



BANK OF FINLAND

MONTHLY BULLETIN

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SEPTEMBER

1962

RECENT DEVELOPMENTS

FOREIGN TRADE

In the early part of this year, Finland's foreign trade was brisker than usual. Right from the beginning, the trade deficit assumed considerable proportions. Although during the first six months exports grew by 12 per cent taken against the corresponding period of 1961, the end-of-June deficit was even larger than one year earlier, i.e., 40 300 million marks (37 100 in 1961), as the value of imports also displayed a notable increase, viz. 11 per cent. During this period, Finland's imports amounted to 198 500 million marks, whereas the export figure was only 158 200 million marks. Although the statistics relating to the most active export months are not yet available, it seems that trade for the whole year will also show a rather heavy deficit, and exceeding the 1960 and 1961 figures. As export prices were one or two per cent lower than last year, the corresponding growth in volume during the first five months can be estimated at 13—14 per cent. Moreover, the average import prices have risen by 1.5 per cent this year, the increase in import volume on January—May 1961 being estimated at only 9 per cent.

The heavy growth in exports early in the year was principally ascribable to the recorded expansion of exports of metal industry products. This was largely due to postponement from 1961 of some large

ship deliveries. The proportion of ships in Finland's total exports will this year probably be about the same as in 1960, or 6 per cent, against only one per cent in 1961; this also implies an appreciable increase in exports to the Eastern Bloc. On the other hand, the growth rate of exports to western countries has clearly slackened.

The decline in the foreign demand for Finnish goods is reflected in industrial production (see Bulletin No. 8, 1962, p. 2). The percentually largest reduction related to round timber, exports of which fell below the January—June 1961 figure by 31 per cent in value; for exports of wood industry products, the corresponding reduction was 6 per cent. In many producing countries, the increased capacity of the wood processing industry has outstripped the demand. The market for sawn goods opened unusually late this year, and was slacker than in 1961. By the end of July, sales totalled nearly 800 000 stds, against 958 000 stds one year earlier. For the whole of 1962, a total equivalent to the latter quantity is expected.

The export of agricultural products also presented some difficulties, although thanks to the growth in domestic consumption

***On page 18, The Financing of Capital Formation
by the Public Sector in Finland***

these did not become acute. During the first six months, butter exports were almost one half the figure of the preceding year. Cheese exports remained unchanged. The export of eggs to Western Germany came to a standstill at the beginning of July, and thus the half-year result was unaffected. As a whole, there exists some uncertainty concerning the future of Finnish sales of farm produce to EEC countries, as these countries' decisions on agricultural policy have not yet been fully put into effect.

The growth rate of imports has also clearly slowed down since the last quarter of 1961. The imports of investment goods showed the highest rise, 17 per cent more being imported during January—May than one year before. Early in the year, the growth was retarded, but in May there were again some signs of a possible revival, probably owing in part to purchases of motor cars being speeded up because of the general expectation that a planned increase in import duty would come into effect in July; this actually happened. Imports of fuels and lubricants, the bulk of which are of Eastern Bloc origin, also rose considerably during the first half of 1962.

At the beginning of August, Finland cut the duties on imports from the EFTA countries by 10 per cent, and a similar reduction was effected on imports from the USSR. To date, Finland has reduced EFTA duties by 40 per cent in all.

PRICES AND WAGES

There has been a distinct change in the course of prices since the comparative stability of 1961. It must be admitted that there was in 1961 also some pressure on prices caused by excess demand, but reduc-

tions in the import duty on coffee and the excise duty on tobacco outweighed the mild rise in other prices, and thus prevented index rises. However, after the third quarter of 1961 the Government could no longer check the rising tendency, and an all-round process of price adjustments began. At the moment it seems probable that this unfavourable development will continue, although at a slower pace. One contributory factor is that the new pensions legislation came into force at the beginning of July (see Items). This has occasioned a rise in costs which may, in conjunction with the general upward tendency, bring about a fresh round of price increases. On the other hand, the 10 per cent reduction in import duties effected on August 1 in accordance with the EFTA agreement tends to restrain the prices of industrial products. With foreign competition hardening, Finnish industry will have to refrain from price increases which might jeopardise its position in the world market.

From October 1961 to June 1962, the cost of living index rose by 4.3 per cent, and the wholesale price index by 2.4 per cent.

By the end of the first quarter of 1962, industrial wages were 6 per cent higher than one year earlier. If the change in the cost of living index is taken into account, the real rise in wages was 3.2 per cent, an increase partly explained by the adjustment effected at the beginning of the year in accordance with an agreement between the labour market organisations, and partially following upon a slight wage drift due to the shortage of labour which is characteristic of a boom. This autumn, the labour market organisations will meet to negotiate on new collective agreements.

August 16, 1962

BANK OF FINLAND

Mill. mk

	1961		1962			
	Dec. 30	July 31	July 31	Aug. 8	Aug. 15	Aug. 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	77 893	81 405	77 274	77 728	77 687	77 636
Gold	10 417	10 031	13 668	13 668	13 668	13 668
Foreign exchange	58 730	62 864	57 350	57 811	57 777	57 729
Foreign bills	996	768	1 753	1 745	1 738	1 735
Foreign bonds	7 750	7 742	4 503	4 504	4 504	4 504
<i>Supplementary note cover</i>	47 225	41 823	62 613	59 832	58 900	60 704
Inland bills discounted						
In foreign currency	9 432	10 060	8 863	8 671	8 671	8 671
In Finnish currency	7 083	11 628	2 921	2 899	2 635	2 576
Rediscounted bills	29 460	17 635	50 829	48 262	47 594	49 457
Treasury bond loan	1 250	2 500	—	—	—	—
<i>Other assets</i>	6 236	7 526	6 159	4 609	4 548	5 448
Finnish bonds	1 968	5 004	2 709	1 134	1 132	1 907
Cheque accounts	608	452	424	478	346	369
Finnish coin	755	836	1 030	996	1 003	1 104
Other claims	2 905	1 234	1 996	2 001	2 067	2 068
Total	131 354	130 754	146 046	142 169	141 135	143 788
Liabilities						
<i>Notes in circulation</i>	83 706	75 098	79 982	82 428	80 810	81 291
<i>Short-term liabilities</i>	7 321	17 792	20 330	14 075	14 512	16 858
Foreign exchange accounts	1 339	1 500	1 298	1 311	1 399	1 433
Mark accounts of holders abroad	3 768	4 034	3 390	3 449	3 453	3 433
Cheque account of the Treasury	108	11 014	6 257	832	200	5 928
Cheque accounts of banks	566	80	8 159	7 824	8 681	5 266
Other cheque accounts	184	203	482	240	236	201
Other short-term liabilities	1 356	961	744	419	543	597
<i>Long-term liabilities</i>	13 586	10 321	16 072	15 879	15 879	15 601
Foreign	9 069	9 607	8 498	8 305	8 305	8 305
Finnish	4 517	714	7 574	7 574	7 574	7 296
<i>Equalisation accounts</i>	9 522	10 452	12 265	12 351	12 461	12 537
<i>Bank's own funds</i>	17 219	17 091	17 397	17 436	17 473	17 501
Capital	10 000	10 000	10 000	10 000	10 000	10 000
Reserve fund	5 176	5 176	6 198	6 198	6 198	6 198
Profits undisposed	—	814	—	—	—	—
Earnings less expenses	2 043	1 101	1 199	1 238	1 275	1 303
Total	131 354	130 754	146 046	142 169	141 135	143 788
STATEMENT OF NOTE ISSUE						
Right of note issue						
Ordinary cover	77 893	81 405	77 274	77 728	77 687	77 636
Supplementary cover						
(Upper limit 50 000 mill. mk)	47 225	41 823	50 000	50 000	50 000	50 000
Total	125 118	123 228	127 274	127 728	127 687	127 636
Note issue						
Notes in circulation	83 706	75 098	79 982	82 428	80 810	81 291
Short-term liabilities	7 321	17 792	20 330	14 075	14 512	16 858
Undrawn on cheque credits	885	939	404	350	482	459
Unused right of note issue	33 206	29 399	26 558	30 875	31 883	29 028
Total	125 118	123 228	127 274	127 728	127 687	127 636

