



BANK OF FINLAND

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STATEMENT BY THE GOVERNOR OF THE BANK OF FINLAND DR. KLAUS WARIS ON
OCTOBER 12, 1967 ON THE REASONS BEHIND THE DECISION TO CHANGE THE
PAR VALUE OF THE MARK

In recent years inflation in Finland has exceeded the limits that could have been permitted in view of the maintenance of Finland's international competitive position. Especially since 1964 the income level has risen and the availability of credit to the public has increased relatively quickly and this has resulted in a particularly vigorous growth of demand for imported goods. After the implementation of measures to expand capacity in the wood-processing industry at the beginning of the 1960's the growth of exports has been considerably less than that of imports. Although new export products have emerged e.g. in the metal industry, this has not been sufficient to compensate for the slackening growth in the value of the exports of the wood-processing industry. This has resulted in such a deficit in the balance of payments that it has been impossible to meet this by normal foreign borrowing.

Due to these developments the Government has been compelled to pursue a rather contractive economic policy during the last three years. Besides attempts to curb the growth of total demand generally through a tight fiscal and monetary policy, many special measures have been taken simultaneously in order to reduce imports and to stimulate exports. As a result, the growth

of the deficit in the balance of payments on current account ceased in 1966. According to the preliminary figures for this year the balance of trade has improved by 190 million marks by the end of September in comparison with last year.

From the point of view of our international liquidity position, however, the results are not yet adequate. In addition, current economic trends and the direction in which the terms of trade have developed have been unfavourable to Finland. The prices of Finland's most important export products may be expected to fall rather than to rise from their present level and the export capacity will not be fully utilized. At the same time there is reason to anticipate a decline in the opportunities available for Finland to obtain foreign loans. Therefore it has become necessary to seek new measures to prevent the continual decrease of the foreign exchange reserves — taking into account that Finland has already used up to a great extent its drawing facilities from the International Monetary Fund. The situation has deteriorated further with the quite evident speculation on the expected alteration of the exchange rates.

On page 18, The Outlook for Growth in the Finnish Economy until 1970

The contractive economic policy pursued up to now has been clearly reflected in the decline of investment, the slackening of productive activity and the growth of unemployment. The rise in costs in the export industries at the same time as the prices of exports have remained unchanged or declined has in turn caused marginal production to be cut back or stopped, especially in the saw mill industry. Also on the whole, the willingness to invest in manufacturing has been on the decrease for the same reason. Actual investments have mainly been for rationalization purposes; the goal has been to keep the rise in wage costs within the limits permitted by the profit situation and therefore an attempt has been made to reduce the cost of labour. For these reasons and in spite of the fact that e.g. the volume of dwellings built in the first part of the year has been quite considerable, the unemployment figures have noticeably exceeded those of last year. The outlook for this winter is not favourable either. Consequently it can be understood that the employment prospects have aroused increasing concern.

Against this background it would have become difficult, if not actually impossible to tighten credit policy still further and for so long as would have been necessary in order to control the foreign exchange situation satisfactorily. This should, however, have been done by means of monetary policy, since for political reasons it would not have been possible to introduce a stricter budget than this year. The Bank of Finland would have had to aim at an actual decrease in the credit volume of the banking institutions next year, while the goal this year has been to limit the growth of bank lending to approximately a half of last year's increase. It is obvious that this would have meant a slackening in the rate of growth of national income which has already been

slow and a persistent weakening in the employment situation. Without a change in the foreign exchange rates it would probably have taken a long time before an expansionary economic policy could have been introduced. This is because costs, incomes and prices in Finland have exceeded by so much the international "equilibrium level", which would be called for by the average efficiency of the country's production machinery, and the downturn in international economic activity has lengthened to such an extent the time period required for achieving a new balance by means of an austere policy.

Also the bank supervisors of the Diet have agreed to this opinion. Upon the suggestion of the Board of Management of the Bank of Finland the bank supervisors put forward a proposal to the Cabinet on 11th October that the international par value of the mark in terms of gold be reduced by 23.8 per cent. Following the decision of the Cabinet and after the concurrence of the International Monetary Fund the new rates of exchange became effective on 12th October.

The purpose of the devaluation has been to create prerequisites for an economic growth and development policy and for the implementation of structural changes required by the rationalization of production and the improvement of our international competitive power. The expansionary impact of the devaluation actually depends on whether it improves manufacturing profits so as to give a strong impetus to the willingness to invest and to expand production. Then it is, however, necessary to keep the domestic cost development under control. It is mainly for this reason that the devaluation calls for steps to neutralise in part the relatively vigorous growth in income from exports. Consequently the Bank further

(continued on page 23)

BANK OF FINLAND

Mill. mk

	1966		1967			
	Dec. 31	Sept. 30	Sept. 29	Oct. 7	Oct. 14	Oct. 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	637.2	736.8	858.5	816.3	1 057.7	1 048.1
Gold	143.9	177.3	149.4	149.4	196.1	196.1
IMF gold tranche	100.0	100.0	—	—	—	—
Foreign exchange	312.0	372.1	631.2	589.6	760.6	748.2
Foreign bills	56.4	59.5	57.3	56.7	74.3	77.1
Foreign bonds	24.9	27.9	20.6	20.6	26.7	26.7
<i>Supplementary note cover</i>	1 063.7	876.1	892.4	915.8	913.6	991.7
Inland bills discounted						
In foreign currency	36.3	40.9	45.4	45.4	58.9	56.5
In Finnish currency	112.2	53.7	97.6	103.0	104.1	107.7
Rediscounted bills	915.2	781.5	749.4	767.4	750.6	827.5
<i>Other assets</i>	424.6	277.0	524.0	503.0	546.6	472.4
Finnish bonds	284.8	130.1	330.6	309.6	347.7	268.4
Cheque accounts	2.1	2.0	3.5	4.1	4.2	9.9
Finnish coin	11.7	12.3	16.4	15.9	16.7	17.4
Other claims	126.0	132.6	173.7	173.4	178.0	176.7
Total	2 125.5	1 889.9	2 274.9	2 235.1	2 517.9	2 512.2
Liabilities						
<i>Notes in circulation</i>	1 106.2	1 017.2	1 047.9	1 000.7	1 027.5	974.1
<i>Liabilities payable on demand</i>	179.6	97.1	93.9	95.5	102.7	156.3
Foreign exchange accounts	61.2	37.4	53.6	51.4	62.3	63.2
Mark accounts of holders abroad	16.2	16.4	13.5	13.4	13.4	13.3
Cheque accounts						
Treasury	39.8	3.0	1.0	0.3	1.4	9.7
Post Office Savings Bank	17.3	8.4	1.4	5.3	1.1	50.7
Private banks	13.8	10.4	1.1	5.0	5.6	—
Other	2.8	1.9	2.0	1.6	0.9	0.9
Other sight liabilities	28.5	19.6	21.3	18.5	18.0	18.5
<i>Term liabilities</i>	126.3	74.1	449.2	449.2	536.6	534.4
Foreign	84.6	41.0	280.0	280.0	366.4	364.0
Finnish	41.7	33.1	169.2	169.2	170.2	170.4
<i>Equalization accounts</i>	266.9	264.9	228.1	233.1	391.6	386.3
<i>Bank's own funds</i>	446.5	436.6	455.8	456.6	459.5	461.1
Capital	300.0	300.0	300.0	300.0	300.0	300.0
Reserve fund	112.6	112.6	129.5	129.5	129.5	129.5
Profits undisposed	—	—	—	—	—	—
Earnings less expenses	33.9	24.0	26.3	27.1	30.0	31.6
Total	2 125.5	1 889.9	2 274.9	2 235.1	2 517.9	2 512.2
STATEMENT OF NOTE ISSUE						
Right of note issue						
Ordinary cover	637.2	736.8	858.5	816.3	2 057.7	1 048.1
Supplementary cover						
(Upper limit 500 mill. mk; since Nov. 30, 1966, 700 mill. mk)	700.0	500.0	700.0	700.0	700.0	700.0
Total	1 337.2	1 236.8	1 558.5	1 516.3	1 757.7	1 748.1
Note issue						
Notes in circulation	1 106.2	1 017.2	1 047.9	1 000.7	1 027.5	974.1
Liabilities payable on demand	179.6	97.1	93.9	95.5	102.7	156.3
Undrawn on cheque credits	4.9	5.0	3.5	2.9	2.9	4.0
Unused right of note issue	46.5	117.5	413.2	417.2	624.6	613.7
Total	1 337.2	1 236.8	1 558.5	1 516.3	1 757.7	1 748.1

Rediscount rate since April 28, 1962, 7 per cent.

