

BANK OF FINLAND



159th
ANNUAL STATEMENT
1970



Profit and Loss Account,
31st December 1970

EXPENSES

Salaries	11 462 886,64
Pensions and family pensions	1 876 246,98
Social security contributions	788 196,48
Interest on deposits	27 770 194,34
Interest on foreign credits	80 476,26
Amounts written off and depreciation	10 922 974,50
Printing of bank notes	6 038 191,—
Other expenses	3 209 617,56
Net profit for 1970	63 405 775,91
	<u>mk 125 554 559,67</u>

EARNINGS

Interest on internal loans	56 160 789,43
Interest on foreign exchange holdings	40 088 038,36
Interest on bonds	20 715 160,56
Commission	3 476 844,38
Agio	1 285 186,71
Other earnings	3 828 540,23
	<u>mk 125 554 559,67</u>

Balance Sheet,

ASSETS		
Gold and other foreign assets		
Gold	121 265 918,56	
Special drawing rights	97 983 821,45	
IMF gold tranche	280 339 014,39	
Foreign exchange	1 343 996 481,41	
Foreign bills	84 693 867,32	
Foreign bonds	36 346 555,07	1 964 625 658,20
Claims on domestic banks		
Discounted bills	827 000 000,—	
Rediscounted bills	8 790 000,—	
Cheque accounts	3 193 904,58	838 983 904,58
Other lending		
Inland bills discounted		
In foreign currency	—	
In Finnish marks	136 543 504,30	
Loans	146 293 028,35	282 836 532,65
Other assets		
Finnish bonds	64 149 426,68	
Finnish coin	7 672 256,27	
Currency subscription to Finland's quota in the IMF	517 665 784,29	
Other claims	99 725 584,72	689 213 051,96
		mk 3 775 659 147,39

31st December 1970

LIABILITIES		
Notes in circulation		1 343 748 186,—
Liabilities payable on demand		
Foreign exchange accounts	94 061 562,21	
Mark accounts of holders abroad	11 643 815,78	
Cheque accounts		
Treasury	2 066 294,02	
Post Office Bank	3 709 644,86	
Private banks	1 160 812,31	
Other	2 462 745,89	
Other sight liabilities	10 509 686,61	125 614 561,68
Term liabilities		
Foreign	—	
Domestic	632 604 991,91	632 604 991,91
IMF mark accounts		517 665 784,29
Allocations of special drawing rights		88 199 400,—
Equalization accounts		404 084 762,25
Bank's own funds		
Capital	600 000 000,—	
Reserve fund	335 685,35	
Net profit for 1970	63 405 775,91	663 741 461,26
	mk	3 775 659 147,39

Right of note issue		2 464 625 658,20
Utilized		1 470 144 094,22
Unused right of note issue	mk	994 481 563,98

Developments in 1970

In 1970 vigorous economic growth continued while the price and cost levels remained relatively stable. The volume of total production increased by approximately $6\frac{1}{2}$ per cent on the previous year. A pronounced weakening in the international business outlook took place concurrently with a rise in world prices and costs. Thus the competitive power of the Finnish economy remained rather good. However, as demand slackened in Finland's most important export markets, the growth in exports was far less than that of imports, which increased sharply, especially towards the end of the year, as a result of increased domestic demand. Consequently the trade deficit amounted to approximately 1 400 million marks [preliminary figures]. There was also a considerable deficit in the balance of payments on current account, which, however, was financed by the inflow of both long and short term capital.

The Finnish quota in the International Monetary Fund was raised from 125 million dollars to 190 million dollars in December 1970. An amount of 68 million marks, equivalent to 25 per cent of the increase, was paid in gold; hence the gold reserves were reduced by 68 million marks. The gold tranche in the International Monetary Fund rose from 173 million marks to 280 million. The Special Drawing Rights of the International Monetary Fund were allocated for the first time in January and Finland's share in this allocation was 88 million marks. In the course of the year more S.D.R.'s were purchased bringing the total to 98 million marks. The foreign exchange assets of the Bank of Finland grew from 905 million marks to 1 344 million marks. As there was at the same time a rise of 13 million marks in foreign exchange liabilities, the gold and foreign exchange reserves of the Bank grew by 563 million marks, net, and amounted to 1 738 million at the end of the year. There was a substantial increase in both the foreign exchange assets and liabilities of the authorized banks in 1970. The country's total foreign exchange reserves increased by 545 million marks.

That part of the Finnish quota in the International Monetary Fund paid in marks rose by 166 million marks during the year under review and was 518 million at the end of the year. On the liabilities side of the Bank's Balance Sheet this item was entered under »IMF mark accounts».