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

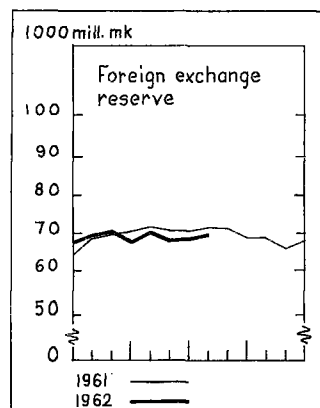
BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Finnish credit institutions			
	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)	Redis-counted bills	Liabilities		Net claims on the banks (7-8-9)
								Cheque accounts of banks	Account of the Mortgage Bank of Finland Oy	
	1	2	3	4	5	6	7	8	9	10
1953	27 898	8 737	19 161	8 329	9 237	18 253	8 268	2 157	—	6 111
1954	36 573	7 017	29 556	8 206	10 102	27 660	8 465	2 187	—	6 278
1955	35 938	3 855	32 083	9 427	11 617	29 893	22 628	8 383 ¹⁾	—	14 245
1956	29 410	4 601	24 809	11 271	15 337	20 743	33 665	1 167	280	32 218
1957	38 429	4 569	33 860	17 642	20 185	31 317	24 912	2 405	— 42	22 549
1958	57 558	2 178	55 380	12 619	16 013	51 986	18 707	1 474	2 080	15 153
1959	73 065	2 116	70 949	9 249	15 840	64 358	4 718	3 856	252	610
1960	68 602	4 057	64 545	6 703	14 271	56 977	20 514	1 683	158	18 673
1961	69 147	1 339	67 808	8 746	12 837	63 717	29 460	4 909 ²⁾	1 249	23 302
1961										
June	72 440	1 856	70 584	8 475	13 564	65 495	18 277	1 528 ²⁾	741	16 008
July	72 895	1 500	71 395	8 510	13 641	66 264	17 635	563 ²⁾	885	16 187
Aug.	72 778	1 555	71 223	8 286	13 441	66 068	17 793	2 120 ²⁾	1 351	14 322
Sept.	70 173	1 611	68 562	8 992	13 001	64 553	18 708	2 531 ²⁾	1 266	14 911
Oct.	70 145	1 662	68 483	9 920	12 820	65 583	23 060	2 187 ²⁾	1 183	19 690
Nov.	68 463	1 561	66 902	9 966	12 952	63 916	23 206	4 557 ²⁾	544	18 105
Dec.	69 147	1 339	67 808	8 746	12 837	63 717	29 460	4 909 ²⁾	1 249	23 302
1962										
Jan.	70 242	1 225	69 017	9 079	12 444	65 652	26 891	4 478 ²⁾	1 261	21 152
Feb.	71 466	1 257	70 209	9 076	12 288	66 997	29 048	5 312 ²⁾	1 314	22 422
March	69 193	1 387	67 806	8 177	12 308	63 675	35 905	5 788 ²⁾	801	29 516
April	71 528	1 371	70 157	8 205	12 092	66 270	38 748	6 138 ²⁾	769	31 841
May	69 597	1 376	68 221	6 923	12 020	63 124	44 439	9 450 ²⁾	839	34 150
June	69 700	1 176	68 524	5 904	11 831	62 597	51 230	12 722 ²⁾	562	37 946
July	71 018	1 298	69 720	6 256	11 888	64 088	50 829	15 609 ²⁾	725	34 495

¹⁾ Including cash reserve accounts 6 677. ²⁾ Including cash reserve accounts.

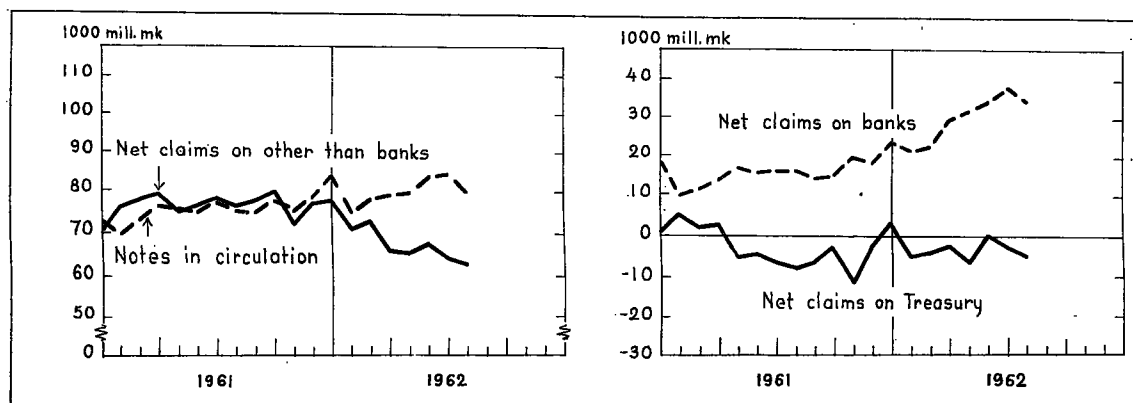
Category of currency	Foreign exchange reserve (col. 3 above) 1 000 mill. mk				
	1960	1961	1962		
	Dec. 31	Dec. 30	May 30	June 30	July 31
Gold	9.1	10.4	13.7	13.7	13.7
Convertible	44.2	40.3	33.8	35.0	34.8
Non-transferable EMA ..	3.2	1.4	1.5	0.3	0.5
Eastern Bloc	1.7	9.2	13.3	13.5	15.1
Other	6.3	6.5	5.9	6.0	5.6
Total	64.5	67.8	68.2	68.5	69.7



BANK OF FINLAND

Mill. mk

End of year and month	Treasury					Trade and industry				Notes in circulation
	Bills and bonds	Advances for stand-by stocks	Liabilities		Net claims on the Treasury (1+2-3-4)	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the public (6+7-8)	
			Cheque account	Long-term						
	1	2	3	4	5	6	7	8	9	10
1953	21 662	—	7 281	—	14 381	13 812	7 405	2 314	18 903	45 019
1954	21 662	—	15 470	—	6 192	11 940	6 895	791	18 044	47 902
1955	21 660	—	9 816	1 294	10 550	14 437	9 306	7 357	16 386	55 883
1956	19 160	—	10 550	2 310	6 300	14 922	10 547	5 205	20 264	60 735
1957	16 021	—	5 145	3 965	6 911	12 909	14 425	561	26 773	60 640
1958	9 033	4 335	7 146	9 502	— 3 280	8 823	14 296	525	22 594	65 075
1959	10 326	6 786	6 418	3 029	7 665	3 888	10 500	392	13 996	69 435
1960	3 750	3 581	6 187	343	801	7 232	10 948	350	17 830	72 735
1961	2 770	700	108	114	3 248	7 083	10 725	291	17 517	83 706
1961										
June	2 500	607	9 738	271	—6 902	11 386	11 295	464	22 217	76 991
July	2 500	607	11 014	171	—8 078	11 628	11 139	279	22 488	75 098
Aug.	2 500	670	9 345	171	—6 346	11 130	11 028	407	21 751	74 629
Sept.	1 250	700	4 912	171	—3 133	10 743	10 808	331	21 220	77 363
Oct.	1 250	700	13 173	171	—11 394	10 200	10 686	410	20 476	75 121
Nov.	1 250	700	4 022	142	—2 214	9 298	11 396	644	20 050	78 119
Dec.	2 770	700	108	114	3 248	7 083	10 725	291	17 517	83 706
1962										
Jan.	1 250	700	7 028	114	—5 192	6 566	10 714	226	17 054	74 716
Feb.	1 250	700	5 898	114	—4 062	5 789	10 416	210	15 995	77 821
March	—	700	2 776	114	—2 190	3 468	10 374	242	13 600	77 965
April	—	700	6 853	114	—6 267	3 579	10 185	235	13 529	79 470
May	—	795	503	114	178	3 499	10 201	263	13 437	83 544
June	—	1 214	3 718	114	—2 618	3 299	9 955	329	12 925	84 333
July	—	1 391	6 257	114	—4 980	2 921	9 892	501	12 312	79 982



DEPOSITS BY THE PUBLIC — FOREIGN EXCHANGE RATES

Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. credit societies & their cen- tral bank	Post Office Savings Bank	Savings depart- ments of co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1950	24 460	28 248	10 537	36 579	39 366	20 175	13 892	5 356	115 373	154 158
1951	42 768	48 063	11 203	46 678	51 790	29 710	18 243	8 443	154 870	214 136
1952	28 020	33 410	10 765	59 742	65 344	37 223	23 562	10 798	196 706	240 881
1953	32 112	37 907	11 048	70 455	76 709	42 537	27 074	11 951	228 762	277 717
1954	34 913	42 108	13 451	83 444	92 174	52 050	30 079	13 415	271 195	326 754
1955	36 588	44 281	11 795	97 794	108 541	61 139	33 073	15 255	315 842	371 918
1956	38 614	45 963	15 265	96 807	112 402	63 531	34 162	16 013	322 953	384 181
1957	37 708	46 138	14 912	103 223	117 859	67 111	33 960	16 823	339 009	400 059
1958	39 568	49 575	18 277	122 256	131 260	74 272	38 167	19 191	385 175	453 027
1959	55 749	67 809	15 667	150 548	152 546	86 033	43 120	21 913	454 189	537 665
1960	55 083	68 072	15 060	181 355	179 859	105 250	48 524	25 434	540 453	623 585
1961*	57 791	72 037	15 947	210 591	207 989	124 099	55 817	28 528	627 053	715 037
1961*										
July	54 078	67 056	13 475	195 154	192 526	114 687	52 188	26 580	581 156	661 687
Aug.	55 300	69 178	13 440	196 578	194 204	115 946	52 674	26 616	586 039	668 657
Sept.	56 880	71 144	14 432	197 276	196 064	116 790	52 922	27 108	590 188	675 764
Oct.	58 295	72 396	13 805	198 558	197 797	117 742	53 277	27 559	594 967	681 168
Nov.	61 373	75 329	14 842	200 520	200 071	119 287	53 578	27 769	601 259	691 430
Dec.	57 791	72 037	15 947	210 591	207 989	124 099	55 817	28 528	627 053	715 037
1962*										
Jan.	57 954	71 239	16 026	211 911	208 998	125 177	56 976	28 827	631 919	719 184
Feb.	58 280	70 807	19 668	213 987	212 064	127 448	58 030	29 211	640 763	731 238
March	55 164	68 713	17 526	216 138	214 561	130 019	58 708	29 561	649 006	735 245
April	54 798	68 015	17 446	217 176	214 927	130 386	58 586	29 404	650 498	735 959
May	58 010	72 222	18 671	219 011	215 791	131 599	58 648	29 275	654 343	745 236
June	56 632	69 669	12 736	218 358	213 361	129 814	58 248	28 891	648 693	731 098
July	59 407	72 740	16 469	217 696	212 647	129 243	58 402	28 751	646 761	735 970

