



BANK OF FINLAND

MONTHLY BULLETIN

Vol. 38 No. 12

DECEMBER

1964

RECENT DEVELOPMENTS

ECONOMIC SITUATION

The vigorous expansion of economic activity which set in in Western Europe during 1963 has been the most important factor in the cyclical development of Finland during the current year. The growth in the total volume of production in Finland has continued at an annual rate of 5 per cent since the autumn of 1963, which is the same as the growth rate of Western European countries during the same period.

Investment and exports have this year been the two most expansionary categories of demand. The most expansive components of investment are house construction and machinery and equipment. However, it seems that the volume of residential construction will fall considerably below the corresponding volume of 1963, even though the figures of building permits for the first half-year show that residential construction is picking up. Despite this relative decline in residential building it has been estimated that the volume of total house construction will exceed the 1963 level.

During the current year the growth rate of personal spending has been slower than that of total production. This is partly due to the time-lag between growth of incomes and that of consumption and partly to structural changes in expenditure. A con-

siderable part of the increase in expenditure is directed to demand for passenger cars and consequently imports of passenger cars were in the first half of 1964 double those of the first half of 1963. In addition, the rise in prices and the surtax on personal income imposed in the spring have restricted the possibilities of increasing the volume of consumption.

The January—September statistics indicate that the most expansive items in exports are wood and paper industry products — their value being 15 per cent higher than one year earlier — and "other goods", whose value increased 30 per cent. Besides, prospects for export of agricultural products show a temporary improvement. On the other hand, exports of metal industry products and round and hewn timber have declined. The fall in round and hewn timber is mainly due to the marked increase of home demand for raw wood. The decline in the exports of metal industry products is a result of a temporary fall of exports to the Eastern bloc countries.

As regards import, imports of investment goods have been most expansive during

*On page 18, Social Welfare Costs Incurred
by Manufacturing in Finland and in Other
Selected Countries*

January—September. It is mainly due to the marked increase in domestic demand for machinery and equipment and passenger cars. Although consumption has been the weakest component of domestic demand, imports of consumer goods have increased, however, by more than 20 per cent. There is also a substantial growth in other classes of imports.

During January—September this year the value of imports has risen by 26 per cent and that of exports by 13 per cent; this has given rise to a deficit of 540 million marks in the balance of trade. In the corresponding period one year previously the deficit was 166 million marks. The swell in imports is mainly a consequence of increased home demand, as well as of the sharper increase in domestic prices in comparison with those of imports. It should be noted that there has been an exceptionally high import surplus with the Eastern bloc countries.

Total production has increased less than total demand. The growth of production has been most marked in forestry and industry. The following figures indicate the development of index of industrial production adjusted for normal and specific seasonal variations.

	I qr	II qr	III qr	IV qr
	Quarterly changes, per cent			
1961	4.7	2.2	1.6	1.5
1962	3.6	1.2	-1.0	2.0
1963	2.2	-1.3	2.3	3.7
1964	0.0	2.0	1.7	..

Although the economic activity has increased, unemployment up to September has stayed at the same level as in the previous year, about 1.5 per cent seasonally adjusted. The existence of unemployment may be attributed mainly to the very marked rise in costs, which has compelled firms to be more discriminating in hiring additional labour.

A greater than average growth of the working-age population has been a factor working in the same direction.

This year has been characterised by a particularly marked rise in prices and wages mainly as a consequence of the revision of the sales tax system at the turn of the year. The sales tax introduced altered relative prices, increasing those of consumer goods and reducing those of investment goods. Thus, the wholesale price index of consumer goods in September was 10.5 per cent higher than one year earlier and that of machinery and equipment only 2.5 per cent higher. Wages were tied to the cost of living index before the new sales tax was introduced. The growth rate of the latter index has been the same as that of the wholesale price index of consumer goods. Consequently, prices and wages went up more rapidly after the turn of the year. Wages are estimated to be 10 per cent higher during the third quarter of the current year than in the corresponding quarter in 1963. For the moment it seems likely that during the latter half of the year the growth rate of prices and wages will be about one half of the growth rate in the first half of this year.

Although the banks' liquidity position has been relatively tight in 1964, they have, however, been able to increase their advances to the public. This has been possible mainly because the 100 per cent index-tied deposits were exempted from taxation on May 1 and chiefly for this reason term deposits by the public were 12 per cent higher in September this year than one year earlier. Another easing factor in the credit market has been — in spite of the increased deficit in the balance of goods and services — the growth of the foreign exchange reserves due to the increased borrowing abroad.

November 21, 1964

BANK OF FINLAND

Mill. mk

	1963		1964			
	Dec. 31	Oct. 31	Oct. 30	Nov. 7	Nov. 14	Nov. 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	817.8	737.5	966.2	980.0	984.0	994.0
Gold	134.5	134.5	143.1	142.7	142.7	142.7
Foreign exchange	617.7	540.7	751.3	765.6	769.6	778.3
Foreign bills	26.2	29.5	26.9	26.9	27.1	26.4
Foreign bonds	39.4	32.8	44.9	44.8	44.6	46.6
<i>Supplementary note cover</i>	451.2	525.3	508.2	486.1	480.2	539.9
Inland bills discounted						
In foreign currency	68.7	72.4	58.9	58.9	57.9	57.9
In Finnish currency	57.2	30.1	41.6	47.4	47.4	51.4
Rediscounted bills	325.3	422.8	407.7	379.8	374.9	430.6
<i>Other assets</i>	138.8	105.8	110.1	85.7	85.0	96.5
Finnish bonds	89.5	68.8	28.9	16.2	16.2	23.2
Cheque accounts	1.7	3.2	9.6	3.1	3.4	5.1
Finnish coin	3.6	4.4	7.2	5.5	5.0	5.2
Other claims	44.0	29.4	64.4	60.9	60.4	63.0
Total	1 407.8	1 368.6	1 584.5	1 551.8	1 549.2	1 630.4
Liabilities						
<i>Notes in circulation</i>	943.7	859.9	964.0	939.9	944.4	958.1
<i>Liabilities payable on demand</i>	59.2	92.9	89.7	72.0	64.2	132.8
Foreign exchange accounts	18.2	18.6	20.8	18.3	24.4	41.1
Mark accounts of holders abroad	33.6	31.2	25.9	26.9	29.1	28.9
Cheque accounts						
Treasury	0.2	0.5	7.7	1.6	0.3	13.9
Post Office Savings Bank	3.0	38.9	33.5	15.4	2.8	46.5
Private banks	1.3	0.2	—	7.2	5.2	—
Other	0.4	0.6	0.4	0.6	0.4	0.6
Other sight liabilities	2.5	2.9	1.4	2.0	2.0	1.8
<i>Term liabilities</i>	68.0	70.7	58.0	58.0	58.0	58.0
Foreign	66.9	69.6	56.9	56.9	56.9	56.9
Finnish	1.1	1.1	1.1	1.1	1.1	1.1
<i>Equalization accounts</i>	141.0	153.9	267.0	275.4	275.3	273.5
<i>Bank's own funds</i>	195.9	191.2	205.8	206.5	207.3	208.0
Capital	100.0	100.0	100.0	100.0	100.0	100.0
Reserve fund	73.6	73.6	84.8	84.8	84.8	84.8
Profits undisposed	—	—	—	—	—	—
Earnings less expenses	22.3	17.6	21.0	21.7	22.5	23.2
Total	1 407.8	1 368.6	1 584.5	1 551.8	1 549.2	1 630.4
STATEMENT OF NOTE ISSUE						
Right of note issue						
<i>Ordinary cover</i>	817.8	737.5	966.2	980.0	984.0	994.0
<i>Supplementary cover</i> (Upper limit 500 mill. mk)	451.2	500.0	500.0	486.1	480.2	500.0
Total	1 269.0	1 237.5	1 466.2	1 466.2	1 464.2	1 494.0
Note issue						
Notes in circulation	943.7	859.9	964.0	939.9	944.4	958.1
Liabilities payable on demand	59.2	92.9	89.7	72.0	64.2	132.8
Undrawn on cheque credits	5.8	4.8	5.0	4.5	4.2	4.4
Unused right of note issue	260.3	279.9	407.5	449.7	451.4	398.7
Total	1 269.0	1 237.5	1 466.2	1 466.1	1 464.2	1 494.0

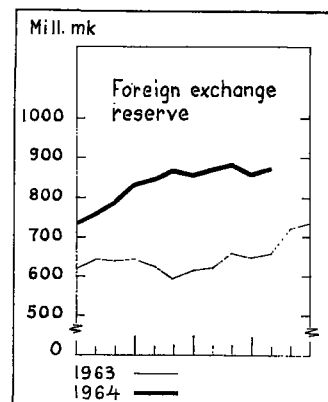
Rediscount rate since April 28, 1962, 7 per cent.

