

BANK OF FINLAND



149th
ANNUAL STATEMENT
1960

PROFIT AND LOSS ACCOUNT, 31st DECEMBER 1960

EXPENSES

SALARIES	427 690 845
PENSIONS	37 885 450
FAMILY PENSIONS	12 132 855
FEEs AND EXPENSES OF THE BANK SUPERVISORS	1 553 750
FEEs OF THE BRANCH CONTROLLERS	1 366 400
NATIONAL PENSIONS PREMIUMS AND CHILDREN'S ALLOWANCES	20 237 722
AMOUNTS WRITTEN OFF AND DEPRECIATION	599 761 952
PRINTING OF BANK-NOTES	232 061 700
OTHER EXPENSES	128 052 997
NET PROFIT FOR 1960	1 628 078 448
	mk 3 088 822 119

EARNINGS

INTEREST ON HOME CREDITS	864 482 076
INTEREST ON FOREIGN EXCHANGE HOLDINGS	1 294 707 769
INTEREST ON BONDS	432 285 339
COMMISSION	125 809 539
AGIO	239 547 624
OTHER EARNINGS	131 989 772
	mk 3 088 822 119

BALANCE SHEET,

ASSETS		
ORDINARY NOTE COVER		
GOLD	9 120 418 973	
FOREIGN EXCHANGE	59 481 792 417	
FOREIGN BILLS	869 805 434	
FOREIGN BONDS	5 832 810 872	75 304 827 696
SUPPLEMENTARY NOTE COVER		
INLAND BILLS DISCOUNTED		
IN FOREIGN CURRENCY	10 496 344 958	
IN FINNISH CURRENCY	7 232 189 055	
BILLS REDISCOUNTED	20 513 482 801	
TREASURY BOND LOAN	3 750 000 000	41 992 016 814
OTHER ASSETS		
FINNISH BONDS	3 070 490 096	
CHEQUE ACCOUNTS	418 354 243	
FINNISH COIN	719 049 867	
OTHER CLAIMS	3 614 380 858	7 822 275 064
		mk 125 119 119 574

STATEMENT OF NOTE

RIGHT OF NOTE ISSUE		
ORDINARY NOTE COVER		75 304 827 696
SUPPLEMENTARY NOTE COVER (UPPER LIMIT 50 000 MILL.)		41 992 016 814
		mk 117 296 844 510

31st DECEMBER 1960

LIABILITIES		
NOTES IN CIRCULATION		72 735 311 790
SHORT-TERM LIABILITIES		
FOREIGN EXCHANGE ACCOUNTS	4 057 305 454	
MARK ACCOUNTS OF HOLDERS ABROAD	4 240 581 058	
CHEQUE ACCOUNT OF THE TREASURY	6 186 962 571	
CHEQUE ACCOUNTS OF BANKS	1 682 994 546	
OTHER CHEQUE ACCOUNTS	167 253 678	
OTHER SHORT-TERM LIABILITIES	340 994 384	16 676 091 691
LONG-TERM LIABILITIES		
FOREIGN	10 030 182 232	
FINNISH	602 604 296	10 632 786 528
EQUALIZATION ACCOUNTS		9 084 359 172
THE BANK'S OWN FUNDS		
CAPITAL	10 000 000 000	
RESERVE FUND	4 362 491 945	
NET PROFIT FOR 1960	1 628 078 448	15 990 570 393
		mk 125 119 119 574

ISSUE, 31st DECEMBER 1960

USE OF THE RIGHT OF NOTE ISSUE		
NOTES IN CIRCULATION		72 735 311 790
SHORT-TERM LIABILITIES		16 676 091 691
UNDRAWN ON CHEQUE CREDITS		978 045 757
UNUSED RIGHT OF NOTE ISSUE		26 907 395 272
		mk 117 296 844 510

Developments in 1960

During 1960 there was a vigorous expansion in economic activity, and this was also reflected in the Bank's statements.

