »               | 7.2            | 8.5            | 9.4            | 10.8           | 12.2           | 13.0           |
| 5 »                | 6.5            | 7.6            | 8.6            | 9.9            | 11.1           | 11.7           |
| 1 »                | 6.6            | 7.6            | 8.5            | 9.7            | 10.4           | 10.9           |
| <b>Total</b>       | <b>133.8</b>   | <b>149.4</b>   | <b>175.2</b>   | <b>202.7</b>   | <b>238.3</b>   | <b>249.5</b>   |
| <b>OLD</b>         |                |                |                |                |                |                |
| 1 000—1 omk        | 15.3           | 15.3           | 15.2           | 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>15.7</b>    | <b>15.7</b>    | <b>15.7</b>    | <b>15.7</b>    |
| <b>Grand total</b> | <b>149.6</b>   | <b>165.2</b>   | <b>190.9</b>   | <b>218.4</b>   | <b>254.0</b>   | <b>265.2</b>   |

Table 9.

**PRINTING AND DESTRUCTION OF NOTES IN 1974—1976, MILLION MARKS**

| Denomination       | Notes printed  |                |                | Notes cancelled |                |                |
|--------------------|----------------|----------------|----------------|-----------------|----------------|----------------|
|                    | 1974           | 1975           | 1976           | 1974            | 1975           | 1976           |
| <b>NOTES</b>       |                |                |                |                 |                |                |
| <b>NEW</b>         |                |                |                |                 |                |                |
| 500 mk             | —              | 171.0          | 969.0          | —               | —              | 40.5           |
| 100 »              | 480.0          | 1 192.0        | 1 192.0        | 605.0           | 465.0          | 1 165.0        |
| 50 »               | 255.0          | 345.0          | 523.5          | 340.0           | 332.5          | 569.9          |
| 10 »               | 478.4          | 606.4          | 483.2          | 434.5           | 458.0          | 545.0          |
| 5 »                | 67.6           | 156.0          | 194.6          | 130.3           | 163.0          | 205.0          |
| 1 »                | —              | —              | —              | 1.0             | 6.3            | 2.0            |
| <b>Total</b>       | <b>1 281.0</b> | <b>2 470.4</b> | <b>3 362.3</b> | <b>1 510.8</b>  | <b>1 424.8</b> | <b>2 527.4</b> |
| In millions        | 71.3           | 110.9          | 111.5          | 83.4            | 96.0           | 120.6          |
| <b>OLD</b>         |                |                |                |                 |                |                |
| <b>Total</b>       | —              | —              | —              | 0.0             | 0.1            | 0.0            |
| In millions        | —              | —              | —              | 0.0             | 0.0            | 0.0            |
| <b>Grand total</b> | <b>1 281.0</b> | <b>2 470.4</b> | <b>3 362.3</b> | <b>1 510.8</b>  | <b>1 424.9</b> | <b>2 527.4</b> |
| In millions        | 71.3           | 110.9          | 111.5          | 83.4            | 96.0           | 120.6          |

Table 10.