End of month	Indexed deposits	High-interest deposits	Tax-concession accounts
1961*			
Nov.	4 385	51 239	14 261
Dec.	3 726	52 892	14 880
1962*			
Jan.	3 448	53 200	14 856
Feb.	3 321	53 651	14 849
March	3 192	54 128	14 840
April	3 180	54 721	14 816
May	3 457	54 213	14 823
June	3 702	54 632	14 570
July	4 261	53 742	14 268

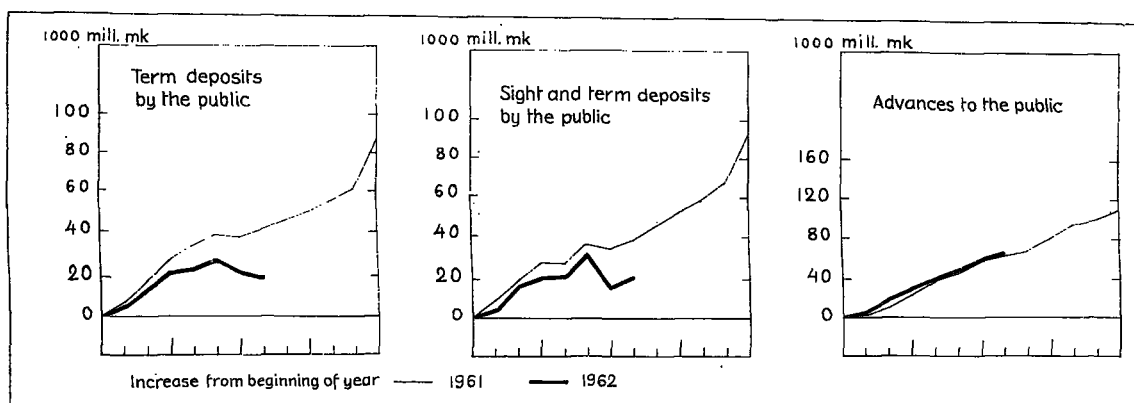
Selling rates for foreign exchange			
July 27, 1962			
	mk		mk
New York ... 1 \$	322: 10	Zurich 100 Fr	7 456: —
Montreal 1 \$	298: 70	Paris 100 NF	6 575: —
London 1 £	904: —	Rome 100 Lit	51: 93
Stockholm ... 100 Kr	6 256: —	Vienna ... 100 S	1 249: —
Oslo 100 Kr	4 512: —	Lisbon 100 Esc	1 128: —
Copenhagen .. 100 Kr	4 666: —	Reykjavik 100 Kr	749: —
Frankfurt o.M. 100 DM	8 074: —	Madrid 100 Pta	542: —
Amsterdam ... 100 Fl	8 960: —	Prague, clear... 100 Kc	4 458: —
Brussels 100 Fr	648: —	Moscow, clear. ¹⁾ 1 Rbl	356: 67
		Clearing dollars ²⁾ 1 Cl \$	321: —

¹⁾ Bucharest, Peking.²⁾ Ankara, Athens, Belgrade, Berlin, Bogotá, 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
	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
1950	67 438	35 511	4 507	35 048	3 830	135 309	11 025	146 334	67 975
1951	85 578	45 554	8 508	41 849	4 425	172 003	13 911	185 914	98 877
1952	104 881	59 824	13 402	50 694	5 379	217 141	17 039	234 180	87 480
1953	105 659	70 511	18 782	56 765	9 847	245 275	16 289	261 564	92 122
1954	128 955	82 447	22 123	64 697	12 773	291 506	19 489	310 995	99 557
1955	155 436	96 454	24 866	72 868	13 599	339 797	23 426	363 223	104 298
1956	162 663	102 830	26 232	76 761	14 690	357 802	25 374	383 176	116 001
1957	160 379	106 639	26 047	78 064	15 717	363 000	23 846	386 846	117 065
1958	174 542	115 481	29 027	83 511	21 931	401 155	23 337	424 492	130 226
1959	209 686	132 725	33 138	96 730	32 578	477 264	27 593	504 857	144 835
1960	260 460	154 935	39 495	117 601	45 216	586 187	31 520	617 707	149 461
1961*	304 799	181 668	43 683	146 114	51 517	692 627	35 154	727 781	164 414
1961*									
July	284 060	170 452	43 638	133 639	48 438	644 770	35 457	680 227	149 842
Aug.	284 452	173 104	44 196	135 609	48 636	652 046	33 951	685 997	151 305
Sept.	287 252	176 701	45 551	138 513	49 443	663 829	33 631	697 460	157 802
Oct.	293 898	179 294	46 044	142 129	50 285	675 545	36 105	711 650	155 353
Nov.	296 617	181 352	45 955	142 347	52 198	685 091	33 378	718 469	161 753
Dec.	304 799	181 668	43 683	146 114	51 517	692 627	35 154	727 781	164 414
1962*									
Jan.	306 496	182 187	45 001	146 504	52 139	696 434	35 893	732 327	156 476
Feb.	313 721	184 461	46 966	147 634	53 334	707 266	38 850	746 116	161 057
March	319 279	185 589	46 981	148 986	55 934	718 899	37 870	756 769	157 517
April	323 486	188 131	47 156	151 045	57 453	727 413	39 858	767 271	158 147
May	326 943	189 151	47 186	154 268	58 503	737 827	38 224	776 051	166 770
June	331 779	191 654	47 780	156 130	59 608	746 951	40 000	786 951	158 746
July	333 307	193 792	48 620	157 249	60 269	755 043	38 194	793 237	..

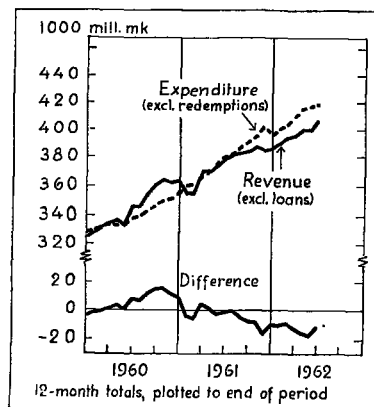


STATE FINANCES

1000 mill. mk

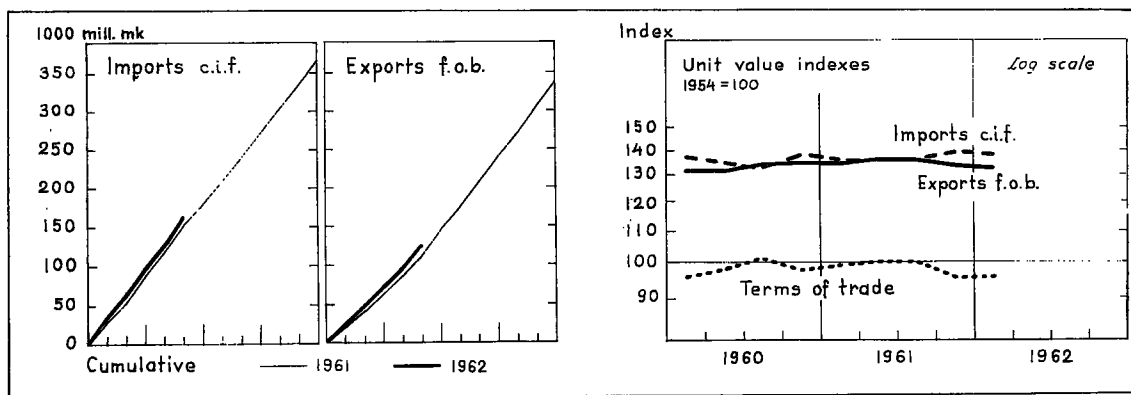
Revenue	Jan. — June		Expenditure	Jan. — June	
	1961	1962		1961	1962
Income and property tax (net)	41.2	52.3	Interest on State debt	3.1	3.4
Gross receipts	(109.9)	(121.9)	Child allowances	12.1	12.6
Refunds and communal income tax	(-68.7)	(-69.6)	The State's share in national pensions	7.4	9.5
Other direct taxes	0.4	0.6	Compensations to war-disabled	7.1	5.7
Purchase tax	44.7	49.0	Transfer of employers' payments for national pensions to the National Pensions Institution	6.0	4.6
Import duties	23.4	22.5	Subsidies	15.6	16.5
Revenue from Alcohol Monopoly ...	13.9	14.5	Net payments on price equalisation by extra-budgetary funds	0.5	—
Excise duty on tobacco	9.6	10.1	State aid to agriculture	2.1	2.7
Excise duty on liquid fuel	6.2	7.0	State aid to communal and private schools	14.7	16.9
Other excise duties	2.8	2.8	Net loss of State enterprises	0.2	2.5
Tax on automobiles and motor cycles	1.2	1.8	Maintenance of roads	4.6	5.6
Stamp duties	9.3	10.4	Other current expenditure	58.0	69.6
Employers' payments for child allowances and national pensions	15.5	17.6	Current expenditure	131.4	149.6
Net receipts of price equalisation by extra-budgetary funds	—	0.7	Real investments	38.7	39.7
Other revenue similar to taxes	3.0	2.2	Other capital expenditure	20.5	23.3
Total taxes	171.2	191.5	Capital expenditure	59.2	63.0
Interest and dividends	3.0	3.7	Total expenditure	190.6	212.6
Net profit of State enterprises	—	—	Redemption of external loans	1.7	1.5
Other current revenue	5.7	6.6	Redemption of internal loans	9.5	12.1
Current revenue	179.9	201.8	Redemption of indemnity bonds etc.	0.4	0.4
Capital revenue proper	4.3	5.1	Index premiums	0.6	0.5
Decrease in inventories	3.3	1.3	Redemptions	12.2	14.5
Capital revenue	7.6	6.4	Total	202.8	227.1
Total revenue	187.5	208.2			
External loans	2.8	1.2			
Internal loans	11.0	20.6			
Loans	13.8	21.8			
Short-term credit (increase +) ..	-1.7	+1.0			
Deficit (+) or surplus (-)	+3.2	-3.9			
Total	202.8	227.1			