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
1956	294.1	46.0	248.1	112.7	153.4	207.4	191.6	— 23.1	105.5	63.0
1957	384.3	45.7	338.6	176.5	201.9	313.2	160.2	— 39.7	51.4	69.1
1958	575.6	21.8	553.8	126.2	160.1	519.9	90.3	— 51.6	71.5	— 32.8
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
1963										
Sept.	667.5	19.4	648.1	63.9	102.5	609.5	—	28.9	0.1	28.8
Oct.	675.2	18.6	656.6	62.3	100.8	618.1	—	18.9	0.5	18.4
Nov.	741.1	18.3	722.8	59.8	103.3	679.3	—	18.9	0.8	18.1
Dec.	752.2	18.2	734.0	65.6	100.5	699.1	—	18.9	0.2	18.7
1964										
Jan.	780.6	20.2	760.4	65.7	97.1	729.0	—	18.9	0.1	18.8
Feb.	807.6	21.0	786.6	59.8	94.5	751.9	—	18.9	0.1	18.8
March	852.5	18.4	834.1	63.6	93.4	804.3	—	18.9	5.3	13.6
April	864.9	17.6	847.3	68.1	91.2	824.2	—	18.9	12.3	6.6
May	885.5	17.5	868.0	68.0	90.7	845.3	—	18.9	0.0	18.9
June	875.9	17.0	858.9	64.7	88.6	835.0	—	18.9	4.6	14.3
July	889.9	18.9	871.0	64.2	89.1	846.1	—	18.9	1.0	17.9
Aug.	901.0	19.0	882.0	64.3	86.3	860.0	—	18.9	3.3	15.6
Sept.	879.1	19.2	859.9	66.9	85.5	841.3	—	18.9	4.3	14.6
Oct.	894.4	20.8	873.6	71.8	82.8	862.6	—	18.9	7.7	11.2

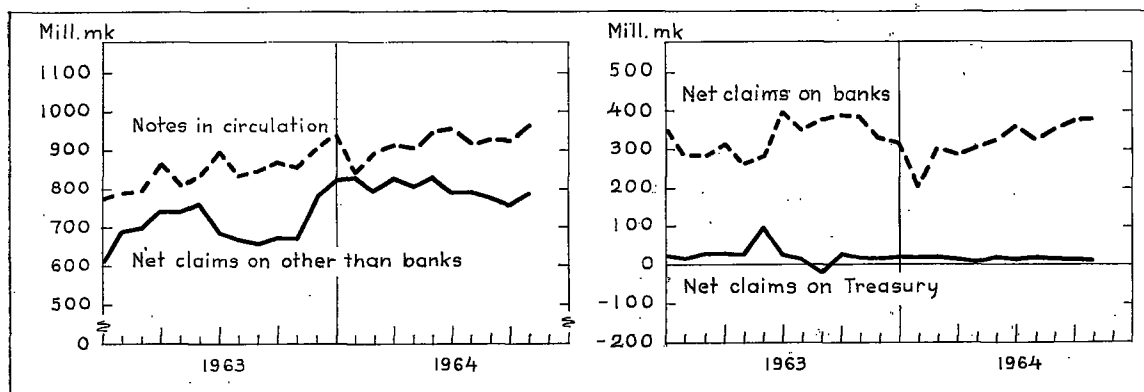
Category of currency	Foreign exchange reserve (col. 3 above) Mill. mk						
	1962		1963		1964		
	Dec. 31	Dec. 31	Aug. 31	Sept. 30	Oct. 31		
Gold	135	135	145	145	143		
Convertible	330	478	605	622	667		
Eastern Bloc	101	66	85	49	21		
Other	55	55	47	44	43		
Total	621	734	882	860	874		



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	Post Office Savings Bank	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
1956	336.7	11.7	—	2.8	322.2	149.2	105.5	52.1	202.6	607.4
1957	249.1	24.1	—	-0.4	225.4	129.1	144.2	5.6	267.7	606.4
1958	187.1	14.7	—	20.8	151.6	88.2	143.0	5.3	225.9	650.8
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 ¹⁾	4.4 ¹⁾	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
1963										
Sept.	405.4	-15.3	29.8	2.8	388.1	21.5	87.1	2.0	106.6	869.2
Oct.	422.8	0.2	38.9	2.7	381.0	30.1	85.0	0.8	114.3	859.9
Nov.	334.9	- 3.9	8.3	1.7	328.8	31.9	97.9	2.4	127.4	904.8
Dec.	325.3	1.3	3.0	1.2	319.8	57.2	94.4	1.7	149.9	943.7
1964										
Jan.	241.2	8.7	27.4	2.1	203.0	52.1	89.4	1.1	140.4	835.0
Feb.	329.0	7.0	18.1	2.4	301.5	28.9	98.3	1.0	126.2	893.4
March	316.0	-13.2	38.2	2.2	288.8	23.3	111.3	0.7	133.9	911.2
April	349.0	0.7	41.8	1.7	304.8	20.9	113.2	0.6	133.5	905.5
May	329.5	5.2	0.2	1.7	322.4	20.4	119.7	1.3	138.8	945.4
June	403.2	2.7	34.6	2.9	363.0	19.1	104.3	2.5	120.9	954.9
July	357.8	4.1	23.0	3.7	327.0	19.0	110.1	1.8	127.3	918.1
Aug.	389.7	3.7	30.8	1.6	353.6	17.9	104.7	1.3	121.3	928.2
Sept.	388.2	-1.6	14.2	1.3	374.3	24.3	103.9	3.4	124.8	927.3
Oct.	407.7	-7.1	33.5	0.9	380.4	41.6	105.8	0.9	146.5	964.0

¹⁾ Including cash reserve accounts.

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
1953	321.1	379.1	98.9	704.6	767.1	425.4	270.7	119.5	2 287.6	2 765.6
1954	349.1	421.1	132.2	834.4	921.7	520.5	300.8	134.2	2 712.0	3 265.3
1955	365.9	442.8	118.5	977.9	1 085.4	611.4	330.7	152.6	3 158.4	3 719.7
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	1 798.6	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
1963										
Aug.	661.1	811.0	152.0	2 286.4	2 230.3	1 355.2	620.3	295.3	6 787.8	7 750.8
Sept.	668.7	831.0	199.3	2 301.6	2 237.8	1 363.5	621.8	300.5	6 825.4	7 855.7
Oct.	678.8	838.8	181.5	2 307.7	2 242.9	1 369.7	623.7	304.5	6 848.6	7 868.9
Nov.	696.4	860.6	209.6	2 322.2	2 265.8	1 388.0	624.6	308.3	6 909.1	7 979.3
Dec.	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*										
Jan.	707.3	844.6	229.1	2 452.5	2 361.4	1 447.8	655.4	311.9	7 249.2	8 322.9
Feb.	620.8	754.1	244.0	2 485.9	2 388.2	1 505.7	664.8	316.3	7 361.1	8 359.2
March	615.3	755.9	292.6	2 521.6	2 404.5	1 533.2	666.0	318.8	7 444.3	8 492.8
April	641.5	777.7	220.5	2 541.5	2 416.7	1 551.7	661.7	319.6	7 491.3	8 489.5
May	645.2	797.4	256.6	2 577.8	2 444.7	1 576.5	660.0	318.0	7 577.1	8 631.1
June	640.0	789.1	260.7	2 569.4	2 418.0	1 551.4	659.2	314.3	7 512.4	8 562.2
July	671.3	833.6	224.9	2 579.9	2 430.4	1 557.6	660.0	313.1	7 541.0	8 599.5
Aug.	665.6	837.3	229.0	2 592.6	2 447.7	1 569.0	663.9	312.2	7 585.4	8 651.7
Sept.	667.5	826.8	281.0	2 610.9	2 469.8	1 583.8	667.8	316.1	7 648.5	8 756.3
Oct.	643.6	791.4	256.2	2 630.2	2 483.0	1 591.5	673.1	320.5	7 698.5	8 746.1

End of month	Index-tied deposits		High-interest deposits
	100 % clause ¹⁾	50 % clause, tax-free	
1963			
Dec.	52.1	229.2	668.2
1964*			
Feb.	116.3	255.1	740.1
March	142.9	262.6	752.5
April	170.9	259.9	767.5
May	556.2	159.4	675.5
June	674.0	146.2	650.5
July	745.5	134.0	639.2
Aug.	817.6	129.0	628.7
Sept.	916.6	120.5	621.4
Oct.	987.1	119.2	603.7

¹⁾ Tax-free since May 1, 1964.

