



BANK OF FINLAND

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1968

INDUSTRIAL PRODUCTION

In 1967 the increase in the volume of total industrial production was 3.1¹⁾ per cent on the previous year. The seasonally adjusted production figures show a decline from the beginning of the year till July, when the volume of production started to grow. It was not until November that the volume of production reached the level of January 1967. The introduction of the five-day working week affected the production figures in May—September. Due to the expiry of the law on tax concessions for the building of dwellings at the end of 1966 some increase in production in the industries allied to construction was still noticeable in the first part of 1967. The sharp decline in house building from the second quarter of 1967 onwards caused a reduction in the output of the manufacture of metal products and the clay, glass and stone industry in particular. In the three last quarters a substantial drop occurred in paper industry production from the level of early 1967 due to the slackening of demand in Finland's most important export countries. The table below illustrates developments in the major industrial sectors in 1966—1967 and each quarterly change on the previous quarter in 1967.

	Change on previous year, per cent		Change on previous quarter, per cent			
	1966	1967	I 67	II 67	III 67	IV 67
Total industrial production	4.1	3.1	0.0	-3.3	1.3	2.9
Wood industry	-11.5	1.5	7.8	-6.2	3.2	5.7
Paper industry	4.5	-0.9	-0.3	-8.3	2.8	-1.9
Investment goods industry	-1.1	4.4	3.0	-2.8	-4.6	11.0
Consumer goods industry	7.8	5.1	1.7	-3.0	1.4	4.1
Other raw material industries	6.0	3.3	-1.4	-2.6	1.1	4.0

During the first quarter of 1968 industrial production seems to be on a level with the last quarter of 1967. This holds good in particular for the wood-processing industry and the industries serving house construction. The growth in the demand for consumer goods is held back by the income effects of the devaluation, but on the other hand the competitive position of domestic production has subsequently improved.

WOOD AND PAPER INDUSTRY

The volume of wood industry production which had shown a decrease during 1966 (-11.5 per cent) started to grow at the beginning of 1967. The growth still continued in the third and fourth quarters. The total production of 1967 was 1.5 per cent greater than in 1966. This change in the trend was partly a result of the increased export demand

1) The figures for the whole year have been calculated on the basis of volume indexes per working day. The comparisons within a year are made with seasonally adjusted figures, without, however, eliminating the effect of the shortened working week.

On page 18, Reform of Taxation of Business Income

due to the acceleration in construction in the United Kingdom at the beginning of the year and in West Germany towards the end of the year.

In December 1966 the volume of paper industry production was 17 per cent more than in January the same year whereas in December 1967 it was 9 per cent less than in January 1967. The total production of 1967 was 0.9 per cent less than that of 1966. The fall was primarily due to the slow-down in the demand for pulp and newsprint in the western countries. Demand for more processed paper products on the contrary was rather satisfactory throughout the year.

INVESTMENT GOODS

In spite of the slight decline in domestic investment in 1967 the production of investment goods rose by 4.4 per cent on the previous year, i.e. by more than total industrial production. This may be primarily regarded as a consequence of the marked increase in exports of metal products. The distinct cut-back in production in June—July can be attributed to the shortened working week.

CONSUMER GOODS

The rate of expansion of consumer goods production was slower than that of the previous year in 1967; in 1966 the rate was 7.8 per cent and in 1967 it was 5.1 per cent.

In the last quarter of 1967 the output was only 2.3 per cent more than in the first quarter, although there was a temporary acceleration in demand after the devaluation. The slower growth rate of 1967 was mainly due to the slackening of domestic demand, whereas the growth of exports of consumer goods has been satisfactory.

OTHER INDUSTRIES

Developments in the production of raw materials and semifinished products (excluding wood and paper industry products) were similar to those in total industrial production in 1967. The increase on the previous year was 3.3 per cent. Among the separate industries within this category may be mentioned the chemical industry where a growth of 3.7 per cent was recorded and the clay, glass and stone industry where there was a decline of 0.2 per cent. Production in mining and quarrying dropped in 1966 by 10.4 per cent from the previous year, but recovered during 1967 with a growth rate of as much as 6.3 per cent. The developments in the wood-processing industry are strongly reflected in the output of electricity plants and gas and waterworks; the rate of growth in this category slowed down from 8.4 per cent in 1966 to 6.0 per cent in 1967.

February 23, 1968

BANK OF FINLAND

Mill. mk

	1967		1968			
	Dec. 31	Jan. 31	Jan. 31	Feb. 8	Feb. 15	Feb. 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	798.8	685.2	909.8	970.1	985.4	1087.6
Gold	188.8	143.9	188.8	188.8	188.8	187.8
IMF gold tranche	—	100.0	—	—	—	—
Foreign exchange	512.3	358.8	622.4	683.5	697.3	801.5
Foreign bills	72.5	57.6	73.4	72.6	74.1	73.1
Foreign bonds	25.2	24.9	25.2	25.2	25.2	25.2
<i>Supplementary note cover</i>	1 130.7	757.4	1 082.3	1 001.0	972.1	947.2
Inland bills discounted						
In foreign currency	122.5	39.5	99.1	99.1	99.1	75.7
In Finnish currency	140.7	106.8	149.3	147.2	137.4	137.6
Rediscounted bills	867.5	611.1	833.9	754.7	735.6	733.9
<i>Other assets</i>	707.7	509.4	611.5	582.4	591.2	551.8
Finnish bonds	370.5	368.2	325.3	346.8	359.8	321.0
Cheque accounts	4.0	1.3	3.5	2.5	1.6	2.0
Finnish coin	12.3	15.4	17.5	18.0	18.9	19.3
Other claims	320.9	124.5	265.2	215.1	210.9	209.5
Total	2 637.2	1 952.0	2 603.6	2 553.5	2 548.7	2 586.6
Liabilities						
<i>Notes in circulation</i>	1 052.1	968.7	1 010.3	926.0	927.6	948.1
<i>Liabilities payable on demand</i>	139.6	161.8	96.7	112.5	108.3	101.3
Foreign exchange accounts	74.7	46.1	67.8	67.0	66.7	66.6
Mark accounts of holders abroad	14.1	13.2	11.1	10.5	10.4	10.1
Cheque accounts						
Treasury	4.4	1.1	0.3	0.5	1.8	0.2
Post Office Savings Bank	17.2	5.3	2.2	0.1	1.0	0.2
Private banks	9.8	73.4	—	19.7	14.4	9.9
Other	1.8	1.9	2.0	2.1	1.7	1.5
Other sight liabilities	17.6	20.8	13.3	12.6	12.3	12.8
<i>Term liabilities</i>	553.1	119.5	610.2	621.0	620.2	649.2
Foreign	339.5	84.6	339.4	339.4	339.4	339.3
Finnish	213.6	34.9	270.8	281.6	280.8	309.9
<i>Equalization accounts</i>	422.0	252.5	412.1	419.0	416.8	410.7
<i>Bank's own funds</i>	470.4	449.5	474.3	475.0	475.8	477.3
Capital	300.0	300.0	300.0	300.0	300.0	300.0
Reserve fund	129.5	129.5	150.0	150.0	150.0	150.0
Profits undisposed	—	16.9	20.4	20.4	20.4	20.4
Earnings less expenses	40.9	3.1	3.9	4.6	5.4	6.9
Total	2 637.2	1 952.0	2 603.6	2 553.5	2 548.7	2 586.6
STATEMENT OF NOTE ISSUE						
Right of note issue						
<i>Ordinary cover</i>	798.8	685.2	909.8	970.1	985.4	1087.6
<i>Supplementary cover</i>						
(Upper limit 500 mill. mk; since Nov. 30, 1966, 700 mill. mk)	700.0	700.0	700.0	700.0	700.0	700.0
Total	1 498.8	1 385.2	1 609.8	1 670.1	1 685.4	1 787.6
Note issue						
<i>Notes in circulation</i>	1 052.1	968.7	1 010.3	926.0	927.6	948.1
<i>Liabilities payable on demand</i>	139.6	161.8	96.7	112.5	108.3	101.3
Undrawn on cheque credits	3.1	5.8	4.9	5.1	5.8	5.5
Unused right of note issue	304.0	248.9	497.9	626.5	643.7	732.7
Total	1 498.8	1 385.2	1 609.8	1 670.1	1 685.4	1 787.6

