

BANK OF FINLAND

MONTHLY BULLETIN

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JUNE

1965

RECENT DEVELOPMENTS

THE MONEY MARKET

During 1964 the upswing in economic activity and the sharp rise in prices and costs in particular, created a considerable demand pressure on the money market. At the same time the growing total demand was largely directed towards imports thus causing a very heavy deficit in the balance of payments on current account. However, borrowing abroad was increased to such an extent that the deficit was covered, in addition to which the foreign exchange reserve was augmented by more than 100 million marks. The consequent increase in the supply of central bank money made a considerable credit expansion in the banking institutions possible.

In the current year the volume of total production has been growing at an annual rate of about 5 per cent, thus sustaining the high demand for credit. On the other hand the inflationary impulses have already spent their force and the price increase has slowed down considerably. Simultaneously, there has been a marked change in the course of development of the foreign exchange reserve. Due to continuous expansion of imports the balance of payments deficit on current account has exceeded the deficit for the corresponding months of 1964, and as the inflow of foreign capital is falling off, the foreign exchange reserve has decreased.

Thus during the first four months of this year the Bank's total reserve of gold and foreign exchange was reduced by as much as 117 million marks.

Deposits in the banking institutions have increased appreciably in recent months. From January to April the total deposits of all banking institutions increased by 357 million marks, against 208 million a year earlier. The simultaneous increase in advances to the public was 507 million marks, against 309 million marks in the corresponding period of 1964. The advances of the savings banks and co-operative credit societies grew less than their deposits, but the increase in loans granted by the commercial banks exceeded new deposits by more than 200 million marks. Obviously the strong increase in commercial bank lending reflects the need of finance for the rising investment activity and also for growing imports.

A credit expansion of this order, at a time when the foreign exchange reserve is declining and the Government is borrowing heavily from the public in order to finance its budgetary deficit, has naturally resulted in a considerable weakening in the banks' liquidity position. The commercial banks have, in

*On page 18, Finland's Balance of Payments
in 1964*

fact, made full use of their rediscounting rights such that their net indebtedness to the Bank of Finland increased by 130 million marks from the beginning of the year to the end of April, by the end of which period their rediscounts totalled 548 million marks.

Early in April the Bank of Finland, following the fall in external liquidity, submitted a proposal to the Government that measures of economic policy should be introduced to reduce the deficit in the balance of payments. According to a plan drawn by the Government — published on May 20 — the emphasis of the programme for balance of payments improvement was to lay in the field of financial and credit policy, with measures aimed at restoring equilibrium before the end of 1966. At the same time the Government decided to introduce a number of special measures calculated to bring a direct and immediate check in import demand and a rise in exports. The most important of these measures were those intended to restrict the demand for motor cars. It may be mentioned that in 1963 the value of imports of passenger cars had amounted to 160 million marks, in 1964 it rose to 300 million, and during the first quarter of the current year it exceeded the corresponding figure for 1964 by about 60 per cent. As early as April 23 the Government tightened the hire purchase terms on motor cars and some other consumer durables. Subsequently it also submitted a proposal for increasing the tax on passenger cars; this proposal was approved by Parliament on June 4.

On April 30, the Bank of Finland instructed the banking institutions to pursue a more selective credit policy in order that the growth in bank advances from

the beginning of the year to the end of October should not exceed 9 per cent. If the rediscounting banks are able to comply with this request, the Bank of Finland has promised to repay the penalty interest paid on rediscounts for January—October. At the same time the Bank of Finland temporarily removed the quantitative limits imposed on rediscounting. In its instructions the Bank of Finland stressed that the banks should in the first place restrict their advances for financing imports and hire purchase, and consumption in general. As an additional inducement for the banks to check the demand for and use of credit the Bank of Finland further announced that the banks could widen the differentiation of rates of interest on bills and overdrafts, and charge up to 10 per cent, provided their average lending rate did not exceed 7 ½ per cent. The rates on loans for one year or more were to remain unchanged.