Debt	1959	1960	1961	1962			
	Dec.	Dec.	Dec.	April	May	June	July*
External debt ...	76.6	74.4	79.1	79.1	79.2	79.3	79.3
Ordinary loans	72.2	74.4	75.7	82.7	82.9	84.2	83.5
Indemnity bonds etc.	6.5	4.4	2.6	2.3	2.3	2.2	2.1
Short-term credit ..	4.1	3.0	2.4	1.5	1.5	3.4	2.9
Cash debt (net) ...	-5.8	-14.3	-9.8	-8.3	-2.0	-15.0	..
Internal debt ...	77.0	67.5	70.9	78.2	84.7	74.8	..
Total debt	153.6	141.9	150.0	157.3	163.9	154.1	..
Total debt, mill. \$	479.7	442.9	465.9	488.7	508.7	478.4	..



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		
1953	121 860	131 555	+ 9 695	98	111	95	91	109	106	92
1954	152 137	156 618	+ 4 481	100	100	100	100	100	100	100
1955	176 960	181 259	+ 4 299	106	110	105	105	115	100	106
1956	203 558	177 987	—25 571	106	110	104	109	106	105	101
1957	227 927	212 385	—15 542	116	118	113	119	120	122	95
1958	233 302	247 934	+14 632	138	139	133	139	153	140	99
1959	267 300	267 322	+ 22	130	120	121	131	152	133	98
1960	340 300	316 473	—23 827	133	123	131	132	147	136	98
1961	369 021	337 404	—31 617	135	145	134	134	140	137	99
Jan. — May										
1960	145 722	100 934	—44 788							
1961	151 278	110 967	—40 311							
1962*	164 405	125 199	—39 206							
1961										
Oct.	31 284	32 393	+ 1 109	134	144	133	133	137	139	96
Nov.	33 354	34 845	+ 1 491							
Dec.	35 063	31 258	— 3 805							
1962*										
Jan.	32 179	24 012	— 8 167	133	145	135	128	137	138	96
Feb.	30 691	23 062	— 7 629							
March	34 004	24 512	— 9 492							
April	30 469	23 411	— 7 058							
May	37 062	30 202	— 6 860							
June	33 939	32 995	— 944							

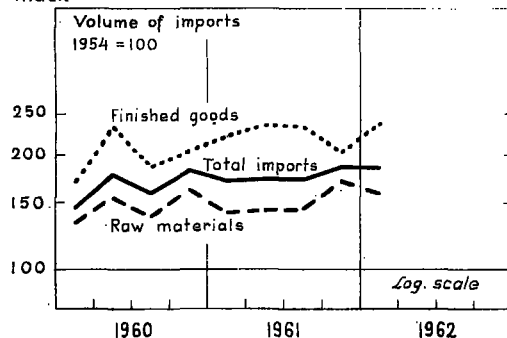


FOREIGN TRADE BY MAIN GROUPS

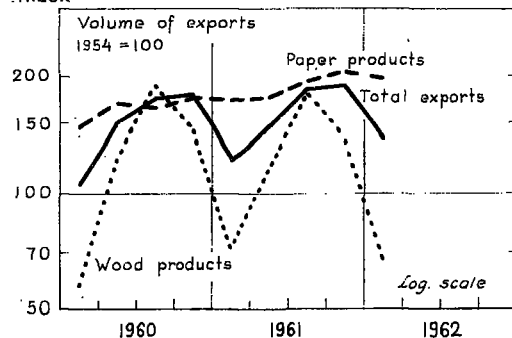
Mill. mk

Period	Imports, c.i.f.				Exports, f.o.b.					
	Raw materials and accessories	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods
			Producer goods	Consumer goods						
1953	65 148	15 879	24 029	16 804	4 719	10 251	43 671	47 926	20 936	4 052
1954	86 420	17 337	28 797	19 581	5 152	13 582	49 730	61 662	20 988	5 504
1955	94 919	21 540	34 225	26 276	3 880	19 905	51 321	75 793	24 803	5 557
1956	104 284	27 464	43 357	28 453	6 206	17 243	40 485	81 780	25 125	7 148
1957	117 424	40 238	41 353	28 912	10 169	17 095	48 287	97 638	30 433	8 763
1958	119 502	32 658	48 797	32 345	10 651	19 346	57 818	115 173	34 036	10 910
1959	133 825	28 118	67 536	37 821	14 855	16 290	63 662	117 003	44 147	11 365
1960	166 264	33 052	93 337	47 647	16 034	20 564	84 078	133 714	47 361	14 722
1961*	171 120	32 988	103 445	61 468	15 349	29 585	84 079	153 910	38 627	15 854
Jan. — May 1960	70 434	12 060	42 923	20 305	6 746	3 570	19 372	52 381	14 297	4 568
1961	68 427	12 722	42 956	27 173	5 927	5 895	22 542	59 440	12 165	4 998
1962*	72 461	13 996	50 198	27 750	6 255	4 255	21 076	64 969	22 784	5 860
1961*										
May	15 357	2 183	9 863	6 405	1 203	2 206	5 612	12 529	2 709	1 345
June	12 577	2 619	7 794	4 368	1 472	3 082	9 050	12 569	2 845	1 499
July	12 975	1 989	9 723	4 751	797	5 093	10 726	11 445	1 372	1 625
Aug.	13 584	2 567	9 243	4 311	1 207	4 552	10 323	14 051	1 563	1 255
Sept.	14 611	2 778	9 475	4 677	1 621	4 448	8 996	14 360	2 329	1 663
Oct.	15 157	2 916	8 473	4 738	1 216	3 301	8 030	14 315	3 747	1 784
Nov.	17 377	2 465	7 948	5 564	910	1 929	8 084	13 820	8 613	1 489
Dec.	16 413	4 932	7 832	5 886	2 199	1 285	6 328	13 910	5 993	1 543
1962*										
Jan.	16 410	2 144	8 320	5 305	807	903	4 784	12 912	3 571	1 035
Feb.	13 488	2 443	9 871	4 889	1 707	755	3 448	12 275	3 826	1 051
March	14 856	3 010	10 125	6 013	1 074	683	3 037	13 651	4 788	1 279
April	12 240	3 328	9 697	5 204	1 009	586	3 206	12 489	5 015	1 106
May	15 467	3 071	12 185	6 339	1 658	1 328	6 601	13 642	5 584	1 389