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
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
1967	701.1	74.7	626.4	97.7	353.6	370.5	8.3	14.8	4.4	— 10.9
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
Oct. ¹⁾	984.0	64.5	919.5	106.3	377.3	648.5	8.3	1.3	10.6	— 3.6
Nov.	878.6	71.9	806.7	106.8	357.4	556.1	8.3	2.3	18.4	— 12.4
Dec.	701.1	74.7	626.4	97.7	353.6	370.5	8.3	14.8	4.4	— 10.9
1968										
Jan.	811.2	67.8	743.4	98.6	350.5	491.5	4.1	63.6	0.3	— 59.8

	Foreign exchange situation, mill. mk						
	Net holdings, Dec. 30, 1966			Net holdings, Jan. 31, 1968			Change in January 1968
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	
Gold	189	—	189	189	—	189	—
Convertible currencies	458	—295	163	544	—344	200	+37
Other currencies	— 21	— 1	— 22	10	1	11	+33
Total	626	—296	330	743	—343	400	+70

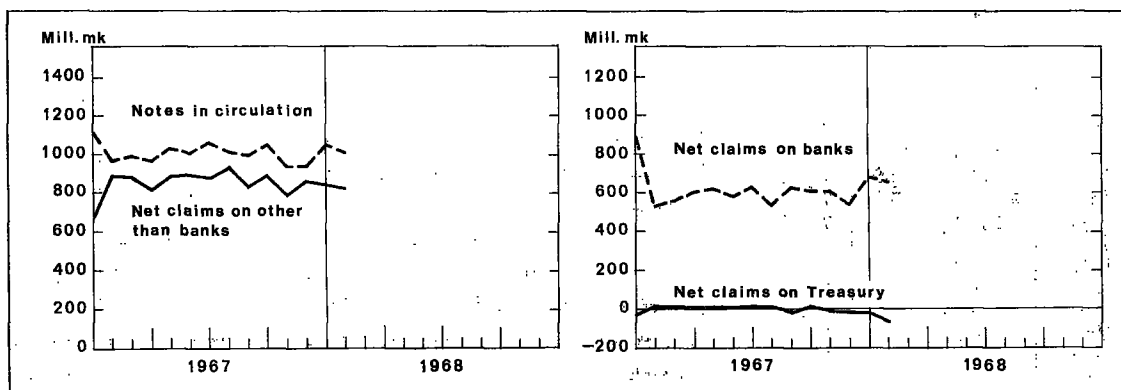
¹⁾ Subsequent figures are affected by the change in the par value of the mark from 0.27771 grams of fine gold per mark (equivalent to 3.20 marks per U.S. dollar) to 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per U.S. dollar), effective Oct. 12, 1967.

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
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
1967	867.5	154.7	34.5	+ 0.0	678.3	140.7	439.1	56.0	523.8	1 052.1
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
Oct.	750.0	103.0	33.0	+ 0.0	614.0	109.2	226.8	57.5	278.5	938.6
Nov.	780.2	170.9	69.1	0.2	540.0	113.9	295.5	51.8	357.6	937.9
Dec.	867.5	154.7	34.5	+ 0.0	678.3	140.7	439.1	56.0	523.8	1 052.1
1968										
Jan.	833.9	153.9	19.5	0.1	660.4	149.3	362.3	49.8	461.8	1 010.3

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	Commercial banks	Savings banks	Co-op. credit societies & their central bank	Post Office Savings Bank	Savings departments of co-op. stores	All credit institutions	
	Commercial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
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
1967*	649.8	833.8	340.9	4 080.8	3 652.5	2 437.7	941.2	431.3	11 543.7	12 718.4
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
Oct.	708.3	910.9	312.4	3 857.1	3 522.3	2 350.2	909.9	395.9	11 035.6	12 258.9
Nov.	663.0	850.5	310.9	3 879.2	3 543.0	2 354.7	912.2	398.5	11 087.8	12 249.2
Dec.	649.8	833.8	340.9	4 080.8	3 652.5	2 437.7	941.2	431.3	11 543.7	12 718.4

End of month	Index-tied deposits		High-interest deposits
	100 % clause	50 % clause	
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
Oct.	3 529.1	—	680.0
Nov.	3 745.1	—	645.1
Des.	4 001.2	—	612.3

Selling rates for foreign exchange			
Feb. 23, 1968			
		mk	mk
New York	1 \$	4.1950	Zurich 100 Fr 96.47
Montreal	1 \$	3.8580	Paris 100 FF 85.26
London	1 £	10.1050	Rome 100 Lit 0.6713
Stockholm ..	100 Kr	81.15	Vienna 100 S 16.23
Oslo	100 Kr	58.76	Lisbon 100 Esc 14.67
Copenhagen ..	100 Kr	56.28	Reykjavik 100 Kr 7.38
Frankfurt o. M.	100 DM	104.92	Madrid 100 Pta 6.03
Amsterdam ..	100 Fl	116.24	Moscow, clear. ¹⁾ 1 Rbl 4.6799
Brussels	100 Fr	8.4450	Clearing dollars ²⁾ 1 Cl \$ 4.212

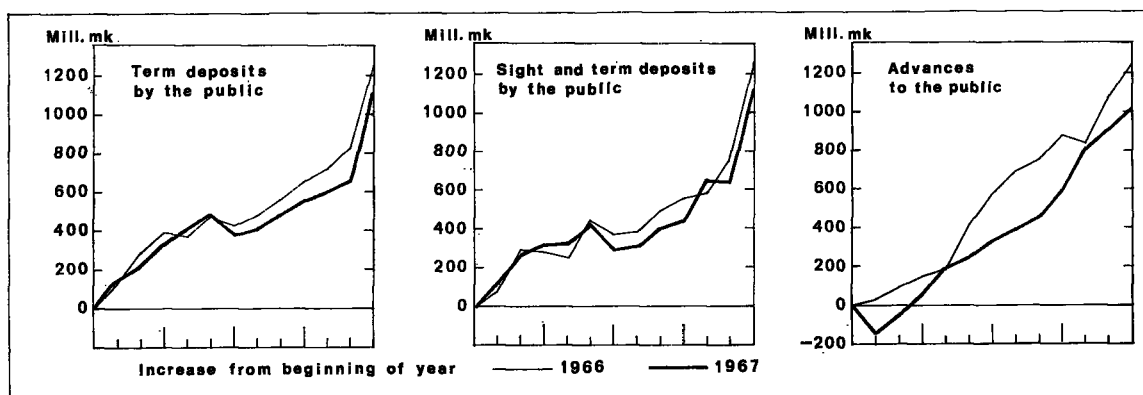
¹⁾ Bucharest.²⁾ Berlin, Budapest, Prague, Sofia, Warsaw.