BANK OF FINLAND

Mill. mk

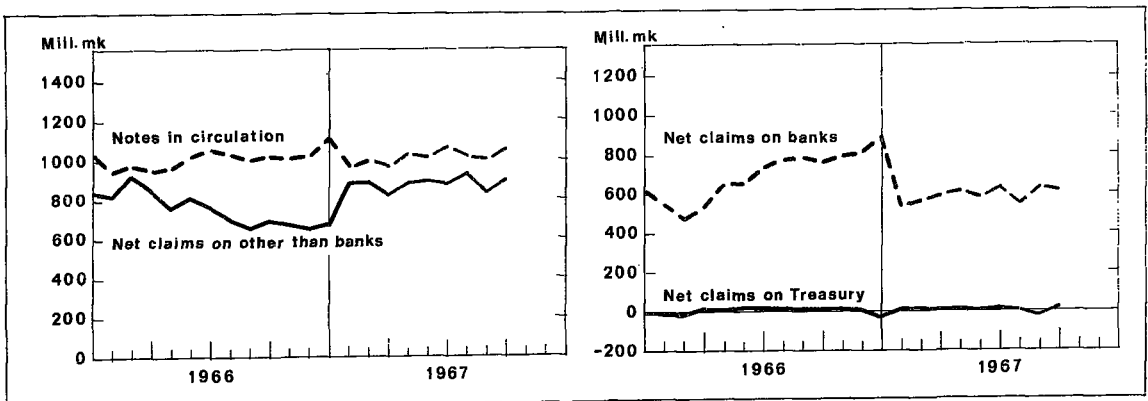
End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net claims on the Treasury (7+8-9)
	1	2	3	4	5	6	7	8	9	10
1959	730.7	21.2	709.5	92.5	158.4	643.6	103.3	37.6	64.2	76.7
1960	686.0	40.6	645.4	67.0	142.7	569.7	37.5	32.4	61.9	8.0
1961	691.5	13.4	678.1	87.5	128.4	637.2	27.7	5.9	1.1	32.5
1962	637.7	17.1	620.6	67.7	114.9	573.4	—	28.9	5.5	23.4
1963	752.2	18.2	734.0	65.6	100.5	699.1	—	18.9	0.2	18.7
1964	973.4	84.7	888.7	76.3	82.8	882.2	—	8.9	5.4	3.5
1965	860.9	44.8	816.1	83.8	56.5	843.4	—	1.1	1.1	— 2.2
1966	555.9	61.2	494.7	81.3	100.8	475.2	11.5	— 1.1	39.8	— 29.4
1966										
June	698.0	41.4	656.6	87.7	58.4	685.9	16.5	— 1.1	0.2	15.2
July	703.9	43.1	660.8	85.8	58.4	688.2	11.5	— 1.1	0.9	9.5
Aug.	657.9	38.6	619.3	84.4	58.2	645.5	11.5	— 1.1	3.1	7.3
Sept.	649.4	37.4	612.0	87.4	57.4	642.0	11.5	— 1.1	3.0	7.4
Oct.	617.5	35.7	581.8	87.8	55.1	614.5	11.5	— 1.1	3.5	6.9
Nov.	560.7	43.3	517.4	88.3	55.4	550.3	11.5	— 1.1	4.3	6.1
Dec.	555.9	61.2	494.7	81.3	100.8	475.2	11.5	— 1.1	39.8	— 29.4
1967										
Jan.	602.7	46.1	556.6	82.5	97.8	541.3	8.3	— 1.1	1.1	6.1
Feb.	619.5	47.2	572.3	78.6	98.0	552.9	8.3	— 1.1	0.3	6.9
March	595.3	49.9	545.4	77.4	97.8	525.0	8.3	— 1.1	2.4	4.8
April	714.6	60.8	653.8	79.5	171.9	561.4	8.3	— 1.1	1.3	5.9
May	699.3	60.7	638.6	75.3	171.9	542.0	8.3	— 1.1	4.9	2.3
June	700.6	50.8	649.8	75.2	217.5	507.5	8.3	— 1.1	2.3	4.9
July	772.0	51.0	721.0	77.8	217.4	581.4	8.3	— 1.1	4.9	2.3
Aug.	736.9	49.1	687.8	76.7	217.8	546.7	8.3	— 1.1	23.6	—16.4
Sept.	780.6	53.6	727.0	77.9	293.5	511.4	8.3	— 1.1	1.0	6.2

	Foreign exchange situation, mill. mk							
	Net holdings, Dec. 31, 1966			Net holdings, Sept. 30, 1967			Change in	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Sept.	Jan.-Sept.
Gold	144	—	144	149	—	149	—1	+ 5
Convertible currencies	274	—189	85	402	—273	129	+32	+ 44
Other currencies	— 23	1	— 22	176	—	176	—28	+198
IMF gold tranche	100	—	100	—	—	—	—	—100
Total	495	—188	307	727	—273	454	+ 3	+147

BANK OF FINLAND

Mill. mk

End of year and month	Finnish credit institutions					Other				Notes in circulation
	Redis-counted bills	Liabilities, Cheque accounts			Net claims on the banks (1-2-3-4)	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the rest of economy (6+7-8)	
		Private banks ¹⁾	Post Office Savings Bank ¹⁾	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
1959	47.2	38.6	—	2.5	6.1	38.9	105.0	3.9	140.0	694.4
1960	205.1	16.8	—	1.6	186.7	72.3	109.5	3.5	178.3	727.4
1961	294.6	44.7	4.4	12.5	233.0	70.8	107.3	2.9	175.2	837.1
1962	401.2	— 4.0	53.3	0.8	351.1	33.5	99.6	4.1	129.0	774.4
1963	325.3	1.3	3.0	1.2	319.8	57.2	94.4	1.7	149.9	943.7
1964	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1965	640.6	11.9	8.3	0.2	620.2	26.0	121.9	31.6	116.3	1 028.5
1966	915.2	13.8	17.3	— 1.3	885.4	112.2	152.9	73.2	191.9	1 106.2
1966										
June	766.3	29.5	4.7	2.3	729.8	41.2	156.5	52.7	145.0	1 046.7
July	781.7	10.6	1.5	2.4	767.2	42.2	146.7	52.4	136.5	1 031.8
Aug.	811.5	29.4	4.2	0.8	777.1	40.1	143.1	52.0	131.2	1 005.2
Sept.	781.5	10.4	8.4	0.8	761.9	53.7	164.0	52.7	165.0	1 017.2
Oct.	807.5	— 1.0	21.5	0.5	786.5	61.9	169.2	47.6	183.5	1 011.7
Nov.	848.7	— 0.5	44.4	0.3	804.5	62.0	175.1	44.6	192.5	1 016.5
Dec.	915.2	13.8	17.3	— 1.3	885.4	112.2	152.9	73.2	191.9	1 106.2
1967										
Jan.	611.1	73.4	5.3	— 1.2	533.6	106.8	157.0	57.7	206.1	968.7
Feb.	637.9	64.5	14.7	— 0.7	559.4	88.0	152.5	55.4	185.1	991.7
March	728.5	101.4	29.7	— 1.0	598.4	98.2	158.1	59.9	196.4	964.9
April	753.2	115.6	28.8	— 1.3	610.1	107.9	155.7	60.0	203.6	1 033.5
May	774.2	120.7	75.6	— 5.0	582.9	95.8	166.8	60.8	201.8	1 010.6
June	775.1	125.4	22.7	— 1.3	628.3	82.3	203.8	58.5	227.6	1 062.1
July	761.6	79.2	143.8	+ 0.0	538.6	85.3	214.9	55.1	245.1	1 019.8
Aug.	772.6	93.7	54.2	0.1	624.6	85.1	216.8	55.5	246.4	1 000.9
Sept.	749.4	116.4	18.7	+ 0.0	614.3	97.6	214.3	58.8	253.1	1 047.9

¹⁾ Including cash reserve accounts in 1961 and from February 1967.

DEPOSITS BY THE PUBLIC — FOREIGN EXCHANGE RATES

Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. credit societies & their central bank	Post Office Savings Bank	Savings depart- ments of co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1956	386.1	459.6	138.4	968.1	1 124.0	635.3	341.6	160.1	3 229.5	3 827.5
1957	377.1	461.4	139.3	1 032.2	1 178.6	671.1	339.6	168.2	3 390.1	3 990.8
1958	395.7	495.8	167.7	1 222.6	1 312.6	742.7	381.7	191.9	3 851.8	4 515.3
1959	557.5	678.1	140.9	1 505.5	1 525.5	860.3	431.2	219.1	4 541.9	5 360.9
1960	550.8	680.7	135.9	1 813.6	1 768.6	1 052.5	485.2	254.3	5 404.5	6 221.1
1961	577.9	720.8	143.8	2 105.9	2 079.6	1 241.0	558.2	285.3	6 270.3	7 134.9
1962	649.0	800.8	168.5	2 270.4	2 210.8	1 325.5	606.6	293.2	6 706.7	7 676.0
1963	715.3	876.0	250.3	2 441.0	2 336.6	1 448.0	648.5	310.7	7 185.0	8 311.3
1964	683.3	855.4	296.5	2 816.7	2 614.7	1 681.4	713.8	331.4	8 158.2	9 310.1
1965	665.7	843.7	309.4	3 160.1	2 954.4	1 953.5	773.2	357.2	9 198.6	10 351.7
1966	625.5	849.4	318.0	3 637.2	3 329.9	2 225.8	863.6	380.7	10 437.3	11 604.7
1966										
Sept.	609.0	803.2	252.6	3 408.1	3 149.5	2 106.9	820.4	366.8	9 852.0	10 907.8
Oct.	558.5	737.1	280.0	3 428.0	3 179.6	2 109.0	831.3	370.7	9 918.7	10 935.8
Nov.	594.0	796.4	279.1	3 458.3	3 219.4	2 141.7	835.2	373.5	10 028.3	11 103.8
Dec.	625.5	849.4	318.0	3 637.2	3 329.9	2 225.8	863.6	380.7	10 437.3	11 604.7
1967*										
Jan.	655.4	832.5	325.4	3 671.0	3 372.9	2 250.3	883.8	384.8	10 563.1	11 721.0
Feb.	649.8	823.8	381.9	3 700.9	3 413.2	2 275.9	897.9	389.1	10 677.2	11 882.9
March	616.5	801.3	340.1	3 723.5	3 448.5	2 312.3	906.8	399.1	10 783.2	11 924.6
April	559.8	731.8	351.6	3 758.3	3 466.1	2 323.7	908.0	394.2	10 850.5	11 933.9
May	596.1	777.8	337.6	3 782.6	3 596.1	2 348.4	908.3	392.1	10 928.7	12 044.1
June	548.1	720.5	361.6	3 766.3	3 463.5	2 306.2	906.1	387.2	10 829.5	11 911.6
July	581.9	755.5	316.5	3 775.0	3 464.2	2 316.0	908.5	386.0	10 849.9	11 921.9
Aug.	601.9	789.1	295.9	3 808.2	3 491.9	2 328.2	910.3	385.4	10 924.2	12 009.2
Sept.	572.2	763.1	286.2	3 821.0	3 520.7	2 348.8	914.4	393.2	10 998.2	12 047.5