Index

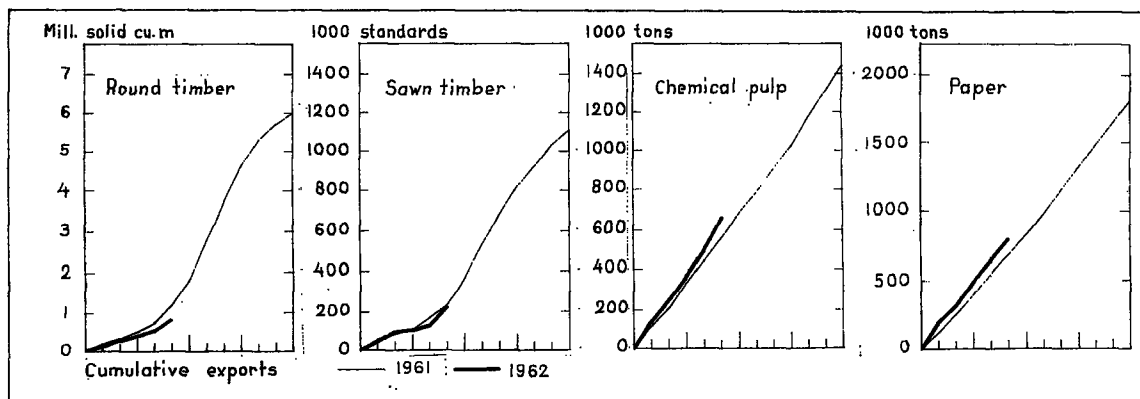


Index



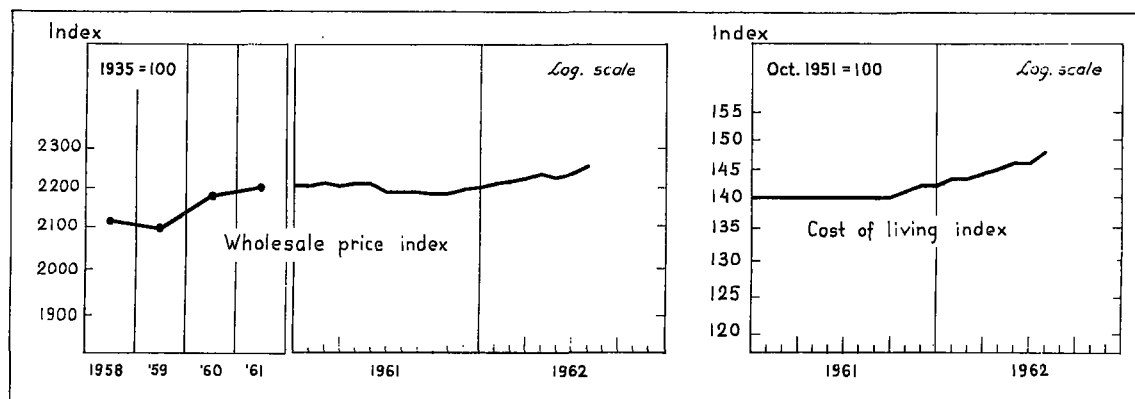
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber 1 000 solid cu. m	Sawn timber 1 000 stds	Veneers and plywood 1 000 cu. m	Mechanical pulp 1 000 tons	Sulphite pulp 1 000 tons	Sulphate pulp 1 000 tons	Board 1 000 tons	Fibre building board 1 000 tons	Newsprint 1 000 tons	Paper, all kinds 1 000 tons
1953	2 388	688	216	204	464	323	76	45	402	677
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
Jan. — May										
1960	812	211	148	72	363	200	64	55	278	578
1961	1 200	236	145	67	352	206	64	62	309	682
1962*	830	218	154	62	354	273	59	67	377	794
1961*										
May	466	67	26	20	74	44	13	15	68	142
June	623	133	19	16	74	47	11	11	66	140
July	970	162	20	10	61	37	12	8	70	143
Aug.	952	151	27	14	73	49	12	12	77	176
Sept.	882	127	26	14	80	45	14	13	86	172
Oct.	689	106	34	16	81	66	17	13	81	165
Nov.	387	111	29	12	71	58	12	15	76	165
Dec.	252	80	29	11	80	61	12	12	81	163
1962*										
Jan.	165	52	33	10	71	54	11	14	84	178
Feb.	141	31	31	10	75	42	11	13	72	141
March	129	23	29	13	68	51	14	13	75	173
April	109	27	29	12	72	52	11	13	67	148
May	286	85	32	17	68	74	12	14	79	154



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c.i.f.					Exports, f.o.b.				
	Whole year		Jan. — May			Whole year		Jan. — May		
	1960	1961*	1961*	1962*		1960	1961*	1961*	1962*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	16.2	15.7	16.0	16.1	26 448	26.7	24.5	25.9	21.0	26 339
United Kingdom	15.8	15.3	15.6	15.8	25 884	24.5	22.2	23.2	18.8	23 542
Other OECD countries										
in Europe	53.6	55.4	54.6	57.3	94 261	41.0	46.4	44.4	43.1	53 949
Austria	0.7	0.7	0.8	0.8	1 342	0.2	0.4	0.3	0.3	402
Belgium-Luxembourg	3.1	2.6	2.4	2.3	3 818	3.7	3.9	3.2	2.8	3 497
Denmark	2.6	3.2	3.3	3.1	5 055	3.5	3.5	3.1	3.3	4 187
France	5.8	5.0	5.0	5.9	9 747	4.7	5.2	4.9	4.5	5 590
Western Germany	19.4	21.3	21.0	20.8	34 159	11.6	12.9	12.2	11.9	14 957
Italy	1.7	1.9	2.0	2.3	3 853	2.1	2.7	3.2	3.0	3 763
Netherlands	4.6	4.0	3.9	4.2	6 859	6.1	6.3	6.1	5.7	7 096
Norway	1.6	1.5	1.5	1.7	2 850	1.3	1.9	1.7	1.4	1 700
Portugal	0.2	0.1	0.2	0.2	337	0.1	0.1	0.1	0.1	69
Spain	0.7	0.5	0.5	0.5	743	0.2	0.5	0.7	0.7	947
Sweden	10.4	11.5	11.0	12.3	20 254	4.9	5.7	5.4	5.7	7 108
Switzerland	2.2	2.4	2.5	2.5	4 050	0.6	1.0	0.6	0.6	714
Eastern Bloc	20.6	19.2	19.5	16.6	27 347	19.5	18.0	16.6	21.7	27 145
China	0.2	0.1	0.1	0.1	196	0.7	0.6	0.4	0.5	691
Czechoslovakia	1.1	1.0	1.2	1.1	1 800	0.9	1.1	1.0	1.0	1 242
Eastern Germany	1.4	1.5	1.4	1.3	2 113	1.3	1.4	1.1	0.9	1 105
Poland	2.5	2.4	1.8	1.7	2 784	1.8	2.2	2.4	2.0	2 527
Soviet Union	14.7	13.3	14.1	11.8	19 337	14.2	12.1	10.9	16.8	20 993
U.S. and Canada	6.0	6.1	6.5	6.2	10 128	5.1	4.5	5.3	7.0	8 776
United States	5.7	5.7	6.3	5.6	9 207	5.0	4.4	5.1	6.8	8 543
Latin America	2.7	2.7	2.2	2.5	4 067	5.1	3.9	5.2	4.7	5 934
Argentina	0.5	0.4	0.5	0.5	869	1.1	1.3	1.3	1.4	1 712
Brazil	1.8	1.6	1.3	1.2	2 001	2.9	1.5	2.8	1.9	2 443
Others	0.9	1.0	1.2	1.3	2 154	2.6	2.7	2.6	2.5	3 056
Grand total	100.0	100.0	100.0	100.0	164 405	100.0	100.0	100.0	100.0	125 199
of which										
EFTA countries	33.5	34.7	34.7	36.4	59 773	34.9	34.7	34.3	30.1	37 723
EEC countries	34.5	34.8	34.4	35.5	58 436	28.1	31.0	29.7	27.9	34 903



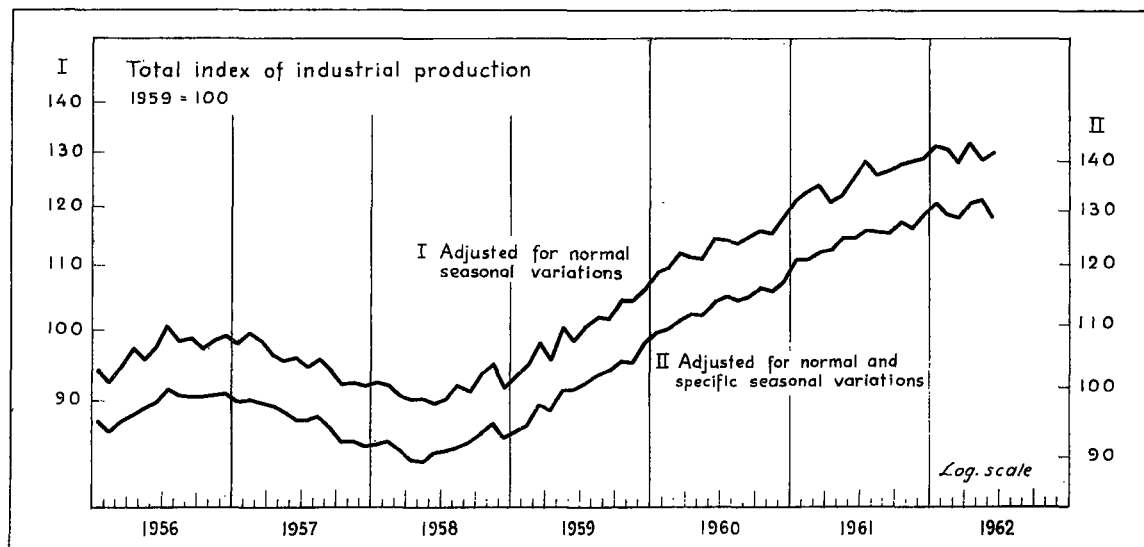
PRICE INDEXES

Period	Wholesale prices 1935 = 100						Building costs 1951 = 100		
	Total index	Finnish goods				Imported goods	Total	Building material	Workers' average hourly earnings
		Total	Products of agriculture	Products of forestry	Products of industry				
1959	2 096	2 134	2 198	3 060	1 801	2 016	118	110	128
1960	2 178	2 253	2 338	3 313	1 868	2 016	122	114	135
1961	2 196	2 306	2 290	3 561	1 888	1 960	128	114	148
1961									
July	2 185	2 308	2 294	3 566	1 889	1 922	129	114	154
Aug.	2 189	2 313	2 309	3 566	1 892	1 924	128	114	150
Sept.	2 181	2 305	2 265	3 566	1 892	1 917	129	114	151
Oct.	2 182	2 310	2 268	3 596	1 889	1 910	129	114	151
Nov.	2 195	2 323	2 333	3 597	1 889	1 923	129	114	152
Dec.	2 198	2 327	2 357	3 600	1 888	1 923	129	114	152
1962									
Jan.	2 206	2 339	2 412	3 597	1 890	1 924	129	113	151
Feb.	2 214	2 350	2 470	3 597	1 891	1 923	130	113	154
March	2 221	2 354	2 471	3 597	1 897	1 936	130	114	153
April	2 231	2 371	2 508	3 623	1 905	1 931	130	114	154
May	2 223	2 359	2 440	3 625	1 906	1 933	130	114	153
June	2 234	2 375	2 417	3 624	1 941	1 932	131	114	157
July	2 254	2 401	2 568	3 602	1 942	1 940	134	114	158