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
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
1967*	5 203.7	3 247.0	869.0	2 778.4	1 026.9	12 598.1	526.9	13 125.0	2 183.0
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	2 016.1
Oct. ¹⁾	5 073.5	3 206.2	859.6	2 740.9	1 043.8	12 443.0	481.0	12 924.0	2 075.6
Nov.	5 114.3	3 238.7	861.0	2 764.8	1 033.6	12 504.5	507.9	13 012.4	2 059.7
Dec.	5 203.7	3 247.0	869.0	2 778.4	1 026.9	12 598.1	526.9	13 125.0	2 183.0

¹⁾ See footnote on page 4.



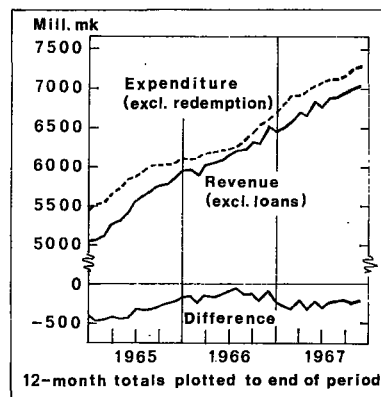
STATE FINANCES

Mill. mk

Revenue	Jan.—Nov.		Expenditure	Jan.—Nov.	
	1966	1967		1966	1967
Income and property tax (net)	1 632	1 817	Interest on State debt	161	195
Gross receipts	(3 812)	(4 374)	Child allowances	299	309
Refunds and communal income tax	(-2 180)	(-2 557)	The State's share in national pensions	251	278
Other direct taxes	31	33	The State's share in national health insurance	57	43
Sales tax	1 278	1 497	Compensations to war-disabled	135	148
Import duties	466	431	Subsidies	546	556
Revenue from Alcohol Monopoly ..	434	477	Net payments of price equalization	54	70
Excise duty on tobacco	339	396	State aid to agriculture	53	40
Excise duty on liquid fuel	407	438	State aid to communal and private schools	499	574
Other excise duties	96	133	Net loss of State enterprises	67	74
Tax on automobiles and motor cycles	157	165	Maintenance of roads	154	163
Tax on motor vehicles	47	54	Other current expenditure	2 153	..
Stamp duties	156	163	Current expenditure	4 429	..
Employers' payments for child allowances	402	435	Real investments ¹⁾	1 036	1 003
Other revenue similar to taxes	81	92	Other capital expenditure	617	..
Total taxes	5 526	6 131	Capital expenditure	1 653	..
Interest and dividends	90	105	Total expenditure	6 082	6 656
Other current revenue	242	230	Redemption of external loans	81	60
Current revenue	5 858	6 466	Redemption of internal loans	287	395
Capital revenue proper	144	152	Redemption of indemnity bonds etc.	1	1
Decrease in inventories	39	11	Index premiums	15	16
Capital revenue	183	163	Redemptions	384	472
Total revenue	6 041	6 629	Total	6 466	7 128
External loans	70	149			
Internal loans	607	425			
Loans	677	574			
Short-term credit (increase +) ..	-314	-6			
Deficit (+) or surplus (-)	+ 62	-69			
Total	6 466	7 128			

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

Debt	1964	1965	1966	1967		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
External debt	1 184	1 175	1 337	1 422	1 780	1 869
Ordinary loans	1 353	1 661	1 980	1 998	2 020	2 010
Indemnity bonds etc.	7	203	93	3	2	2
Short-term credit ..	177	163	95	84	112	109
Cash debt (net)	23	-101	-119	-213	-221	-187
Internal debt	1 560	1 926	2 049	1 872	1 913	1 934
Total debt	2 744	3 101	3 386	3 294	3 693	3 803
Total debt, mill. \$	853	962	1 050	1 021	882	905



BALANCE OF PAYMENTS

Mill. mk

Period	Exports f.o.b.	Imports c.i.f.	Trade balance	Transportation, net	Travel, net	Other services, net	Balance of goods and services	Investment income, net	Transfer payments, net	Balance of current transactions
1960	3 144	3 415	-271	+204	- 73	+ 11	-129	- 17	+ 9	-137
1961	3 350	3 701	-351	+231	- 95	+ 19	-196	- 30	+ 7	-219
1962	3 515	3 948	-433	+222	-112	+ 71	-252	- 47	+ 5	-294
1963	3 658	3 878	-220	+243	-100	+ 74	- 3	- 70	+ 6	- 67
1964	4 109	4 831	-722	+330	-115	+ 42	-465	-101	+ 3	-563
1965	4 542	5 287	-745	+341	-108	+ 21	-491	-131	+ 15	-607
1966	4 784	5 542	-758	+356	- 96	+ 12	-486	-150	+ 3	-633
Jan.-Mar.										
1965	924	1 246	-322	+ 58	- 23	+ 15	-272	- 31	+ 1	-302
1966	879	1 247	-368	+ 66	- 23	+ 10	-315	- 38	+ 0	-353
1967	1 088	1 347	-259	+ 91	- 24	- 2	-194	- 57	- 1	-252
Apr.-June										
1965	1 141	1 406	-265	+ 90	- 34	+ 12	-197	- 31	+ 3	-225
1966	1 247	1 397	-150	+108	- 31	- 8	- 81	- 36	- 2	-119
1967	1 242	1 398	-156	+105	- 34	+ 6	- 79	- 39	+ 1	-117
July-Sept.										
1965	1 210	1 281	- 71	+ 85	- 25	+ 13	+ 2	- 25	+ 0	- 23
1966	1 275	1 359	- 84	+ 67	- 17	+ 1	- 33	- 40	+ 2	- 71
1967	1 241	1 256	- 15	+114	- 27	- 3	+ 69	- 63	+ 3	+ 9
Oct.-Dec.										
1965	1 267	1 354	- 87	+108	- 26	- 19	- 24	- 44	+ 11	- 57
1966	1 383	1 539	-156	+115	- 25	+ 9	- 57	- 36	+ 3	- 90