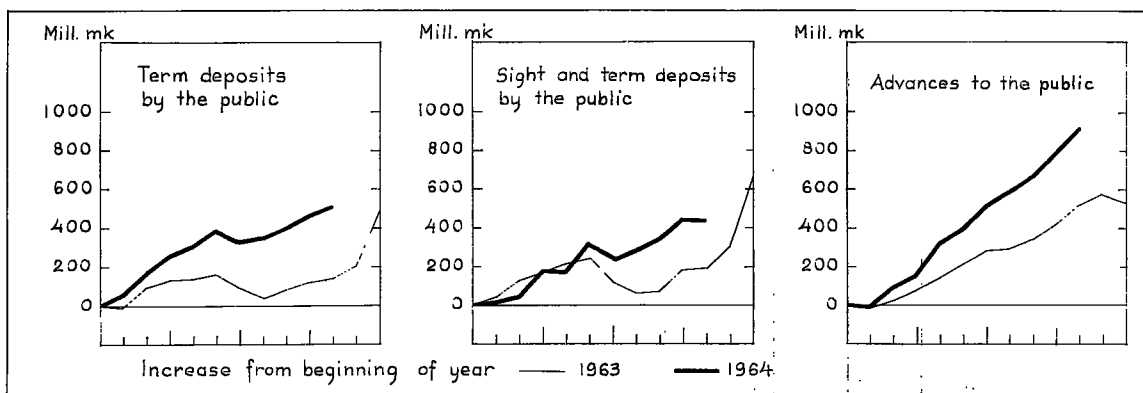
Selling rates for foreign exchange				
Nov. 19, 1964				
		mk	mk	
New York ...	1 \$	3.216	Zurich 100 Fr	74.52
Montreal	1 \$	2.996	Paris 100 FF	65.65
London	1 £	8.950	Rome 100 Lit	0.5147
Stockholm ...	100 Kr	62.37	Vienna 100 S	12.45
Oslo	100 Kr	44.89	Lisbon 100 Esc	11.16
Copenhagen ..	100 Kr	46.37	Reykjavik 100 Kr	7.50
Frankfurt o.M.	100 DM	80.86	Madrid 100 Pta	5.42
Amsterdam ...	100 Fl	89.47	Prague, clear... 100 Kč	44.58
Brussels	100 Fr	6.480	Moscow, clear. ¹⁾ 1 Rbl	3.5667
			Clearing dollars ²⁾ 1 Cl \$	3.21

¹⁾ Bucharest, Peking.²⁾ Ankara, Athens, Berlin, Bogota, Budapest, 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
	Commercial banks	Savings banks	Post Office Savings Bank	Co-op. credit societies & their central bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1953	1 056.6	705.1	187.8	567.7	98.5	2 452.8	162.9	2 615.7	921.2
1954	1 289.6	824.5	221.2	647.0	127.7	2 915.1	194.9	3 110.0	995.6
1955	1 554.4	964.5	248.7	728.7	136.0	3 398.0	234.3	3 632.3	1 043.0
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
1963									
Aug.	3 418.2	2 091.2	550.1	1 681.4	641.7	8 006.6	376.0	8 382.6	1 740.3
Sept.	3 437.9	2 111.7	550.2	1 710.9	647.5	8 087.2	371.0	8 458.2	1 827.7
Oct.	3 469.7	2 133.4	573.8	1 727.2	654.1	8 171.6	386.6	8 558.2	1 804.9
Nov.	3 481.7	2 144.3	577.0	1 746.4	659.2	8 235.2	373.4	8 608.6	1 892.9
Dec.	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*									
Jan.	3 446.1	2 139.6	547.1	1 763.6	672.7	8 201.5	367.6	8 569.1	1 826.8
Feb.	3 509.5	2 148.7	554.2	1 769.8	683.9	8 266.6	399.5	8 666.1	1 798.0
March	3 547.4	2 150.3	559.5	1 783.0	687.5	8 329.6	398.1	8 727.7	1 849.7
April	3 635.3	2 170.0	563.1	1 806.8	706.6	8 473.4	408.4	8 881.8	1 826.2
May	3 628.6	2 190.4	570.0	1 827.9	751.1	8 599.4	368.6	8 968.0	1 914.1
June	3 689.8	2 200.9	575.3	1 859.8	768.2	8 688.9	405.1	9 094.0	1 901.4
July	3 706.0	2 219.7	583.0	1 876.1	777.1	8 771.9	390.0	9 161.9	1 889.4
Aug.	3 720.7	2 239.4	592.4	1 903.8	782.4	8 845.8	392.9	9 238.7	1 903.2
Sept.	3 761.2	2 268.8	601.3	1 949.4	787.2	8 967.3	400.6	9 367.9	1 946.3
Oct.	3 791.0	2 296.0	611.6	1 983.7	810.2	9 067.4	425.1	9 492.5	1 933.0

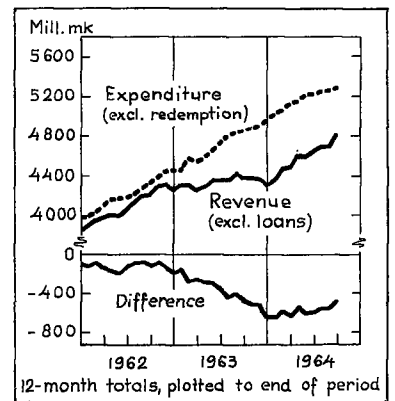


STATE FINANCES

Mill. mk

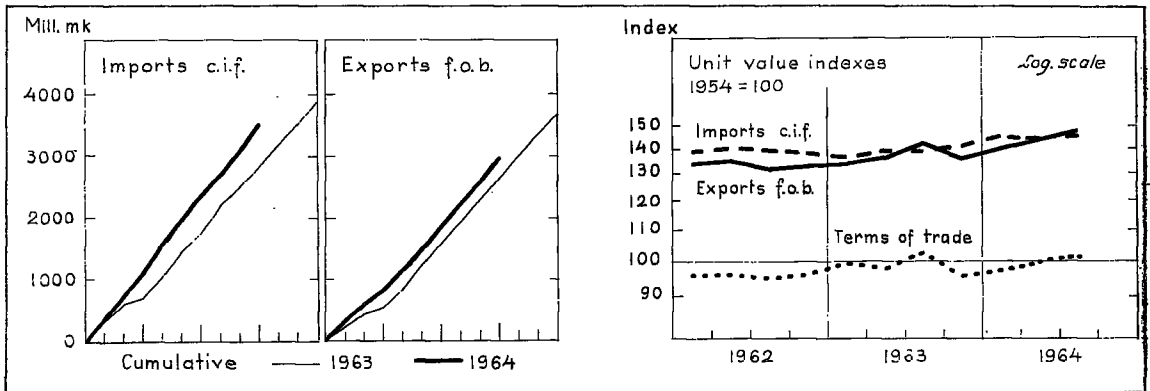
Revenue	Jan. - Sept.		Expenditure	Jan. - Sept.	
	1963	1964		1963	1964
Income and property tax (net)	789	1 068	Interest on State debt	69	98
Gross receipts	(1 896)	(2 300)	Child allowances	221	228
Refunds and communal income tax	(-1 107)	(-1 232)	The State's share in national pensions	151	172
Other direct taxes	11	15	Compensations to war-disabled	88	95
Sales tax	718	694	Subsidies	464	416
Import duties	353	363	Net payments on price equalization by extra-budgetary funds	5	8
Revenue from Alcohol Monopoly ...	257	280	State aid to agriculture	46	46
Excise duty on tobacco	209	216	State aid to communal and private schools	279	330
Excise duty on liquid fuel	129	151	Net loss of State enterprises	21	23
Other excise duties	59	69	Maintenance of roads	99	99
Tax on automobiles and motor cycles	76	116	Other current expenditure	1 190	1 368
Stamp duties	158	184	Current expenditure	2 633	2 883
Employers' payments for child allow- ances	227	259	Real investments	708	788
Net receipts of price equalization by extra-budgetary funds	—	—	Other capital expenditure	338	354
Other revenue similar to taxes	46	52	Capital expenditure	1 046	1 142
Total taxes	3 032	3 467	Total expenditure	3 679	4 025
Interest and dividends	61	65	Redemption of external loans	26	35
Other current revenue	103	126	Redemption of internal loans	155	160
Current revenue	3 196	3 658	Redemption of indemnity bonds etc.	6	4
Capital revenue proper	83	95	Index premiums	8	12
Decrease in inventories	45	81	Redemptions	195	211
Capital revenue	128	176	Total	3 874	4 236
Total revenue	3 324	3 834			
External loans	124	181			
Internal loans	258	217			
Loans	382	398			
Short-term credit (increase +) ..	+23	+32			
Deficit (+) or surplus (-)	+145	-28			
Total	3 874	4 236			

Debt	1961	1962	1963	1964		
	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.*
External debt ...	791	803	963	1 132	1 125	1 122
Ordinary loans	757	936	1 109	1 172	1 166	1 171
Indemnity bonds etc.	26	18	11	8	8	8
Short-term credit ..	24	61	160	184	192	204
Cash debt (net) ...	-98	-125	78	10	59	..
Internal debt	709	890	1 358	1 374	1 425	..
Total debt	1 500	1 693	2 321	2 506	2 550	..
Total debt, mill. \$	465.9	525.4	720.8	777.2	791.4	..