End of month	Index-tied deposits		High-interest deposits
	100 % clause	50 % clause	
1966*			
Nov.	2 060.4	41.1	838.6
Dec.	2 184.4	31.9	836.7
1967*			
Jan.	2 340.9	25.9	834.5
Feb.	2 426.3	19.0	816.1
March	2 543.1	13.9	796.8
April	2 636.1	8.6	780.0
May	2 748.4	1.1	748.5
June	2 810.1	0.2	731.5
July	2 891.9	0.2	711.1
Aug.	2 961.7	—	699.2
Sept.	3 049.4	—	687.2

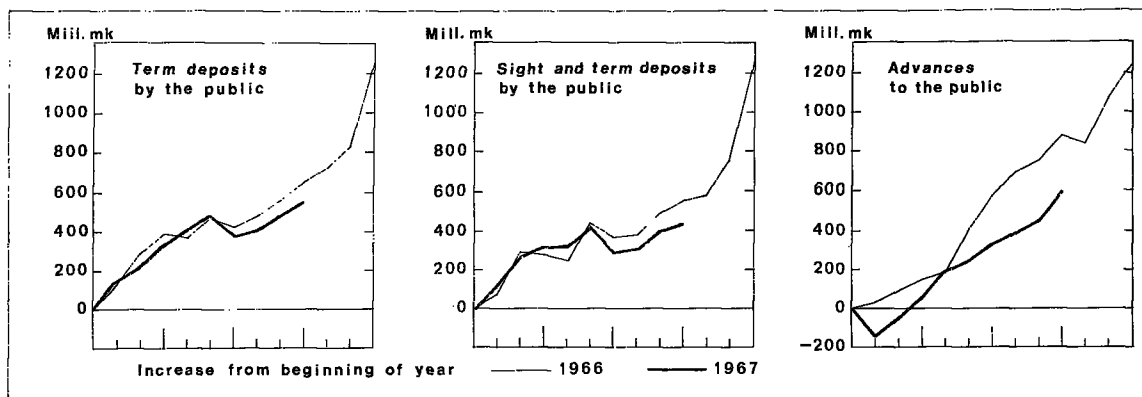
Selling rates for foreign exchange			
Oct. 12, 1967			
		mk	mk
New York	1 \$	4.1865	Zurich 100 Fr 96.44
Montreal	1 \$	2.901	Paris 100 FF 85.38
London	1 £	11.654	Rome 100 Lit 0.6723
Stockholm ..	100 Kr	81.07	Vienna 100 S 16.22
Oslo	100 Kr	58.56	Lisbon 100 Esc 14.53
Copenhagen ..	100 Kr	60.42	Reykjavik 100 Kr 9.74
Frankfurt o. M.	100 DM	104.60	Madrid 100 Pta 7.01
Amsterdam ..	100 Fl	116.50	Moscow, clear. ¹⁾ 1 Rbl 4.6799
Brussels	100 Fr	8.434	Clearing dollars ²⁾ 1 Cl \$ 4.212

¹⁾ Bucharest.²⁾ Berlin, Bogota, Budapest, Prague, Sofia, Warsaw.

ADVANCES TO THE PUBLIC — MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Post Office Savings Bank	Co-op. credit societies & their cen- tral bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1956	1 626.6	1 028.3	262.3	767.6	146.9	3 578.0	253.7	3 831.7	1 160.0
1957	1 603.8	1 066.4	260.5	780.6	157.2	3 630.0	238.5	3 868.5	1 170.7
1958	1 745.4	1 154.8	290.3	835.1	219.3	4 011.5	233.4	4 244.9	1 302.3
1959	2 096.9	1 327.2	331.4	967.3	325.8	4 772.7	275.9	5 048.6	1 448.4
1960	2 604.6	1 549.3	395.0	1 176.0	452.2	5 861.9	315.2	6 177.1	1 494.6
1961	3 048.0	1 817.6	436.8	1 462.7	515.2	6 928.2	352.1	7 280.3	1 646.1
1962	3 299.9	2 018.5	508.7	1 600.6	614.7	7 680.8	361.6	8 042.4	1 722.5
1963	3 472.5	2 134.5	544.0	1 757.7	664.3	8 226.2	346.8	8 573.0	1 986.5
1964	3 916.4	2 318.0	607.7	2 057.5	829.4	9 320.5	408.5	9 729.0	2 042.5
1965	4 279.6	2 609.2	716.5	2 348.4	899.4	10 439.6	413.5	10 853.1	2 085.0
1966	4 867.7	2 951.4	783.9	2 598.7	908.8	11 630.7	479.8	12 110.5	2 213.7
1966									
Sept.	4 683.7	2 831.3	781.1	2 521.5	914.8	11 247.7	484.7	11 732.4	2 030.8
Oct.	4 604.8	2 880.6	786.0	2 502.1	918.8	11 207.9	484.4	11 692.3	1 973.3
Nov.	4 745.0	2 919.3	787.0	2 554.6	918.7	11 448.4	476.2	11 924.6	2 047.2
Dec.	4 867.7	2 951.4	783.9	2 598.7	908.8	11 630.7	479.8	12 110.5	2 213.7
1967*									
Jan.	4 716.4	2 955.7	793.9	2 593.2	905.6	11 494.2	470.6	11 964.8	2 050.2
Feb.	4 793.3	2 969.8	804.6	2 590.2	901.2	11 570.9	488.2	12 059.1	2 112.8
March	4 857.3	2 978.6	819.1	2 600.9	901.0	11 632.5	524.4	12 156.9	2 042.7
April	4 912.3	3 011.0	830.0	2 616.2	926.2	11 766.6	529.1	12 295.7	2 084.7
May	4 920.4	3 044.2	825.7	2 633.5	928.7	11 846.7	505.8	12 352.5	2 080.8
June	5 014.7	3 063.0	832.8	2 601.5	924.4	11 882.8	553.6	12 436.4	2 105.1
July	5 028.9	3 092.9	838.8	2 614.8	924.7	11 970.8	529.3	12 500.1	2 035.9
Aug.	5 012.4	3 121.5	851.9	2 636.4	921.0	12 031.8	511.4	12 543.2	2 039.5
Sept.	5 083.9	3 163.3	860.6	2 677.0	918.2	12 150.6	552.4	12 703.0	..



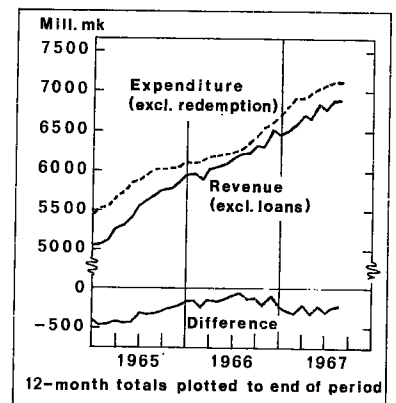
STATE FINANCES

Mill. mk

Revenue	Jan.—Aug.		Expenditure	Jan.—Aug.	
	1966	1967		1966	1967
Income and property tax (net)	1 159	1 312	Interest on State debt	139	142
Gross receipts	(2 767)	(3 209)	Child allowances	222	232
Refunds and communal income tax	(-1 608)	(-1 897)	The State's share in national pensions	179	200
Other direct taxes	15	16	The State's share in national health insurance	41	32
Sales tax	908	1 058	Compensations to war-disabled	91	103
Import duties	325	285	Subsidies	399	389
Revenue from Alcohol Monopoly ..	319	356	Net payments of price equalization	43	50
Excise duty on tobacco	263	266	State aid to agriculture	34	27
Excise duty on liquid fuel	285	316	State aid to communal and private schools	369	434
Other excise duties	68	93	Net loss of State enterprises	57	61
Tax on automobiles and motor cycles	123	145	Maintenance of roads	109	115
Tax on motor vehicles	40	45	Other current expenditure	1 506	..
Stamp duties	113	120	Current expenditure	3 189	..
Employers' payments for child allowances	287	315	Real investments ¹⁾	765	755
Other revenue similar to taxes	65	73	Other capital expenditure	432	..
Total taxes	3 970	4 400	Capital expenditure	1 197	..
Interest and dividends	78	93	Total expenditure	4 386	4 807
Other current revenue	184	156	Redemption of external loans	48	37
Current revenue	4 232	4 649	Redemption of internal loans	223	347
Capital revenue proper	104	123	Redemption of indemnity bonds etc.	0	0
Decrease in inventories	37	40	Index premiums	13	13
Capital revenue	141	163	Redemptions	284	397
Total revenue	4 373	4 812	Total	4 670	5 204
External loans	48	80			
Internal loans	507	379			
Loans	555	459			
Short-term credit (increase +) ..	-311	-1			
Deficit (+) or surplus (-)	+ 53	-66			
Total	4 670	5 204			

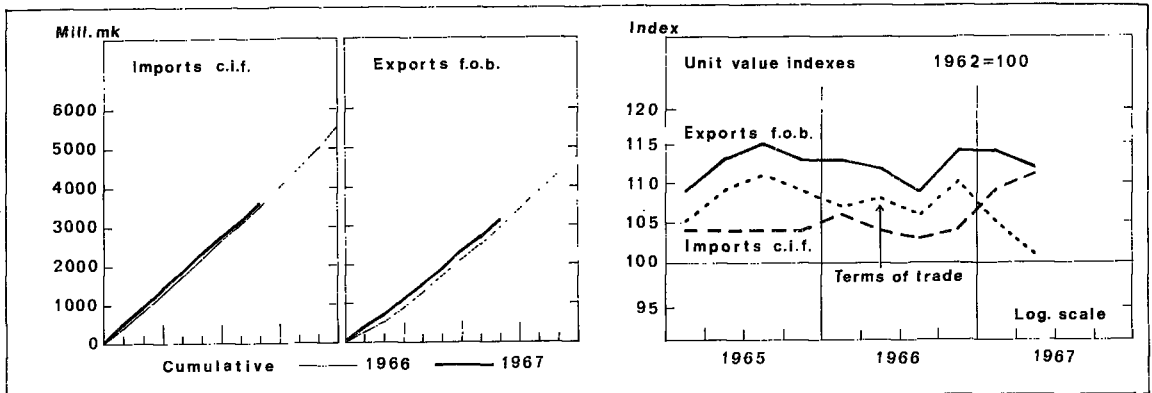
¹⁾ According to the calculations by the Economic Department of the Ministry of Finance.