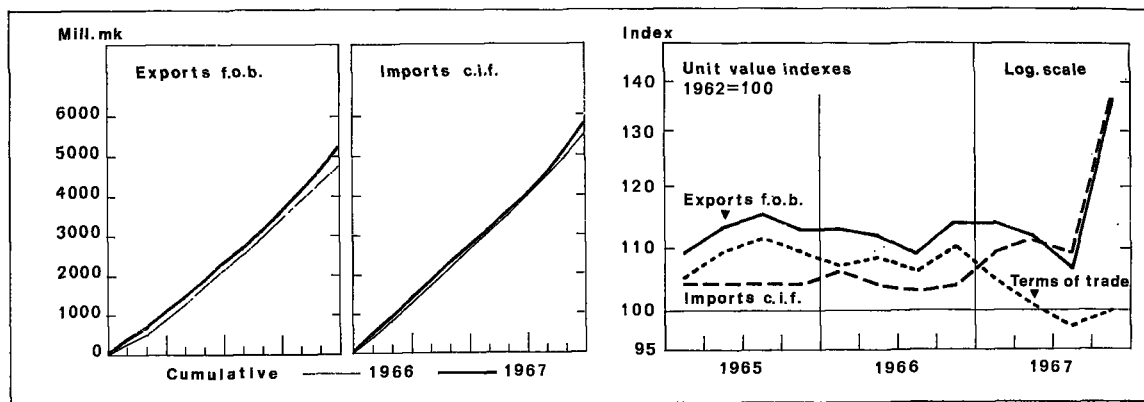
Period	Drawings of long-term loans	Amortiza- tions of long-term loans	Long- term export credits, net	Miscella- neous long-term capital items, net ¹⁾	Basic balance	Short-term import credits and pre- payments, net	Short-term export credits and pre- payments, net	Miscella- neous short- term capital items incl. errors and omissions	Over-all balance	Reserve movements	
										Bank of Finland	Other foreign exchange holders
1960	+200	-116	..	- 9	- 62	+140	- 58	- 82	- 62	+ 62	..
1961	+298	-124	..	+ 5	- 40	+ 2	+ 32	+ 45	+ 39	- 39	..
1962	+271	-134	..	- 9	-166	- 74	- 43	+240	- 43	+ 43	..
1963	+513	-164	..	- 23	+259	-109	- 22	- 16	+112	-112	..
1964	+762	-228	- 31	- 11	- 71	+112	+ 55	+ 83	+179	-179	..
1965	+434	-273	- 66	+ 4	-508	+146	+ 35	+ 44	-283	+202	+ 81
1966	+518	-271	- 61	- 32	-479	+ 53	-114	+185	-355	+321	+ 34
Jan.-Mar.											
1965	+121	- 79	- 2	+ 3	-259	+ 51	+137	+ 1	- 70	+ 86	- 16
1966	+ 89	- 60	+ 2	- 15	-337	+ 43	+243	+ 18	- 33	+ 38	- 5
1967	+192	- 66	+ 12	+ 5	-109	- 48	+ 85	+ 81	+ 9	- 50	+ 41
Apr.-June											
1965	+ 84	- 49	- 16	+ 5	-201	+108	- 48	+ 7	-134	+170	- 36
1966	+116	- 52	- 36	+ 3	- 88	+ 19	-114	+ 69	-114	+121	- 7
1967	+315	- 62	+ 2	+ 4	+142	+ 44	+ 71	-177	+ 80	-105	+ 25
July-Sept.											
1965	+ 55	- 88	+ 2	- 6	- 60	+ 25	- 70	+ 29	- 76	+ 39	+ 37
1966	+111	- 67	- 9	+ 20	- 16	- 3	-121	+ 49	- 91	+ 45	+ 46
1967	+251	- 92	- 13	+ 4	+159	- 95	- 53	+ 47	+ 58	- 77	+ 19
Oct.-Dec.											
1965	+174	- 57	- 50	+ 1	+ 11	- 38	+ 15	+ 9	- 3	- 93	+ 96
1966	+202	- 92	- 18	- 40	- 38	- 6	-122	+ 49	-117	+117	± 0

Assets: increase —, decrease +. Liabilities: increase +, decrease —.

¹⁾ Including Direct investment net.

FOREIGN TRADE

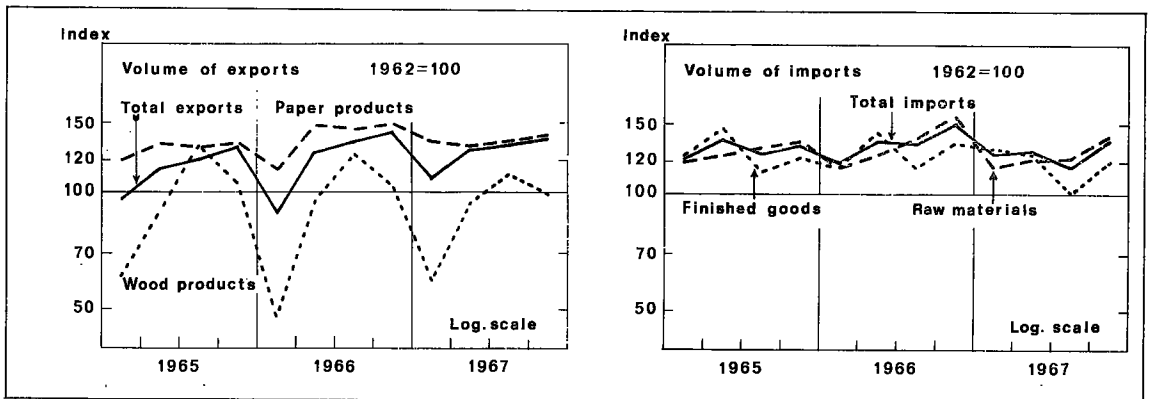
Period	Value mill. mk			Unit value indexes 1962 = 100						
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
1962	3 533.1	3 928.7	-395.6	100	100	100	100	100	100	100
1963	3 678.0	3 866.9	-188.9	102	96	104	100	105	101	101
1964	4 131.9	4 816.5	-684.6	108	109	111	104	113	103	105
1965	4 566.0	5 266.1	-700.1	113	115	123	106	119	104	109
1966	4 816.9	5 524.4	-707.5	112	112	122	105	119	104	108
1967*	5 230.3	5 794.7	-564.4	116	112	124	111	119	114	102
1966										
July	404.8	411.6	- 6.8	109	110	121	105	104	103	106
Aug.	419.8	437.5	- 17.7							
Sept.	450.9	504.9	- 54.0							
Oct.	460.6	489.0	- 28.4	114	112	120	105	130	104	110
Nov.	437.5	491.2	- 53.7							
Dec.	518.7	556.9	- 38.2							
1967*										
Jan.	365.5	467.7	-102.2	114	108	119	106	130	109	105
Feb.	343.9	443.4	- 99.5							
March	378.5	434.0	- 55.5							
April	397.6	487.3	- 89.7	112	110	118	106	120	111	101
May	404.4	481.9	- 77.5							
June	457.5	421.8	+ 35.7							
July	372.8	400.7	- 27.9	107	109	118	106	101	109	98
Aug.	411.3	430.7	- 19.4							
Sept.	465.6	420.3	+ 45.3							
Oct.	561.6	541.5	+ 20.1	136	134	140	127	153	136	100
Nov.	529.9	615.8	- 85.9							
Dec.	541.7	649.6	-107.9							



