

BANK OF FINLAND



160th
ANNUAL STATEMENT
1971

Profit and Loss Account, 1971

EXPENSES

Salaries	13 112 006,70
Pensions and family pensions	2 169 765,05
Social security contributions	963 275,96
Interest on deposits	40 541 286,25
Amounts written off and depreciation	12 612 303,90
Printing of bank notes	5 404 822,79
Other expenses	3 724 261,83
Net profit for 1971	83 761 372,79
	<u>mk 162 289 095,27</u>

EARNINGS

Interest on internal loans	81 927 773,37
Interest on foreign exchange claims	53 683 697,18
Interest on bonds	16 199 529,26
Commission	3 690 416,08
Agio	2 262 870,75
Other earnings	4 524 808,63
	<u>mk 162 289 095,27</u>

Balance Sheet,

ASSETS		
Gold and other foreign assets		
Gold	205 277 486,39	
Special drawing rights	197 360 538,27	
IMF gold tranche	267 747 803,45	
Foreign exchange	1 950 071 478,21	
Foreign bills	119 089 211,02	
Foreign bonds	37 221 973,22	2 776 768 490,56
Claims on domestic banks		
Discounted bills	848 400 000,—	
Rediscounted bills	750 000,—	
Cheque accounts	—	849 150 000,—
Other lending		
Inland bills discounted		
In foreign currency	—	
In Finnish marks	120 939 000,—	
Loans	219 049 926,25	339 988 926,25
Other assets		
Finnish bonds	37 488 036,64	
Finnish coin	14 423 198,65	
Currency subscription to Finland's quota in the IMF	530 246 768,25	
Other claims	14 245 624,79	596 403 628,33
	mk	4 562 311 045,14

31st December 1971

LIABILITIES		
Notes in circulation		1 479 101 527,—
Liabilities payable on demand		
Foreign exchange accounts	297 348 364,61	
Mark accounts of holders abroad	29 810 459,34	
Cheque accounts		
Treasury	2 164 388,42	
Post Office Bank	2 253 373,66	
Private banks	9 256 817,59	
Other	2 334 328,47	
Other sight liabilities	15 083 996,12	358 251 728,21
Term liabilities		
Foreign	—	
Domestic	904 668 434,59	904 668 434,59
IMF mark accounts		530 246 768,25
Allocations of special drawing rights		173 584 819,20
Equalization accounts		400 657 821,80
Bank's own funds		
Capital	600 000 000,—	
Reserve fund	32 038 573,30	
Net profit for 1971	83 761 372,79	715 799 946,09
	mk	4 562 311 045,14

Right of note issue		3 276 768 490,56
Utilized		1 837 949 193,84
Unused right of note issue	mk	1 438 819 296,72

Developments in 1971

International economic developments in 1971 were characterized by uncertainty in foreign exchange markets and a continuing downswing in the countries important for Finland's exports. As a result, the volume of Finnish exports declined. Moreover, numerous work stoppages in the first part of the year cut the expansion of domestic production. Thus total production grew by only slightly more than 1 per cent, and unemployment exceeded 2 per cent. Cost and price pressures increased sharply, and prices rose more rapidly than in 1970. Owing to the weakening of total demand and the measures taken to curb the acquisition of consumer durables, the volume of imports was slightly smaller than in the previous year. Nevertheless, the trade deficit continued to grow and, according to preliminary figures, amounted to approximately 1 800 million marks. The current account deficit was also great. However, the inflow of long-term capital substantially exceeded the current account deficit.

The gold reserves of the Bank of Finland increased by 84 million marks due to purchases of gold. In the second allocation of S.D.R.'s in January 1971, Finland received S.D.R.'s equivalent to 85 million marks. To replenish its reserves the Fund bought 12 million Finnish marks in April and July and paid for them with the equivalent in S.D.R.'s. Mainly as a result of these, Finland's total holdings of S.D.R.'s increased to an amount equivalent to 197 million marks. The share of currency in Finland's quota in the IMF increased correspondingly, and this involved an equivalent decline in her »super gold tranche«. At the end of the year, her total gold tranche was 268 million marks and her currency share 530 million marks. On the liabilities side the latter is entered under »Mark accounts of the International Monetary Fund«. The foreign exchange assets of the Bank grew from 1 344 million marks to 1 950 million marks. As there was a simultaneous increase of 221 million marks in foreign liabilities, the gold and foreign exchange reserves of the Bank of Finland increased by 555 million marks altogether and totalled 2 293 million at the end of 1971. The foreign assets of the authorized banks grew, and their liabilities declined. The foreign exchange reserves of the whole country increased by 806 million marks.