An appreciable growth in imports brought about a deficit in the current balance of payments. The surplus in capital transactions was the result of an increase in the use of short-term and long-term credits to finance imports. At the end of 1960 the foreign exchange reserves of the country were about the same as one year earlier, but the Bank's share in the reserves had dropped, while the shares of the authorised banks and the Treasury had risen. The gold reserve of the Bank of Finland grew by 666 million marks, but its foreign exchange balances were reduced by 5 129 million, and the short-term foreign liabilities increased by 1 941 million. Thus the net gold and foreign exchange reserve of the Bank decreased by 6 404 million marks, totalling 64 545 million at the end of the year. The proportion of gold and convertible currencies to the Bank's total currency reserves was 83 per cent, or almost the same as at the end of 1959.

The economic expansion raised State revenue appreciably more than expenditure, thus enabling the Treasury substantially to reduce its debt to the Central Bank. The Treasury Bond Loan of 1953 was redeemed by 3 125 million marks, and the bill credit obtained for purchases of stand-by stocks reduced by a net amount of 3 205 million. In addition, the Treasury's advance payments to the Bank, related to Finland's subscription to the IBRD, and her quota in the IMF, totalled 3 139 million marks. The Treasury's cheque account with the Bank amounted to 6 187 million marks at the end of 1960, an insignificant reduction taken over the year. As a result of all these changes, the Treasury's net indebtedness to the Bank fell by 9 238 million marks.

There was a marked increase in bank lending during the year; as the excess of State revenue over expenditure grew, and the Bank of Finland's reserve of foreign exchange shrank, this led to a substantial decline in the liquidity of the banks and to an increase in rediscounts. During the first quarter the weekly average of rediscounted bills amounted to no more than 2 872 million marks, but for the second quarter the average was as much as 12 646 million, and for the last six months 17 028 million. By the end of the year, with the money market seasonally at its tightest, rediscounts totalled 20 514 million marks, or 15 796 million more than one year earlier. As the banks had reduced their cheque accounts by 2 173 million marks, their net indebtedness to the Bank of Finland grew by 17 969 million during the year.

The Bank's bill credit to its own customers increased from 3 888 million marks to 7 232 million, mainly because of more extensive use of credit facilities previously granted. This item of bills in Finnish currency includes a new component, export credits. On the other hand, the remaining 5 620 million of pre-1958 advances for exports to the USSR, entered under »Other claims», was settled in full during the year.

The Bank's long-term foreign liabilities, comprising loans granted by the World Bank prior to 1956, were reduced by 1 030 million. Against this, there was a reduction in the covering inland bills in foreign currency. Among long-term Finnish liabilities, the Treasury's export levy account dropped by 2 686 million, as the credits were drawn upon. This balance sheet item also included the deposit certificates which the Bank began to sell in November; by the end of December, there were 260 millions' worth of such certificates outstanding.

The increase in the need for means of payment caused by the economic expansion is illustrated by the growth in the note circulation. At the end of the year, the notes in circulation amounted to 72 735 million marks, or 3 300 million more than one year previously.

The official discount rates were kept unchanged, with a minimum rate of 6 per cent and a maximum of $7\frac{1}{2}$ per cent. In practice, the Bank charged $6\frac{3}{4}$ —7 per cent. The basic rate on rediscounts was also retained at $6\frac{3}{4}$ per cent. Until the end of May, the only bills eligible for rediscounting were those on which the banks had charged $6\frac{3}{4}$ per cent at the most. This limitation was removed at the beginning of June, when the Bank of Finland authorised the banks involved to charge up to 8 per cent on advances, provided the average lending rate of any single bank did not rise.

In order to check the expansion of bank lending, at the beginning of 1960 the limit for rediscounting bills free of penalty rate was lowered from 60 to 30 per cent of the individual banks' own funds. A further step was taken in July, when the scale of the penalty rate was steepened, and at the beginning of November the maximum penalty rate was raised from 3 to 4 per cent.