The effects of these measures will probably not begin to appear until the next few months. In May the Bank of Finland's foreign exchange reserve dropped a further 70 million marks and the banks' rediscounts continued to grow, totalling 597 million marks at the end of the month. At this time of the year there is normally an increase in the banks' lending, but they seem to be making serious efforts to bring the ten-month increase down to the prescribed 9 per cent before the end of October. How the situation develops will largely depend on the Government's financial measures. In this respect the budget for 1966, which is already under preparation in the ministries and will be presented to Parliament in September, is of major importance.

June 4, 1965

BANK OF FINLAND

Mill. mk

	1964		1965			
	Dec. 31	April 30	April 30	May 8	May 15	May 22
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	1 049.7	933.0	937.4	920.2	887.6	863.8
Gold	189.6	144.8	189.7	189.7	189.8	189.8
Foreign exchange	783.8	720.1	677.1	659.9	627.0	603.8
Foreign bills	29.7	28.5	23.8	24.1	24.3	23.6
Foreign bonds	46.6	39.6	46.8	46.5	46.5	46.6
<i>Supplementary note cover</i>	570.7	435.0	624.7	617.7	631.2	697.6
Inland bills discounted						
In foreign currency	55.2	65.1	52.6	52.6	52.6	52.6
In Finnish currency	67.1	20.9	23.6	20.5	14.3	13.4
Rediscounted bills	448.4	349.0	548.5	544.6	564.3	631.6
<i>Other assets</i>	97.4	111.5	113.0	113.5	109.9	125.3
Finnish bonds	35.8	36.6	24.8	21.7	21.5	32.4
Cheque accounts	2.5	3.5	4.2	3.5	2.8	4.3
Finnish coin	3.8	6.8	5.8	5.9	6.2	6.1
Other claims	55.3	64.6	78.2	82.4	79.4	82.5
Total	1 717.8	1 479.5	1 675.1	1 651.4	1 628.7	1 686.7
Liabilities						
<i>Notes in circulation</i>	1 002.7	905.5	958.1	941.3	939.4	969.5
<i>Liabilities payable on demand</i>	186.8	102.6	154.3	150.0	127.3	144.6
Foreign exchange accounts	84.7	17.6	94.6	96.8	83.0	83.1
Mark accounts of holders abroad	28.5	27.9	15.2	15.1	15.0	14.8
Cheque accounts						
Treasury	5.4	12.3	1.6	4.4	0.9	10.4
Post Office Savings Bank	49.6	41.8	19.3	7.5	3.9	12.3
Private banks	16.4	0.7	0.8	3.3	2.0	1.6
Other	0.7	0.3	0.8	0.9	0.7	0.9
Other sight liabilities	1.5	2.0	22.0	22.0	21.8	21.5
<i>Term liabilities</i>	55.4	64.4	64.3	64.3	64.3	63.7
Foreign	54.3	63.3	52.7	52.7	52.7	52.1
Finnish	1.1	1.1	11.6	11.6	11.6	11.6
<i>Equalization accounts</i>	261.8	202.5	278.2	274.9	276.0	286.8
<i>Bank's own funds</i>	211.1	204.5	220.2	220.9	221.7	222.1
Capital	100.0	100.0	100.0	100.0	100.0	100.0
Reserve fund	84.8	84.8	97.9	97.9	97.9	97.9
Profits undisposed	—	11.2	13.2	13.2	13.2	13.1
Earnings less expenses	26.3	8.5	9.1	9.8	10.6	11.1
Total	1 717.8	1 479.5	1 675.1	1 651.4	1 628.7	1 686.7
STATEMENT OF NOTE ISSUE						
Right of note issue						
<i>Ordinary cover</i>	1 049.7	933.0	937.4	920.2	887.6	863.8
<i>Supplementary cover</i> (Upper limit 500 mill. mk)	500.0	435.0	500.0	500.0	500.0	500.0
Total	1 549.7	1 368.0	1 437.4	1 420.2	1 387.6	1 363.8
Note issue						
<i>Notes in circulation</i>	1 002.7	905.5	958.1	941.3	939.4	969.5
<i>Liabilities payable on demand</i>	186.8	102.6	154.3	150.0	127.3	144.6
<i>Undrawn on cheque credits</i>	5.0	4.0	2.8	3.5	4.3	2.8
<i>Unused right of note issue</i>	355.2	355.9	322.2	325.4	316.6	246.9
Total	1 549.7	1 368.0	1 437.4	1 420.2	1 387.6	1 363.8

