

BANK OF FINLAND



164th
ANNUAL STATEMENT
1975

Helsinki 1976. Government Printing Centre

Income Statement, 1st January 1975—31st December 1975

Interest earnings

Interest on domestic receivables	512 380 801,16
Interest on foreign receivables	59 193 427,10
Interest on bonds	78 220 269,52
Total	649 794 497,78

Interest expenses

Interest on domestic claims	135 165 897,73
Interest and reservations for commissions on foreign claims	23 111 138,55
Total	158 277 036,28

Interest earnings, net

491 517 461,50

Other earnings

Commissions	7 682 923,85
Agio	51 412 366,04
Other earnings	8 372 270,47
Total	67 467 560,36

Other expenses

Salaries	31 180 610,14
Social security contributions	2 635 455,89
Pensions	6 630 474,45
Printing of bank notes	15 551 604,87
Depreciation	59 060 611,06
Other expenses	10 477 646,76
Total	125 536 403,17

Transfer to equalization accounts

240 000 000,—

Net earnings for the accounting year

mk 193 448 618,69

Balance Sheet,

ASSETS			
Gold and foreign exchange receivables			
Gold	121 033 880,37		
Special drawing rights	277 941 557,42		
IMF gold tranche	—		
Convertible currencies	1 088 415 972,26		
Tied currencies	462 368 261,22	1 949 759 671,27	
Other foreign receivables			
Foreign bills	271 885 283,93		
Foreign bonds	204 368 545,40		
Currency subscription to Finland's quota in the IMF	797 994 094,80	1 274 247 924,13	
Receivables from financial institutions			
Cheque accounts of the commercial banks	132 775 414,16		
Discounted bills	3 385 000 000,—		
Bonds	327 042 276,30		
Other financial institution receivables ..	318 855 793,91	4 163 673 484,37	
Receivables from the public sector			
Bonds	70 150 567,10		
Total coinage	255 737 320,—		
Other public sector receivables	13 470 876,70	339 358 763,80	
Receivables from corporations			
New export bills	128 073 587,02		
Financing of suppliers' credits	402 264 624,62		
Bonds	223 367 468,67		
Other corporate receivables	179 483 100,—	933 188 780,31	
Other assets			46 958 922,04
Right of note issue		3 782 258 500,74	
Utilized		2 847 725 125,26	
Unused right of note issue mk		934 533 375,48	mk 8 707 187 545,92

31st December 1975

LIABILITIES		
Foreign exchange liabilities		
Convertible accounts	77 600 179,94	
Tied accounts	94 148 107,04	171 748 286,98
Other foreign liabilities		
IMF mark accounts	1 127 052 171,19	
Allocations of special drawing rights ...	258 172 243,77	1 385 224 414,96
Notes and coins in circulation		
Notes	2 616 818 182,—	
Coins	238 257 615,20	2 855 075 797,20
Deposit certificates in circulation		250 000 000,—
Claims of financial institutions		
Cheque account of Postipankki	1 442 936,40	
Cheque accounts of the commercial banks	2 698 171,51	
Other financial institution claims	24 378 559,07	28 519 666,98
Claims of the public sector		
Cheque accounts	1 842 333,13	
Counter-cyclical reserves	154 695 260,13	
Import deposit	1 135 161 180,—	
Other public sector claims	8 938 727,09	1 300 637 500,35
Claims of corporations		
Investment deposits	72 655 741,25	
Capital import deposits	449 643 772,52	
Import levy deposits	7 601 690,13	
Other corporate claims	8 755 307,72	538 656 511,62
Other liabilities		14 944 620,55
Equalization accounts		331 488 914,01
Capital accounts		
Primary capital	1 400 000 000,—	
Reserve fund	237 443 214,58	
Net earnings for the accounting year ..	193 448 618,69	1 830 891 833,27
	mk	8 707 187 545,92

Developments in 1975

As a result of the international cyclical downswing, the volume of Finnish commodity exports declined by some twenty per cent in 1975. Although domestic demand remained strong, total production was slightly reduced. Despite a gradual deterioration in the employment situation from the early part of the year, the average unemployment rate did not reach more than 2.2 per cent. Towards the end of the year, however, it became necessary to reduce output in more and more sectors, and the employment situation began to weaken more sharply. Although import prices rose less rapidly, inflation continued at a rapid rate as a result of rising domestic production costs. The imbalance in the country's foreign trade increased substantially, so that the current account deficit totalled more than 8 000 million marks, of which amount more than 5 000 million marks was financed by the net inflow of long-term capital.