Debt	1964		1965	1966	1967		
	Dec.	Dec.	Dec.	Dec.	July	Aug.	Sept.*
External debt	1 184	1 175	1 337	1 379	1 384	1 422	
Ordinary loans	1 353	1 661	1 980	1 994	2 008	1 998	
Indemnity bonds etc.	7	203	93	23	13	3	
Short-term credit ..	177	163	95	99	94	84	
Cash debt (net)	23	-101	-119	-233	-185	..	
Internal debt	1 560	1 926	2 049	1 883	1 930	..	
Total debt	2 744	3 101	3 386	3 262	3 314	..	
Total debt, mill. \$	853	962	1 050	1 012	1 028	..	



FOREIGN TRADE

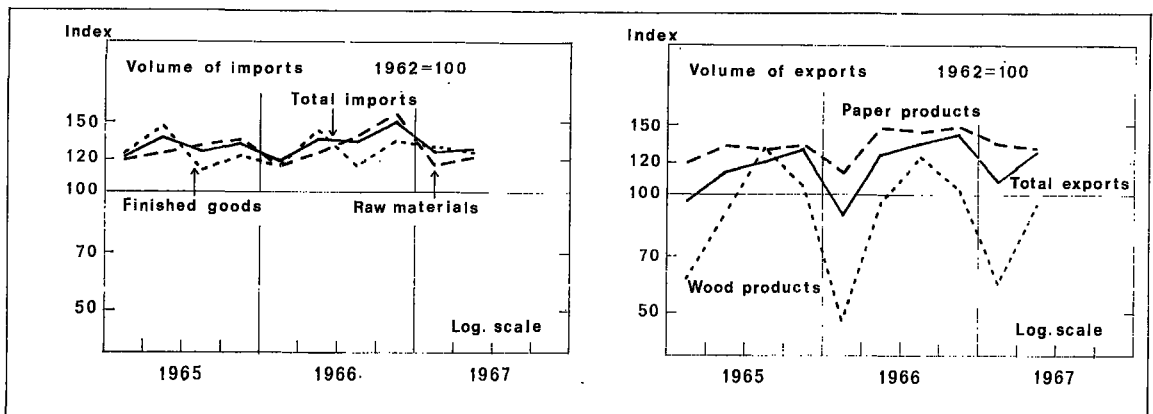
Period	Value mill. mk			Unit value indexes 1962 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
1962	3 928.7	3 533.1	-395.6	100	100	100	100	100	100	100
1963	3 866.9	3 678.0	-188.9	102	96	104	100	105	101	101
1964	4 816.5	4 131.9	-684.6	108	109	111	104	113	103	105
1965	5 266.1	4 566.0	-700.1	113	115	123	106	119	104	109
1966*	5 524.3	4 818.5	-705.8	112	112	122	105	119	104	108
Jan.-Aug.										
1965	3 457.9	2 848.9	-609.0							
1966*	3 482.3	2 950.4	-531.9							
1967*	3 567.5	3 131.5	-436.0							
1966*										
July	411.6	404.8	- 6.8	109	110	121	105	104	103	106
Aug.	437.5	419.8	- 17.7							
Sept.	504.9	450.9	- 54.0							
Oct.	489.0	460.6	- 28.4	114	112	120	105	130	104	110
Nov.	491.2	437.5	- 53.7							
Dec.	556.9	518.7	- 38.2							
1967*										
Jan.	467.7	365.5	-102.2	114	108	119	106	130	109	105
Feb.	443.4	343.9	- 99.5							
March	434.0	378.5	- 55.5							
April	487.3	397.6	- 89.7	112	110	118	106	120	111	101
May	481.9	404.4	- 77.5							
June	421.8	457.5	+ 35.7							
July	400.7	372.8	- 27.9							
Aug.	430.7	411.3	- 19.4							



FOREIGN TRADE BY MAIN GROUPS

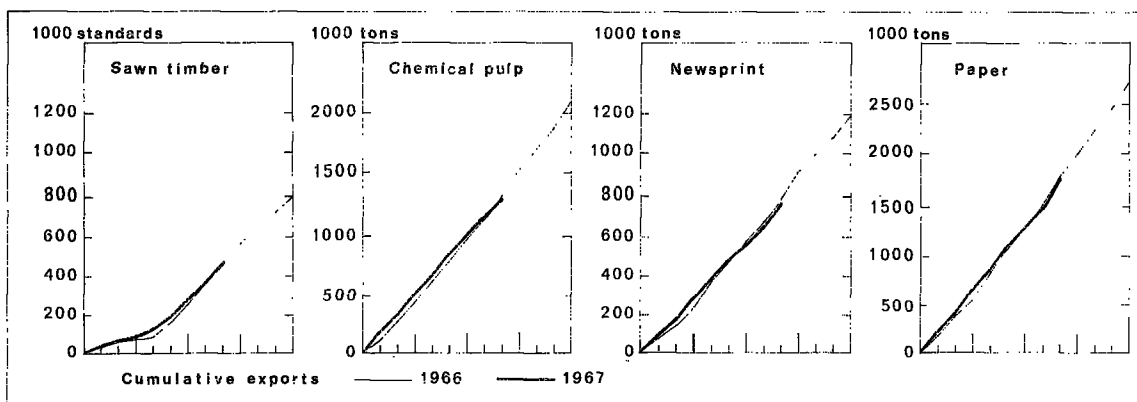
Mill. mk

Period	Imports, c.i.f.				Exports, f.o.b.					
	Raw materials and producer goods	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods
			Investment goods	Consumer goods						
1962	1 762.6	371.2	1 144.9	650.0	144.5	189.5	770.3	1 588.8	662.6	177.4
1963	1 827.5	373.3	1 004.3	661.8	164.8	112.8	811.8	1 752.2	613.8	222.6
1964	2 110.7	508.4	1 396.2	801.2	230.4	89.8	895.8	2 019.5	610.3	286.1
1965	2 362.4	514.7	1 511.4	877.6	251.8	60.3	919.8	2 165.6	800.3	368.2
1966*	2 450.4	589.8	1 448.5	1 035.6	264.0	59.0	863.5	2 297.0	877.5	457.5
Jan.-Aug.										
1965	1 520.5	328.0	1 040.9	568.5	158.8	40.5	573.4	1 409.1	454.9	212.2
1966*	1 526.9	348.0	953.6	653.8	175.4	34.8	536.8	1 476.4	466.3	260.7
1967*	1 541.8	393.1	943.0	689.6	155.4	36.7	522.4	1 487.9	600.9	328.2
1966*										
June	177.6	54.1	151.0	77.2	19.1	9.0	91.9	197.5	61.1	45.7
July	199.6	36.2	99.9	75.9	14.0	6.8	102.6	186.1	63.0	32.3
Aug.	213.2	62.0	90.0	72.3	17.9	6.9	96.3	207.3	49.8	41.6
Sept.	221.8	67.9	120.8	94.4	20.0	7.9	88.8	205.1	80.5	48.6
Oct.	229.6	60.0	108.3	91.1	17.6	5.3	85.1	203.1	99.8	49.7
Nov.	225.8	54.6	112.3	98.5	17.5	5.1	73.8	196.2	93.2	51.7
Dec.	246.4	59.3	153.5	97.7	33.5	5.3	79.6	216.1	137.5	46.7
1967*										
Jan.	203.0	62.4	114.5	87.8	30.5	2.2	52.5	188.6	58.7	33.0
Feb.	176.9	38.5	134.0	94.0	11.6	2.2	41.0	180.5	74.4	34.2
March	176.8	41.4	121.8	94.0	15.6	3.2	41.5	199.0	79.0	40.2
April	203.1	54.6	128.7	100.9	31.1	5.8	56.9	187.1	72.1	44.6
May	212.2	49.0	129.7	91.0	15.0	5.2	71.6	190.0	78.1	44.5
June	184.6	46.3	120.6	70.3	24.6	5.0	85.6	175.7	118.5	48.1
July	181.6	47.8	105.1	66.2	12.6	5.2	85.2	177.9	61.4	30.5
Aug.	203.6	53.1	88.6	85.4	14.4	7.9	88.1	189.1	58.7	53.1