FOREIGN TRADE BY MAIN GROUPS

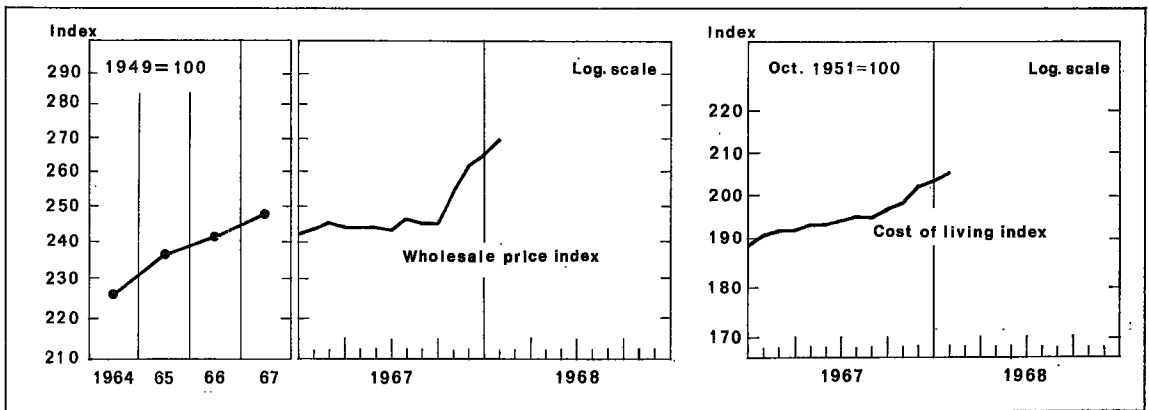
Mill. mk

Period	Exports, f.o.b.						Imports, c.i.f.			
	Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods	
									Investment goods	Consumer goods
1962	144.5	189.5	770.3	1 588.8	662.6	177.4	1 762.6	371.2	1 144.9	650.0
1963	164.8	112.8	811.8	1 752.2	613.8	222.6	1 827.5	373.3	1 004.3	661.8
1964	230.4	89.8	895.8	2 019.5	610.3	286.1	2 110.7	508.4	1 396.2	801.2
1965	251.8	60.3	919.8	2 165.6	800.3	368.2	2 362.4	514.7	1 511.4	877.6
1966	264.0	59.0	863.5	2 297.0	877.2	456.2	2 450.5	589.8	1 448.5	1 035.6
1967*	261.4	54.3	865.7	2 384.5	1 079.7	584.7	2 546.2	668.2	1 462.8	1 117.5
1966										
July	1.40	6.8	102.6	186.1	63.0	32.3	199.6	36.2	99.9	75.9
Aug.	17.9	6.9	96.3	207.3	49.8	41.6	213.2	62.0	90.0	72.3
Sept.	20.0	7.9	88.8	205.1	80.5	48.6	211.8	67.9	120.8	94.4
Oct.	17.6	5.3	85.1	203.1	99.8	49.7	229.6	60.0	108.3	91.1
Nov.	17.5	5.1	73.8	196.2	93.2	51.7	225.8	54.6	112.3	98.5
Dec.	33.5	5.3	79.6	216.1	137.5	46.7	246.4	59.3	153.5	97.7
1967*										
Jan.	30.5	2.2	52.5	188.6	58.7	33.0	203.0	62.4	114.5	87.8
Feb.	11.6	2.2	41.0	180.5	74.4	34.2	176.9	38.5	134.0	94.0
March	15.6	3.2	41.5	199.0	79.0	40.2	176.8	41.4	121.8	94.0
April	31.1	5.8	56.9	187.1	72.1	44.6	203.1	54.6	128.7	100.9
May	15.0	5.2	71.6	190.0	78.1	44.5	212.2	49.0	129.7	91.0
June	24.6	5.0	85.6	175.7	118.5	48.1	184.6	46.3	120.6	70.3
July	12.6	5.2	85.2	177.9	61.4	30.5	181.6	47.8	105.1	66.2
Aug.	14.4	7.9	88.1	189.1	58.7	53.1	203.6	53.1	88.8	85.2
Sept.	19.7	4.9	76.5	194.5	112.1	57.9	194.1	51.8	94.6	79.8
Oct.	25.4	5.5	91.5	228.0	137.6	73.6	252.7	61.3	119.2	108.3
Nov.	19.5	4.1	96.3	231.1	120.2	58.7	289.0	86.1	119.0	121.7
Dec.	41.4	3.1	79.0	243.0	108.9	66.3	268.6	75.9	186.8	118.3



FOREIGN TRADE BY COUNTRIES

Area and country	Exports, f.o.b.					Imports, c.i.f.				
	Whole year					Whole year				
	1964	1965	1966	1967*		1964	1965	1966	1967*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	25.3	22.8	22.6	22.8	1 193.4	15.2	15.8	16.6	15.8	917.6
United Kingdom	23.0	20.7	20.5	20.9	1 091.1	14.8	15.3	16.1	15.2	880.4
Other OECD countries										
in Europe	45.9	44.8	46.7	44.0	2 301.6	52.7	55.5	53.8	53.9	3 125.1
Austria	0.4	0.3	0.4	0.5	25.0	0.7	0.8	0.9	1.0	53.8
Belgium-Luxembourg	3.5	3.3	3.1	2.6	131.9	2.0	2.2	1.9	2.0	115.4
Denmark	3.7	3.9	3.5	3.8	199.1	3.0	3.1	3.5	3.3	190.0
France	5.8	4.4	4.5	4.3	221.0	5.5	4.2	4.3	3.7	215.0
Western Germany	11.5	11.2	11.0	8.6	449.7	17.3	18.9	17.0	16.2	939.2
Italy	3.0	3.0	3.0	3.1	161.7	1.9	1.9	2.0	2.0	115.3
Netherlands	6.8	6.0	5.8	5.1	266.6	4.0	4.2	3.6	3.8	220.6
Norway	0.9	1.1	1.9	2.4	127.2	1.5	1.9	2.1	2.3	136.1
Portugal	0.1	0.2	0.4	0.2	12.7	0.2	0.2	0.3	0.4	24.1
Spain	0.9	1.1	1.2	1.0	54.8	0.5	0.5	0.4	0.4	26.0
Sweden	5.5	7.5	8.8	9.7	507.9	12.7	14.0	14.1	15.4	891.9
Switzerland	0.8	0.7	0.9	1.0	53.2	2.8	2.9	3.1	3.0	174.3
Eastern Bloc	17.4	21.0	18.7	21.2	1 108.7	22.5	18.9	19.8	20.4	1 179.6
China	0.5	0.6	0.6	0.8	41.0	0.4	0.3	0.5	0.6	30.4
Czechoslovakia	0.4	0.6	0.8	0.5	24.2	0.7	0.7	0.6	0.6	37.1
Eastern Germany	1.0	0.8	1.0	0.7	35.8	1.0	0.9	0.9	0.9	51.8
Poland	2.0	2.3	1.4	1.3	71.7	2.0	1.9	1.6	1.5	89.0
Soviet Union	12.0	15.8	14.1	17.1	895.7	17.6	14.4	15.5	16.1	930.9
U.S. and Canada	6.0	6.2	6.6	6.0	314.0	5.0	5.2	4.9	4.2	240.6
United States	5.8	6.0	6.4	5.8	302.8	4.8	5.0	4.5	3.9	226.9
Latin America	2.7	3.8	2.9	2.9	153.1	3.0	1.6	2.7	2.7	157.9
Argentina	0.8	0.9	1.0	1.0	50.6	0.3	0.3	0.3	0.2	11.2
Brazil	0.5	1.4	0.4	0.7	41.4	1.6	0.3	1.2	1.1	67.2
Colombia	0.5	0.7	0.6	0.3	15.9	0.6	0.6	0.7	0.8	44.3
Other	2.7	1.4	2.5	3.1	159.5	1.6	3.0	2.2	3.0	173.9
Grand total	100.0	100.0	100.0	100.0	5 230.3	100.0	100.0	100.0	100.0	5 794.7
of which										
EFTA countries	35.4	34.3	36.4	38.5	2 016.3	35.8	38.2	40.0	40.6	2 350.7
EEC countries	30.6	28.0	27.5	23.5	1 230.9	30.5	31.4	28.8	27.7	1 605.4