Lending by banking institutions to the public grew about as much as in the previous year. Bank deposits also increased by about as much as in 1970. Discounts of the commercial banks increased by 21 million marks whereas rediscounts declined from 9 million to 1 million marks. In January 1971, the banks paid off the remaining 3 million mark liability to the Bank of Finland which arose from special index accounts. This item was included in the banks' cheque account liabilities. The cheque account claims of private banks increased. The net liabilities of the banking institutions to the Bank of Finland increased from 833 million to 837 million marks.

The use of export levy funds by the State was 103 million marks. At the end of the year, there was 15 million marks on export levy account, which is included in

»Domestic term liabilities». Unused counter-cyclical taxes at the same date totalled 114 million marks.

»Discounted inland bills in Finnish marks» decreased by 16 million marks during the year. At the end of 1971, these credits totalled 121 million marks, 37 million marks of which consisted of »new export credits». Loans increased by 73 million marks and amounted to 219 million at the end of the year. Of this, 174 million marks had been granted under the arrangement for domestic suppliers' credits. Total lending by the Bank to private customers grew by 57 million marks.

In addition to the above-mentioned items, »Domestic term liabilities» comprise e.g. investment and counter-cyclical deposits. Counter-cyclical deposits increased by 27 million marks in January—February and reached 245 million marks at the end of February. Firms began to draw upon their counter-cyclical deposits in November, and at the end of the year 184 million marks remained. The total of investment deposits and special deposits for the acquisition of ships increased from 93 million marks in January to 118 million in September and declined to 110 million marks by the end of the year. Deposit certificates of the Bank of Finland included in »Domestic term liabilities» amounted to 400 million marks at the end of the year.

Note circulation grew by 135 million marks and totalled 1 479 million at the end of the year.

The basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks was 7 per cent until the end of May and 8½ per cent thereafter. In addition, the Board of Management of the Bank was entitled to charge a maximum penalty rate 4 percentage points higher than the basic rate. The minimum and maximum rates for other credits granted by the Bank of Finland remained unchanged at 6 per cent and 9 per cent respectively.

The profits of the Bank amounted to 84 million marks or 21 million marks more than in 1970. The greatest increase in receipts was in interest earnings on domestic credits. Interest income on foreign exchange claims grew as well whereas that on bonds declined. Other items increased only slightly. The total increase in receipts was 37 million marks. Expenses grew by 17 million marks, primarily because of increased interest expenses on deposits. Salary expenditure and depreciation grew as well.

One-half of the annual profits of 1971 will be transferred to the reserve fund while the disposal of the other half will be decided by Parliament.