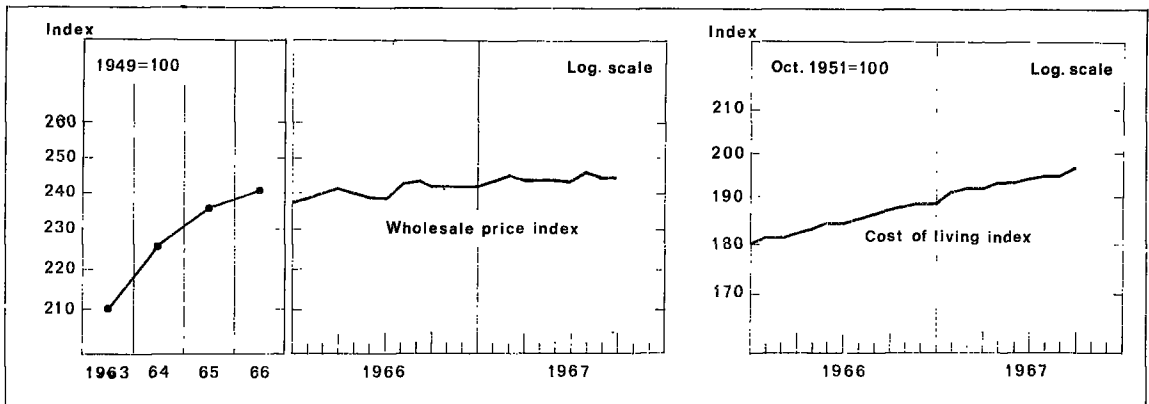
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber	Sawn timber	Veneers and plywood	Mechanical pulp	Sulphite pulp	Sulphate pulp	Board	Fibre building board	Newsprint	Paper, all kinds
	1 000 solid cu. m	1 000 stds	1 000 cu. m	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons
1962	3 681	1 010	357	150	828	731	153	152	870	1 980
1963	2 108	977	384	172	861	893	171	161	882	2 126
1964	1 320	990	440	175	971	980	194	165	989	2 309
1965	781	870	461	149	931	1 037	174	144	1 101	2 500
1966*	675	799	460	130	909	1 179	190	131	1 192	2 712
Jan.-Aug.										
1965	577	545	294	104	615	687	115	98	686	1 620
1966*	411	479	314	92	598	730	125	87	785	1 759
1967*	489	468	307	71	556	746	126	87	761	1 738
1966*										
June	146	92	41	11	83	112	17	13	106	225
July	88	120	26	10	72	86	16	9	103	232
Aug.	83	106	36	10	79	112	18	9	107	244
Sept.	91	88	39	11	79	105	17	12	110	241
Oct.	59	87	31	10	78	104	16	12	96	239
Nov.	50	78	25	9	71	108	15	9	89	227
Dec.	64	67	51	8	83	132	17	11	112	246
1967*										
Jan.	21	39	40	8	74	104	15	12	90	219
Feb.	14	26	33	10	79	77	16	9	84	202
March	15	18	46	8	74	102	18	12	110	229
April	78	43	44	9	69	89	16	11	91	217
May	117	62	42	9	71	111	16	14	96	208
June	65	90	39	10	60	93	14	11	92	205
July	72	96	28	8	64	87	15	9	92	215
Aug.	107	94	35	9	65	83	16	9	106	243



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c. i. f.					Exports, f. o. b.				
	Whole year		Jan.—Aug.			Whole year		Jan.—Aug.		
	1965	1966*	1966*	1967*		1965	1966*	1966*	1967*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	15.8	16.6	17.1	16.8	599.4	22.8	22.6	24.3	23.1	723.1
United Kingdom	15.3	16.1	16.5	16.0	571.5	20.7	20.5	22.2	21.1	659.5
Other OECD countries										
in Europe	55.5	53.7	54.0	53.9	1 922.4	44.8	46.7	46.2	43.4	1 360.4
Austria	0.8	0.9	0.8	1.0	34.7	0.3	0.4	0.4	0.4	13.7
Belgium-Luxembourg	2.2	1.9	2.0	2.0	71.9	3.3	3.1	3.0	2.5	79.3
Denmark	3.1	3.5	3.4	3.2	114.5	3.9	3.5	3.4	3.6	113.4
France	4.2	4.3	4.8	4.1	144.5	4.4	4.5	4.6	4.4	136.4
Western Germany	18.9	17.0	17.7	17.0	607.3	11.2	11.1	10.8	8.5	264.8
Italy	1.9	2.0	2.1	2.1	76.2	3.0	3.0	3.0	3.2	100.7
Netherlands	4.2	3.6	3.5	3.5	125.4	6.0	5.8	5.8	5.3	166.8
Norway	1.9	2.1	1.9	2.1	73.6	1.1	1.8	1.9	2.0	62.6
Portugal	0.2	0.3	0.3	0.5	16.4	0.2	0.4	0.5	0.2	7.5
Spain	0.5	0.4	0.4	0.5	16.6	1.1	1.2	1.1	1.2	36.9
Sweden	14.0	14.1	13.7	14.6	521.7	7.5	8.8	8.5	9.1	283.3
Switzerland	2.9	3.1	2.9	3.0	107.3	0.7	0.9	0.9	1.0	32.1
Eastern Bloc	18.9	19.8	18.1	19.0	678.1	21.0	18.7	17.0	21.4	671.2
China	0.3	0.5	0.5	0.7	23.2	0.6	0.6	0.7	0.8	23.9
Czechoslovakia	0.7	0.6	0.7	0.6	22.8	0.6	0.8	0.7	0.4	13.5
Eastern Germany	0.9	0.9	0.8	0.8	29.9	0.8	1.0	0.9	0.7	22.8
Poland	1.9	1.6	1.5	1.4	50.8	2.3	1.4	1.5	1.6	50.2
Soviet Union	14.4	15.5	14.0	14.8	528.5	15.8	14.2	12.2	17.1	536.3
U.S. and Canada	5.2	4.9	5.1	4.5	159.3	6.2	6.6	6.8	6.0	186.4
United States	5.0	4.6	4.8	4.2	149.7	6.0	6.4	6.6	5.8	179.7
Latin America	1.6	2.8	3.0	2.7	97.7	3.8	2.9	3.2	3.1	97.1
Argentina	0.3	0.3	0.4	0.3	10.7	0.9	1.0	1.2	1.0	31.1
Brazil	0.3	1.3	1.3	1.0	35.8	1.4	0.4	0.4	0.8	26.3
Colombia	0.6	0.7	0.7	0.7	25.7	0.7	0.6	0.7	0.3	9.5
Other	3.0	2.2	2.7	3.1	110.6	1.4	2.5	2.5	3.0	93.3
Grand total	100.0	100.0	100.0	100.0	3 567.5	100.0	100.0	100.0	100.0	3 131.5
of which										
EFTA countries	38.2	40.0	39.5	40.4	1 439.6	34.3	36.4	37.8	37.4	1 172.1
EEC countries	31.4	28.8	30.1	28.7	1 025.4	28.0	27.5	27.3	23.9	747.9



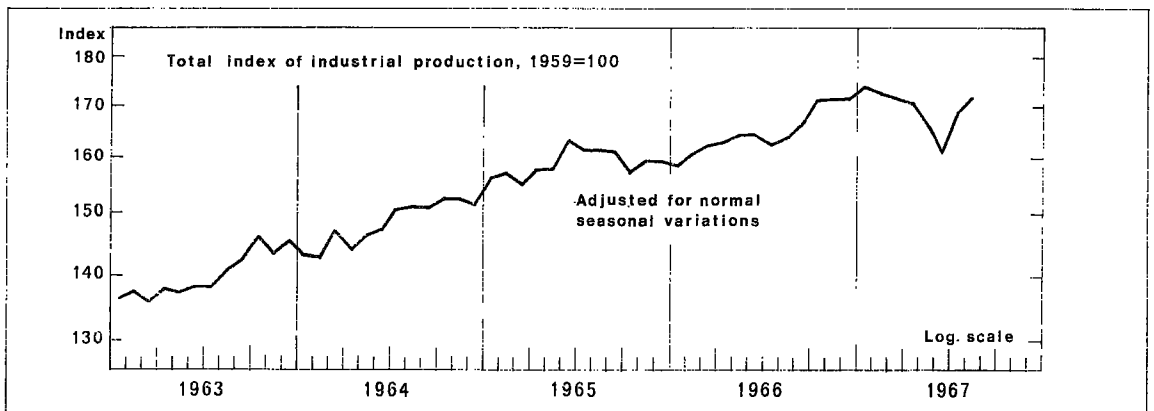
PRICE INDEXES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply processed goods	More elab- orately processed goods			
1964	226	231	210	228	214	227	250	218	218	100	100	100
1965	236	242	214	241	224	232	266	228	223	105	106	104
1966	241	247	216	245	228	238	271	233	228	108	112	104
1966												
Sept.	242	248	217	244	228	242	270	233	230	109	115	104
Oct.	242	248	215	244	229	242	270	233	230	109	115	104
Nov.	242	249	216	244	229	243	272	232	231	109	115	104
Dec.	242	249	216	244	229	243	273	232	231	109	115	104
1967												
Jan.	243	250	216	244	232	245	271	232	234	112	119	105
Feb.	245	253	216	243	233	251	276	232	235	112	119	106
March	244	251	216	243	233	248	273	232	235	112	119	106
April	244	251	216	242	236	248	271	231	235	112	119	105
May	244	251	216	242	236	248	273	230	235	112	119	105
June	243	250	217	242	236	247	271	231	234	114	123	106
July	246	254	216	241	235	254	279	230	236	114	123	106
Aug.	245	253	216	241	235	254	277	230	236	114	123	106
Sept.	245	252	216	241	235	252	272	234	236	114	123	105

Period	Cost of living Oct. 1951 = 100						Consumer prices Oct.—Dec. 1957 = 100					
	Total	Food- stuffs	Rent	Heating and lighting	Clothing	Other	Total	Food- stuffs	Rent	Heating and lighting	Clothing	Other
1964	170	184	364	114	107	164	133	135	135	110	132	134
1965	178	195	377	115	109	173	140	144	140	111	135	141
1966	185	202	392	119	111	182	145	149	145	116	138	148
1966												
Sept.	187	204	392	120	113	185	147	150	145	117	140	151
Oct.	188	203	401	124	113	186	147	149	149	120	140	152
Nov.	189	204	401	125	113	187	148	150	149	122	140	153
Dec.	189	205	401	126	113	189	149	150	149	122	140	154
1967												
Jan.	191	205	403	127	114	193	150	151	149	123	141	157
Feb.	192	206	403	128	114	193	151	151	149	124	142	158
March	192	206	403	128	115	194	151	152	149	125	143	158
April	193	207	403	129	115	194	151	152	149	125	143	158
May	193	209	403	129	115	195	152	153	149	125	143	159
June	194	210	403	129	115	194	152	154	149	125	143	158
July	195	212	407	129	115	195	153	156	151	126	143	159
Aug.	195	212	407	130	115	195	153	156	151	126	143	159
Sept.	197	216	407	130	116	196	154	159	151	126	143	160