The profit of the Bank amounted to 1 628 million marks, or 381 million more than for 1959. The growth in earnings related to mainly interest on rediscounts and on foreign exchange holdings.

In accordance with the Regulations for the Bank, one half of the profit, or 814 million marks, will be transferred to the reserve fund. The other half will be placed at the disposal of the Diet.

MONTHLY MOVEMENT

ASSETS

thousand million marks

Date	Ordinary Note Cover				Supplementary Note Cover				Other Assets				Total of Balance Sheet
	Gold	Foreign Exchange	Foreign Bills	Foreign Bonds	Inland Bills Discounted in Foreign Currency	Inland Bills Discounted in Finnish Currency	Bills Rediscounted	Treasury Bond Loan	Finnish Bonds	Cheque Accounts	Finnish Coin	Other Claims	
31. 12. 59	8.5	64.6	0.4	3.2	11.5	3.9	4.7	6.9	2.6	0.3	0.7	14.5	121.8
30. 1. 60	8.5	62.7	0.4	3.2	11.5	4.0	2.4	6.9	3.7	0.5	0.8	13.0	117.6
29. 2. 60	8.5	60.7	0.4	3.0	11.4	5.1	3.0	6.9	4.0	0.3	0.8	10.8	114.9
31. 3. 60	8.5	58.3	0.2	3.1	11.4	5.7	4.6	5.6	3.2	0.4	1.0	10.5	112.5
30. 4. 60	8.5	56.1	0.2	4.8	11.3	6.1	13.0	5.6	4.1	0.5	0.8	9.1	120.1
31. 5. 60	8.5	55.4	0.4	4.8	11.3	6.8	13.8	5.6	1.6	0.4	0.8	8.9	118.3
30. 6. 60	8.5	55.4	0.4	4.8	11.1	7.0	18.5	5.6	2.4	0.3	0.8	8.9	123.7
30. 7. 60	8.5	57.0	0.4	6.6	11.0	6.5	16.1	5.6	2.9	0.3	0.8	8.2	123.9
31. 8. 60	8.5	58.4	0.4	6.6	10.9	6.0	16.0	5.6	3.8	0.3	0.8	7.8	125.1
30. 9. 60	8.5	57.8	0.5	7.6	10.8	5.9	17.7	4.4	4.0	0.3	0.8	7.9	126.2
31. 10. 60	9.1	56.8	0.6	6.9	10.7	5.3	18.7	4.4	5.1	0.3	0.8	7.8	126.5
30. 11. 60	9.1	56.9	0.8	6.9	10.7	6.0	17.0	4.4	3.8	0.6	0.8	7.8	124.8
31. 12. 60	9.1	59.5	0.9	5.8	10.5	7.2	20.5	3.8	3.1	0.4	0.7	3.6	125.1

31. 12. 59	8.5	64.6	0.4	3.2	11.5	3.9	4.7	6.9	2.6	0.3	0.7	14.5	121.8
Change in 1960	+0.6	-5.1	+0.5	+2.6	-1.0	+ 3.3	+15.8	-3.1	+0.5	+0.1	—	-10.9	+ 3.3
31. 12. 60	9.1	59.5	0.9	5.8	10.5	7.2	20.5	3.8	3.1	0.4	0.7	3.6	125.1