## NOTES AND COINS IN 1976, MILLION MARKS

| Denomination       | Total issue<br>Dec.<br>31, 1975 | Issued in<br>1976 | Destroyed<br>in 1976 | Total issue<br>Dec.<br>31, 1976 | Held by the<br>Bank of<br>Finland<br>Dec.<br>31, 1976 | In<br>circulation<br>Dec.<br>31, 1976 |
|--------------------|---------------------------------|-------------------|----------------------|---------------------------------|---|---------------------------------------|
| <b>NOTES</b>       |                                 |                   |                      |                                 |   |                                       |
| <b>NEW</b>         |                                 |                   |                      |                                 |   |                                       |
| 500 mk             | 171.0                           | 969.0             | 40.5                 | 1 099.5                         | 691.0   | 408.5                                 |
| 100 »              | 3 238.2                         | 1 192.0           | 1 165.0              | 3 265.2                         | 1 692.2   | 1 573.0                               |
| 50 »               | 687.0                           | 523.5             | 569.9                | 640.6                           | 285.8   | 354.8                                 |
| 10 »               | 645.9                           | 483.2             | 545.0                | 584.1                           | 348.6   | 235.5                                 |
| 5 »                | 131.0                           | 194.6             | 205.0                | 120.6                           | 62.7  | 57.9                                  |
| 1 »                | 8.9                             | —                 | 2.0                  | 6.9                             | 1.2   | 5.7                                   |
| Total              | 4 882.0                         | 3 362.3           | 2 527.4              | 5 716.9                         | 3 081.5   | 2 635.4                               |
| In millions        | 146.1                           | 111.5             | 120.6                | 137.0                           | 72.6  | 64.4                                  |
| <b>OLD</b>         |                                 |                   |                      |                                 |   |                                       |
| Total              | 9.4                             | —                 | 0.0                  | 9.4                             | 0.0   | 9.4                                   |
| In millions        | 11.5                            | —                 | 0.0                  | 11.5                            | 0.0   | 11.5                                  |
| <b>Grand total</b> | <b>4 891.4</b>                  | <b>3 362.3</b>    | <b>2 527.4</b>       | <b>5 726.3</b>                  | <b>3 081.5</b>  | <b>2 644.8</b>                        |
| In millions        | 157.6                           | 111.5             | 120.6                | 148.5                           | 72.6  | 75.9                                  |
| <b>COINS</b>       |                                 |                   |                      |                                 |   |                                       |
| <b>NEW</b>         |                                 |                   |                      |                                 |   |                                       |
| 10 mk              | 35.5                            | —                 | 0.3                  | 35.2                            | 0.2   | 35.0                                  |
| 5 »                | 15.5                            | 2.0               | 0.2                  | 17.3                            | 1.6   | 15.7                                  |
| 1 »                | 117.4                           | 12.0              | 0.2                  | 129.2                           | 16.7  | 112.5                                 |
| 50 p               | 30.2                            | 3.5               | 0.1                  | 33.6                            | 5.2   | 28.4                                  |
| 20 »               | 21.2                            | 4.0               | 0.0                  | 25.2                            | 2.9   | 22.3                                  |
| 10 »               | 13.4                            | 1.0               | 0.0                  | 14.4                            | 1.4   | 13.0                                  |
| 5 »                | 11.6                            | 1.3               | 0.0                  | 12.9                            | 1.2   | 11.7                                  |
| 1 »                | 10.9                            | 0.4               | 0.0                  | 11.3                            | 0.4   | 10.9                                  |
| Total              | 255.7                           | 24.2              | 0.8                  | 279.1                           | 29.6  | 249.5                                 |
| <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>271.4</b>                    | <b>24.2</b>       | <b>0.8</b>           | <b>294.8</b>                    | <b>29.6</b>   | <b>265.2</b>                          |

Table 11.

**FOREIGN EXCHANGE: SPOT SELLING RATES IN 1971—1976, MARKS**

| Currency                      | 1971   |        |        | 1972   |        |        | 1973   |        |        |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                               | Max.   | Av.    | Min.   | Max.   | Av.    | Min.   | Max.   | Av.    | Min.   |
| 1 US \$, New York             | 4.204  | 4.174  | 4.152  | 4.178  | 4.146  | 4.134  | 4.178  | 3.816  | 3.580  |
| 1 £, London                   | 10.610 | 10.205 | 9.995  | 10.950 | 10.368 | 9.710  | 9.945  | 9.355  | 8.850  |
| 100 Skr, Stockholm            | 85.40  | 81.82  | 80.60  | 88.15  | 87.20  | 85.52  | 91.50  | 87.76  | 83.85  |
| 100 Nkr, Oslo                 | 62.00  | 59.50  | 58.47  | 63.85  | 62.97  | 61.65  | 70.00  | 66.64  | 62.80  |
| 100 Dkr, Copenhagen           | 58.80  | 56.41  | 55.72  | 61.10  | 59.72  | 58.75  | 67.30  | 63.47  | 60.45  |
| 100 DM, Frankf. o.M.          | 128.50 | 120.17 | 114.60 | 131.41 | 130.07 | 126.90 | 158.90 | 144.34 | 130.00 |
| 100 Hfl, Amsterdam            | 127.85 | 119.72 | 115.80 | 130.80 | 129.22 | 127.50 | 150.20 | 137.50 | 129.28 |
| 100 FB, Brussels <sup>1</sup> | 9.270  | 8.607  | 8.405  | 9.490  | 9.424  | 9.245  | 10.600 | 9.852  | 9.350  |
| 100 Sfr, Zurich               | 107.20 | 101.63 | 96.74  | 111.10 | 108.64 | 105.79 | 133.50 | 121.22 | 110.76 |
| 100 FF, Paris <sup>2</sup>    | 79.70  | 75.78  | 75.07  | 83.10  | 82.25  | 79.60  | 92.00  | 86.10  | 81.45  |
| 100 Lit, Rome                 | 0.7000 | 0.6765 | 0.6690 | 0.7172 | 0.7110 | 0.6980 | 0.7170 | 0.6571 | 0.6120 |
| 100 ÖS, Vienna                | 17.60  | 16.75  | 16.13  | 18.17  | 17.95  | 17.55  | 21.55  | 19.71  | 18.00  |
| 100 Y, Tokyo                  |        |        |        |        |        |        |        |        |        |
| 1 Rbl, Moscow,<br>clearing    | 4.960  | 4.684  | 4.6799 | 4.960  | 4.960  | 4.960  | 5.438  | 5.159  | 4.960  |