Monthly movement

ASSETS

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Date	Gold and other foreign assets						Claims on domestic banks			Other lending		Other assets				Total of Balance Sheet	
	Gold	Special drawing rights	IMF gold tranche	Foreign exchange	Foreign bills	Foreign bonds	Discounted bills	Rediscounted bills	Cheque accounts	In foreign currency	Inland bills dis-counted In Finnish marks	Loans	Finnish bonds	Finnish coin	Currency sub-scription to Finland's quota in the IMF		Other claims
31. 12. 70	121	98	280	1 344	85	37	827	9	3	—	137	146	64	7	518	100	3 776
29. 1. 71	121	183	280	1 408	81	37	731	2	3	—	123	148	138	14	518	99	3 886
26. 2. 71	121	183	280	1 440	76	37	848	7	1	—	101	131	105	15	518	93	3 956
31. 3. 71	121	183	280	1 553	87	37	785	1	6	—	95	134	54	15	518	69	3 938
30. 4. 71	121	192	272	1 425	85	36	856	1	7	—	93	135	144	13	526	20	3 926
28. 5. 71	121	193	272	1 302	88	36	893	1	4	—	164	134	165	14	526	21	3 934
30. 6. 71	121	193	272	1 425	91	36	877	1	16	—	209	138	191	19	526	26	4 141
30. 7. 71	121	197	268	1 660	92	36	821	1	7	—	221	159	145	14	530	27	4 299
31. 8. 71	205	197	268	1 580	86	36	785	0	15	—	214	165	149	15	530	20	4 265
30. 9. 71	205	197	268	1 510	91	40	866	1	15	—	180	192	178	19	530	16	4 308
29. 10. 71	205	197	268	1 557	94	40	1 097	1	5	—	188	192	152	18	530	15	4 559
30. 11. 71	205	197	268	1 694	99	39	1 109	1	19	—	152	192	153	17	530	14	4 689
31. 12. 71	205	197	268	1 950	119	37	848	1	—	—	121	219	38	14	530	15	4 562

31. 12. 70	121	98	280	1 344	85	37	827	9	3	—	137	146	64	7	518	100	3 776
Change in 1971	+84	+99	-12	+606	+34	+0	+21	-8	-3	—	-16	+73	-26	+7	+12	-85	+786
31. 12. 71	205	197	268	1 950	119	37	848	1	—	—	121	219	38	14	530	15	4 562