of BALANCE SHEET in 1960

LIABILITIES

thousand million marks

Date	Notes in Circulation	Short-term Liabilities						Long-term Liabilities		Equalization Accounts	Bank's Own Funds		Total of Balance Sheet
		Foreign Exchange Accounts	Mark Accounts of Holders abroad	Cheque Account of the Treasury	Cheque Accounts of Banks	Other Cheque Accounts	Other Short-term Liabilities	Foreign	Finnish		Capital Reserve Fund Undisposed Profit	Profit & Loss Account	
31. 12. 59	69.4	2.1	4.8	6.4	3.9	0.2	0.4	11.1	3.0	5.5	13.7	1.3	121.8
30. 1. 60	62.9	2.2	4.7	11.6	—	0.6	0.4	11.1	2.9	6.1	15.0	0.1	117.6
29. 2. 60	64.8	2.3	4.3	7.3	0.1	0.2	0.4	10.8	2.7	6.8	15.0	0.2	114.9
31. 3. 60	64.0	3.7	4.3	3.4	0.7	0.3	0.2	10.9	2.0	7.7	15.0	0.3	112.5
30. 4. 60	65.8	3.8	4.3	9.2	0.1	0.2	0.3	10.7	1.8	8.4	15.0	0.5	120.1
31. 5. 60	67.4	4.1	3.8	4.8	1.0	0.3	0.2	10.6	1.6	8.8	15.0	0.7	118.3
30. 6. 60	69.7	3.9	3.8	8.1	0.7	0.4	0.3	10.6	1.3	9.1	15.0	0.8	123.7
30. 7. 60	69.5	3.9	3.8	9.1	0.3	0.3	0.2	10.5	1.2	9.2	15.0	0.9	123.9
31. 8. 60	68.0	4.0	3.7	11.9	0.3	0.5	0.2	10.4	1.1	9.0	15.0	1.0	125.1
30. 9. 60	70.4	3.9	3.9	10.2	0.1	0.5	0.4	10.4	1.0	9.2	15.0	1.2	126.2
31. 10. 60	70.0	3.8	3.9	11.4	—	0.3	0.4	10.3	0.5	10.2	14.4	1.3	126.5
30. 11. 60	71.5	4.0	4.2	8.6	0.2	0.3	0.4	10.1	0.4	9.3	14.4	1.4	124.8
31. 12. 60	72.7	4.1	4.2	6.2	1.7	0.2	0.3	10.0	0.6	9.1	14.4	1.6	125.1

31. 12. 59	69.4	2.1	4.8	6.4	3.9	0.2	0.4	11.1	3.0	5.5	13.7	1.3	121.8
Change in 1960	+3.3	+2.0	-0.6	-0.2	-2.2	—	-0.1	-1.1	-2.4	+3.6	+0.7	+0.3	+3.3
31. 12. 60	72.7	4.1	4.2	6.2	1.7	0.2	0.3	10.0	0.6	9.1	14.4	1.6	125.1