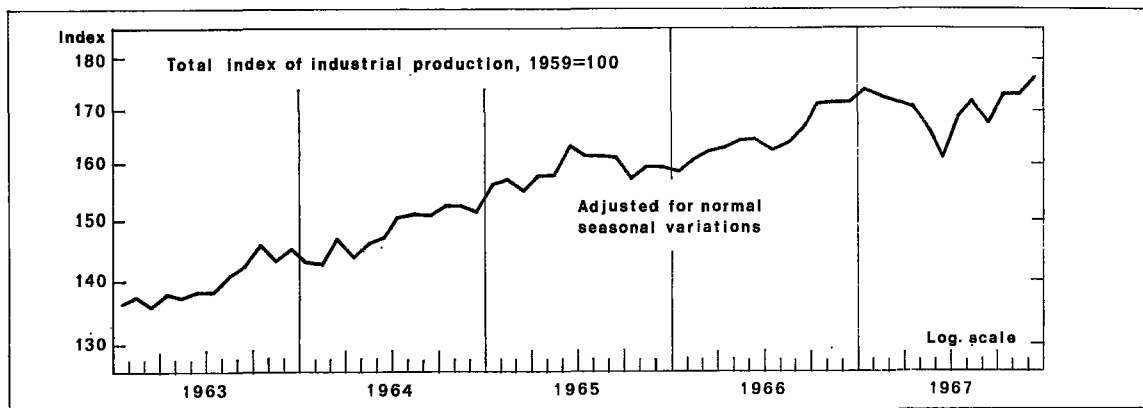
PRICE INDEXES

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			
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
1967	248	254	225	246	241	253	276	236	240	114	121	107
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
Oct.	254	257	242	251	254	259	282	242	246	117	123	109
Nov.	262	264	256	260	262	265	285	252	255	119	123	111
Dec.	264	265	258	262	266	266	285	254	258	120	123	112
1968												
Jan.	269	272	258	265	273	273	294	257	262	124	130	113

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
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
1967	195	212	408	130	115	196	153	156	151	126	143	160
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
Oct.	198	217	419	130	116	197	156	159	155	126	144	161
Nov.	202	223	419	132	117	202	159	164	155	128	146	164
Dec.	203	222	419	140	118	203	159	163	155	136	147	165
1968												
Jan.	205	223	424	141	120	207	161	164	157	137	149	169

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	Investment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					Wood industry	Paper industry	Metal industry	Other			
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
1967*	170	165	176	162	119	189	163	171	170	44 963	181
1966											
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.	176	173	185	161	111	203	174	173	173	3 835	140
Feb.	170	175	176	159	130	187	175	166	171	5 079	161
March	174	181	180	165	134	196	177	168	171	5 029	177
April	181	177	187	170	140	205	175	182	170	4 492	191
May	171	168	176	165	136	186	169	171	167	9 435	190
June	157	159	156	160	107	157	157	163	162	2 148	175
July	123	80	136	111	92	185	76	124	167	955	159
Aug.	173	154	177	174	113	196	155	182	171	1 978	189
Sept.	176	170	181	171	117	197	168	180	167	2 488	197
Oct.	190	191	194	182	120	202	187	196	173	3 166	223
Nov.	184	184	192	171	122	188	183	190	173	2 969	184
Dec.	164	168	171	149	108	171	165	162	176	3 389	182

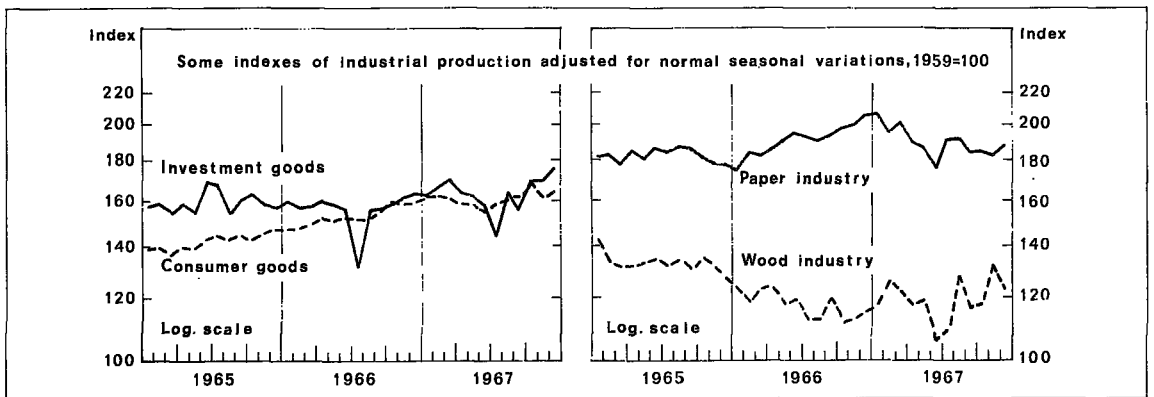


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

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 July-Sept.	7.15	2.36	0.99	2.09	1.20	38.83	198	197	215	195
1966 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	202	205	218	201
1967* Apr.-June	..	..	..	..	..	..	205	216	218	203
1967* July-Sept.	..	..	..	..	..	..	209	213	230	209

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	1 918	1.3	2.1
June	131	124	1 353	1 386	1 211	1 240	1 905	1 883	1.0	2.1
July	121	116	1 586	1 511	1 395	1 390	1 728	1 656	0.9	2.2
Aug.	138	130	1 367	1 436	1 286	1 371	1 833	1 791	1.1	2.4
Sept.	139	126	1 213	1 240	1 077	1 063	1 969	1 880	1.0	2.6
Oct.	140	136	1 086	1 169	856	936	1 955	1 906	1.4	3.3
Nov.	133	127	1 089	1 090	830	897	1 955	1 889	1.5	3.9
Dec.	120	105	994	1 039	805	870	1 912	1 835	2.0	4.3



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. *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 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.

BALANCE OF PAYMENTS

Page 9. Figures are calculated by the Bank of Finland Institute for Economic Research. In addition to the Board of Customs figures, exports include grants in kind but exclude stevedoring expenses and imports include seamen's duty-free imports, non-monetary gold, grants in kind and adjusted allowance for smuggling.

FOREIGN TRADE

Pages 10—12. Figures supplied by the Board of Customs. *The unit value indexes* (p. 10): 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 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 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.

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, 1968, to March 1, 1974, 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 dependent 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, 1968): Length 5 636 km, of which 5 607 km are State and 29 km private railways.

MERCHANT FLEET (Jan. 31, 1968): Steamers 97 (160 072 gross reg. tons), motor vessels 411 (930 516 gross reg. tons), sailing vessels with auxiliary engines 17 (2 448 gross reg. tons). Total 525 (1 093 036 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1967): Passenger cars 551 200, lorries and vans 92 900, buses 7 400, others 4 200. Total 655 700.

SCHEDULED AIR TRAFFIC OF FINNISH COMPANIES (1967): Kilometres flown 15.7 million, passengers carried 897 605, passenger kilometres 455.0 million, and ton kilometres of freight and mail 7.5 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, 1967). There are two big and four small commercial banks with in all 809 offices, 353 savings banks, 479 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 %.

REFORM OF TAXATION OF BUSINESS INCOME

BY
PROFESSOR OLLI IKKALA

1.1. The taxation of business income affects the economy in many ways, above all perhaps by influencing the decisions of enterprises regarding financing and investment. The economic effects of the prevailing Finnish income tax legislation are not entirely favourable.