FOREIGN TRADE

Period	Value mill. mk			Unit value indexes 1954 = 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		
1955	1 769.6	1 812.6	+ 43.0	106	110	105	105	115	100	106
1956	2 035.6	1 779.9	-255.7	106	110	104	109	106	105	101
1957	2 279.3	2 123.9	-155.4	116	118	113	119	120	122	95
1958	2 333.0	2 479.3	+146.3	138	139	133	139	153	140	99
1959	2 673.0	2 673.2	+ 0.2	130	120	121	131	152	133	98
1960	3 403.0	3 164.7	-238.3	133	123	131	132	147	136	98
1961	3 690.2	3 374.0	-316.2	135	145	134	134	140	137	99
1962	3 928.7	3 533.1	-395.6	134	146	132	128	150	139	96
1963	3 866.9	3 678.0	-188.9	137	145	142	129	147	139	99
Jan.-Sept.										
1962	2 901.3	2 540.7	-360.6							
1963*	2 795.5	2 629.6	-165.9							
1964*	3 519.7	2 980.1	-539.6							
1964*										
Jan.	363.5	281.3	- 82.2	140	148	152	131	133	144	97
Feb.	350.1	299.9	- 50.2							
March	368.3	231.4	-136.9	144	164	148	132	158	144	100
April	449.3	339.5	-109.8							
May	399.2	335.3	- 63.9	147	161	155	134	164	146	101
June	413.2	366.4	- 46.8							
July	363.6	368.6	+ 5.0							
Aug.	390.2	349.3	- 40.9							
Sept.	422.3	408.4	- 13.9							

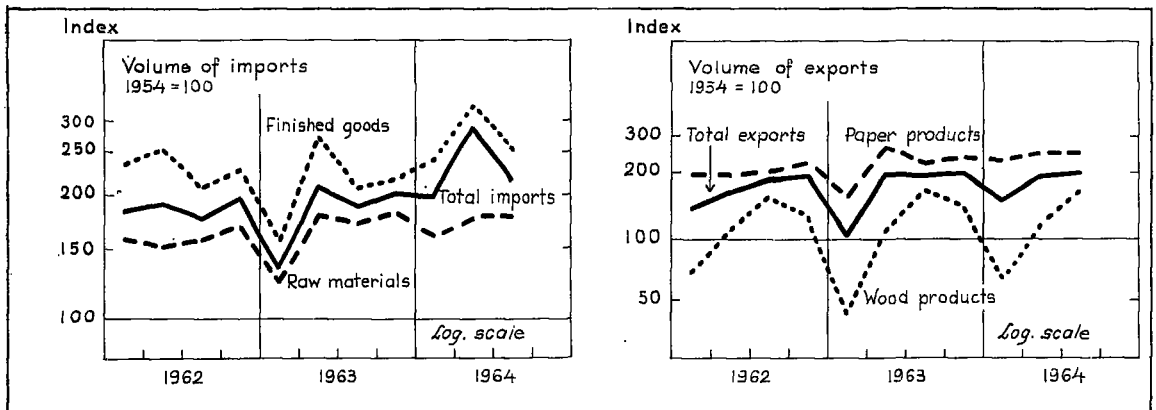


March 1963 figures are affected by strikes.

FOREIGN TRADE BY MAIN GROUPS

Mill. mk

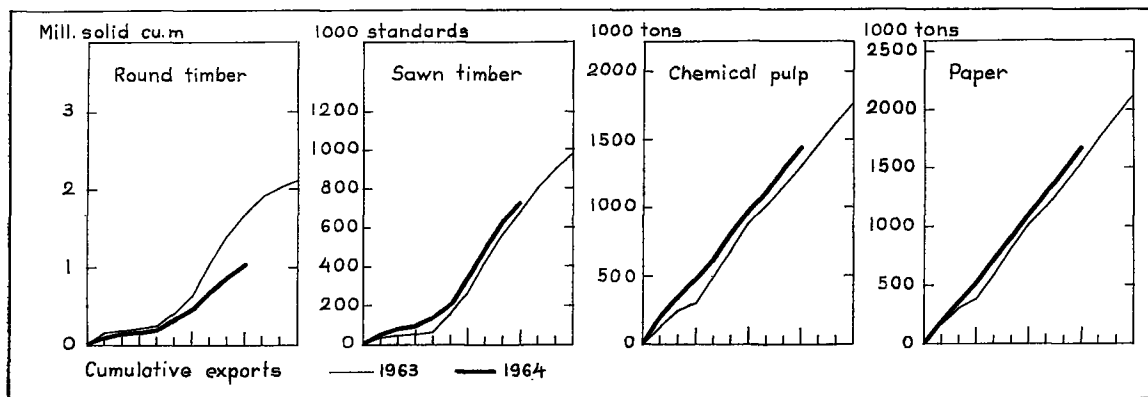
Period	Imports, c.i.f.				Exports, f.o.b.					
	Raw materials and producer goods	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods
			Investment goods	Consumer goods						
1954	864.2	173.4	288.0	195.8	51.5	135.8	497.3	616.6	209.9	55.1
1955	949.2	215.4	342.2	262.8	38.8	199.1	513.2	757.9	248.0	55.6
1956	1 042.8	274.6	433.6	284.6	62.1	172.4	404.9	817.8	251.2	71.5
1957	1 174.3	402.4	413.5	289.1	101.7	171.0	482.9	976.4	304.3	87.6
1958	1 195.0	326.6	488.0	323.4	106.5	193.5	578.2	1 151.7	340.3	109.1
1959	1 338.2	281.2	675.4	378.2	148.6	162.9	636.6	1 170.0	441.5	113.6
1960	1 662.6	330.5	933.4	476.5	160.3	205.6	840.8	1 337.2	473.6	147.2
1961	1 711.2	329.9	1 034.4	614.7	153.5	295.8	840.8	1 539.1	386.3	158.5
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
Jan.-Sept.										
1962	1 296.5	253.2	882.3	469.3	115.2	152.7	553.3	1 162.8	435.1	121.6
1963	1 315.1	261.0	739.2	480.2	113.2	87.3	555.9	1 278.3	443.0	151.9
1964*	1 525.1	369.7	1 036.9	588.0	173.6	69.2	645.4	1 474.0	419.9	198.0
1963										
Nov.	160.4	33.2	77.2	60.6	11.2	7.8	83.3	153.4	52.0	23.7
Dec.	167.7	33.8	105.9	61.2	24.5	5.8	80.9	147.4	58.5	22.2
1964*										
Jan.	172.2	42.3	91.1	57.9	14.0	4.3	50.3	169.3	25.6	17.8
Feb.	155.6	37.2	100.1	57.2	23.8	5.5	44.6	148.1	60.4	17.5
March	149.6	48.0	107.9	62.8	12.1	1.8	26.4	145.3	28.9	16.9
April	162.3	34.6	148.5	103.9	27.9	2.3	49.5	165.1	75.6	19.1
May	167.8	51.0	114.9	65.5	23.1	7.1	67.5	173.7	37.2	26.7
June	182.7	32.1	126.7	71.7	17.5	8.4	97.1	163.0	55.0	25.4
July	164.7	32.1	114.7	52.1	18.1	13.3	116.9	156.6	40.9	22.8
Aug.	182.4	48.0	109.6	50.2	19.9	14.9	95.7	166.8	28.1	23.9
Sept.	187.8	44.4	123.4	66.7	17.2	11.6	97.4	186.1	68.2	27.9



March 1963 figures are affected by strikes.