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
1959	134	141	280	98	85	134	105	103	104	95	105	109
1960	138	147	298	98	86	136	108	108	110	95	107	111
1961	141	150	310	100	87	137	110	110	115	97	109	111
1961												
July	140	150	306	100	87	136	110	110	114	97	108	111
Aug.	140	149	306	100	88	136	110	110	114	97	109	111
Sept.	140	149	306	100	88	138	110	109	114	97	109	112
Oct.	141	148	322	100	88	138	111	109	119	97	109	112
Nov.	142	150	322	100	88	138	111	110	119	98	109	112
Dec.	142	150	322	101	88	138	111	110	119	98	109	112
1962												
Jan.	143	152	322	101	88	139	112	112	119	98	110	113
Feb.	143	152	322	102	89	139	112	112	119	99	110	113
March	144	154	322	102	89	140	113	113	119	99	111	114
April	145	155	322	102	90	141	114	114	119	99	111	115
May	146	156	322	102	90	142	114	114	119	99	112	116
June	146	156	322	103	90	143	115	114	119	100	112	116
July	148	158	323	103	90	145	116	116	120	100	112	118

PRODUCTION - INTERNAL TRADE

Period	Index of industrial production									Commer- cial timber fellings 1 000 piled cu. m	Wholesale trade volume index 1954 = 100
	Total	Invest- ment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					Wood industry	Paper industry	Metal industry	Other			
1954 = 100											
1959	123	118	125	122	98	144	120	120	123	38 100	121
1960	140	140	144	135	122	168	142	132	140	44 593	136
1961*	154	161	158	145	118	194	161	142	154	49 004	150
1959 = 100											
1961*	125	136	125	119	121	135	134	119	125		
1961*											
May	127	140	125	125	127	132	137	123	122	14 516	153
June	121	132	118	121	127	118	130	119	125	1 299	148
July	96	81	106	82	125	136	81	82	129	981	138
Aug.	131	129	129	134	115	144	127	132	126	1 981	164
Sept.	131	144	130	128	114	142	141	126	126	2 320	170
Oct.	138	151	139	128	118	149	147	133	128	3 026	163
Nov.	138	156	140	125	106	150	151	132	128	3 615	162
Dec.	122	143	122	110	94	127	140	112	129	4 052	167
1962*											
Jan.	132	152	133	122	112	143	151	119	131	4 522	125
Feb.	128	146	128	120	118	137	145	118	131	5 600	140
March	142	161	142	132	136	153	160	131	128	5 509	158
April	126	137	125	120	117	128	138	120	132	5 193	157
May	139	152	137	138	124	145	152	135	129	10 220	178
June	120	139	116	119	115	106	139	118	130	1 763	155

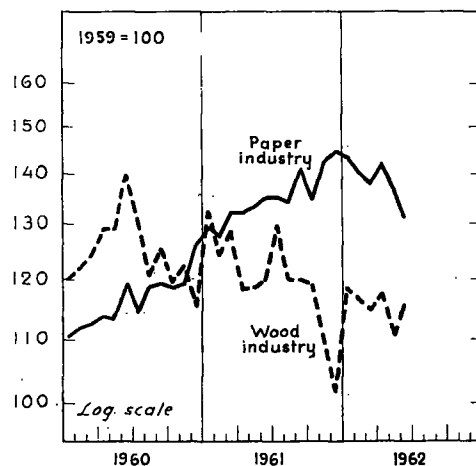
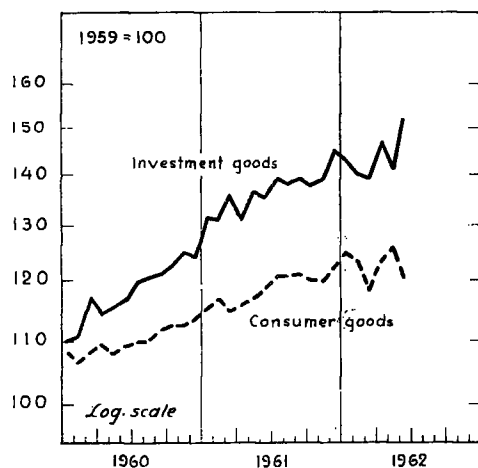


BUILDING - WAGES - TRANSPORT - EMPLOYMENT

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		
								Agri- culture	Forestry	Manu- facturing
1960*	22.28	8.80	3.02	6.68	2.76	22.39	116	111	108	117
1961*	24.95	10.62	2.29	8.72	2.56	23.63	125	117	120	126
1961*										
Apr. - June	4.11	1.65	0.24	1.51	0.53	27.67	124	115	120	126
July - Sept.	6.34	2.41	0.68	1.71	1.07	27.34	126	116	123	127
Oct. - Dec.	9.62	4.11	1.08	3.44	0.64	23.63	128	120	125	128
1962*										
Jan. - Mar.	4.37	2.19	0.30	1.36	0.40	21.39	130	119	121	132

Period	Railways		Foreign shipping				Employment		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed 1 000 net reg. tons		1 000 persons		% of total labour force	
	1961	1962	1961*	1962*	1961*	1962*	1961*	1962*	1961*	1962*
Jan.	134	136	450	509	412	475	1 803	1 854	1.8	1.8
Feb.	128	125	321	398	332	366	1 812	1 853	1.4	1.7
March	143	146	386	433	434	400	1 805	1 844	1.5	1.7
April	139	135	422	459	402	401	1 840		1.4	
May	150	146	591	627	629	633	1 872		0.9	
June	149	134	729	746	912	863	1 872		1.0	
July	146	135	752	974	1060	1 089	1 777		0.9	
Aug.	160		779		1023		1 864		0.8	
Sept.	158		594		832		1 914		0.7	
Oct.	160		583		714		1 906		0.9	
Nov.	155		572		630		1 886		1.0	
Dec.	125		559		533		1 869		1.3	

Some indexes of industrial production adjusted for normal seasonal variations



EXPLANATIONS RELATING TO THE STATISTICAL SECTION

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 + Long-term foreign liabilities.

Page 5. *Treasury bills and bonds*: up to August 1953, bills, and thereafter Treasury bond loan + Treasury bill covering certain IMF and IBRD accounts (included in Other claims). *Trade and industry, Other advances* = Inland bills in foreign currency + Cheque accounts (assers) + Other claims excl. Treasury's IMF and IBRD bill, Prepayments for exports and Advances for stand-by stocks. *Liabilities* = Other short-term liabilities + Other cheque accounts + Deposits against import licences (in 1955—56) — 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 public + Finnish bonds + Finnish coin — Equalisation 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, high-interest deposits and tax - concession accounts* 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; 1954=100 for 1959—1961, and 1959=100 from 1961. 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 see Bulletin No. 8, 1961, p. 18. 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. *Employment 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. Employment 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 the Diet 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.

The Diet, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in the Diet 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 (1959), 2.3 % in the North and 9.2 % of the land as a whole. Of the land area 19.7 mill. ha (48.7 mill. acres), or 68.6 %, are covered by forests.

OWNERSHIP OF LAND (1959): The total land area was distributed among different classes of owners approximately as follows: private 56.2 %, State 34.4 %, joint stock companies etc. 8.2 %, communes 1.2 %.

POPULATION

NUMBER OF INHABITANTS (1960): 4.5 million. Sweden 7.5, Switzerland 5.3, Denmark 4.6 and Norway 3.6 million.

DENSITY OF POPULATION (1960): In South Finland 25.0, in North Finland 4.1 and in the whole country an average of 14.7 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1960): 62 % of the population inhabit the rural areas, 38 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 453 000 inhabitants, Tampere (Tammerfors) 127 000, Turku (Åbo) 124 000.

OCCUPATIONS (1950): Agriculture and forestry 42 %, industry 29 %, commerce 7 %, transport and communications 6 %, services 9 %, other economic activities 1 %, economically inactive persons 6 %.

LANGUAGE (1950): Finnish speaking 91.1 %, Swedish speaking 8.6 %, others 0.3 %.