At the moment the implementation of certain structural changes in production is considered to be one of the preconditions for economic growth in the Finnish economy and the achievement of these changes has been made a goal of economic policy. However, this is held back by the income tax legislation. The system of inventory valuation i.e. exerts this sort of influence. The regulations in force enable business enterprises to accumulate considerable hidden inventory reserves and thus to defer the payment of taxes. As the tax rate is high in Finland and there has been a continual inflation the credit which firms have obtained through postponing their tax payments has been very advantageous. Even the expansion of inventories solely in order to obtain this form of finance may have been profitable for the firm. From a macro-economic viewpoint, however, this type of investment activity which channels capital to objectives with a low rate of return cannot be recommended, especially because many new, perhaps highly competitive branches, may face a shortage of capital at the same time.

The hidden reserves also enable enterprises to resort to fairly advantageous meth-

ods of self-finance. The possibilities of using this form of finance are, however, limited. Long-term investments with the aid of hidden reserves may be made only within the enterprise. Investment using taxed funds is e.g. for a joint-stock company as profitable as making use of this type of self-finance, i.e. untaxed funds only if the former yields a return which is 2.5 times greater than that on the latter. Therefore enterprises usually invest in their own field of operation and in their own projects, without even investigating how high a return would be available in other sectors. Then investments tend to be channelled to objectives which do not perhaps yield the optimal return — provided that tax considerations are excluded. In addition, funds are kept within established firms and existing sectors while new industries with good prospects for growth and with competitive power may be lacking capital. The structural changes generally regarded as indispensable for Finland's economic growth cannot be completed fast enough.

Financing by equity is advantageous from the point of view of the economy in many respects. By international standards, however, it plays a very small part in the financing of Finnish enterprises. The reason for this is found in the tax legislation; income tax legislation especially discriminates against financing by equity capital. The compensation for borrowed capital, interest, is a deductible item (with certain restrictions in local government taxation)

while the compensation for share capital, i.e. dividends, is not deductible. The inventory valuation allowed under the income tax legislation also for its part hinders financing by equity.

1.2. The present law on income and wealth taxation has been in force since 1943. It contains only a few special provisions on business taxation, which are now, like many of the other regulations of that law, out of date.

1.3. A Government Bill on the taxation of industrial and commercial income was introduced towards the end of last year. The purpose of the proposed legislation is to revise completely all the previous regulations on the taxation of business income which are out of date and hamper economic growth.

2.1. A generally accepted concept in business economics is that the enterprise obtains its revenues by buying production factors on the market and combining them to produce goods or services, which are put on the market. When an attempt is made to determine the economic result of an enterprise attention naturally has to be paid to the factors which have produced it. The results have, however, to be expressed in money terms. Therefore they cannot be determined on the basis of the actual production factors, but on the basis of monetary equivalents of the flows which are formed from the acquisition of production factors and from the delivery of goods and services and which can usually be objectively determined. These equivalents which are of primary importance in the assessment of the results have established names in business economics. The compensation given for the acquisition of a production factor is expenditure and the compensation received from the sale of goods or services is income.

The total economic result obtained by an enterprise during its lifetime or its so-called entire operation period is the difference

between its total income and total expenditure. The lifetime of an enterprise is, however, so long that it has to be divided into several shorter periods, i.e. tax years or other corresponding calculation periods for the assessment of the taxable income. The tax years and other fiscal periods do not, however, constitute independent entities. Since an enterprise usually continues its operations over an indefinite time period, many of the items of expenditure and income extend over several fiscal periods. The acquisition cost of buildings, machinery and equipment, and trademarks or similar non-tangible assets may have a long-term effect. When the returns of a tax year or other fiscal periods are being determined, the items of expenditure which have this long-run effect have to be distributed in an appropriate way over several fiscal periods; items of income accruing over a period are treated correspondingly. According to established terminology in business economics current costs are expenditure apportioned to the tax year and current returns are income apportioned to the same year. The result of a tax year thus equals the difference between the current returns i.e. the sum of the items of income apportioned to the tax year and the current costs, i.e. the sum of the items of expenditure apportioned to the same tax year.

The above concept of the operations of a business firm and the corresponding terminology have been the basis for the Bill on the taxation of industrial and commercial income. Consequently the structure of the Bill makes it possible for an enterprise to define its economic results so that they are applicable in income taxation. At the same time a consistent and clear foundation has been provided for interpretations of the law.

3.1. The existing tax legislation permits a very liberal undervaluation of inventories.

In order to curtail the possible economic drawbacks that may result, a definite lower limit is proposed on the undervaluation of inventories. According to the Bill the limit should be 50 per cent of the inventory value according to the so-called minimum value principle. As the Finnish financial market is rather tight a stricter limitation of the right to undervalue and of opportunities for self-financing was considered not to be in the interests of the economy.

In accordance with the present law taxpayers are allowed to include in their stocks and also to undervalue goods that have been ordered at a fixed price but not yet delivered. The new law will abolish this possibility. According to the Bill the goods should not be considered as part of current assets until they have been dispatched, delivered or otherwise handed over to the taxpayer. If, however, the taxpayer can prove that the price of undelivered goods which are intended as current assets and which have been ordered at a fixed price denominated in Finnish or in foreign currency is at least 10 per cent below that agreed on the date when the books are balanced, he should be entitled to deduct an amount corresponding to the fall in price as a current cost of the tax year.

The reserves formed by the undervaluation of inventories cannot be cut out and treated as current returns at one go without causing inordinate financial difficulties for enterprises. According to the Bill the cutting-out of inventory reserves should therefore take place over a period and the resulting funds should be transferred to a special business development fund which should be used for financing the acquisition of fixed assets or gradually treated as current returns. In order to promote investment the taxpayer should also be entitled to transfer from the fund to his own assets an amount equalling the initial cost

of buildings and other construction, machinery, equipment and other similar fixed assets purchased in 1968—1973. The taxpayer should use at least one quarter of the development fund within 5 years and the rest within 10 years from the date of enforcement of the law, i.e. the beginning of 1969.

3.2. In fixing the depreciation allowances for income taxation purposes, attention has to be paid to the influence of the willingness to invest and to the choice of investment projects as well as to the international competitive position of firms. For several reasons the Bill has adopted the degressive method of depreciation as regards the initial cost of fixed assets. According to this method the acquisition costs of mobile fixed assets should be depreciated by annual instalments calculated on that part of the initial cost remaining each year; the maximum annual depreciation percentage should be 30. Buildings and other construction should be depreciated by a similar method; the annual depreciation rates should be 5—20 per cent depending on the lifetime of the asset.

The degressive method of depreciation put forward in the Bill has been regarded as necessary already for reasons relating to interest. It is the aim of an entrepreneur to obtain a return from every investment he makes. To be profitable an investment has to yield a return corresponding to the initial outlay and the interest computed on it. This means that an investment expenditure has to equal the amount of the expected averaged annual net returns discounted to the time of investing at the calculating interest rate. At the moment of investment the entrepreneur is willing to pay for the expected return of each year only an amount equal to the value of the return of that year discounted at a given rate of interest to the moment of investment. This

value may well be considered as a fair and realistic indicator for the depreciation allowance of the year in question. Consequently a reasonable depreciation of a building the life of which is 10 years and which has cost 1000 marks would be about 138 marks in the first year, about 101 marks in the fifth year and about 69 marks in the tenth year, using an interest rate of 8 per cent.