PRODUCTION — INTERNAL TRADE

Period	Index of industrial production 1959 = 100									Commercial timber fellings 1 000 piled cu. m	Wholesale trade volume index 1954 = 100
	Total	Invest- ment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					Wood industry	Paper industry	Metal industry	Other			
1964	148	149	154	136	129	170	148	143	148	53 200	156
1965	159	160	166	142	133	182	161	152	159	51 905	170
1966*	166	159	173	154	118	191	162	165	165	46 507	174
1966*											
Jan.	157	164	164	142	113	172	169	147	159	4 219	131
Feb.	159	165	166	145	122	177	169	151	161	4 742	148
March	181	186	189	166	149	207	189	173	162	4 198	175
April	162	159	165	156	136	172	160	163	163	3 177	174
May	168	163	176	158	133	190	165	167	164	12 681	180
June	159	157	160	157	122	173	158	162	164	2 305	174
July	120	73	133	107	96	186	81	118	163	910	157
Aug.	167	149	171	165	100	196	149	175	164	1 793	178
Sept.	178	173	184	168	121	206	176	177	166	2 630	199
Oct.	186	176	196	169	111	215	181	189	172	3 116	188
Nov.	182	176	191	167	104	208	181	186	172	3 048	188
Dec.	168	168	176	151	107	186	169	168	172	3 688	200
1967*											
Jan.	177	173	185	162	111	203	174	174	174	3 835	140
Feb.	171	175	176	160	130	187	175	169	173	5 079	161
March	175	181	180	164	134	196	177	170	172	5 029	177
April	182	177	188	173	140	205	174	184	171	4 492	191
May	171	168	175	166	136	186	168	172	167	9 435	190
June	156	159	154	160	107	157	156	164	161	2 148	175
July	125	80	138	112	92	185	82	124	169	955	159
Aug.	174	156	177	175	113	199	155	184	172	1 978	..

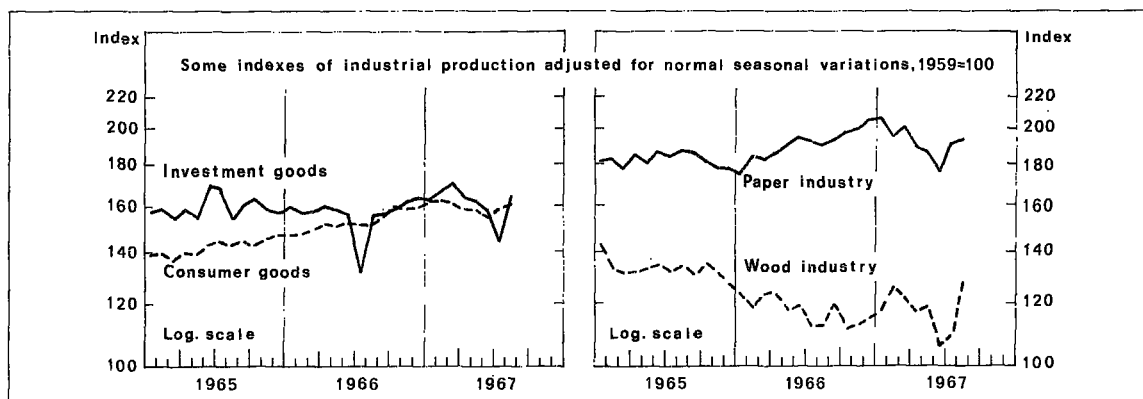


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

BUILDING — WAGES — TRANSPORT — EMPLOYMENT

Period	Buildings completed, mill. cu. m					Buildings under construction at end of period mill. cu. m	Index of salary and wage earners' earnings 1957 = 100			
	Total	Dwelling houses	Farm buildings	Commercial and industrial premises	Official buildings		All salary and wage earners	Wage earners in		
								Agriculture	Forestry	Manufacturing
1964	24.59	10.57	2.43	7.61	2.80	28.75	164	154	172	162
1965	27.04	10.96	2.58	9.20	3.12	31.31	180	177	192	176
1966	26.54	11.26	2.80	8.19	3.00	36.34	192	197	200	190
1966										
Jan.-Mar.	4.92	2.30	0.24	1.85	0.42	30.46	184	187	184	181
Apr.-June	4.55	1.99	0.41	1.34	0.55	35.78	191	200	212	188
July-Sept.	7.15	2.36	0.99	2.09	1.20	38.83	198	197	215	195
Oct.-Dec.	9.92	4.61	1.16	2.91	0.83	35.40	198	200	207	195
1967*										
Jan.-Mar.	6.12	2.47	0.31	2.66	0.50	32.67	205	207	207	201

Period	Railways		Foreign shipping				Labour input		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed		1 000 man-months		% of total labour force	
	1966	1967*	1966	1967*	1966	1967*	1966	1967*	1966	1967*
Jan.	118	123	724	840	561	692	1 896	1 846	2.2	3.1
Feb.	118	125	434	615	268	502	1 869	1 836	2.4	3.1
March	140	133	518	756	347	627	1 877	1 824	2.1	2.6
April	134	140	621	834	561	676	1 905	1 848	2.0	2.5
May	136	129	1 091	1 119	876	972	1 953		1.3	2.1
June	131	124	1 353	1 386	1 211	1 240	1 905		1.0	2.1
July	121	116	1 586	1 511	1 395	1 390	1 728		0.9	2.2
Aug.	138	130	1 367	1 436	1 286	1 371	1 833		1.1	2.3
Sept.	139	126	1 213		1 077		1 969		1.0	
Oct.	140		1 086		856		1 955		1.2	
Nov.	133		1 089		830		1 955		1.2	
Dec.	120		994		805		1 912		1.7	



EXPLANATIONS RELATING TO THE STATISTICAL SECTION

PRE-1963 VALUES ARE GIVEN IN THE NEW MONETARY UNIT, ONE NEW MARK BEING EQUIVALENT TO ONE HUNDRED OF THE OLD MARKS.

BANK OF FINLAND

Page 3. The items of the statement of the Bank of Finland are described in Monthly Bulletin No. 10, 1955, p. 25.

Page 4. Since Dec. 31, 1965 *Gold and foreign exchange* = Gold (valued on basis of the par value of the mark) + IMF gold tranche + Foreign exchange. *Other foreign assets* = Foreign bills + Foreign bonds + Prepayments for exports. *Other foreign liabilities* = Mark accounts of holders abroad + Foreign term liabilities. *Treasury bills and bonds*: Including Treasury bond loan + Treasury bill covering certain IMF and IBRD accounts (included in Other claims). *Other claims, net* — Advances for stand-by stocks — Finnish term liabilities (Treasury). *Foreign exchange situation*: Gold holdings are valued on basis of the par value of the mark. Gold tranche position measures that part of Finland's quota which may be drawn essentially automatically in convertible exchange against payment in marks.

Page 5. *Other advances* = Inland bills in foreign currency + Cheque accounts (assets) + Other claims excl. Treasury's IMF and IBRD bill, Prepayments for exports and Advances for stand-by stocks. *Liabilities* = Other cheque accounts + Other sight liabilities + Other Finnish term liabilities — Account of the Mortgage Bank of Finland Oy. — Cash reserve accounts. — *Diagrams*. Left: *Net claims on other than banks* = Net foreign assets + Net claims on the Treasury + Net claims on the rest of economy + Finnish bonds + Finnish coin — Equalization accounts = Notes in circulation + Bank's own funds — Net claims on the banks.

DEPOSITS BY THE PUBLIC —
ADVANCES TO THE PUBLIC — MONEY SUPPLY

Commercial bank and mortgage bank figures obtained from the official bank statistics, savings bank figures from the Central Statistical Office, other figures from the respective credit institutions or their central banks.

Page 6. *Cheque accounts in all credit institutions* relates to commercial banks, savings banks, co-operative credit societies, and mortgage banks. *Term deposits in all credit institutions* includes a small amount of deposits in mortgage banks. *Indexed deposits and high-interest deposits* are included in term deposits.

Page 7. *Money supply* = Finnish notes and coins in circulation — Finnish notes and coins held by the banks + Cheque accounts of the public + Postal giro accounts of the public.

STATE FINANCES

Page 8. Official monthly figures adjusted by the Bank of Finland Institute for Economic Research. *Revenue and expenditure*: All extra-budgetary funds are included, and figures are reported on a payment basis. — Annual figures will be published in separate articles. *Debt*: Index-tied bond loans are given at their nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to the Post Office Savings Bank minus cash holdings (net) of State departments. In principle, the change in this item = surplus (deficit) in the table on revenue and expenditure. The small divergence is due to the fact that the adjustment of the monthly figures is not as accurate as that of the annual (December) figures.

FOREIGN TRADE

Pages 9—12. Figures supplied by the Board of Customs. *The unit value indexes* (p. 9): The indexes are calculated according to the Laspeyres formula. At the end of the year the arithmetic mean of the Laspeyres indexes corresponds to the annual level of the Fisher index formula. Seasonal variations are not eliminated. Terms of trade: the ratio of export indexes to import indexes. *Foreign trade by countries* (p. 12): imports by countries of purchase, exports by countries of sale.

PRICE INDEXES

Page 13. *Wholesale price index* and *Building cost index* calculated by the Central Statistical Office. *Cost of living index* and *Consumer price index* calculated by the Ministry for Social Affairs.

PRODUCTION — INTERNAL TRADE

Page 14. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the international nomenclature (ISIC). The weight of each group represents the ratio of its value added to the total value added of industrial production in the base year. The seasonally adjusted series is calculated by the Bank of Finland Institute for Economic Research on the basis of the index of industrial production per working day; for the method of calculation of series adjusted for normal and specific seasonal variations see Bulletin No. 8, 1961, p. 18. Other seasonally adjusted series are calculated according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: investment goods weight 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indexes: wood industry ISIC no. 25, weight 6.6, paper industry no. 27, weight 13.1, metal industry nos. 34—38, weight 23.5, and other manufactures nos. 20—24, 26, 28—33, 39, weight 44.0. *Commercial timber fellings* calculated by the Ministry of Communications and Public Works. Beginning June 1964 an additional series has been collected by a new sample method. As the compilation of old series has been ended, the figures since July 1965 have been calculated by extrapolating the level of old series with the percentage changes of the new series. These calculations have been made by the Bank of Finland Institute for Economic Research. *Wholesale trade volume index*, calculated by the Ministry of Finance. Based on sales statistics compiled by the daily Uusi Suomi, covering about 50 % of all internal wholesale trade. Price fluctuations have been eliminated by means of the revised wholesale price index.