<sup>1</sup> 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.

<sup>2</sup> 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                   | 1974   |        |        | 1975   |        |        | 1976   |        |        |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                            | Max.   | Av.    | Min.   | Max.   | Av.    | Min.   | Max.   | Av.    | Min.   |
| 1 US \$, New York          | 4.030  | 3.774  | 3.560  | 3.958  | 3.679  | 3.465  | 3.929  | 3.864  | 3.776  |
| 1 £, London                | 9.075  | 8.833  | 8.355  | 8.540  | 8.155  | 7.800  | 7.820  | 6.983  | 6.070  |
| 100 Skr, Stockholm         | 87.80  | 85.22  | 82.45  | 90.90  | 88.80  | 86.30  | 91.90  | 88.86  | 87.10  |
| 100 Nkr, Oslo              | 70.80  | 68.44  | 66.10  | 72.70  | 70.59  | 68.40  | 73.50  | 70.95  | 69.20  |
| 100 Dkr, Copenhagen        | 64.00  | 62.17  | 58.80  | 65.80  | 64.21  | 62.40  | 66.25  | 64.04  | 62.10  |
| 100 DM, Frankf. o.M.       | 152.60 | 146.21 | 139.20 | 152.30 | 149.80 | 146.70 | 161.20 | 153.78 | 147.35 |
| 100 Hfl, Amsterdam         | 145.30 | 140.70 | 134.20 | 149.05 | 145.73 | 141.90 | 154.00 | 146.42 | 142.20 |
| 100 FB, Brussels           | 9.970  | 9.715  | 9.230  | 10.300 | 10.033 | 9.710  | 10.530 | 10.030 | 9.740  |
| 100 Sfr, Zurich            | 142.60 | 127.19 | 116.75 | 148.00 | 142.64 | 138.00 | 163.90 | 154.86 | 147.30 |
| 100 FF, Paris              | 81.95  | 78.65  | 73.85  | 89.30  | 86.00  | 80.60  | 86.45  | 81.09  | 76.10  |
| 100 Lit, Rome              | 0.6370 | 0.5827 | 0.5550 | 0.5770 | 0.5650 | 0.5480 | 0.567  | 0.468  | 0.417  |
| 100 ÖS, Vienna             | 22.30  | 20.27  | 19.10  | 21.50  | 21.18  | 20.80  | 22.68  | 21.59  | 20.84  |
| 100 Y, Tokyo               |        |        |        | 1.308  | 1.244  | 1.175  | 1.36n  | 1.307  | 1.258  |
| 1 Rbl, Moscow,<br>clearing | 5.321  | 4.995  | 4.852  | 5.386  | 5.093  | 4.760  | 5.197  | 5.125  | 5.053  |

Table 12.