The gold reserves of the Bank of Finland remained unchanged in 1975. SDRs declined by 8 million marks, and the gold tranche in the International Monetary Fund, 268 million marks, was converted into foreign currencies. The foreign exchange receivables of the Bank of Finland increased by 435 million marks in 1975, a decrease of 20 million marks in convertible currencies, and an increase of 455 million marks in tied currencies. As a result of a reduction in tied currency liabilities, the Bank's total foreign liabilities declined by 285 million marks. The convertible foreign exchange reserves of the Bank of Finland declined by 312 million marks in 1975, and amounted to 1 410 million marks at the end of the year. The Bank's tied foreign exchange reserves totalled 368 million marks. The tied currency accounts had shown a net liability of 388 million marks at the end of the previous year, so the net increase in the tied foreign exchange reserves was 756 million marks.

Total bank lending to the public increased slightly more slowly than in the previous year, whereas borrowing from the public grew slightly faster. Receivables due to the Bank of Finland from financial institutions increased by 750 million marks, of which 107 million marks took the form of bonds floated by financial institutions. The commercial banks' central bank credit quota ceiling, which had been 2 800 million marks since June 1974, was lowered to 2 500 million marks from the beginning of October. The commercial banks' net liabilities to the Central Bank grew by 648 million marks during 1975, reaching 3 792 million marks at the end of the year.

In order to strengthen the operation of monetary policy, the Bank of Finland opened call money markets at the beginning of September, although the basic rate central bank credit quotas, with permitted excess subject to penalty charges, still formed the basis for monetary policy. Within the framework of the new call money markets, those commercial banks authorized to use central bank credit were allowed to receive credits maturing on the following banking day, or to deposit funds for the same period, within limits set by the Bank of Finland and at a rate of interest fixed daily. In order to balance the market, the Bank of Finland itself participated in call money transactions, granting credits or receiving any excess supply of deposits.

Receivables from the public sector increased by 37 million marks, mainly as a result of a growth in total coinage. The claims of the public sector grew by 741 million marks. This increase was caused by import deposits collected by the Central Government during 1975 and deposited in the Bank of Finland; these totalled 1 135 million marks at the end of the year. On the other hand, the counter-cyclical reserves of the Central Government declined by 388 million marks to 155 million marks, while export levy, counter-cyclical tax and investment tax funds were reduced from 8 million marks to 1 million marks.

Bank of Finland receivables from corporations increased by 302 million marks to 933 million marks. Lending to corporations grew by 310 million marks and amounted to 710 million marks at the end of the year. Of this stock of loans, new export bills accounted for 128 million marks and domestic suppliers' credits for 402 million marks. The Bank's portfolio of corporate bonds declined by 8 million marks to 223 million marks.

The claims of corporations increased by 344 million marks to 539 million marks. Capital import deposits, which grew by 352 million marks during 1975, accounted for the major part of corporate claims. Corporate investment deposits increased by 39 million marks, totalling 73 million marks at the end of the year. Counter-cyclical withholdings, which totalled 49 million marks at the beginning of the year, were released before the end of June. These funds reached their highest level, 120 million marks, during the second quarter.

Deposit certificates in circulation declined by 790 million marks and totalled 250 million marks at the end of the year. Notes and coins in circulation increased by 393 million marks during 1975, totalling 2 855 million marks. Of this increase, notes accounted for 358 million marks and coins for 35 million marks.