EDUCATION (1961): 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 (1960): births 18.4 ‰, deaths 8.9 ‰, increase 9.1 ‰. Deaths in France 11.4 ‰ and Great Britain 11.5 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1960, in thousand million marks): Gross domestic product at market prices 1 437 (excl. repairs and maintenance). Net domestic product at factor cost, by industrial origin: agriculture 134 (12 %), forestry and fishing 112 (9 %), manufacturing 361 (31 %), construction 116 (10 %), transport and communications 90 (8 %), commerce, banking and insurance 141 (12 %), general government 134 (12 %), other services 71 (6 %), total 1 159. Index of real domestic product 116 (1957 = 100).

FOREST RESOURCES (1951—1953): The growing stock comprised 1 493 million of solid cu. m incl. bark (52 660 million cu. ft), of which pine 43.7 % and spruce 35.7 %, the rest 20.6 % being leaf-trees, chiefly birch. Of the growing stock, 10 900 million cu. ft, 58.0 % of them pine, was up to the standard required for logs. The annual growth is 46 million solid cu. m green wood excl. bark (1 620 mill. cu. ft). The total removal in 1954 calculated according to the use of wood was 45 million cu. m (1 589 million cu. ft.)

AGRICULTURE (1959): 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 98 for 1958 (1954 = 100). Measure of self-sufficiency in the crop year 1958/59: bread cereals 52 %, animal products 120 %.

INDUSTRY (1960): Gross value of industrial production 1 244 000 mill. marks, number of workers 330 000, salaried employees 63 000, motive power (1960) 3.2 mill. HP. Index of industrial production 140 for 1960 (1954 = 100).

RAILWAYS (Jan. 1, 1962): Length 5 387 km, of which 5 313 km are State and 74 km private railways. The gauge of State railways 1.524 m.

MERCHANT FLEET (July 31, 1962): Steamers 196 (293 585 gross reg. tons), motor vessels 276 (558 778 gross reg. tons), sailing vessels with auxiliary engines 80 (7 962 gross reg. tons). Total 552 (860 325 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1961): Private cars 208 700, lorries and delivery vans 73 800, buses 6 200, others 12 900. Total 301 600.

AIR TRAFFIC: (Dec. 31, 1961) Number of aircraft in scheduled traffic 23, other aircraft 107. In 1961, 543 000 passengers were carried by the two Finnish companies; over 240 million passenger kilometres and 4.1 million ton kilometres of freight and mail were transported.

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. Since 1931, the redemption of bank notes in gold has been suspended. The currency unit is the mark (Finnish markka). Its official par value is 320 marks per one U.S. dollar. Finland has been a member of the International Monetary Fund since 1948.

MUNICIPAL FINANCES. In the finance accounts for 1960 expenditure amounted to 197 256 mill. marks. Total revenue was 206 010 million, of which income from taxation 103 727 million. The municipal income tax (non-progressive) averaged 11.87 % of the ratepayers' taxable income.

THE CENTRAL BANK. The Bank of Finland functions under the guarantee and supervision of the Diet. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by the Diet. The Bank has a head office in Helsinki and 13 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1961). There are two big and three small commercial banks with in all 630 offices, 382 savings banks, 527 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 (April 28, 1962). Bank of Finland discount rates 6—7 1/2 %. Other credit institutions: term deposits 4 1/2 % (12 months' deposits 5 %, index-tied deposits 4 %) and sight deposits in savings banks and cooperative credit societies 1/2 %; highest lending rate 8 %.

THE FINANCING OF CAPITAL FORMATION BY THE PUBLIC SECTOR IN FINLAND

BY

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Various international surveys have referred to the major importance of the public sector in the economy of Finland.¹ These have shown that the share of the public sector is even larger in Finland than in some countries known to have a large public sector, such as Sweden, Norway, Austria and the Netherlands. Interest is accordingly attached to a more detailed examination of the contribution of the public sector to capital formation and its financing. An attempt is made in what follows to elucidate this by means of calculations of the national income, along with some special investigations.

During the post-war period, capital formation has been very considerable in Finland; the gross domestic capital formation, including the cost of repairs and maintenance in accordance with the practice in the Nordic countries, has represented about one-third of the gross domestic product. During the second half of the 1950's, this proportion was not subjected to any noteworthy changes. On the other hand, the share of the public sector in the gross domestic capital formation grew continuously. Whereas in 1948 it

was only slightly above 10 per cent, in the mid-1950's it amounted to 16 per cent, and stood at 21 per cent at the end of the decade. The most reliable picture of the distribution of investment by type of capital goods has been obtained for 1951 and 1958, when special inquiries were carried out. These showed that in 1951 the major part of investment was clearly in house-building, with a share of more than one-half of the total gross fixed capital formation; other construction and works represented about one-fourth, and machinery and other equipment a full one-fifth. By 1958, a significant change had occurred — the proportion of house-building had dropped to about 37 per cent, while that of machinery and other equipment had risen to the same level; the proportion of other construction and works remained more or less unaltered. With respect to structural changes, it is also noteworthy that there had been appreciable growth in the public sector's share in „other construction and works”, from 20 per cent in 1951 to over 50 per cent in 1958, a rise far in excess of the average growth of the public sector. The changes in structure within the public sector appear most strikingly in the sphere of central government.

This large capital formation is conditioned by very considerable saving. The total saving

¹ E. g., United Nations: Economic Survey of Europe 1959, Geneva 1960, Part III, Chapter V, The Public Sector: Its Size, Structure and Institutional Framework.

GROSS DOMESTIC CAPITAL FORMATION¹ BY TYPE OF CAPITAL GOODS IN 1951 AND 1958

	1951			1958		
	Total 1 000 mill.mk	of which 1 000 mill.mk	public %	Total 1 000 mill.mk	of which 1 000 mill.mk	public %
Dwellings	46.1	2.0	4.3	71.0	2.9	4.1
Non-residential buildings	72.2	17.2	23.9	77.3	28.3	36.6
Other construction and works ..	60.2	12.0	19.9	101.4	52.0	51.3
Machinery and other equipment	50.3	—	—	147.0	—	—
Total	228.8	31.2	13.6	396.7	83.2	20.8

¹ The figures refer only to fixed capital formation, as it has not been possible to take changes in stocks into account.

of the economy, expressed as the difference between disposable income and consumption, represents about one-quarter of the national income. This degree of saving, remarkably high from an international point of view, was largely ascribable to the contribution of the public sector. Public saving represented slightly more than one-half of the total in most years of the 1950's, amounting in some years to about 60 per cent, and at its lowest being about 45 per cent. This indicates the effectiveness of the policy of income transfer. In Finland, the public sector takes about 36—37 per cent of the private sector's share of the national income in the form of taxes and other transfers of income. Transfers in the opposite direction, from the public to the private sector, represent only about one-third of this figure, so that the disposable income of the public sector exceeds one-quarter of the total disposable income of the economy. The change in the income transfer policy since pre-war days is striking. In 1938, the share of the public sector in the disposable income of the economy was only 14 per cent.

During the period under review, total saving covered on an average about $\frac{3}{5}$ of the capital formation; in the early 1950's, the proportion amounted to 63, and at the end of the decade to 57 per cent. The share of provisions for the consumption of fixed capital in the financing was correspondingly

increased. As has been stated, the share of the public sector in the total saving fluctuated considerably in different years. During this period public saving thus covered between 28 and 35 per cent of the total capital formation. In order to establish the importance of the public sector in the total financing of the capital formation, we must in addition to saving also take into account the provisions for the consumption of fixed capital made by the general government. Their share has been small, some 4—5 per cent only of the capital formation. Therefore, as a whole it may be said that the public sector was responsible for approximately one-third, and in some years an even larger part of financing the capital formation.

In order to obtain a more detailed picture of the position of the public sector in financing the capital formation, we should examine the employment of public saving on the one hand for the sector's own investments, and on the other for the private sector. In principle, public saving covers primarily the sector's own net administrative investments. However, these absorb only a rather small part, at most about one-half of the total public saving, so that the remainder, the financing surplus of the public sector, covers a part of private investment. The size of the financing surplus finds its explanation in that these calculations, according to general custom, include in the

THE FINANCING OF CAPITAL FORMATION IN 1948, 1954 AND 1958—1961, 1 000 MILLION MARKS

	1948	1954	1958	1959	1960	1961
Capital formation:						
Gross domestic capital formation	113.21	279.55	396.73	432.58	540.49	604.71
(of which: general government)	(11.68)	(44.60)	(83.20)	(89.30)	(88.38)	(92.49)
Export of capital (net)	-6.57	+13.46	+25.10	+9.38	-13.38	-20.57
Total	106.64	293.01	421.83	441.96	527.11	584.14
Financing:						
Provisions for the consumption of fixed capital	35.81	107.15	175.77	190.82	221.73	245.04
(of which: general government)	(3.76)	(12.22)	(20.37)	(22.45)	(22.61)	(25.06)
Saving of private sector ...	22.58	87.25	117.44	123.53	142.21	189.59
Saving of general government	48.25	98.61	128.62	127.61	163.17	149.51
Total	106.64	293.01	421.83	441.96	527.11	584.14

private sector both those companies in which public authorities hold a majority and various government enterprises within the sphere of budget administration. For instance, the very large investments in the State Railways and in Posts and Telegraphs, together with the investments financed by increasing the capital of public companies from budget funds and by granting loans to these companies, have been included in the private sector. Further to this, a considerable amount of the private sector's own investments is covered by the financing surplus of the public sector. In the main, this occurs in the form of loans granted to various industries.