## FOREIGN EXCHANGE: SPOT SELLING RATES IN 1976, MARKS

| Currency                       | January          |                  |                  | February         |                  |                  | March            |                  |                  |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                | Max.             | Av.              | Min.             | Max.             | Av.              | Min.             | Max.             | Av.              | Min.             |
| 1 US \$, New York              | 3.860            | 3.847            | 3.830            | 3.848            | 3.838            | 3.830            | 3.870            | 3.852            | 3.835            |
| 1 C \$, Montreal               | 3.855            | 3.824            | 3.785            | 3.900            | 3.862            | 3.845            | 3.931            | 3.914            | 3.885            |
| 1 £, London                    | 7.820            | 7.808            | 7.795            | 7.810            | 7.779            | 7.760            | 7.780            | 7.501            | 7.370            |
| 100 Skr, Stockholm             | 88.20            | 88.03            | 87.80            | 88.10            | 87.87            | 87.70            | 87.90            | 87.61            | 87.40            |
| 100 Nkr, Oslo                  | 69.60            | 69.42            | 69.25            | 69.80            | 69.60            | 69.40            | 69.90            | 69.56            | 69.20            |
| <del>100 Dkr, Copenhagen</del> | <del>62.70</del> | <del>62.57</del> | <del>62.50</del> | <del>62.80</del> | <del>62.63</del> | <del>62.30</del> | <del>63.50</del> | <del>62.78</del> | <del>62.10</del> |
| 100 DM, Frankf. o.M.           | 148.50           | 147.94           | 147.35           | 151.05           | 150.09           | 149.00           | 152.20           | 150.71           | 149.30           |
| 100 Hfl, Amsterdam             | 144.50           | 144.17           | 143.80           | 144.75           | 144.30           | 143.80           | 144.10           | 143.28           | 142.20           |
| 100 FB, Brussels               |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| commercial rate                | 9.820            | 9.807            | 9.770            | 9.860            | 9.822            | 9.770            | 10.000           | 9.825            | 9.740            |
| financial rate                 | 9.630            | 9.599            | 9.580            | 9.630            | 9.512            | 9.400            | 9.570            | 9.447            | 9.270            |
| 100 Sfr, Zurich                | 148.20           | 147.95           | 147.30           | 150.65           | 149.56           | 148.20           | 152.50           | 150.36           | 148.55           |
| 100 FF, Paris                  | 86.45            | 86.10            | 85.75            | 86.30            | 85.99            | 85.80            | 85.70            | 83.50            | 81.75            |
| 100 Lit, Rome                  | 0.5670           | 0.5524           | 0.5200           | 0.515            | 0.502            | 0.485            | 0.500            | 0.470            | 0.440            |
| 100 ÖS, Vienna                 | 21.00            | 20.96            | 20.90            | 21.07            | 21.03            | 21.00            | 21.15            | 21.01            | 20.84            |
| 100 Esc., Lisbon               | 14.25            | 14.18            | 14.16            | 14.16            | 14.08            | 13.98            | 13.90            | 13.56            | 13.22            |
| 100 lkr, Reykjavik             | 2.32             | 2.26             | 2.26             | 2.25             | 2.25             | 2.25             | 2.25             | 2.23             | 2.22             |
| 100 Ptas, Madrid               | 6.49             | 6.47             | 6.46             | 6.47             | 5.96             | 5.80             | 5.80             | 5.77             | 5.75             |
| 100 Y, Tokyo                   | 1.275            | 1.266            | 1.258            | 1.280            | 1.275            | 1.270            | 1.290            | 1.284            | 1.272            |
| 1 Rbl, Moscow,<br>clearing     | 5.092            | 5.075            | 5.053            | 5.077            | 5.063            | 5.053            | 5.136            | 5.110            | 5.059            |