The basic rate applied by the Bank of Finland on the commercial banks' central bank credit was $9 \frac{1}{4}$ per cent throughout the year. In addition, the Board of Management of the Bank reserved the right to impose a penalty charge of up to 4 per cent over the basic rate. The Bank Supervisors set 30 per cent as the upper limit for the rate of interest to be applied in the call money market. The minimum and maximum rates for other credits granted by the Bank of Finland were $7 \frac{1}{2}$ and $10 \frac{1}{2}$ per cent respectively.

According to the income statement, the net profits of the Bank of Finland for the accounting year amounted to 193 million marks, 44 million marks more than in 1974. The Bank's earnings totalled 717 million marks. Of this sum, interest earnings from domestic receivables accounted for 512 million marks, those from bonds for 78 million marks, and those from foreign receivables for 59 million marks. The Bank's expenses totalled 284 million marks: interest expenses on domestic claims being 135 million marks, depreciation 59 million marks and salaries 31 million marks.

By decision of Parliament, the Bank's primary capital was increased by 800 million marks to 1 400 million marks in connection with the closing of the accounts. In keeping with the Regulations of the Bank of Finland, one-half of the net profits will be transferred to the reserve fund. Parliament will decide on the disposal of the other half.

The Balance Sheet

mill. mk, end-of-month figures

ASSETS

Month	Gold and foreign exchange receivables					Other foreign receivables	Receivables from financial institutions			Receivables from the public sector			Receivables from corporations			Other assets	Total of Balance Sheet	
	Gold	Special drawing rights	IMF gold tranche	Convertible currencies	Tied currencies		Cheque accounts of the commercial banks	Discounted bills	Other financial institution receivables	Bonds	Total coinage	Other public sector receivables	New export bills	Financing of suppliers' credits	Bonds			Other corporate receivables
XII/74	121	286	268	1 109	7	1 123	114	3 034	266	71	225	6	90	276	231	34	37	7 298
I	121	286	268	713	418	1 105	112	2 572	269	70	227	5	91	272	231	37	37	6 834
II	121	286	268	574	278	1 106	171	2 970	313	71	233	3	97	273	244	40	37	7 085
III	121	286	268	625	271	1 089	142	3 275	284	71	233	3	103	280	246	38	37	7 372
IV	121	286	268	609	400	999	99	3 441	307	75	235	0	106	294	240	40	37	7 557
V	121	289	268	387	490	1 010	136	3 417	304	75	238	1	115	306	240	29	37	7 463
VI	121	286	—	1 211	626	1 283	139	3 083	347	70	239	2	112	314	238	58	38	8 167
VII	121	286	—	1 077	684	1 288	136	3 082	377	70	243	2	119	336	283	83	37	8 224
VIII	121	284	—	1 474	470	1 266	135	3 068	369	72	250	0	124	336	242	114	37	8 362
IX	121	284	—	1 405	337	1 274	196	3 565	424	71	251	0	125	342	233	127	37	8 792
X	121	284	—	1 373	212	1 315	115	3 568	606	70	253	1	134	372	231	139	38	8 832
XI	121	284	—	1 206	250	1 311	172	3 519	622	72	254	7	132	374	230	152	37	8 743
XII	121	278	—	1 089	462	1 274	133	3 385	646	70	256	13	128	402	223	180	47	8 707

Change in 1975

	—	—8	—268	—20	+455	+151	+19	+351	+380	—1	+31	+7	+38	+126	—8	+146	+10	+1 409
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during 1975