BUILDING — WAGES — EMPLOYMENT — TRANSPORT

Page 15. *Building* figures supplied by the Central Statistical Office. *Index of salary and wage earners' earnings* calculated by the Central Statistical Office. Beginning 1957, the weights employed are determined according to the structure of total earnings in 1957; for 1954—1956, the weights are in accordance with earnings in 1951. *Railway* figures supplied by the Board of Railways. *Shipping* figures supplied by the Shipping Board. *Labour input and unemployment* figures supplied by the Labour Research Bureau of the Ministry of Communications and Public Works, both based on the labour force sample survey. Labour input represents the estimated average number of days worked. (See article in No. 10, 1960 of this Bulletin).

SYMBOLS USED

* Preliminary . Less than half the final digit shown . Logically impossible .. Not available — Nil

A line drawn across a column between two consecutive figures indicates that the figures above and below the line are not strictly comparable.

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1154 to 1809 Finland formed a part of the kingdom of Sweden. It then became an autonomous Grand Duchy connected with Russia until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current period, March 1, 1962, to March 1, 1968, is Urho Kekkonen.

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1966 were as follows, numbers in brackets indicating present state of parties: Social Democrats 55, Centre Party 49 (50), People's Democrats 41 (42), Conservatives 26, Swedish Party 12, Liberal Party 9 (8), Social Democratic League 7 (6) and Finnish Farmers' Party 1.

LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. On an average 15.8 % of the land in the South of Finland is cultivated (1960), 2.3 % in the North and 9.2 % of the land as a whole. Of the land area 21.8 mill. ha (53.9 mill. acres), or 71.3 %, are covered by forests.

OWNERSHIP OF LAND (1960): The total land area was distributed among different classes of owners approximately as follows: private 60.9 %, State 31.8 %, joint stock companies etc. 5.6 %, municipalities and parishes 1.7 %.

POPULATION

NUMBER OF INHABITANTS (1965): 4.6 million. Sweden 7.7, Switzerland 5.9, Denmark 4.8 and Norway 3.7 million.

DENSITY OF POPULATION (1965): In South Finland 25.7, in North Finland 4.2 and in the whole country an average of 15.1 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1965): 56 % of the population inhabit the rural areas, 44 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 505 900 inhabitants, Tampere (Tammerfors) 142 000, Turku (Åbo) 140 400.

OCCUPATIONS (1960): Agriculture and forestry 32 %, industry and construction 31 %, commerce 9 %, transport and communications 7 %, services 11 %, economically inactive independent persons 11 %.

LANGUAGE (1960): Finnish speaking 92.4 %, Swedish speaking 7.4 %, others 0.2 %.

EDUCATION (1965): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 6 colleges of university standard, and 2 teacher training colleges, besides teacher training departments in two of the universities.

INCREASE OF POPULATION (1965): births 16.9 ‰, deaths 9.6 ‰, increase 6.1 ‰. Deaths in France 11.1 ‰ and Great Britain 11.5 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1966, in million marks) Gross domestic product at factor cost by industrial origin: agriculture 2 144 (9 %), forestry and fishing 1 843 (8 %), manufacturing 7 203 (29 %), construction 2 406 (10 %), transport and communication 1 798 (7 %), commerce, banking and insurance 3 263 (13 %), public administration 1 073 (4 %), other services 4 898 (20 %), total 24 628. Index of real domestic product 170 (1954 = 100).

FOREST RESOURCES (1960—1963): The growing stock comprised 1 410 million of solid cu. m incl. bark (49 797 million

cu. ft.), of which pine 43 % and spruce 38 %, the rest 19 % being leaf-trees, chiefly birch. Of the growing stock 13 300 million cu. ft, 56 % of them pine, was up to the standard required for logs. The annual growth is 43 million solid cu. m green wood excl. bark (1 519 mill. cu. ft.). The total removal in 1963 calculated according to the use of wood was 51 million cu. m excl. bark (1 815 million cu. ft.).

AGRICULTURE (1960): Cultivated land 2.6 million hectares of which holdings of less than 5 ha. amount to 17 %, 5 to 15 ha. 48 %, 15 to 50 ha. 30 % and more than 50 ha. 5 %. Number of holdings 388 000, of which 184 000 are of more than 5 ha. Index of agricultural production 137 for 1965 (1954 = 100). Measure of self-sufficiency in bread cereals 91 % in the crop year 1964/65.

INDUSTRY (1964): Gross value of industrial production 17 450 mill. marks, number of workers 349 000, salaried employees 76 400, motive power (1964) 4.6 mill. HP. Index of industrial production 148 for 1964 (1959 = 100).

RAILWAYS (Jan. 1, 1967): Length 5 556 km, of which 5 545 km are State and 11 km private railways.

MERCHANT FLEET (Sept. 30, 1967): Steamers 108 (186 601 gross reg. tons), motor vessels 400 (823 274 gross reg. tons), sailing vessels with auxiliary engines 17 (2 448 gross reg. tons). Total 525 (1 012 323 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1966): Passenger cars 505 900, lorries and vans 85 200, buses 7 200, others 3 800. Total 602 100.

SCHEDULED AIR TRAFFIC OF FINNISH COMPANIES (1966): Kilometres flown 14.5 million, passengers carried 768 757, passenger kilometres 409.7 million, and ton kilometres of freight and mail 7.9 million.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). From Oct. 12, 1967, the par value of the mark has been changed from 0.27771 grams of fine gold per mark (equivalent to 3.20 marks per U.S. dollar) to 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per U.S. dollar). Finland has been a member of the International Monetary Fund since 1948.

MUNICIPAL FINANCES. In the finance accounts for 1965 expenditure amounted to 3 628 mill. marks. Total revenue was 3 684 million, of which income from taxation 1 880 million. The municipal income tax (non-progressive) averaged 12.20 % of the ratepayers' taxable income.

THE CENTRAL BANK. The Bank of Finland functions under the guarantee and supervision of Parliament. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1966). There are two big and four small commercial banks with in all 783 offices, 356 savings banks, 483 cooperative credit societies and their central bank, six mortgage societies, and POSB. The savings departments of the cooperative stores accept deposits from the public. The National Pension Institute and sixty-four private insurance companies also grant credits.

RATES OF INTEREST (June 1, 1966). Bank of Finland discount rates 6—7 ½ %. Other credit institutions: term deposits 4 ½ %, 12 months' deposits 6 %, 100 per cent index-tied deposits 3 %, 50 per cent index-tied deposits 4 %; highest lending rate 10 %.

THE OUTLOOK FOR GROWTH IN THE FINNISH ECONOMY UNTIL 1970

BY

KAUKO MANNERMAA, Mag. Pol.,

MEMBER OF THE SECRETARIAT OF THE ECONOMIC COUNCIL

The outlook for growth in the Finnish economy until 1970 is discussed in the Economic Council's latest report¹. This report attempts to outline the alternative directions that economic policy could take and to estimate their consequences. The calculations in the report were based on the assumption that the par value of the mark will not change. Therefore, the effects of the change in the par value of the mark on October 12, are not taken into account. (See page 1)² The aim of the report has been to facilitate economic decision-making by providing forecasts on the possibility of implementing different courses of action as well as on the scope and effects of economic policy. However, no recommendations on actual policy measures are included. The results of the calculations have been available to the members of the Economic Council i.e. the representatives of the Government and many economic organizations for some time. The conditional forecasts presented in the report have in several respects already fulfilled their function.

The forecasts were based on the assumption that the prevailing foreign trade relations and the prerequisites for the functioning of

the Finnish economy remain unchanged. An endeavour was made to determine whether the imbalances in the economy could be abolished and whether the targets set could be achieved with the present preconditions.

This forecast of the Economic Council is a continuation of the previous work. In 1964 a report was published on the growth policy of the next few years which dealt with economic developments until 1967, while in some sectors a considerably longer period was covered. In 1966 a memorandum was produced which i.a. surveyed economic developments in 1960—65 and assessed the forecasts of the 1964 report.

THE METHODS USED

The forecasts of the report have been made by means of a macroeconomic model taking as much account as possible of the different functional relationships in the economy. Separate forecasts on exports, public expenditure, public and also on a part of private investment, certain transfer payments and on some other variables were used as the basis for the estimates made. The future development of the other most important economic variables could be forecast by using these estimates together with an econometric model for the whole economy consisting of 125 equations.

¹) The Economic Council, Committee Report 1967: B 72, October 16, 1967. Mimeographed in Finnish.

²) This article is published to show the likely course of events if devaluation had not taken place.

The aim of the calculations was to clarify the effect of changes in the different variables on the economy. In this way the obstacles to economic growth which may arise and the effect on growth of different policies could be shown. By means of the calculations it was possible to make a consistent analysis of the structural relationships in the economy while keeping the principal economic goals in mind. However, it should be pointed out that the calculations were based on certain assumptions. The most important premises regarding economic growth in 1966—70 were:

- the terms of trade will remain the same as in 1965;
- the rise in the domestic cost level will not substantially exceed cost increases in our competitor countries;
- the propensity to save of households will be the same in all the alternatives;
- the estimated share of imports in different commodity groups will be the same in all the alternatives.

PRINCIPLES OF THE ALTERNATIVE CALCULATIONS

At first four different fiscal policy alternatives were put forward in the report and an attempt was made to forecast their probable consequences. This was done by introducing two different assumptions regarding both the basis for revenue and for expenditure of the public sector. Since the forecasts on exports and on private investment in particular were considered uncertain, two forecasts were produced on both these variables for each of the fiscal policy alternatives. When the various assumptions were combined altogether 16 different alternatives were obtained. The calculations showed, however, that every alternative resulted in such imbalances in e.g. the balance of payments and employment, that putting any of

them as such into effect was inconceivable. Therefore the analysis was continued on the basis of the alternative with the least unfavourable results.