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

BANK OF FINLAND

Mill. mk

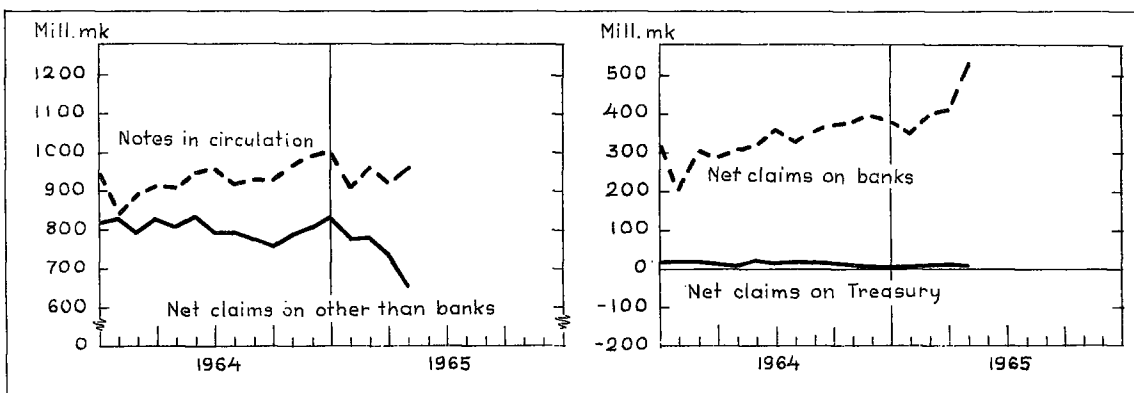
End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net claims on the Treasury (7+8-9)
	1	2	3	4	5	6	7	8	9	10
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
1964	973.4	84.7	888.7	76.3	82.8	882.2	-	8.9	5.4	3.5
1964										
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
Nov.	913.0	40.1	872.9	77.6	85.7	864.8	-	8.9	4.7	4.2
Dec.	973.4	84.7	888.7	76.3	82.8	882.2	-	8.9	5.4	3.5
1965										
Jan.	991.6	94.7	896.9	75.1	70.8	901.2	-	8.9	2.5	6.4
Feb.	982.2	104.3	877.9	74.3	70.6	881.6	-	8.9	1.4	7.5
March	904.8	102.0	802.8	69.0	70.0	801.8	-	8.9	-	8.9
April	866.8	94.6	772.2	70.6	67.9	774.9	-	8.9	1.6	7.3

	Foreign exchange situation, mill. mk							
	Net holdings, Dec. 31, 1964			Net holdings, April 30, 1965			Change in	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	April	Jan.-Apr.
	Gold	+273	-	+273	+273	-	+273	-
Convertible currencies	+708	-74	+634	+616	-75	+541	-52	-93
Other currencies	-9	+1	-8	-34	+2	-32	+5	-24
Gold and foreign exchange	+972	-73	+899	+855	-73	+782	-47	-117
Gold tranche position in IMF ..			+46			+46	-	-
Total			+945			+828	-47	-117

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
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
1964	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1964										
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
Nov.	394.2	-6.8	5.4	1.0	394.6	55.6	111.2	3.1	163.7	989.9
Dec.	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1965										
Jan.	357.3	5.9	2.5	1.2	347.7	48.3	118.8	32.9	134.2	910.2
Feb.	416.6	18.1	1.6	1.1	395.8	48.4	114.1	34.2	128.3	959.2
March	431.7	19.5	0.6	2.0	409.6	40.0	134.2	32.3	141.9	921.3
April	548.5	0.8	19.3	1.4	527.0	23.6	125.0	31.9	116.7	958.1

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	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	
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
1964*	683.4	857.0	296.5	2 816.7	2 621.0	1 680.4	713.8	331.3	8 163.4	9 316.9
1964*										
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
Nov.	668.8	833.3	284.8	2 662.7	2 515.4	1 621.2	676.7	323.4	7 800.0	8 918.1
Dec.	683.4	857.0	296.5	2 816.7	2 621.0	1 680.4	713.8	331.3	8 163.4	9 316.9
1965*										
Jan.	669.9	822.1	285.0	2 849.8	2 666.0	1 711.1	723.5	334.6	8 285.2	9 392.3
Feb.	632.2	775.8	367.3	2 885.6	2 715.3	1 760.2	734.6	339.9	8 435.8	9 578.9
March	680.4	837.5	320.1	2 917.3	2 756.0	1 800.1	744.5	344.9	8 562.9	9 720.5
April	629.5	783.0	294.8	2 936.0	2 760.1	1 815.0	739.6	343.5	8 594.4	9 672.2