LIABILITIES

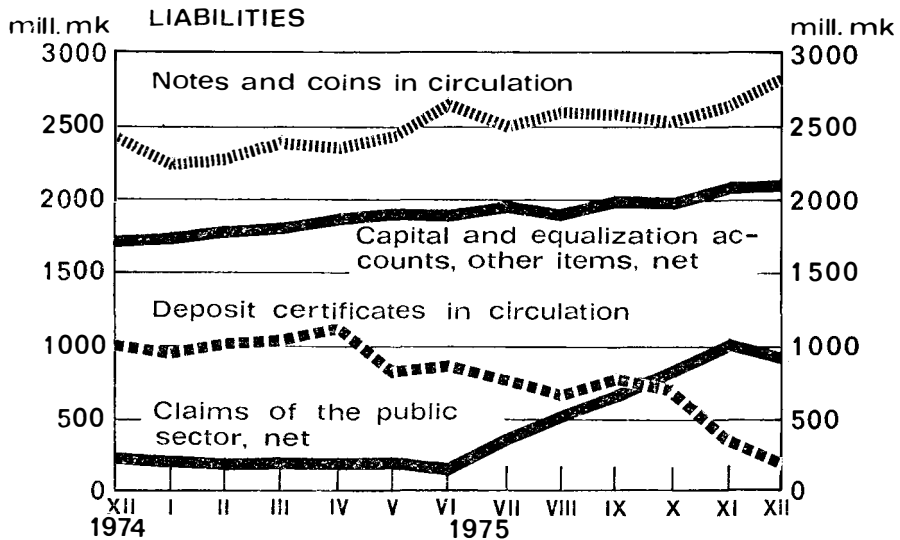
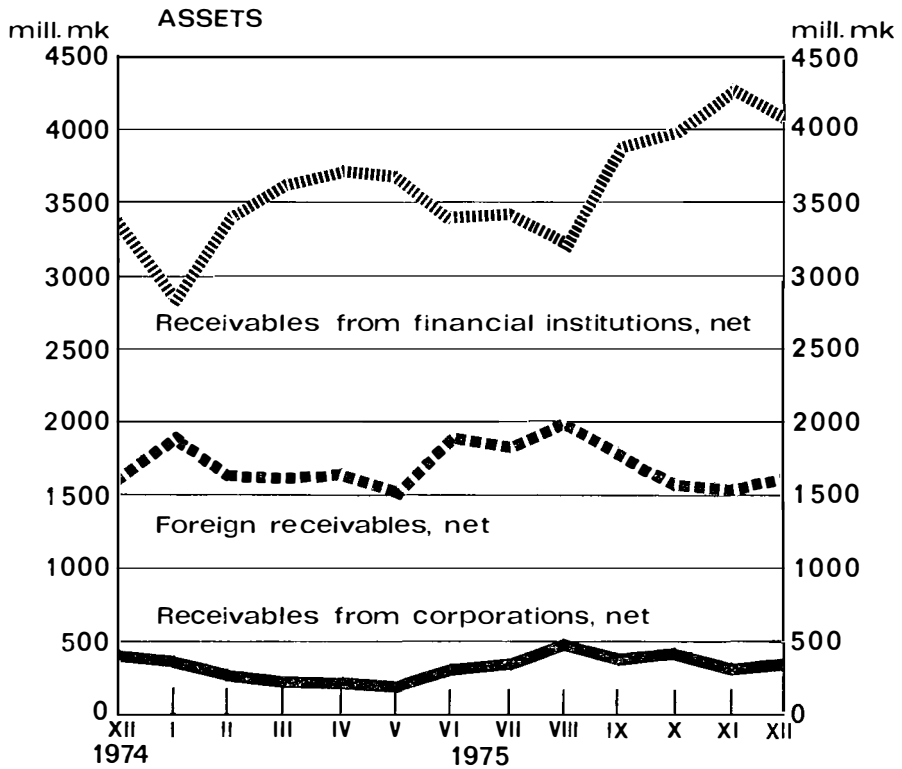
mill. mk, end-of-month figures