| Currency                   | April  |        |        | May    |        |        | June   |        |        |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                            | Max.   | Av.    | Min.   | Max.   | Av.    | Min.   | Max.   | Av.    | Min.   |
| 1 US \$, New York          | 3.865  | 3.856  | 3.845  | 3.911  | 3.880  | 3.851  | 3.929  | 3.908  | 3.896  |
| 1 C \$, Montreal           | 3.940  | 3.924  | 3.900  | 4.000  | 3.960  | 3.928  | 4.037  | 4.011  | 3.990  |
| 1 £, London                | 7.340  | 7.131  | 7.010  | 7.110  | 7.027  | 6.890  | 6.960  | 6.897  | 6.710  |
| 100 Skr, Stockholm         | 88.00  | 87.72  | 87.45  | 88.20  | 88.06  | 87.80  | 88.30  | 87.99  | 87.50  |
| 100 Nkr, Oslo              | 70.50  | 70.23  | 69.70  | 70.90  | 70.67  | 70.40  | 70.90  | 70.56  | 70.00  |
| 100 Dkr, Copenhagen        | 64.40  | 63.93  | 63.40  | 64.40  | 64.07  | 63.80  | 64.20  | 63.92  | 63.50  |
| 100 DM, Frankf. o.M.       | 152.50 | 152.25 | 151.85 | 152.55 | 151.74 | 151.10 | 152.70 | 151.89 | 151.10 |
| 100 Hfl, Amsterdam         | 143.90 | 143.67 | 143.25 | 143.85 | 142.98 | 142.20 | 143.70 | 142.89 | 142.50 |
| 100 FB, Brussels           |        |        |        |        |        |        |        |        |        |
| commercial rate            | 9.930  | 9.905  | 9.880  | 9.970  | 9.920  | 9.850  | 9.900  | 9.879  | 9.840  |
| financial rate             | 9.730  | 9.557  | 9.380  | 9.790  | 9.730  | 9.660  | 9.800  | 9.756  | 9.730  |
| 100 Sfr, Zurich            | 153.60 | 152.65 | 151.80 | 160.60 | 156.16 | 153.80 | 163.90 | 158.63 | 155.60 |
| 100 FF, Paris              | 82.90  | 82.64  | 82.20  | 82.80  | 82.62  | 82.40  | 83.10  | 82.60  | 82.20  |
| 100 Lit, Rome              | 0.460  | 0.441  | 0.430  | 0.465  | 0.454  | 0.417  | 0.466  | 0.462  | 0.456  |
| 100 ÖS, Vienna             | 21.30  | 21.25  | 21.15  | 21.30  | 21.19  | 21.10  | 21.33  | 21.22  | 21.14  |
| 100 Esc., Lisbon           | 13.22  | 13.08  | 13.00  | 13.02  | 12.91  | 12.79  | 12.79  | 12.64  | 12.40  |
| 100 lkr, Reykjavik         | 2.22   | 2.18   | 2.17   | 2.17   | 2.15   | 2.15   | 2.15   | 2.15   | 2.12   |
| 100 Ptas, Madrid           | 5.75   | 5.75   | 5.75   | 5.79   | 5.75   | 5.73   | 5.79   | 5.77   | 5.76   |
| 100 Y, Tokyo               | 1.300  | 1.295  | 1.288  | 1.305  | 1.300  | 1.290  | 1.320  | 1.308  | 1.303  |
| 1 Rbl, Moscow,<br>clearing | 5.119  | 5.107  | 5.093  | 5.180  | 5.139  | 5.101  | 5.197  | 5.170  | 5.153  |

Table 12. (Cont.)