Investment activity continued to be brisk and bank lending to the public clearly expanded more strongly than in 1969. Bank deposits also increased more sharply than in the previous year. Due to the technical reform implemented at the beginning of the year the banks' liability to the central bank was almost completely in the form of discounted instead of rediscounted bills. The discounts increased by 827 million marks in 1970 whereas the amount of rediscounted bills declined from 550 million to 9 million marks. There was a simultaneous decrease from 87 million marks to 3 million marks in the banks' liability on special index accounts included in »Cheque accounts» in accordance with the new structure of the Balance Sheet. On the other

hand the banks' claims on the Bank of Finland declined. The cash reserve deposits, 91 million marks, included in »Domestic term liabilities» in the Bank's Balance Sheet, were returned to the banks by the end of August. The cheque account claims of the private banks also decreased. The net liability of the banking institutions to the Bank of Finland increased from 536 million marks to 838 million.

The remainder, totalling 100 million marks, of the 300 million mark loan arranged in 1966 was repaid by the Treasury according to the terms of agreement. An amount of 73 million marks was used from the funds accrued on account of the Export Levy Act. The balance on the export levy account included in »Domestic term liabilities» was 118 million marks at the end of 1970.

Domestic bills in Finnish currency declined by 55 million marks in 1970. At the end of the year these credits totalled 137 million marks, of which the so-called 'new export credits' accounted for 66 million marks. Loans increased by 18 million marks and amounted to 146 million at the end of the year. Of this, 97 million marks belonged to credits granted under the arrangement for domestic suppliers' credits. If the discounted bills in foreign currency are taken into account, there was a decline of 44 million marks in the Bank's lending to private customers in 1970.

The loans granted by the International Bank for Reconstruction and Development to the Bank of Finland before 1966 were repaid in June; as a result, »Foreign term liabilities» declined to zero in the Bank's Balance Sheet. At the same time »Bills in foreign currency» disappeared from the Balance Sheet. »Domestic term liabilities» include, apart from the items already mentioned, i.a. investment deposits, which increased from 13 million to 93 million marks in 1970. The accrual of counter-cyclical deposits was 218 million marks. The amount of outstanding deposit certificates sold by the Bank of Finland was 203 million marks at the end of the year.

The note circulation grew by 46 million marks and totalled 1 344 million at the end of 1970.

The capital of the Bank of Finland was raised, following a parliamentary decision, from 300 million to 600 million marks. The funds needed for this were taken from the reserve fund and from the equalization accounts.

The minimum and maximum official discount rates of the Bank of Finland remained unchanged at 6 per cent and 9 per cent respectively. The basic rate for rediscounts was 7 per cent. The Board of Management of the Bank was not entitled to charge any penalty rate of interest in 1970.

The profits of the Bank amounted to 63.4 million marks or 8.1 million marks more than in 1969. The greatest increase in receipts occurred in the interest earnings from foreign correspondents. As interest earnings on domestic credits and on bonds increased by almost as much while the other items changed only slightly, there was an increase of 37 million marks in total receipts. Expenses grew by almost 30 million marks on the previous year, mainly owing to an increase in interest expenses on deposits and to depreciation.

One-half of the annual profits of 1970 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 discounted in Finnish marks	Loans	Finnish bonds	Finnish coin	Currency subscription to Finland's quota in the IMF	Other claims	
31. 12. 69	189	—	173	905	107	59	—	550	87	7	192	128	127	5	352	134	3 015
30. 1. 70	189	88	173	943	104	59	463	36	75	7	183	115	212	11	352	67	3 077
27. 2. 70	189	88	173	1 091	105	59	468	9	62	7	179	125	187	11	352	65	3 170
31. 3. 70	189	93	173	1 014	111	61	585	4	98	7	168	123	301	10	352	61	3 350
30. 4. 70	189	93	173	1 029	133	61	553	7	58	5	157	119	325	11	352	55	3 320
29. 5. 70	189	93	173	1 081	126	61	532	8	44	5	151	118	411	11	352	53	3 408
30. 6. 70	189	93	173	1 130	103	61	590	7	40	—	151	117	455	10	352	51	3 522
31. 7. 70	189	93	194	1 166	85	35	683	4	17	—	164	115	373	10	331	54	3 513
31. 8. 70	189	93	194	1 208	81	29	664	12	28	—	162	113	321	11	331	48	3 484
30. 9. 70	189	98	190	1 219	82	31	687	8	22	—	147	119	311	12	335	43	3 493
30. 10. 70	190	98	199	1 301	75	30	737	8	13	—	150	117	417	15	326	38	3 714
30. 11. 70	190	98	199	1 250	80	30	818	8	46	—	134	129	415	13	326	33	3 769
31. 12. 70	121	98	280	1 344	85	37	827	9	3	—	137	146	64	7	518	100	3 776