Month	Foreign exchange liabilities		Other foreign liabilities	Notes and coins in circulation	Deposit certificates in circulation	Claims of financial institutions	Claims of the public sector			Claims of corporations				Equalization accounts	Capital accounts			Total of Balance Sheet	
	Convertible accounts	Tied accounts					Counter-cyclical reserves	Import deposits	Other public sector claims	Investment deposits	Counter-cyclical withholdings	Capital import deposits	Other corporate claims		Other liabilities	Primary capital	Reserve fund		Net earnings
XII/74	62	395	788	2 462	1 040	9	543	—	17	34	49	98	14	17	858	600	163	149	7 298
I	56	112	788	2 274	990	27	543	—	12	36	76	89	30	13	864	600	237	87	6 834
II	53	117	788	2 318	1 050	27	543	—	8	36	110	175	15	13	900	600	237	95	7 085
III	66	139	788	2 433	1 080	44	543	—	10	62	120	189	17	12	925	600	237	107	7 372
IV	66	145	788	2 396	1 170	86	543	2	5	63	120	216	18	12	969	600	237	121	7 557
V	67	138	788	2 479	870	137	543	9	4	65	120	244	17	12	999	600	237	134	7 463
VI	67	143	1 385	2 692	900	130	388	119	5	66	1	292	15	13	964	600	237	150	8 167
VII	60	139	1 385	2 544	800	123	300	416	2	67	0	344	12	12	1 019	600	237	164	8 224
VIII	60	143	1 385	2 635	700	288	237	629	5	67	0	225	13	12	1 027	600	237	99	8 362
IX	53	151	1 385	2 620	820	277	175	842	2	69	—	320	12	12	1 105	600	237	112	8 792
X	50	151	1 385	2 571	740	272	149	1 032	8	69	—	330	14	12	1 086	600	237	126	8 832
XI	79	127	1 385	2 678	400	5	149	1 222	12	69	—	448	13	13	1 147	600	237	159	8 743
XII	78	94	1 385	2 855	250	29	155	1 135	11	73	—	450	16	15	331	1 400	237	193	8 707

Change in 1975

+16	—301	+597	+393	—790	+20	—388	+1 135	—6	+39	—49	+352	+2	—2	—527	+800	+74	+44	+1 409
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The most important items of the Balance Sheet during 1975



The Bank Supervisors delegated by Parliament

Chairman

HARRI HOLKERI
M. Pol. Sc., M. P.

Vice Chairman

JERMO LAINE
LL. M., M. P.

MATTI MAIJALA
M. P.

AARNE SAARINEN
M. P.

ULF SUNDQVIST
M. Pol. Sc., M. P.

ELE ALENIUS
D. Pol. Sc., M. P.

RAGNAR GRANVIK
M. P.

AHTI PEKKALA
M. P.

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

The Board of Management

Governor

MAUNO KOIVISTO
Ph. D.

Deputy Governor

A. SIMONEN
Lic. Jur.

AHTI KARJALAINEN
D. Pol. Sc.

PÄIVIÖ HETEMÄKI
LL. M.

PENTTI UUSIVIRTA
LL. M.

ROLF KULLBERG
M. Pol. Sc.

Directors

JOUKO J. VOUTILAINEN
M. A.

JORMA ARANKO
B. Sc. (Econ.)

MARKKU PUNTILA
D. Pol. Sc.

SEPPO LINDBLOM
Lic. Pol. Sc.

K. IGNATIUS
LL. M.

Head Office

Director of ADP-Planning

PERTTI KUKKONEN

D. Pol. Sc.

Heads of department

PAULI KANERVA
LL. M.

EINO HELENIUS
LL. M.

PENTTI KOIVIKKO
D. Pol. Sc.

REINO AIRIKKALA
Lic. Sc. (Econ.)

ANTTI LEHTINEN
M. Sc. (Econ.)

KALLE KOSKI

KARI PEKONEN
Lic. Sc. (Econ.)

RAINE PANULA

RAILI NUORTILA
M. Sc. (Eng.)

J. OJALA
M. Pol. Sc.

KARI PUUMANEN
M. Sc. (Econ.)

HEIKKI KOSKENKYLÄ
Lic. Pol. Sc.

STIG TÖRNROTH
M. A.

K. EIROLA
B. Sc. (Econ.)

A. NENONEN
Lic. Phil.

STIG G BJÖRKLUND
LL. M.

EINO SUOMELA

H e a d s o f o f f i c e s

VAITO NIINIMÄKI
M. Pol. Sc.

JUHANI VANHALA
M. Pol. Sc.

VEIKKO SAARINEN
M. Sc. (Econ.)