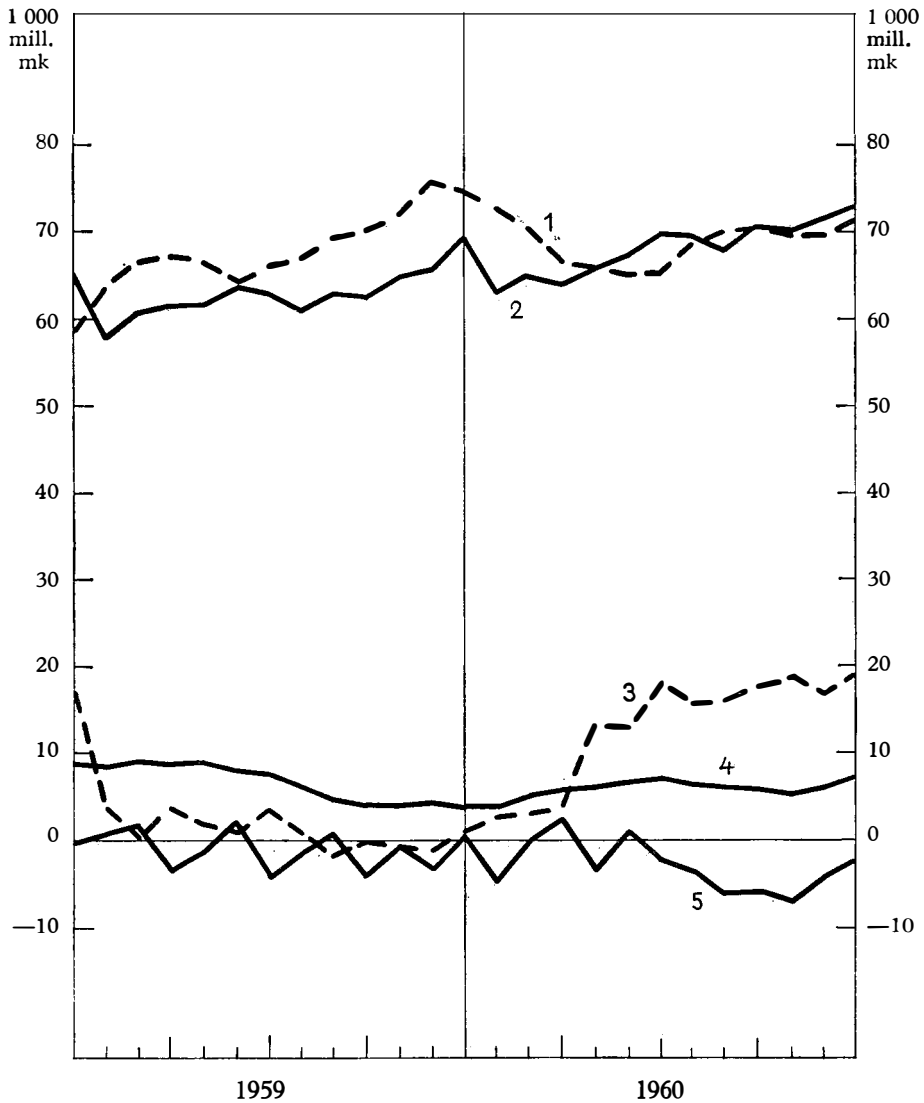
Right of Note Issue in 1960

thousand million marks

Date	Ordinary Note Cover a	Supplementary Note Cover b	Right of Note Issue c = a+b	Notes in Circulation d	Short-term Liabilities e	Undrawn on Cheque Credits f	Unused Right of Note Issue g = c-(d+e+f)
31. 12. 59	76.7	27.0	103.7	69.4	17.8	0.9	15.6
30. 1. 60	74.8	24.8	99.6	62.9	19.5	0.9	16.3
29. 2. 60	72.6	26.4	99.0	64.8	14.6	0.9	18.7
31. 3. 60	70.1	27.3	97.4	64.0	12.6	0.8	20.0
30. 4. 60	69.6	36.0	105.6	65.8	17.9	0.7	21.2
31. 5. 60	69.1	37.5	106.6	67.4	14.2	0.8	24.2
30. 6. 60	69.1	42.2	111.3	69.7	17.2	0.9	23.5
30. 7. 60	72.5	39.2	111.7	69.5	17.6	0.8	23.8
31. 8. 60	73.9	38.5	112.4	68.0	20.6	0.9	22.9
30. 9. 60	74.4	38.8	113.2	70.4	19.0	0.8	23.0
31. 10. 60	73.4	39.1	112.5	70.0	19.8	0.9	21.8
30. 11. 60	73.7	38.1	111.8	71.5	17.7	0.8	21.8
31. 12. 60	75.3	42.0	117.3	72.7	16.7	1.0	26.9

31. 12. 59	76.7	27.0	103.7	69.4	17.8	0.9	15.6
Change in 1960	- 1.4	+ 15.0	+ 13.6	+ 3.3	- 1.1	+ 0.1	+ 11.3
31. 12. 60	75.3	42.0	117.3	72.7	16.7	1.0	26.9

Major Factors Bearing upon the Money Supply in 1959 and 1960



1. Gold and foreign exchange (foreign exchange, bills and bonds *minus* foreign exchange accounts; for these items see Balance Sheet)
2. Notes in circulation
3. Bills rediscounted *minus* cheque accounts of banks
4. Inland bills in Finnish currency
5. Treasury Bond Loan *minus* cheque account of the Treasury

The Bank Supervisors Elected by the Diet

KUSTI ESKOLA
Deputy, Chairman

AIMO AALTONEN
Deputy

ONNI PELTONEN
Deputy

YRJÖ MURTO
Deputy

VÄINÖ TANNER
*ŷ. S. D. h. c., Vice Chairman
Deputy*

T. A. WIHERHEIMO
M.A., Deputy

ARVO KORSIMO
Minister of Communications

J. O. SÖDERHJELM
ŷ. S. D.

OLLI J. UOTI
B.Pol.Sc., Deputy

The Board of Management

KLAUS WARIS
Ph. D., Governor

ESKO K. LEINONEN
LL. B.