31. 12. 69	189	—	173	905	107	59	—	550	87	7	192	128	127	5	352	134	3 015
Change in 1970	—68	+98	+107	+439	—22	—22	+827	—541	—84	—7	—55	+18	—63	+2	+166	—34	+761
31. 12. 70	121	98	280	1 344	85	37	827	9	3	—	137	146	64	7	518	100	3 776

of Balance Sheet in 1970

LIABILITIES

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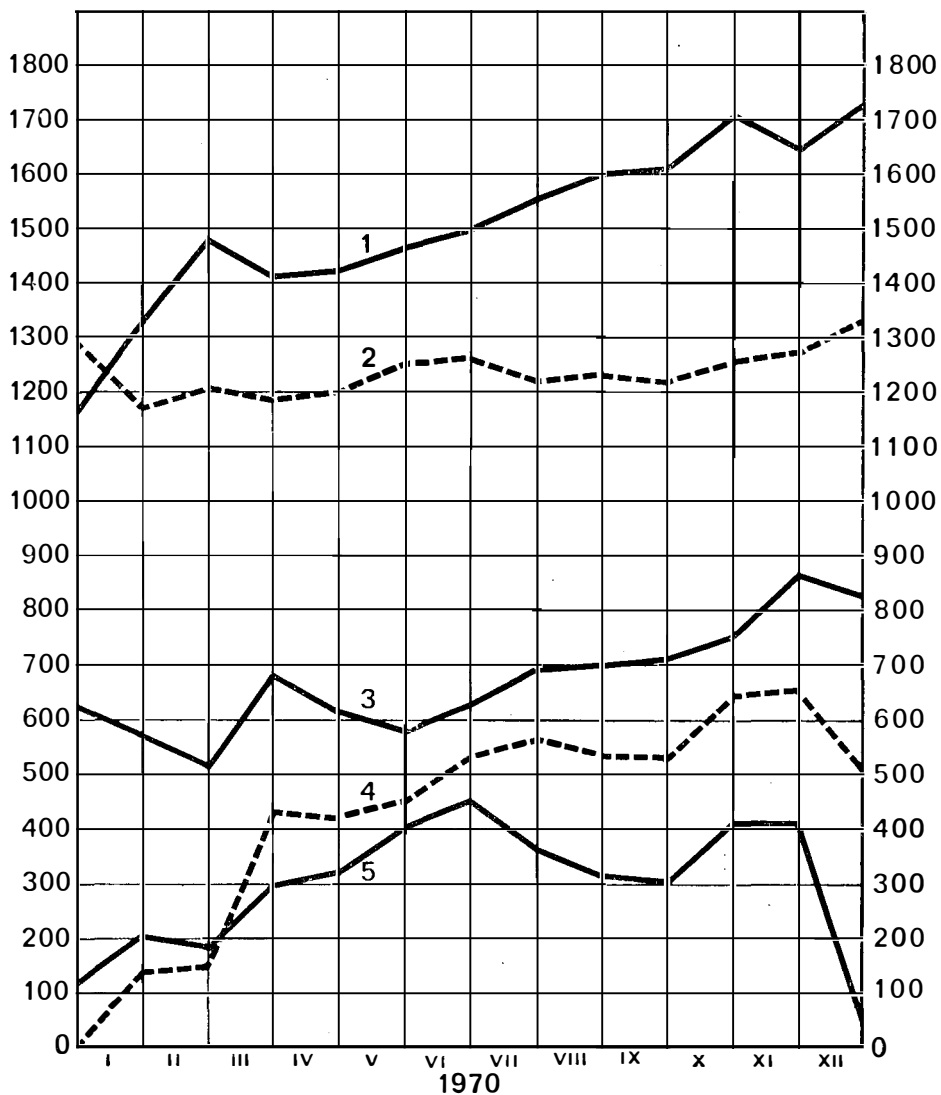
Date	Notes in circulation	Liabilities payable on demand							Term liabilities		IMF mark accounts	Allocations of special drawing rights	Equalization accounts	Bank's own funds		Total of Balance Sheet
		Foreign exchange accounts	Mark accounts of holders abroad	Cheque accounts				Other sight liabilities	Foreign	Domestic				Capital & Reserve fund	Profit & Loss account	
				Treasury	Post Office Bank	Private banks	Other									
31. 12. 69	1 298	81	12	4	4	10	1	12	8	300	352	—	405	473	55	3 015
30. 1. 70	1 177	46	11	1	4	—	1	11	8	424	352	88	422	528	4	3 077
27. 2. 70	1 209	38	16	18	78	22	1	12	8	382	352	88	409	528	9	3 170
31. 3. 70	1 189	39	15	12	46	—	1	11	8	658	352	88	389	528	14	3 350
30. 4. 70	1 205	46	11	7	11	—	1	11	5	640	352	88	397	528	18	3 320
29. 5. 70	1 258	48	11	1	4	—	2	11	5	666	352	88	411	528	23	3 408
30. 6. 70	1 265	74	11	1	1	—	2	11	—	745	352	88	416	528	28	3 522
31. 7. 70	1 226	72	11	2	2	5	1	11	—	772	331	88	459	500	33	3 513
31. 8. 70	1 238	66	12	1	1	—	1	11	—	690	331	88	508	500	37	3 484
30. 9. 70	1 226	66	12	3	3	—	3	11	—	683	335	88	521	500	42	3 493
30. 10. 70	1 263	63	12	70	3	—	2	11	—	791	326	88	534	500	51	3 714
30. 11. 70	1 279	73	12	62	45	—	2	11	—	798	326	88	513	500	60	3 769
31. 12. 70	1 344	94	12	2	4	1	2	11	—	633	518	88	404	600	63	3 776