U. KILPINEN

PETRI KIEMA

ILKKA PURO
M. Pol. Sc.

A. SAARLO
M. Pol. Sc.

PENTTI SYSIKASKI

SIRKKA HÄMÄLÄINEN
M. Sc. (Econ.)

ERKKI VEHKAMÄKI
M. A.

J. KOKKONEN

OLAVI PIETILÄ

HEIKKI U. ELONEN
M. Pol. Sc.

PEKKA TUKIAINEN
M. Pol. Sc.

JUHANI LAURILA
M. Pol. Sc.

JARMO NURMINEN
M. Pol. Sc.

M. VANHALA
M. Pol. Sc.

TOR ÅKERFELT
LL. M.

SEPPO KOSTIAINEN
M. Pol. Sc.

TUOMAS SUKSELAINEN
M. Pol. Sc.

OSSI LEPPÄNEN
M. Sc. (Econ.)

E. HENTTONEN

M a i n c a s h i e r

ANTTI LUUKKA

M. Pol. Sc.

Note-printing Works

Managing Director

TOIVO RISSANEN

M. Sc. (Eng.)

Director

TUURE MYNTTINEN

M. A.

Heads of offices

ARNE HELLBOM

JOUKO RAITA

LL. M.

STEVE KANGAS

M. Pol. Sc.

TAPIO TALPONEN

B. Sc. (Econ.)

Operating managers

TAPIO YLÖNEN

M. Sc. (Eng.)

PENTTI RAHIKAINEN

graphic artist

PEKKA RANTANEN

B. Sc. (Eng.)

HEIKKI TAIPALE

B. Sc. (Eng.)

K. JOKINIEMI

B. Sc. (Eng.)

Branches

Joensuu

Manager:

HEIKKI HAKOLA

Accountant:

K. KARHI

Cashier:

SIRKKA VILHUNEN

Kotka

Manager:

V. LEHTO

Accountant:

ANJA OLLIKAINEN

Cashier:

ARJA LINDGREN

Jyväskylä

Manager:

E. M. TAMMI

Dip. in law

Accountant:

MARTTI HAGMAN

M. Pol. Sc.

Cashier:

IRMA TIKKA

Kuopio

Manager:

KEIJO KALLASMAA

Accountant:

ELISABETH LEHTO

Cashier:

ELSE TUOMINEN

Lahti

Manager:
R. KOTKASAARI

Accountant:
TAPANI KULANKO

Cashier:
ANJA MÄKELÄ

Mikkeli

Manager:
REINO YLÖNEN
B. Sc. (Econ.)

Accountant:
J. JAUHIAINEN

Cashier:
SISKO MYLLYNIEMI

Oulu

Manager:
HARRI SALENIUS
B. Sc. (For.)

Accountant:
KALERVO NÄRHI

Cashier:
HILKKA INKALA

Pori

Manager:
V. KAARNAKORPI

Accountant:
TAPIO AHO
M. Pol. Sc.

Cashier:
EEVA TEPONOJA

Rovaniemi

Manager:
M. HANNULA

Accountant:
S. JASKARI
B. Sc. (Econ.)

Cashier:
IRJA PYLKKÄNEN

Tampere

Manager:
E. VUORELA

Head of office:
ILMARI HUUPPONEN
M. A.

Accountants:
HELVI ARIMO

RENNE KURTH

Cashier:
HELY SNELLMAN

Turku

Manager:
S. PAAVOLA
LL. M.

Head of office:
TIMO MÄNNISTÖ
M. Sc. (Econ.)

Accountants:
AARNO ALSI

ANNIKKI HÄKKINEN

Cashier:
INEZ ÅKERBLOM

V a a s a

Manager:

RAUNO HAIKARAINEN

Accountant:

J. HUUSKONEN

Cashier:

M. SELENIUS

Helsinki 31st December, 1975

The Board of Management of the Bank of Finland

MAUNO KOIVISTO

A. SIMONEN

AHTI KARJALAINEN

PÄIVIÖ HETEMÄKI

PENTTI UUSIVIRTA

ROLF KULLBERG