AHTI KARJALAINEN
*D.Pol.Sc., Minister of Trade and Industry
On Leave of Absence*

A. SIMONEN
LL. M.

REINO ROSSI
Ph.D.

Secretaries of the Bank

U. A. VATANEN

EERO ASP

PERTTI TAMMIVUORI

JOUKO J. VOUTILAINEN

K. IGNATIUS

Head Office
Helsinki

Chief Accountant
G. ENGBERG

Chiefs of Department

C. G. SUNDMAN	P. BLOMQUIST
P.-E. ÖSTERLUND	A. KAJANTIE
HELGE LINDSTRÖM	EINO JUSSILA
K. EIROLA	A. NENONEN

Chief Cashier
ARTHUR ASPELUND

Accountants

P. RÄIKKÖNEN	OLE BÄCKMAN
OLAVI VAINIO	LEO LINDSTRÖM
PAULI KANERVA	E. UOTILA
VÄINÖ HEISKANEN	T. NORKONMAA

Comptroller
ANTERO MOILANEN

INSTITUTE FOR ECONOMIC RESEARCH

Chief	Chief of Department
HEIKKI VALVANNE	J. J. PAUNIO
<i>D.Pol.Sc.</i>	<i>D.Pol.Sc.</i>

NOTE-PRINTING OFFICE

Director	Technical Leader
T. RISSANEN	F. KORHONEN

Accounts
V. ELONEN

Branches

Hämeenlinna

Manager:
EDV. HERTTUAINEN

Cashier:
KEIJO KALLASMAA

Jyväskylä

Manager:
A. YRJÖLÄ

Book-keeper:
VELI KUJASALO

Cashier:
M. MUHONEN

Kuopio

Manager:
V. VAINIO

Book-keeper:
V. THERMAN

Cashier:
ELIN v. WRIGHT

Mikkeli

Manager:
R. KOTKASAARI

Cashier:
JOUKO JAUHIAINEN

Pori

Manager:
K. PAANANEN

Book-keeper:
MARTTI HEISKANEN

Cashier:
LIISA REKOLA

Joensuu

Manager:
E. VUORELA

Cashier:
J. LUOTO

Kotka

Manager:
R. YLÖNEN

Cashier:
V. KAARNAKORPI

Lahti

Manager:
B. FRIETSCH

Book-keeper:
O. SUNDSTRÖM

Cashier:
HILKKA VAARNALA

Oulu

Manager:
OLE LAXÉN

Book-keeper:
KALERVO NÄRHI

Cashier:
U. HOLM

Rovaniemi

Manager:
EINO SUOMELA

Book-keeper:
V. LEHTO

Cashier:
TYYNE HAATAJA

T a m p e r e
Manager:
SAKARI SAHRAKORPI

Accountant:
ILMARI HUUPPONEN

Cashier:
ESTER BACK

T u r k u
Manager:
NIILO KIVIKOSKI

Accountant:
GUNNAR STRÅHLMANN

Cashier:
INEZ ÅKERBLOM

V a a s a
Manager:
P. O. HÄLLSTEN

Book-keeper:
O. KANERVA

Cashier:
MARGIT HUMBLE

Helsinki 2nd January, 1961.

The Board of Management of the Bank of Finland

KLAUS WARIS

ESKO K. LEINONEN

A. SIMONEN

REINO ROSSI

G. ENGBERG

Helsinki 1961. Valtioneuvoston kirjapaino