In this alternative it was supposed that the annual volume growth of exports will be about 7 per cent and that of private investment about 4 per cent in 1966—70. The basis for state revenue was supposed to be that of January 1967. As to public expenditure, it was assumed that the volume of public consumption expenditure will grow by 3.3 per cent annually, and that of income transfers by 4 per cent; the volume of investment was, on the contrary, assumed to remain unchanged. In the further analysis, however, the assumption concerning public investment was altered to an annual volume increase of 4.5 per cent. This additional alternative was designed to help obtain a more accurate view of the chances of removing the current imbalances from the economy without the introduction of new economic policy measures.

THE RESULTS OF THE CALCULATIONS

According to the last alternative aggregate demand and supply would have developed as set out in the following table in 1965—70 (millions of marks at 1965 prices).

	1965	1970	Average annual growth, per cent
Gross national product at market prices ..	25 940	32 070	4.3
Imports of goods and services	5 980	7 730	5.3
Aggregate supply	31 920	39 800	4.5
Exports of goods and services	5 500	7 580	6.5
Consumption	18 860	22 900	4.0
— private	15 130	18 520	4.1
— public	3 730	4 380	3.3
Investment	6 560	8 140	4.4
— private	5 020	6 250	4.5
— public	1 540	1 890	4.3
Changes in stocks and statistical error ...	1 010	1 200	..
Aggregate demand	31 920	39 820	4.5

According to this estimate the difference between the imports and exports of goods and services would have been 150 million marks in 1970. The deficit in the balance of payments on current account, which includes net income transfers abroad, accordingly would have amounted to 330 million marks. This alternative would have called for annual net borrowing from abroad still of about 400 million marks at the end of the period under review. For purposes of comparison it may be mentioned that the deficit in the balance of payments on current account was 600 million marks in 1965 and 650 million marks in 1966. In these years, however, a part of the deficit was able to be financed by the foreign exchange reserves. The total decline in the reserves was almost 300 million marks in 1965 and about 350 million in 1966. A further reduction in the reserves would, however, have not been possible. Even if there would have been an improvement in the opportunities for obtaining credit from abroad, the need for foreign credit necessitated by this alternative had to be regarded as quite considerable. Thus this alternative did not attain the goals set as far as the balance of payments is concerned.

The change in the structure of the demand for labour in the forecast analysed would have been as follows:

	1965		1970	
	1 000 persons	per cent	1 000 persons	per cent
Agriculture	539	24.8	468	21.0
Forestry	106	4.9	88	4.0
Industry	512	23.6	542	24.3
Construction . . .	199	9.1	217	9.8
Services	816	37.6	911	40.9
Total	2 171	100.0	2 226	100.0

According to these figures there would be a decrease of about 90 000 employees in agriculture and forestry. The increase in the demand for labour would take place mainly in the services sector. On the basis of the labour force sample survey the supply of

labour is estimated to be 2 260 000 in 1970. In case this estimate and the demand forecast above would hold good, the number of unemployed would have averaged about 34 000 in 1970. The corresponding figure in recent years has been slightly over 30 000 on average. It should, however, be pointed out that the employment figures are particularly uncertain.

The position of the public sector would have been relatively good in the alternative reviewed. The calculations gave a surplus of 10 million marks. This surplus, which is obtained by deducting from revenue (excluding loans) expenditure (excluding redemption), shows how the public sector "manages on its own". The total surplus in central and local government finances has been negative throughout nearly the whole of the 1960's, e.g. in 1965 there was a deficit of 350 million marks.

CONCLUSIONS

The examination of the different alternatives indicated that the scope for economic policy would have been very limited if the elimination of the imbalances in the economy were attempted under the circumstances presupposed in the different calculations.

From the last alternative it could be concluded that the employment situation as well as the problems in state finances could apparently have been managed satisfactorily, if the growth in public expenditure could have been limited to the extent presumed. The solution of the balance of payments problem would, however, have been possible only if substantial foreign credits could have been obtained. As considerable difficulties would, however, have been faced in endeavours to meet the estimated need for credit, not even this alternative could be regarded as very realistic, without the assumption of a development in exports still more optimistic than the fore-

cast and/or of a slackening in the growth of imports.

The export forecast used suggests that there would have been an annual growth of 5 per cent in the exports of paper industry products, of 7 per cent in the exports of metal industry products, of 1 per cent in the wood industry products and of about 20 per cent in other manufacturing products. The world market situation did not permit greater optimism in the forecasts on exports using wood as the raw material. The growth of other exports in excess of what was assumed above as well as a noticeable slackening in the growth rate of imports would require an economic policy strongly in favour of improving Finland's competitive position in international markets.

The Economic Council presented the alternative calculations primarily in order to illustrate the problems of economic policy and to clarify its scope and possibilities. A further aim was to set out the various alternatives available to solve the problems connected with economic growth in the Finnish economy in the next few years. The alternatives were not presented with the idea that one of them would represent the "best" course for economic policy to take, not even within the framework of the assumptions used. No alternatives involving a change in the central assumptions were developed, although a comparison between the different alternatives presented suggested the direction in which the changes should be made.

ITEMS

Change of Governor of the Bank of Finland. On October 13, 1967, at the meeting of the Cabinet the President of the Republic accepted the resignation of the Governor of the Bank of Finland, Mr Klaus Waris, Ph. D. (See Item in Bulletin No. 6, 1967). At the same meeting the President appointed Mr Mauno Koivisto, Ph. D., Governor of the Bank as from January 1, 1968. Mr Koivisto has been the Minister of Finance in the present Government.

*

Export Levy Act. Following the decision to change the par value of the mark the Government proposed an Export Levy Act, which was given Parliamentary sanction and came into force on October 21, 1967. The export levy, to be paid by the exporter, shall be 14 per cent of the export price of the goods. The law will be valid to the end of 1969, but the percentage shall be reduced gradually with a view to the maintenance of the monetary equilibrium of the economy, the course of development of export prices and the profit position of export industries in general. The unreduced percentage has, however, to be applied for at least three months after this law has come into force.

With the exception of the above provisions, the Cabinet shall have the right to stipulate that the export levy be cancelled

for certain commodity groups or that it be paid in a reduced amount.

The funds accruing on account of the export levy shall be deposited on a special State account at the Bank of Finland and shall be included in the budgets for 1968 and 1969. They shall be used as follows:

— one third for investments in State-owned companies other than those engaged mainly in power production and for the investment expenditure of the State Railways and the Postal and Telegraph Services;

— one third for the development of power production by State-owned companies and for the construction of storage facilities for stand-by stocks of fuel;

— one third to increase the opportunities available to the special credit institutions for providing export credit, or investment credit for small or medium-sized industry, to grant loans to small-scale industry or for the promotion of other manufacturing, and to carry out an intensified forest improvement programme.

*

Publications of the Bank of Finland. The Bank of Finland Year Book for 1966 has been published in Finnish, Swedish and English. The first section is a review of Finnish economic conditions in 1966. The following three sections deal with credit and capital markets, foreign exchange pol-

icy and the balance of payments, and the Bank of Finland statements. In the fifth section, there is an account of Finland's relations with international financial institutions. The appendix comprises an Act

on a temporary revision of the Regulations for the Bank of Finland. At the end of the book there is a statistical annex. The Year Book has been compiled by the Bank of Finland Institute for Economic Research.

(continued from page 2)

suggested that a special Export Levy Act be passed; however, this should be valid not only for one year as in 1957, which proved to be too short a time for stabilization purposes, but to the end of 1969. The export levies should be used for financing such economic projects which promote economic growth in an efficient manner and which otherwise would be postponed far into the future. To limit the rise in import prices the Bank again proposed that the reduction of tariffs in the framework of the FINEFTA agreement be speeded up. The Government has decided to present bills on both these issues to Parliament.

In contrast to 1957, "the prerequisites for the devaluation" will now thus be created afterwards. This is enabled by the fact that the Government parties have such a large majority in Parliament that the proposal

will without doubt be accepted by Parliament after the Government has reached a decision.¹

Legislative measures and a budgetary policy in support of these are not, however, sufficient to safeguard the expected stimulating effect of the devaluation on Finland's economic development; also other economic policy decisions will be needed where the Government's influence is not so evident. It depends on these measures how strong and permanent will the advantage gained from devaluation be for employment. In any case the Bank of Finland is convinced that an improvement in the balance of payments will now be achieved which also will help to ease the extremely tight money market situation.

¹) The Export Levy Act has been passed and came into force on October 21. See Items.

BANK OF FINLAND

BOARD OF MANAGEMENT

KLAUS WARIS,
Governor

REINO ROSSI,
Deputy Governor

ESKO K. LEINONEN

A. SIMONEN
*(Absent as a member of
Government)*

AHTI KARJALAINEN
*(Absent as a member of
Government)*

HEIKKI VALVANNE
ad int.

DIRECTORS

HEIKKI VALVANNE

JOUKO J. VOUTILAINEN

SECRETARIES

PERTTI TAMMIVUORI

K. IGNATIUS

JORMA ARANKO
(On leave of absence)

KALEVI KAILASVUORI

KARI NARS
(On leave of absence)

KARI WALDEN

HEADS OF DEPARTMENT

C. G. SUNDMAN,
*Foreign exchange
(trade)*

P. BLOMQUIST,
Central Accounting

P.-E. ÖSTERLUND,
*Foreign exchange
(services)*

A. KAJANTIE,
Internal Audit

HELGE LINDSTRÖM,
Credits

A. NENONEN,
Foreign correspondence

K. EIROLA,
Accounts

EINO SUOMELA,
Office

STIG TÖRNROTH,
Cash

INSTITUTE FOR ECONOMIC RESEARCH

TIMO HELELÄ,
Director

LAURI KORPELAINEN,
Head of department