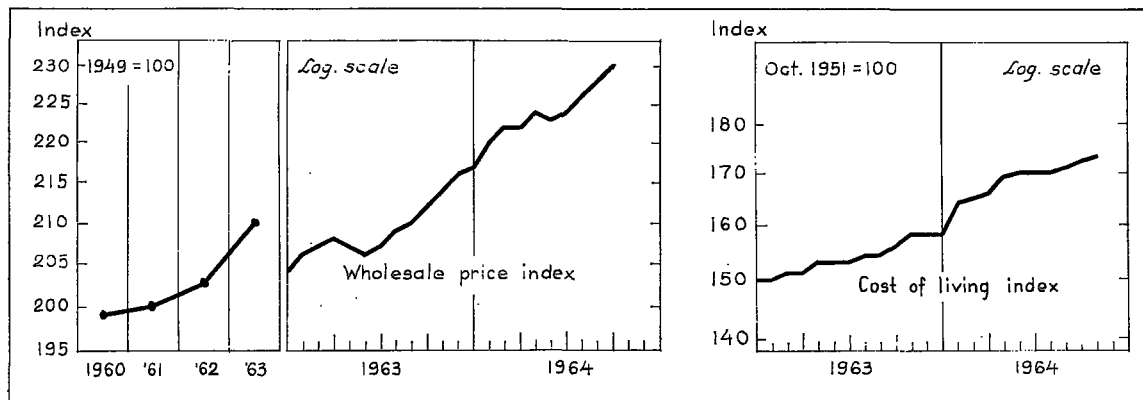
EXPORTS OF SOME IMPORTANT ARTICLES

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
1954	3 620	733	298	193	580	375	101	59	392	751
1955	4 977	786	321	183	682	447	110	61	470	905
1956	4 424	648	230	186	679	452	106	49	537	997
1957	4 063	719	260	165	697	474	134	60	551	1 108
1958	3 861	762	239	143	725	476	145	83	585	1 147
1959	3 812	950	296	139	770	549	142	110	576	1 244
1960	4 756	1 137	358	176	919	500	150	128	691	1 460
1961	5 955	1 106	329	160	872	569	154	146	846	1 806
1962	3 681	1 010	357	150	828	731	153	152	870	1 980
1963	2 108	977	384	173	861	893	171	161	882	2 126
Jan.-Sept.										
1962	3 014	725	255	111	614	508	114	113	640	1 437
1963	1 681	681	279	125	640	667	127	114	630	1 540
1964*	1 045	727	314	128	729	716	129	120	699	1 679
1963										
Nov.	120	102	33	16	75	73	14	17	84	187
Dec.	83	77	32	13	72	63	12	14	74	184
1964*										
Jan.	86	47	37	17	97	104	14	16	75	179
Feb.	64	35	41	15	75	66	13	15	68	174
March	15	15	27	11	66	68	14	13	65	168
April	26	42	38	15	81	64	16	16	79	197
May	122	69	43	13	82	97	14	15	81	195
June	143	122	31	20	87	84	15	12	83	182
July	218	156	31	11	69	67	13	10	76	195
Aug.	202	125	27	12	90	75	15	10	76	188
Sept.	169	116	39	14	82	91	15	13	96	201



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c.i.f.					Exports, f.o.b.				
	Whole year		Jan. — Sept.			Whole year		Jan. — Sept.		
	1962	1963	1963	1964*		1962	1963	1963	1964*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	15.7	15.8	16.2	15.6	549.1	22.2	23.6	23.6	25.9	773.4
United Kingdom	15.2	15.3	15.6	15.1	531.7	20.2	21.5	21.5	23.5	702.3
Other OECD countries										
in Europe	55.6	53.0	53.5	52.5	1 848.9	43.0	43.9	44.1	45.2	1 346.6
Austria	0.7	0.7	0.8	0.7	24.5	0.3	0.3	0.3	0.4	10.6
Belgium-Luxembourg	2.4	2.2	2.3	2.0	70.8	3.4	3.3	3.2	3.4	102.4
Denmark	3.1	3.3	3.5	2.9	102.5	3.7	3.5	3.5	3.7	109.5
France	5.2	4.3	4.5	5.7	200.5	4.5	5.0	5.0	5.7	169.7
Western Germany	20.2	18.0	18.4	17.4	614.3	11.9	12.0	12.3	11.3	335.9
Italy	2.1	2.0	2.0	1.8	65.4	2.8	3.2	3.3	2.9	85.5
Netherlands	4.4	4.7	4.6	3.8	133.8	6.1	6.3	6.1	6.7	200.4
Norway	1.5	1.6	1.5	1.6	54.6	1.2	0.8	0.8	0.8	24.5
Portugal	0.2	0.2	0.2	0.3	8.8	0.1	0.1	0.1	0.1	4.0
Spain	0.4	0.4	0.3	0.5	18.7	0.7	0.9	0.8	0.9	25.9
Sweden	12.1	11.9	11.9	12.4	436.5	5.7	5.7	5.8	6.5	195.2
Switzerland	2.6	2.9	2.8	2.8	97.7	0.6	0.7	0.7	0.8	24.2
Eastern Bloc	19.2	21.7	20.7	22.0	772.7	22.5	20.8	21.3	17.2	512.3
China	0.2	0.2	0.2	0.5	17.8	0.4	0.5	0.4	0.5	13.8
Czechoslovakia	1.0	0.7	0.8	0.7	25.0	0.9	0.9	1.0	0.5	14.2
Eastern Germany	1.4	1.1	1.2	1.0	36.2	1.1	1.0	1.1	1.0	30.5
Poland	2.2	2.0	1.7	1.9	65.5	1.7	1.7	1.7	1.8	54.0
Soviet Union	13.7	16.9	16.1	17.0	598.7	17.8	16.0	16.4	11.8	352.7
U.S. and Canada	5.6	5.3	5.4	5.1	179.6	5.5	5.4	5.4	6.0	179.6
United States	5.1	4.9	4.9	4.9	171.3	5.4	5.2	5.3	5.8	174.4
Latin America	2.7	2.9	2.8	3.1	110.5	3.4	2.7	2.5	2.8	82.7
Argentina	0.4	0.5	0.7	0.4	15.5	0.8	0.6	0.5	0.7	21.9
Brazil	1.5	1.6	1.3	1.6	57.7	1.5	0.7	0.7	0.5	14.2
Others	1.2	1.3	1.4	1.7	58.9	3.4	3.6	3.1	2.9	85.5
Grand total	100.0	100.0	100.0	100.0	3 519.7	100.0	100.0	100.0	100.0	2 980.1
of which										
EFTA countries	35.4	35.9	36.2	35.7	1 256.3	31.9	32.7	32.8	35.9	1 070.4
EEC countries	34.7	31.5	31.8	30.8	1 084.7	29.4	30.1	29.9	30.0	893.8



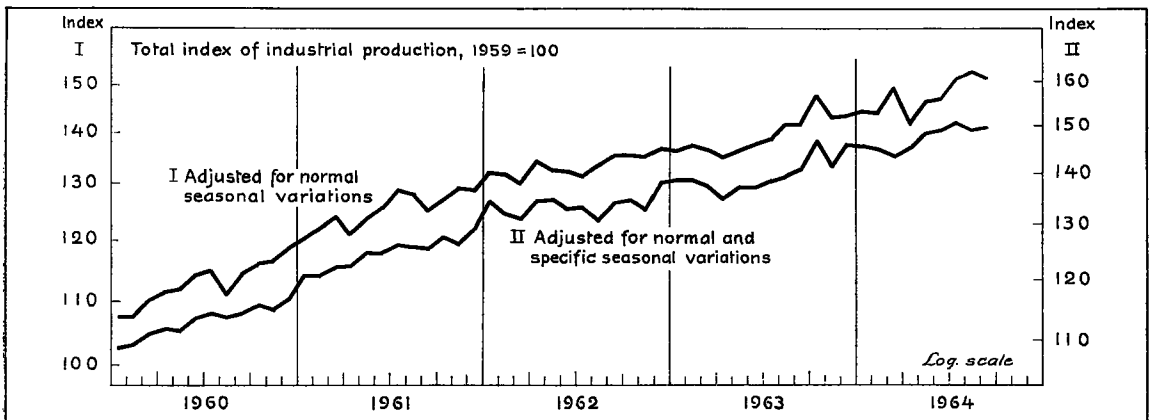
PRICE INDEXES

Period	Wholesale prices 1949 = 100									Building costs 1951 = 100		
	Total index	Origin		Purpose			Stage of processing			Total	Building material	Workers' average hourly earnings
		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			
1961	200	202	194	209	195	190	213	202	191	128	114	148
1962	203	205	196	209	203	197	217	200	198	132	114	156
1963	210	212	201	214	211	205	226	203	205	140	118	171
1963												
Oct.	214	217	203	216	214	211	230	205	210	143	118	180
Nov.	216	219	205	220	214	211	233	207	212	143	119	180
Dec.	217	220	205	222	214	212	236	209	212	145	123	182
1964												
Jan.	220	224	204	219	211	222	240	209	214	142	117	179
Feb.	222	226	207	222	210	226	243	213	216	144	118	180
March	222	226	208	223	211	224	242	214	216	146	118	186
April	224	228	209	224	211	227	246	215	217	148	119	188
May	223	226	209	225	211	223	241	217	216	150	119	194
June	224	228	211	227	211	224	246	217	216	150	120	195
July	226	230	210	227	212	227	252	215	216	150	120	194
Aug.	228	232	211	229	216	228	255	217	218	152	121	197
Sept.	230	235	213	233	217	230	256	222	220	152	121	198
Oct.	232	237	212	236	217	230	260	223	221	153	122	200