On examination of the share of the public financing surplus in the gross investment of the private sector, we find the general trend to be a declining one; starting from about 40 per cent in 1948, the share was reduced to about 28 per cent in 1954, and further to about 20 per cent at the end of the decade. The private sector's own share in financing — the share of provisions for the consumption of fixed capital and of the sector's own saving — naturally varied correspondingly; in the late 1950's, it fluctuated between 77 and 85 per cent. Part of the

gross investment of the private sector was financed by foreign loans, i. e. by deficits in the balance of current payments. These shifts in the share of financing are of importance from the standpoint of the development of the economy, in that they mostly indicate structural changes in investment such as have affected the rate of economic growth. Frequently the increase in the share of the public financing surplus also indicates the growth in investments such as are not in all respects fully comparable with the other private sector investments in the direct influence they exert on the growth rate.

If the employment of the public financing surplus is scrutinised more closely, it is evident that the largest group was formed by loans to the private sector granted mainly by the State, either directly or through the communes. Loans granted by the National Pensions Institution were also considerable. On the other hand, loan grants made by the communes themselves were very small. The distribution of loans to different industries will be dealt with later. Another large item in the use of the financing surplus consisted of investments in the government enterprises, the major ones in the State economy being the State Railways and Posts and

Telegraphs, and as regards the economy of the communes electric plants. Other financing investments were principally concerned with the increase of capital in public companies and the purchases of landed property etc. The three items of investment mentioned above amounted to the following sums, in thousand million marks.

Year	Loans granted	Investments in government enterprises	Other financial investments
1954	32.4	22.8	2.9
1955	36.4	20.8	7.9
1956	39.1	23.1	8.1
1957	37.4	25.6	8.6
1958	33.7	30.6	6.5
1959	39.9	27.1	5.9
1960	46.0	31.9	8.4

Apart from the three principal groups, the annual new loans taken up by the public sector and the simultaneous redemption of earlier loans should be taken into account in examination of the distribution of the financing surplus. However, as in most years the net borrowing was comparatively small, these items have been omitted in this connection. Similarly, the changes in stocks have been ignored.

As was mentioned above, credits granted by the State constituted the most important part of the loans of the public sector. The outstanding amount of these loans was distributed as follows at the end of 1960.

	1 000 mill.mk
Agriculture and forestry	43.6
Industry and power stations	33.8
Dwellings	103.2
Private persons and non-profit institutions	13.3
Communes	32.3
Other	2.3
Total	228.5

The loans granted for dwellings represent nearly one-half of the total; the majority of these were loans at low rates of interest, granted for blocks of owner-occupied flats or one-family houses, or for tenement houses.

This category also includes that part of the loans for the extensive settlement work which is estimated to relate to the provision of housing accommodation. The major part of the settlement loans may, however, be taken to be loans granted for agriculture proper. The credits obtained by agriculture and forestry form the second largest category, representing about one-fifth of the total loans. Of these, the majority are the settlement loans granted for purchases of land, house-building, land clearance, soil improvement and road construction. More than 13 000 million marks of the credits received by industry represents loans granted to power stations, electric plants and water-works. The wood and paper industries are the biggest borrowers as regards other branches of industry. The loans granted to private persons and non-profit institutions are to a great extent building loans obtained by various provident societies. Moreover, this category includes that part of the loans for settlement work not considered as belonging to agriculture proper. It should be mentioned that the amount of credits granted for the purposes of consumption was very small, less than 1 000 million marks. The credits obtained by communes also consisted to a major extent of building loans; the loans granted for building elementary schools in rural districts amounted to 20 700 million marks. „Other” loans were mainly credits granted to commerce and to transport and communication.

With respect to the general character of State lending, it should be noted that the loans were mostly granted for exceptionally long-term investments at a comparatively low rate of interest. Thus, the average period of the loans was 33 years, and more than one-third of the loans exceeded 40 years. On an average, the rate of interest was only about 3 per cent, and thus considerably below the average rate of 7 per cent charged

by the banks. It would hardly have been possible to obtain credits on such terms through private banking establishments. In those cases where the rate of interest and the period of the loan were in accord with those of the private credit market, the State generally fixed special conditions. By way of example, about one-half of the credits obtained by industry were of the type granted particularly for the purpose of maintaining employment.

A considerable part — more than 10 000 million marks a year — of the loans granted by the public sector were distributed through the National Pensions Institution, whose credits were also in general of long-term investment type, but in contrast to the loans granted by the State their rates of interest were generally closer to those charged by the private credit institutions. In these loans, the financing of investments in business concerns, especially power stations, was in the forefront. The investments of the National Pensions Institution, of which loans represented about 90 per cent, were distributed as follows at the end of 1961.

	1 000 mill.mk
Power stations	67.3
Industry	21.3
Communes	9.5
State	2.5
Commerce, transport and communication	2.8
Electrification of rural districts	2.1
Other	1.1
Total	106.6

The credits granted to communes were chiefly loans for building electric plants, harbours and waterworks. The credits

granted to commerce and to transport and communication were loans for the installation of automatic telephones in rural districts.

The total of State loans to industry, power stations and transport and communication given above included those granted to public companies. The outstanding capital of these loans on December 31, 1960, amounted in all to 22 300 million marks, over half of which consisted of loans to power companies. In addition, these public companies were to a very large extent financed by increasing their share capital from budget funds. The increases have been included above in „other financial investments“. The relation between the alternative methods of financing, the granting of loans or the raising of share capitals, is shown by the fact that of the shares of these companies, at the end of 1960 the State held an amount only slightly in excess of the total loans, or 25 900 million marks.

By way of summary of the above examination, it may be said that the public sector in Finland finances approximately one-third of the total capital formation. The direct investment of the sector constitutes about one-fifth of the gross domestic capital formation, and of this about 40 per cent relates to house-building, and the remainder to other construction and works. In addition, the public sector contributes about one-fifth of the financing of the gross investment of the private sector. In the main, this takes the form of grants of loans and of investments in government enterprises. The major part of the loans clearly lies in the building of housing accommodation.

ITEMS

New World Bank Loan to Finland. On August 15, 1962, the World Bank granted Finland a new \$25 million long-term loan. The loan, which is for a term of 20 years and bears interest at the rate of 5 $\frac{3}{4}$ per cent, will finance a 303 000-kilowatt increase in Finland's thermal generating capacity through the expansion of two power plants, one in Helsinki and the other near Turku, and the construction of a new plant at Kotka, all on the southern coast of Finland. Amortization of the loan, which is guaranteed by the Republic of Finland, will begin in 1966.

The loan was made to the Mortgage Bank of Finland Oy, a subsidiary of the Bank of Finland, established in 1956 to serve principally as a channel for World Bank loans. The Mortgage Bank will re-lend the proceeds of the loan as follows:

\$12 million to Imatran Voima Oy, a publicly-owned power company which is the largest electric utility company in Finland; its sales represent about one third of Finland's total consumption of electricity. World Bank funds will assist in financing an additional 133 000-kilowatt unit at the company's Naantali thermal plant near Turku, the construction of 142 miles (226 kms) of new transmission lines, and expansion of substation capacity.

\$5 million to the City of Helsinki, which will add a 90 000-kilowatt generating unit to its Hanasaari power plant, and expand its distribution system.

\$8 million to Kotkan Höyryvoima Oy, which was established in January 1962 to construct and operate power plants for its shareholders. The owners of the company are the City of Kotka and four large private industrial companies. The new plant which the company is building with World Bank assistance will be located in Kotka and will be equipped initially with an

80 000-kilowatt generator; provision will be made for future expansion.

The total cost of these three projects is estimated at the equivalent of about \$54 million, of which thus about 47 per cent will be financed with the World Bank loan. The companies will finance the balance from their own funds and from borrowings in Finland.

The new loan included, Finland has so far received nine loans from the World Bank, amounting in total to \$152.3 million. Approximately two-thirds of these loans have been used for the expansion and modernization of pulp and paper industry, and roughly one-third for the construction of hydro-electric and thermal power plants.

*

Workers' pension insurance. On July 1, there came into force two acts on workers' pensions, one concerning permanent employees, and the other relating to part-year employees engaged in lumbering and floating, farming, construction, and dock work. The former act obliges employers to take out pension insurances for their employees in some Finnish pensions institutions, such as an insurance company or a pensions fund. The latter act provides for the arrangement of pensions by means of specially created labour pensions funds, different for each of the four industries named. All of these pensions institutions are subordinated to a central organisation with a pensions board comprised of representatives of both employers and workers.

The pensions are provided for on the principle of insurance, the premiums payable by employers in respect of permanent staff amounting to 5 per cent of the wage, and those payable by the employers of part-year workers amounting to 4.5 per cent of the wage. It is estimated that some 30 000 million marks will accrue annually.

BANK OF FINLAND

BOARD OF MANAGEMENT

KLAUS WARIS,
Governor

ESKO K. LEINONEN

A. SIMONEN

AHTI KARJALAINEN

REINO ROSSI

*(Absent as a member of
Government)*

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Administration

EERO ASP,
Foreign affairs

JOUKO J. VOUTILAINEN,
Foreign affairs; Information

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