| Currency                   | July   |        |        | August |        |        | September |        |        |
|----------------------------|--------|--------|--------|--------|--------|--------|-----------|--------|--------|
|                            | Max.   | Av.    | Min.   | Max.   | Av.    | Min.   | Max.      | Av.    | Min.   |
| 1 US \$, New York          | 3.899  | 3.893  | 3.888  | 3.899  | 3.892  | 3.884  | 3.902     | 3.889  | 3.871  |
| 1 C \$, Montreal           | 4.028  | 4.007  | 3.990  | 3.990  | 3.951  | 3.933  | 4.000     | 3.988  | 3.974  |
| 1 £, London                | 7.017  | 6.957  | 6.907  | 6.974  | 6.938  | 6.890  | 6.922     | 6.729  | 6.440  |
| 100 Skr, Stockholm         | 87.70  | 87.27  | 87.10  | 88.80  | 88.35  | 87.80  | 90.50     | 89.45  | 88.70  |
| 100 Nkr, Oslo              | 70.40  | 69.81  | 69.70  | 71.00  | 70.74  | 70.40  | 72.60     | 71.68  | 70.90  |
| 100 Dkr, Copenhagen        | 63.60  | 63.25  | 63.10  | 64.50  | 64.13  | 63.70  | 65.70     | 64.95  | 64.40  |
| 100 DM, Frankf. o.M.       | 153.00 | 151.37 | 151.00 | 154.90 | 154.17 | 153.30 | 158.10    | 156.21 | 154.70 |
| 100 Hfl, Amsterdam         | 143.70 | 142.84 | 142.50 | 148.00 | 145.60 | 144.20 | 151.20    | 149.24 | 147.90 |
| 100 FB, Brussels           |        |        |        |        |        |        |           |        |        |
| commercial rate            | 9.900  | 9.823  | 9.800  | 10.070 | 9.990  | 9.910  | 10.220    | 10.131 | 10.070 |
| financial rate             | 9.750  | 9.673  | 9.650  | 9.780  | 9.660  | 9.600  | 10.000    | 9.874  | 9.790  |
| 100 Sfr, Zurich            | 158.00 | 156.92 | 155.70 | 157.70 | 157.12 | 156.10 | 157.90    | 157.39 | 156.90 |
| 100 FF, Paris              | 82.20  | 80.57  | 79.00  | 79.50  | 78.46  | 77.70  | 79.50     | 79.24  | 78.70  |
| 100 Lit, Rome              | 0.467  | 0.466  | 0.464  | 0.467  | 0.466  | 0.463  | 0.464     | 0.461  | 0.454  |
| 100 ÖS, Vienna             | 21.55  | 21.26  | 21.15  | 21.85  | 21.70  | 21.55  | 22.28     | 22.02  | 21.85  |
| 100 Esc., Lisbon           | 12.47  | 12.45  | 12.40  | 12.55  | 12.51  | 12.47  | 12.55     | 12.52  | 12.45  |
| 100 lkr, Reykjavik         | 2.12   | 2.12   | 2.12   | 2.12   | 2.12   | 2.12   | 2.12      | 2.10   | 2.10   |
| 100 Ptas, Madrid           | 5.76   | 5.74   | 5.74   | 5.74   | 5.73   | 5.70   | 5.76      | 5.74   | 5.72   |
| 100 Y, Tokyo               | 1.331  | 1.323  | 1.310  | 1.353  | 1.341  | 1.330  | 1.364     | 1.355  | 1.350  |
| 1 Rbl, Moscow,<br>clearing | 5.157  | 5.150  | 5.143  | 5.157  | 5.148  | 5.138  | 5.185     | 5.168  | 5.144  |