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
1961	141	150	310	100	87	137	110	110	115	97	109	111
1962	147	156	327	103	90	143	115	115	121	100	112	117
1963	154	164	346	108	93	151	121	120	128	105	115	123
1963												
Oct.	158	168	356	109	94	155	124	124	132	106	116	126
Nov.	158	169	356	109	94	155	124	124	132	106	117	126
Dec.	158	169	356	109	94	155	124	124	132	106	117	127
1964												
Jan.	164	175	361	113	104	159	129	129	134	110	129	129
Feb.	165	177	361	113	105	160	130	130	134	110	130	130
March	167	180	361	114	106	162	131	132	134	110	132	132
April	169	182	361	114	106	163	132	134	134	111	132	133
May	170	185	361	114	106	164	133	136	134	111	132	134
June	170	185	361	114	107	165	134	136	134	110	132	135
July	170	185	361	114	107	165	134	136	134	110	132	135
Aug.	171	185	361	114	107	166	134	136	134	110	133	135
Sept.	172	188	361	114	108	167	135	138	134	111	134	136
Oct.	173	187	372	114	108	167	135	137	138	111	134	136

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			
1961	125	132	127	120	122	136	131	119	125	49 004	150
1962	133	151	133	127	114	141	144	126	133	47 264	160
1963*	139	136	142	135	117	154	141	134	140	47 784	169
1963*											
Feb.	135	132	137	130	113	147	141	126	138	4 995	142
March	139	139	141	136	123	150	146	130	137	5 409	156
April	136	133	137	133	126	140	139	132	135	4 036	171
May	147	149	147	146	131	158	152	142	137	10 095	191
June	130	128	128	134	109	126	134	131	138	1 941	167
July	106	83	114	96	112	146	83	100	139	1 299	153
Aug.	143	137	142	147	108	157	137	146	142	1 936	183
Sept.	148	146	151	141	111	169	151	141	142	2 192	176
Oct.	162	160	167	152	132	182	166	156	148	3 189	181
Nov.	151	145	157	141	110	169	152	146	143	3 915	173
Dec.	133	127	139	123	118	148	132	124	144	4 534	201
1964*											
Jan.	148	146	154	137	117	163	153	137	145	5 552	114
Feb.	147	144	152	138	127	162	152	137	144	6 031	143
March	146	139	152	136	121	162	147	137	149	6 500	142
April	157	150	161	152	150	169	158	152	142	5 469	161
May	144	133	149	137	127	164	139	137	146	9 985	154
June	143	141	146	139	137	142	145	141	147	1 863	150
July	116	77	128	102	118	168	85	107	152	1 327	145
Aug.	150	134	154	149	100	173	140	153	153	1 846	170
Sept.	162	157	168	152	121	182	167	155	152	2 335	173

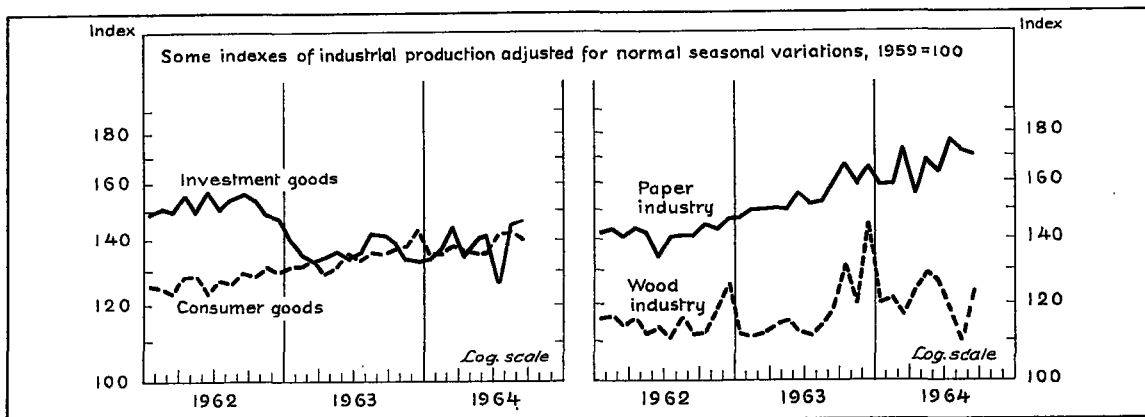


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

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
1962	23.18	10.61	2.15	7.11	2.31	25.53	132	120	128	134
1963*	24.77	12.57	2.21	6.60	2.43	25.16	145	136	144	143
1963*										
Jan. - Mar.	4.34	2.51	0.21	1.16	0.34	25.50	138	130	143	137
Apr. - June	4.71	2.36	0.28	1.41	0.49	28.73	145	137	143	145
July - Sept.	6.87	2.63	0.72	2.05	1.10	27.86	148	137	141	145
Oct. - Dec.	8.85	5.07	1.00	1.98	0.50	25.16	149	138	150	146
1964*										
Jan. - Mar.	4.41	2.30	0.23	1.36	0.40	25.39	158	148	162	156
Apr. - June	4.93	1.83	0.31	1.91	0.66	28.15	163	153	163	160

Period	Railways		Foreign shipping				Labour input		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed 1 000 net reg. tons		1 000 man-months		% of total labour force	
	1963	1964	1963	1964*	1963	1964*	1963*	1964*	1963*	1964*
Jan.	132	125	485	576	458	527	1 830	1 854	2.3	2.7
Feb.	125	124	293	538	281	451	..	1 851	2.3	2.3
March	13	122	293	535	171	389	1 819	1 839	2.1	1.8
April	145	138	510	588	438	487	1 841	1 882	1.6	1.5
May	156	125	751	755	688	709	1 905	1 920	0.8	1.1
June	128	128	830	995	870	963	1 895	1 906	0.8	1.2
July	133	128	977	1 165	1 134	1 253	1 737	1 772	1.0	1.1
Aug.	139	132	919	1 072	1 033	1 111	1 851	1 862	1.0	1.0
Sept.	139	138	745	861	842	873	1 922	1 921	1.1	1.0
Oct.	148	140	697	842	752	760	1 910		1.3	
Nov.	132		661		658		1 895		1.6	
Dec.	110		657		614		1 871		2.0	



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. *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.

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 sight liabilities + Other cheque accounts + Deposits against import licences (in 1956) — Account of the Mortgage Bank of Finland Oy. — *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 first according to the Laspeyres formula but at the end of each year adjustments are made according to the Fisher formula, and the level of the quarterly indexes is corrected so that their arithmetic mean equals the annual index. Thus the series above and below the line are not fully comparable. 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. *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 o 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 1962 are as follows: Agrarians 53, People's Democrats 47, Social Democrats 38, Conservatives 32, Swedish Party 14, Finnish People's Party 13, Social Democratic League 2 and Liberal League 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 %, communes and parishes 1.7 %.

POPULATION

NUMBER OF INHABITANTS (1963): 4.6 million. Sweden 7.6, Switzerland 5.8, Denmark 4.7 and Norway 3.7 million.

DENSITY OF POPULATION (1963): In South Finland 25.4, in North Finland 4.2 and in the whole country an average of 14.9 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1963): 58 % of the population inhabit the rural areas, 42 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 488 300 inhabitants, Tampere (Tammerfors) 136 200, Turku (Åbo) 135 000.

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

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

EDUCATION (1963): 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 teachers' training colleges, besides teacher-training departments in two of the universities.