of Balance Sheet in 1971

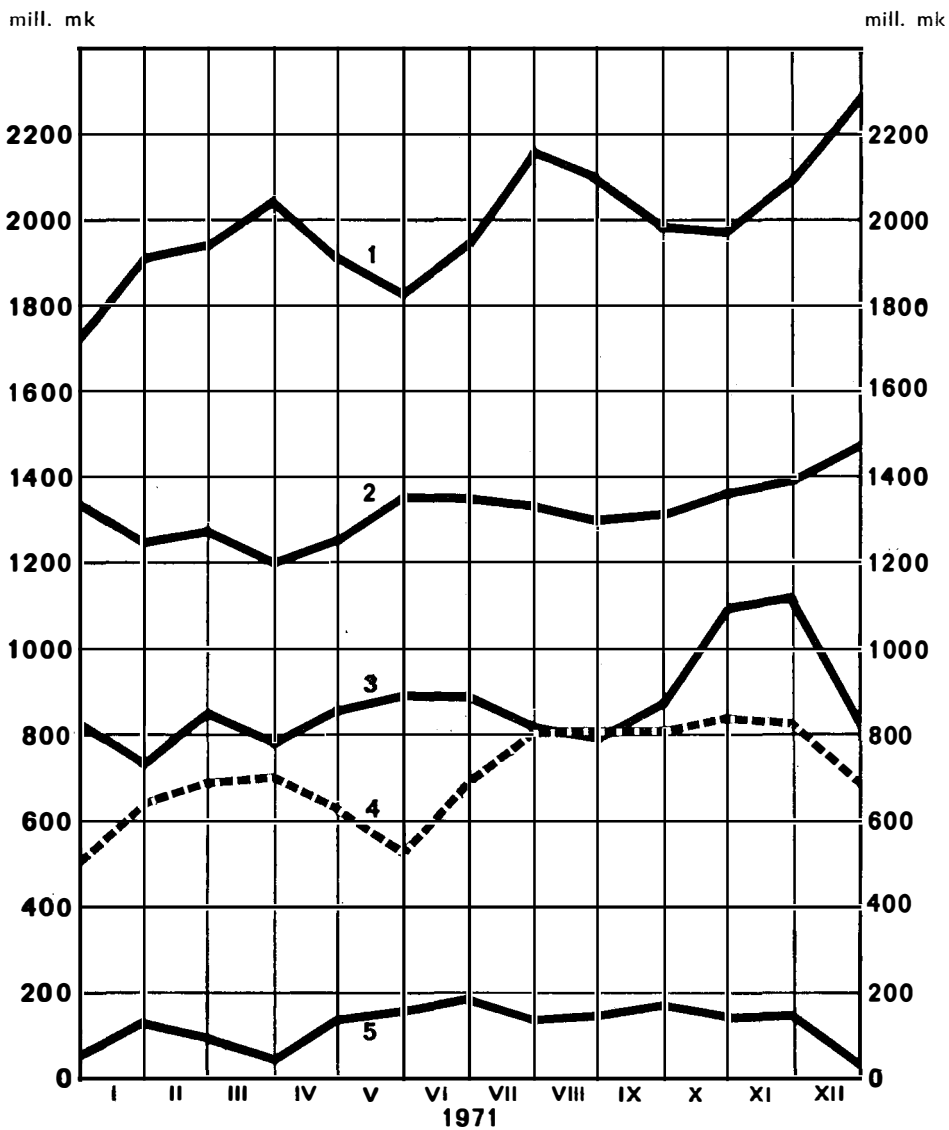
LIABILITIES

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Date	Notes in circulation	Liabilities payable on demand							Term liabilities		IMF mark accounts	Allocations of special drawing rights	Equalization accounts	Bank's own funds		Total of Balance Sheet
		Foreign exchange accounts	Mark accounts of holders abroad	Cheque accounts				Other sight liabilities	Foreign	Domestic				Capital & Reserve fund	Profit & Loss account	
				Treasury	Post Office Bank	Private banks	Other									
31. 12. 70	1 344	94	12	2	4	1	2	11	—	633	518	88	404	600	63	3 776
29. 1. 71	1 255	66	11	2	3	—	3	11	—	771	518	173	404	664	5	3 886
26. 2. 71	1 280	67	10	3	2	—	3	11	—	821	518	173	395	664	9	3 956
31. 3. 71	1 204	76	10	14	18	—	4	11	—	832	518	173	399	664	15	3 938
30. 4. 71	1 259	76	11	2	0	—	2	11	—	764	526	173	418	664	20	3 926
28. 5. 71	1 360	45	11	1	0	—	3	12	—	689	526	173	425	664	25	3 934
30. 6. 71	1 355	50	9	23	44	—	4	11	—	852	526	173	432	632	30	4 141
30. 7. 71	1 341	65	16	43	62	—	4	11	—	955	530	173	432	632	35	4 299
31. 8. 71	1 307	133	9	14	11	—	4	11	—	995	530	173	406	632	40	4 265
30. 9. 71	1 322	183	9	0	0	—	4	12	—	998	530	173	399	632	46	4 308
29. 10. 71	1 373	236	10	22	79	—	2	14	—	1 026	530	173	404	632	58	4 559
30. 11. 71	1 396	233	28	39	162	—	3	12	—	1 004	530	173	407	632	70	4 689
31. 12. 71	1 479	297	30	2	2	9	3	15	—	905	530	174	400	632	84	4 562

31. 12. 70	1 344	94	12	2	4	1	2	11	—	633	518	88	404	600	63	3 776
Change in 1971	+135	+203	+18	+0	-2	+8	+1	+4	—	+272	+12	+86	-4	+32	+21	+786
31. 12. 71	1 479	297	30	2	2	9	3	15	—	905	530	174	400	632	84	4 562

Movement of the most important items of the Bank of Finland Balance Sheet in 1971



1. Gold and foreign exchange reserves, net
2. Notes in circulation
3. Claims on domestic banks minus cheque accounts of private banks
4. Counter-cyclical deposits, investment deposits and deposit certificates
5. Finnish bonds

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<i>M.Pol.Sc.</i>	

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Cashier: SIRKKA VILHUNEN	Cashier: ANJA OLLIKAINEN
Jyväskylä	Kuopio
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Accountant: HEIKKI HAKOLA	Accountant: V. THERMAN <i>M.A.</i>
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INEZ ÅKERBLOM

V a a s a

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LL.M.

Accountant:
HARRI SALENIUS
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Cashier:
M. SELENIUS

Helsinki 31st December, 1971

The Board of Management of the Bank of Finland

MAUNO KOIVISTO

A. SIMONEN

AHTI KARJALAINEN

HEIKKI VALVANNE

JAAKKO LASSILA

TIMO HELELÄ
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