3.3. As already mentioned above, income tax legislation allows for the deduction of compensation paid for debt capital, interest, although with certain restrictions in local government taxation regarding mortgaged loans, whereas dividends are not deductible. In order to make the tax treatment of different forms of financing more uniform it is proposed that 40 per cent of dividends and the like could be deducted in the State taxation. Further, dividends on the share capital collected from the shareholders of a joint-stock company which is registered between January 1, 1969 and

December 31, 1978, or on the increase in the share capital by means of a public issue which is registered in this period, should be deductible in full in the State taxation in six successive years including the year of issue. In order to stimulate financing through the issue of shares certain tax concessions to shareholders are also suggested.

4.1. The law on taxation of commercial and industrial income some provisions of which I have outlined above involves a considerable change in the present Finnish tax legislation. However, tax reform should not end here. Within the EEC and Scandinavia there are plans to increase the relative share of indirect taxation and at the same time to change over to the system of a tax on added value which will have a favourable effect on the competitive position of domestic industry. Finland, whose economic growth is highly depended on foreign trade, has to keep up with this development if she wants to achieve economic success.

I T E M S

Presidential election. The presidential election was held on February 15, 1968. Dr. Urho Kekkonen received an absolute majority, 201 votes, in the first ballot and was thus elected President of the Republic for the term March 1, 1968, to March 1, 1974. (For elections to the electoral college see item in Bulletin No. 2, 1968).

*

Trade agreements. On January 19, 1968, an agreement was signed between Finland

and *Czechoslovakia* regulating the exchange of goods for 1968. The Finnish export list includes cellulose, paper, cardboard, machinery and equipment for the forest industry, minerals and chemical industry products. The import list comprises rolled products, machines, various textiles and chemicals. In 1968 half of the clearing saldo will be paid quarterly in convertible currencies.

On January 20, 1968, an agreement was signed between Finland and *the People's Republic of China* for 1968. The total value

of trade is about 124 million marks. Finland's exports this year will include cellulose, various qualities of paper and cardboard, machines and appliances and rayon. The import list comprises soya beans and other oil seeds and vegetable oils, apples, chemicals and textiles.

On February 10, 1968, an agreement was signed between Finland and *Poland* for 1968. Finland's export list includes cellulose, various paper products and cardboard, wood-working machinery, conveying and lifting machines and chemical industry products. Her import list includes coke and coal, various chemicals, textiles, rolled products, machinery and agricultural products.

*

Trade liberalization. In accordance with the tariff-reduction schedule of the FINEFTA agreement tariffs on manufactured products from EFTA countries were abolished on December 31, 1967. Unlike other EFTA countries Finland still levied a duty on manufactured products in 1967 which was 10 per cent of the 1960 level.

At the same time the remaining quantitative restrictions on imports of industrial goods from EFTA countries were also terminated. In addition, the Finnish Government has removed tariffs on the goods on the "décalage" list from the beginning of 1968. The most important of these products are textiles, footwear, household articles and rubber tyres.

The removal of tariffs and import restrictions by Finland at the beginning of this year was not complete. Solid and liquid fuels and certain fertilizers were excepted, for Finland is allowed to maintain permanent restrictions on imports of these products. Tariffs on passenger cars were also retained, the import duty on which continues to be 7 per cent. Further it may be noted that the

EFTA tariff regulations do not cover agricultural produce, fish and some other maritime products.

*

Reduction in Export Levy by an average of two percentage units. By decree in accordance with paragraph 3 of the Export Levy Act, in force since October 21, 1967, the maximum rate of levy has been reduced from 14 to 12 per cent. (See "Export Levy Act" item in Bulletin No. 11, 1967). As rates ranging from full exemption to 5—13 per cent have been applied to specific commodity groups, the Cabinet has reduced these rates correspondingly by an average of two percentage units and stipulated some other amendments. (See the front article in Bulletin No. 12, 1967 and "Certain reductions in the Export Levy" item in Bulletin No. 1, 1968).

The export levy is now 12 per cent instead of 13 per cent of the export price of paper and paperboard (in the Brussels Nomenclature item 48 with the exception of 48.07.110, 48.07.900 and 48.09). For pulp (item 47.01) the rate went down from 14 to 10 per cent. The levy was lowered from 11 to 10 per cent for sawn goods and plywood (items 44.03.701, 44.04, 44.05, 44.11, 44.12, 44.13, 44.14, 44.15 and 44.18) and to 8 per cent for minkfurs (item 43.01.200). For all other products subject to the export levy the rates applied were reduced by two percentage units. The rates applied to exports manufactured in the Northern and North-eastern regions of the country were reduced by one half. Brochures and similar printed matter as well as transactions connected with international organizations are exempted from the levy. The average export levy is estimated to be about 9 per cent. All these amendments came into force on February 15, 1968.

*

Liberalization of customs regulations. Following the recommendation of the Nordic Council the Finnish Government has decided to increase to the Scandinavian level the value of goods which travellers may bring into the country free of duty and purchase tax. Effective from March 1, 1968 the following rules apply:

- a) Non-resident travellers arriving in Finland may, in addition to their normal travel goods, bring with them personal gifts, souvenirs etc. amounting to a value of 400 marks (formerly 150 marks) duty-free.
- b) Adult resident travellers returning to Finland after a trip abroad of more than 24 hours may bring gifts, souvenirs etc. amounting to a value of 200 marks (formerly 70 marks) duty-free. For children under 15 years of age the limit is 100 marks.
- c) Resident travellers returning to Finland after a trip abroad of less than 24 hours may bring gifts, souvenirs etc. amounting to a value of 15 marks (formerly 10 marks) duty-free.

Likewise, more liberal regulations governing border traffic have been introduced for residents in the northernmost parts of Finland.

In addition, according to a decision by the Board of Customs special-rate or zero duties may be accorded to EFTA goods of minor value without a written certificate of origin being necessary when the value of the goods does not exceed 325 marks.

*

Amendments in foreign exchange regulations. The Bank of Finland has published certain amendments in its foreign exchange

regulations, which are additional to those concerning foreign travel and use of import credits announced in the connection with the change in the par value of the Finnish mark (see Bulletin December, 1967). The new amendments include revisions in the maximum amounts of foreign exchange transfers which may be effected by the authorized banks without prior permission of the Bank of Finland. All these limits were raised by an amount exceeding the effect of the change in the par value, so that an actual liberalization of the regulations took place. In addition, the amendments introduce changes in the maximum amounts and manner of utilization of capital accounts, as well as in the limits for capital transfers. The minimum period of repatriation for blocked funds was shortened from five to three years.

Details of these amendments are published in the loose-leaf publication of the Bank of Finland entitled "Foreign Exchange Regulations", which is available from the Bank at a subscription fee of Fmk 10.—. The subscription price includes all subsequent amendments to the publication.

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Publications of the Bank of Finland. In Series B, the following publication has appeared: 27, Henri J. Vartiainen, Valtion tulojen kasvuun sisältyvä automatiikka sekä verotusperusteiden muutokset Suomessa vuosina 1950—1964 (The Growth in Finnish Government Revenue due to Built-in Flexibility and Changes in Tax Rates, 1950—1964). Doctoral thesis, published in Finnish with an English summary. Helsinki 1968, 216 pp.

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