INCREASE OF POPULATION (1963): births 18.1 ‰, deaths 9.2 ‰, increase 8.6 ‰. Deaths in France 11.7 ‰, and Great Britain 12.2 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1963, in million marks) Gross domestic product at market prices 18 667 (excl. repairs and maintenance). Net domestic product at factor cost, by industrial origin: agriculture 1 592 (10 %), forestry and fishing 1 462 (10 %), manufacturing 4 683 (31 %), construction 1 540 (10 %), transport and communications 1 178 (8 %), commerce, banking and insurance 2 017 (13 %), general government 1 900 (12 %), other services 907 (6 %), total 15 279. Index of real domestic product 133 (1957 = 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 127 for 1963 (1954 = 100). Measure of self-sufficiency in bread cereals 69 % in the crop year 1963/64.

INDUSTRY (1962): Gross value of industrial production 14 500 mill. marks, number of workers 352 000, salaried employees 71 100, motive power (1962) 5.0 mill. HP. Index of industrial production 133 for 1962 (1959 = 100).

RAILWAYS (Jan. 1, 1964): Length 5 427 km, of which 5 353 km are State and 74 km private railways. The gauge of State railways 1.524 m.

MERCHANT FLEET (Oct. 31, 1964): Steamers 163 (274 691 gross reg. tons), motor vessels 366 (656 466 gross reg. tons), sailing vessels with auxiliary engines 39 (4 827 gross reg. tons). Total 568 (935 984 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1963): Private cars 294 400, lorries and delivery vans 78 800, buses 8 800, others 13 900. Total 393 900.

SCHEDULED AIR TRAFFIC OF FINNISH COMPANIES (1963): Kilometres flown 12.6 million, passengers carried 696 000, passenger kilometres 312.6 million, and ton kilometres of freight and mail 5.0 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, 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). On Jan. 1, 1963, the value of the mark was raised to one hundred times its former value. The official par value of the new unit is 3.20 marks to the U.S. dollar. Finland has been a member of the International Monetary Fund since 1948.

MUNICIPAL FINANCES. In the finance accounts for 1962 expenditure amounted to 2 504 mill. marks. Total revenue was 2 481 million, of which income from taxation 1 217 million. The municipal income tax (non-progressive) averaged 11.83 % 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, 1963). There are two big and four small commercial banks with in all 682 offices, 383 savings banks, 504 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 Pensions Institution and sixty-five private insurance companies also grant credits.

RATES OF INTEREST (May 1, 1964). Bank of Finland discount rates 6—7 1/8 %. Other credit institutions: term deposits 4 1/2 %, 12 months' deposits 6 %, 100 per cent index-tied deposits 2 1/2 %, 50 per cent index-tied deposits 4 %; highest lending rate 8 %.

SOCIAL WELFARE COSTS INCURRED BY MANUFACTURING IN FINLAND AND IN OTHER SELECTED COUNTRIES

BY

LEO PAUKKUNEN, D. Pol. Sc.

Once the process of industrialisation had begun efforts were made to introduce legislation to establish, in particular, minimum standards of safety for workers. Measures were also taken quite early to provide a statutory framework for labour contracts and collective agreements. From the outset a number of other forms of labour policy were considered to justify the view that the firms should bear the costs. As time passed firms were made to participate in the costs of the social security policy as well, irrespective of whether the policy involved the firm's employees or the population at large.

In this article the social welfare activities engaged in by manufacturing employers, or briefly, by manufacturing, are considered to cover both such measures — economic, cultural, or those relating to the care of health — as they have voluntarily introduced for their own employees as fringe benefits and other measures through which they, obliged by law or by collective agreements, participate in general social welfare policy.

Before it is possible to measure the extent of social welfare activities by manufacturing, as defined above, a number of conceptual problems have to be settled. In the first place, it is necessary to decide whether the social welfare activities and the benefits offered should be considered from the point of view of the recipients or from that of

those who pay them. The benefits and the costs are not necessarily identical. To illustrate: a part of the payments incurred by firms toward the social security of their employees as well as a part of the income transfers intended to finance social welfare programmes for the population at large is absorbed by administrative expenses; moreover a proportion of the income transfers goes to persons other than the firm's employees. Grants in aid to social welfare organizations and the administrative expenditure on social welfare provide examples of this in the case of voluntary contributions for social welfare. Since most information has, as a rule, to be obtained from the firms' book-keeping accounts, the extent of social welfare activities appears larger than it is when looked at from the point of view of the recipients of the benefits, as it is measured in terms of the costs incurred by the firms.

The costs of statutory social welfare measures were, as a rule, directly obtainable from the firms' book-keeping accounts; special difficulties were, however, met when determining voluntary social welfare costs. The general aim was to obtain the cost to the firms in net terms. Accordingly, in such cases where fees were collected from the employees or other proceeds accrued to the firm from the activities concerned, the gross

expenditures of the firms were first calculated and the fees or other receipts then deducted from them. On the other hand, efforts were made to avoid the inclusion of investments in expediture. This is the reason why in cases where fixed assets serving social welfare purposes and included in the firms' accounts were involved, only the annual capital, operating and maintenance costs were included. In computing the capital costs, i.e. interest and depreciation, the following principles were applied throughout: 8 per cent of the fire insurance value of the buildings; 23 per cent of the fire insurance value of stocks; and 6.5 per cent of the taxable value of land. By contrast, in the case of those stocks, acquired during the year and serving social welfare purposes, but not included in the firms' accounts, the total cost of acquisition was taken into account. These percentages were applied regardless of the previous depreciation allowances of the firms, or the actual rate of interest on their loans.

The annual operating and maintenance costs include: the costs of repair, fuel and electricity, insurance premiums, taxes and the wages and salaries paid to the operating

and repairing personnel for the time worked. The social welfare costs incurred by manufacturing in 1952, 1961 and 1964, measured in accordance with the principles enumerated above, are illustrated in the table below.

After the Second World War the costs of welfare have increased considerably more than the wages paid for the time worked. Expansion was particularly strong in the case of social welfare activities provided for by legislation. Children's allowances, introduced in the late 1940s were the most significant addition to the statutory social welfare costs. By contrast, the amendments to the laws relating to production committees and employment injuries, effected at about the same time, were of minor significance as regards additions to the costs of manufacturing.

The reform of the legislation covering the pensions funds in the mid-1950s resulted in a more widespread acceptance of the system within manufacturing. Still, the acts or legislative reforms most significant from the cost angle occurred during the present decade. Particularly noteworthy additions to costs for leisure time resulted from the 1960 act regarding compensations for agreed annual

COSTS OF SOCIAL WELFARE TO MANUFACTURING IN FINLAND, IN 1952, 1961 AND 1964,
PER CENT OF WAGES PAID FOR THE TIME WORKED

	1952 ¹	1961	1964 (estimate)
1. Remuneration for annual vacations	4.8	6.0	6.9
2. Compensation for holidays	0.2	0.9	1.7
3. Wages for sickness periods	1.0	0.8	0.8
4. Contributions to employment-injury insurance	1.0	1.2	1.2
5. Contributions to the employment pensions scheme and pensions	1.5	2.1	6.3
6. Contributions to sickness insurance scheme	—	—	0.4
7. National pensions and child allowance contributions	5.4	4.9	5.4
8. Contributions to unemployment insurance	—	0.3	0.2
1—8. <i>Total (statutory social welfare)</i>	13.9	17.1	23.0
9. Social expenditure on economic welfare	4.8	3.7	—
10. Social expenditure on medical and health care	0.9	0.7	—
11. Social expenditure on cultural and recreational services ...	0.9	0.7	—
12. Grants in aid to social welfare organizations	0.3	0.1	—
9—12. <i>Total (voluntary social welfare)</i>	6.9	5.2	5.2
13. Administrative expenses	0.2	0.3	0.3
1—13. <i>Grand total</i>	21.0	22.6	28.5

¹ Excluding small firms.

holidays; and the same applies to a common practice — assumed in collective agreements at about the same time — to include stipulations concerning compensation for holidays falling within the regular working week. In this connection attention should also be directed to a new law concerning the national unemployment funds, introduced in 1961, by which Finland's employers were for the first time obliged to participate in unemployment finance. This increase in costs was, however, offset by a reduction in the employer contributions to national pensions effected some time earlier.

After 1961 — the last year when inquiries were carried out — social policy reforms have continued. The new collective agreements provided compensation for an increased number of holidays falling within the regular working week. Contributions to the national pensions scheme were likewise raised again. Still, the most significant factor increasing industrial costs is the new employment pensions scheme, introduced on July 1, 1962, and the sickness insurance scheme, contributions to which started on April 1, 1964.