31. 12. 69	1 298	81	12	4	4	10	1	12	8	300	352	—	405	473	55	3 015
Change in 1970	+ 46	+13	—	—2	—	—9	+1	—1	—8	+333	+166	+88	—1	+127	+8	+761
31. 12. 70	1 344	94	12	2	4	1	2	11	—	633	518	88	404	600	63	3 776

Movement of the most important items of the Bank of Finland Balance Sheet in 1970

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1. Gold and 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

The Bank Supervisors delegated by Parliament

JUHA RIHTNIEMI
Deputy, Chairman

JUSSI LINNAMO
Vice Chairman

AARO LINTILÄ
Deputy

VEIKKO VENNAMO
Deputy

INGVAR S. MELIN
Deputy

T. JUNNILA
Deputy

OLAVI SALONEN

HEIKKI HYKKÄÄLÄ
Deputy

AARNE SAARINEN

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Ph.D., Governor

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LL. M.

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D.Pol.Sc., Absent as Prime Minister

HEIKKI VALVANNE
D.Pol.Sc.

JAAKKO LASSILA
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TIMO HELELÄ
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PERTTI TAMMIVUORI
LL.M., ad int.

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TIMO HELELÄ
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JORMA ARANKO

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KARI WALDEN

ANTTI LEHTINEN

KARI NARS

EINO HELENIUS

Head Office

Helsinki

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K. IGNATIUS	A. NENONEN

EINO SUOMELA

Chief cashier

STIG TÖRNROTH

Accountants

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VÄINÖ HEISKANEN	T. NORKONMAA
E. UOTILA	U. KILPINEN
KALLE KOSKI	J. KOKKONEN
RAINE PANULA	STIG G. BJÖRKLUND

Comptroller

ANTERO MOILANEN

Institute for Economic Research

Director

PERTTI KUKKONEN

D.Pol.Sc.

Heads of department

HENRI J. VARTIAINEN <i>D.Pol.Sc.</i>	MARKKU PUNTILA <i>D.Pol.Sc.</i>
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Note-Printing Office

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T. RISSANEN

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V. ELONEN

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Joensuu

Manager:

V. LEHTO

Cashier:

K. KARHI

Jyväskylä

Manager:

E. M. TAMMI

Book-keeper:

HEIKKI HAKOLA

Cashier:

M. MUHONEN

Kotka

Manager:

V. KAARNAKORPI

Cashier:

TAPANI KULANKO

Kuopio

Manager:

O. KANERVA

Book-keeper:

V. THERMAN

Cashier:

ELSE TUOMINEN

Lahti

Manager:

R. KOTKASAARI

Book-keeper:

KEIJO KALLASMAA

Cashier:

TOINI HANNULA

Mikkeli

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S. PAAVOLA

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J. JAUHIAINEN

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KALERVO NÄRHI

Cashier:

HILKKA INKALA

Pori

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K. PAANANEN

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M. KYÖSTILÄ

Cashier:

KYLLIKKI SANTONEN

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Book-keeper:
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Cashier:
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INEZ ÅKERBLOM

V a a s a

Manager:
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Book-keeper:
HARRI SALENIUS

Cashier:
M. SELENIUS

Helsinki 31st December, 1970

The Board of Management of the Bank of Finland

MAUNO KOIVISTO

A. SIMONEN HEIKKI VALVANNE JAAKKO LASSILA

TIMO HELELÄ
ad int.

PERTTI TAMMIVUORI
ad int.