| Currency                            | October |        |        | November |        |        | December |        |        |
|-------------------------------------|---------|--------|--------|----------|--------|--------|----------|--------|--------|
|                                     | Max.    | Av.    | Min.   | Max.     | Av.    | Min.   | Max.     | Av.    | Min.   |
| 1 US \$, New York                   | 3.885   | 3.864  | 3.855  | 3.860    | 3.847  | 3.830  | 3.835    | 3.807  | 3.776  |
| 1 C \$, Montreal                    | 3.998   | 3.973  | 3.960  | 3.970    | 3.911  | 3.730  | 3.760    | 3.736  | 3.696  |
| 1 £, London                         | 6.475   | 6.336  | 6.070  | 6.480    | 6.298  | 6.125  | 6.440    | 6.393  | 6.330  |
| 100 Skr, Stockholm                  | 91.60   | 90.93  | 90.20  | 91.75    | 91.36  | 91.00  | 91.90    | 91.68  | 91.50  |
| 100 Nkr, Oslo                       | 73.40   | 72.80  | 72.50  | 73.50    | 73.12  | 72.80  | 73.50    | 73.21  | 73.05  |
| 100 Dkr, Copenhagen                 | 66.25   | 65.64  | 64.00  | 65.60    | 65.24  | 65.00  | 65.70    | 65.37  | 65.00  |
| 100 DM, Frankf. o.M.                | 161.20  | 159.23 | 157.55 | 160.80   | 159.80 | 159.05 | 160.75   | 159.96 | 159.20 |
| 100 Hfl, Amsterdam                  | 153.60  | 151.82 | 150.50 | 153.80   | 152.93 | 152.10 | 154.00   | 153.36 | 152.60 |
| 100 FB, Brussels<br>commercial rate | 10.490  | 10.362 | 10.250 | 10.460   | 10.419 | 10.370 | 10.530   | 10.472 | 10.400 |
| financial rate                      | 10.350  | 10.085 | 9.800  | 10.460   | 10.371 | 10.300 | 10.580   | 10.485 | 10.370 |
| 100 Sfr, Zurich                     | 158.90  | 158.15 | 157.20 | 158.60   | 157.82 | 156.90 | 156.70   | 155.63 | 154.60 |
| 100 FF, Paris                       | 78.40   | 77.72  | 77.00  | 77.50    | 77.19  | 76.80  | 76.80    | 76.49  | 76.10  |
| 100 Lit, Rome                       | 0.465   | 0.453  | 0.446  | 0.449    | 0.446  | 0.443  | 0.445    | 0.441  | 0.432  |
| 100 ÖS, Vienna                      | 22.68   | 22.43  | 22.20  | 22.63    | 22.49  | 22.40  | 22.63    | 22.52  | 22.37  |
| 100 Esc., Lisbon                    | 12.45   | 12.40  | 12.37  | 12.37    | 12.28  | 12.20  | 12.18    | 12.12  | 12.03  |
| 100 lkr, Reykjavik                  | 2.10    | 2.08   | 2.05   | 2.05     | 2.04   | 2.03   | 2.03     | 2.03   | 2.00   |
| 100 Ptas, Madrid                    | 5.73    | 5.70   | 5.68   | 5.71     | 5.65   | 5.63   | 5.63     | 5.60   | 5.55   |
| 100 Y, Tokyo                        | 1.350   | 1.330  | 1.316  | 1.313    | 1.307  | 1.300  | 1.300    | 1.297  | 1.290  |
| 1 Rbl, Moscow,<br>clearing          | 5.180   | 5.151  | 5.140  | 5.147    | 5.129  | 5.107  | 5.127    | 5.093  | 5.056  |

## **BANK SUPERVISORS, DELEGATED BY PARLIAMENT, AT THE END OF 1976**

|                 |               |
|-----------------|---------------|
| Harri Holkeri   | Chairman      |
| Jermu Laine     | Vice chairman |
| Matti Maijala   |               |
| Aarne Saarinen  |               |
| Ulf Sundqvist   |               |
| Ele Alenius     |               |
| Ingvar S. Melin |               |
| Ahti Pekkala    |               |
| T. Junnila      |               |

## **BANK OF FINLAND AT THE END OF 1976**

### **Board of Management**

|                  |                                  |
|------------------|----------------------------------|
| Mauno Koivisto   | Governor                         |
| A. Simonen       | Deputy Governor                  |
| Ahti Karjalainen | Absent as a Member of Government |
| Päiviö Hetemäki  |                                  |
| Pentti Uusivirta |                                  |
| Rolf Kullberg    |                                  |

### **Directors**

Jouko J. Voutilainen  
Jorma Aranko  
Markku Puntila  
Seppo Lindblom  
Eino Helenius  
Pentti Koivikko

**Director of ADP  
Planning**

Pertti Kukkonen

**Heads of  
Department**

Heikki T. Hämäläinen  
Pauli Kanerva  
Reino Airikkala  
Antti Lehtinen  
Kalle Koski  
Kari Pekonen  
Raine Panula  
Raili Nuortila  
J. Ojala  
Kari Puumanen  
Heikki Koskenkylä  
Antti Luukka  
K. Eirola  
A. Nenonen  
Stig G Björklund  
Eino Suomela

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

**Note-printing  
Works**

Toivo Rissanen  
Tuure Mynttinen

Managing Director  
Director

**Managers of  
Branches**

Heikki Hakola  
E. M. Tammi  
V. Lehto  
Keijo Kallasmaa  
R. Kotkasaari  
Reino Ylönen  
Harri Salenius  
V. Kaarnakorpi  
M. Hannula  
E. Vuorela  
S. Paavola  
Rauno Haikarainen

Joensuu  
Jyväskylä  
Kotka  
Kuopio  
Lahti  
Mikkeli  
Oulu  
Pori  
Rovaniemi  
Tampere  
Turku  
Vaasa