So rapid a growth of statutory social welfare activity, as reflected in the rise of the costs incurred by the firms in the manner shown above, has naturally reduced the need for voluntary social welfare activity, as well as limited the opportunities of the firms to do so. Over the period under examination a strong decline was evident in the proportion of voluntary social welfare expenditures in the total of welfare expenditures as well as in relation to wages paid for the time worked. In the immediate post-war years the statutory and voluntary costs were of about the same magnitude; these days the statutory costs are estimated to amount to about 80 per cent and the voluntary costs, correspondingly, to less than 20 per cent of the total.

The most substantial declines were evident in the medical and health services and in the group of the grants in aid to various social welfare organizations. Owing to an expansion of the general hospital services, it has mainly been the health services proper in manufacturing where the decline has been greatest. The reduction in the grants in aid to welfare organizations may in turn relate both to a diminishing need and to the firms' attempts to economize. Similar factors may also account for the decrease in support to economic and cultural activities. Though, the most basic forms of voluntary welfare activities, such as housing services, personnel service bureau activities, on-the-job meals, care of the children, physical education, and club and training services seem to have maintained their established position among social welfare activities in manufacturing, even in these circumstances.

Doubts have often been raised as to whether social welfare activities of this magnitude entail a significant deterioration in the competitiveness of Finnish manufacturing in the international and domestic markets. Even though it is unlikely that empirical studies could substantiate this, the study conducted by the Swedish federation of employees throws some light on this subject.¹ On the basis of data rendered commensurate, the following results were derived with respect to the Nordic countries on one hand and Italy, France, the Netherlands, West Germany, Belgium, United States, and Great Britain, on the other (table on page 21).

In spite of the margins of error attaching to the figures it appears that expenditure on social welfare by Finnish manufacturing is relatively high only in relation to the other Nordic countries, the United States and Great Britain. In the countries

¹ SAF: Direkta och totala lönekostnader för arbetare, Stockholm 1964.

COSTS OF SOCIAL WELFARE PROGRAMMES UNDERTAKEN BY MANUFACTURING INDUSTRIES FOR THE BENEFIT OF THEIR WAGE EARNERS IN NORDIC AND OTHER SELECTED COUNTRIES, PER CENT OF REMUNERATION FOR THE TIME WORKED, 1962

Finland	23.7
Norway	20.9
Sweden	20.0
Denmark	14.8
Italy	98.8
France	71.0
Netherlands	48.1
West Germany	47.5
Belgium	31.0
United States	19.4
Great Britain	14.7

WAGE LEVEL OF WAGE EARNERS IN MANUFACTURING INDUSTRIES, FINLAND AND SELECTED COUNTRIES, 1962, (FINLAND = 100)

	Remuneration for the time worked	Total wage expenditure
Finland	100	100
Sweden	165	156
Denmark	133	123
Norway	131	128
United States	319	300
Great Britain	115	106
West Germany	108	126
Belgium	84	89
France	81	111
Netherlands	73	87
Italy	59	95

of Southern and Central Europe, particularly in Italy and France, by contrast, the social welfare activities of manufacturing play a far more significant role as a direct cost factor than in Finland or in the other Nordic countries. This fact should accordingly be reflected in the remuneration for the time worked. The following table illustrates this.

The table shows that the countries, where the costs of social welfare activities are very high in relation to remuneration for the time

worked, frequently pay low wages for the time worked, and vice versa. Social welfare programmes and the costs incurred in connection with them, thus tend to even out differences in labour costs. Still, there is reason to believe that the differences in social welfare costs cannot be regarded as the principal cause of differences in competitiveness; this is likely to lie in differences in the degree of mechanization, the availability of raw materials, and other factors bearing heavily upon productivity.

ITEMS

Opening of Pellos Oy's particle board mill. On November 13, 1964, the largest and most modern particle board mill in North Europe was opened. Pellos Oy's industrial establishments are located in Ristiina, Southern Finland, 25 km south of Mikkeli and 235 km from Helsinki. It is also within easy reach of the ports of Hamina and Kotka.

The mill will have a capacity of 75 000 cubic metres per annum based on 14 mm thickness. The volume of the mill inclusive of storage is about 85 000 cu. m., the storage being about 33 000 cu. m. The annual timber requirement is 225 000 cu. m.

In addition a power plant, central repair works, briquette works, a pump station with sprinkler centre, a central office and residential buildings have been built. The capacity of the power plant is 30 tons/h. 64 atm.

A plywood mill will also be built in the area. Work has already been started and the mill is expected to be completed in spring 1966. The annual capacity of the plywood mill will be c. 30 000 piled cu. m. The raw material requirement — birch — will be c. 3.3 million cu. ft.

To ensure the growth of forest in its logging area, Pellos Oy has established a nursery associated to the particle board mill to distribute spruce, pine and birch seedlings to forest owners.

The planting area discussed in the Teho programme (see Bulletin No. 10, 1964, p. 1)

in the district forestry board of Southern Savo, the main logging area of Pellos Oy, is 6 100 hectares. Over 12 million seedlings are needed. Since only a fraction of the programme can be realised at present, the annual output of one million seedlings by the nursery of Pellos Oy constitutes a significant increase in the area's forest reserves.

*

External bond issue of DM 60 million. The Finnish Government has authorized the Central Bank of Co-operative Credit Societies to issue an external bond loan of DM 60 million (48 mill. Fmk). Dealing in the bond certificates started on November 2 on the Stock Exchanges of Frankfurt/Main, Düsseldorf and Hamburg. This is the fourth and biggest Finnish issue on the West German capital market. The loan has a currency period of, at the most, 15 years starting November 1, 1964, and it will be redeemed after five years of grace in ten annual instalments of DM 6 million. Interest at a rate of 6 ¼ per cent per annum is payable half-yearly, starting May 2, 1965. The price of issue is 98 per cent. The loan is guaranteed as regards both principal and interest by the Republic of Finland. The intermediaries are a banking consortium led by Deutsche Bank AG and Deutsche Genossenschaftskasse.

*

Domestic bond issues. The Government has launched the following two loans.

The second issue of tax payment bonds totalling 50 million marks. The certificates are dated November 2, 1964, and bear interest at 9 per cent. They can be used for the payment of state, municipal, and church taxes, and will be redeemable from February 1, 1966 to January 31, 1967. The loan is issued at par.

The second loan subscribed by insurance companies in 1964. It amounts in total to 20 million marks, and was issued in two groups. Group I (8.5 million) will run for sixteen years, group II (11.5 million) for twenty-five years. Interest will be paid six-monthly at a rate of 7 per cent. This loan is tied to the cost of living index to the extent of 50 per cent. Group I was issued at a price of 95.18, and group II at a price of 93.82.

*

Trade agreements. Finland has recently concluded trade agreements with the following countries.

Bulgaria, on October 21, 1964. Period: three years beginning January 1, 1965. The exchange of goods will be effected on the basis of the export and import lists fixed for 1965, which will subsequently be adjusted for each of the following years. The composition of the lists mainly follows the pattern already established in the Finnish-Bulgarian trade. However, recent developments have caused certain quantitative adjustments in some of the quotas. Newsprint

and cables now have their own quotas in the export list.

Turkey, on August 19, 1964. The term of validity of the supplement signed on August 16, 1962, made to the agreement of May 13, 1960, was extended until September 31, 1965.

*

Hire-purchase terms on private cars tightened. The weakening of the balance of payments during the current year is largely attributable to an increase in imports of passenger cars. The Bank of Finland considered tightening of the hire-purchase terms on these cars necessary in order to retard the growth in imports. As an act authorizing the Government to fix the minimum down-payment and the maximum repayment period in hire-purchase contracts has been in force since late 1962, the Bank of Finland suggested on September 26, 1964 that the Government exercise this right and tighten the terms for passenger cars. Negotiations with representatives of importers and distributors of cars as provided for in the same act, led to their reaching an agreement on tightening the hire-purchase terms; this came into effect on November 15, 1964. According to this the minimum down-payment is now 30 or 40 per cent and maximum repayment period 22 or 15 months, dependent on the terms previously applied in similar contracts. As these terms were considered to be sufficiently stringent, the Government did not take recourse to its legal powers of fixing the terms.

BANK OF FINLAND

BOARD OF MANAGEMENT

KLAUS WARIS,
Governor

ESKO K. LEINONEN A. SIMONEN

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

HEIKKI VALVANNE
ad int.

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U. A. VATANEN PERTTI TAMMIVUORI

JOUKO J. VOUTILAINEN JAAKKO S. LASSILA

K. IGNATIUS JORMA ARANKO

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