End of month	Index-tied deposits		High-interest deposits
	100 % clause ¹⁾	50 % clause, tax-free	
1964*			
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
Nov.	1 072.9	119.6	593.9
Dec.	1 166.4	120.3	592.3
1965*			
Jan.	1 312.9	113.3	592.5
Feb.	1 386.5	99.1	591.0
March	1 462.8	82.4	603.3
April	1 506.3	75.3	611.6

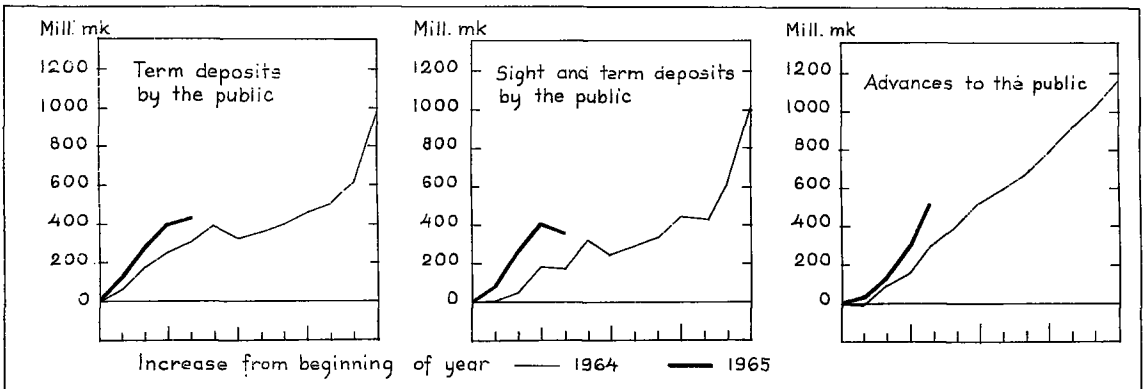
Selling rates for foreign exchange					
May, 24, 1965					
		mk	mk		
New York ...	1 \$	3.224	Zurich 100 Fr	74.22	
Montreal	1 \$	2.986	Paris	100 FF	65.80
London	1 £	9.020	Rome	100 Lit	0.5163
Stockholm ...	100 Kr	62.78	Vienna	100 S	12.49
Oslo	100 Kr	45.10	Lisbon	100 Esc	11.25
Copenhagen ..	100 Kr	46.62	Reykjavik	100 Kr	7.50
Frankfurt o.M.	100DM	80.90	Madrid	100 Pta	5.42
Amsterdam ...	100 Fl	89.61	Moscow, clear. ¹⁾	1 Rbl	3.5667
Brussels	100 Fr	6.497	Clearing dollars ²⁾	1 Cl \$	3.21

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

ADVANCES TO THE PUBLIC - MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	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
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
1964*	3 916.4	2 316.6	607.7	2 057.5	829.4	9 320.4	407.2	9 727.6	2 046.0
1964*									
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
Nov.	3 819.3	2 322.2	607.8	2 028.0	824.7	9 203.3	398.7	9 602.0	2 012.2
Dec.	3 916.4	2 316.6	607.7	2 057.5	829.4	9 320.4	407.2	9 727.6	2 046.0
1965*									
Jan.	3 900.7	2 337.6	614.6	2 078.1	827.5	9 342.4	416.1	9 758.5	1 940.9
Feb.	3 944.4	2 357.1	623.6	2 100.4	830.1	9 437.5	418.1	9 855.6	2 010.4
March	4 049.1	2 379.6	633.0	2 128.6	838.0	9 594.4	433.9	10 028.3	1 997.7
April	4 187.6	2 396.9	637.0	2 170.2	843.0	9 786.3	448.4	10 234.7	1 949.0

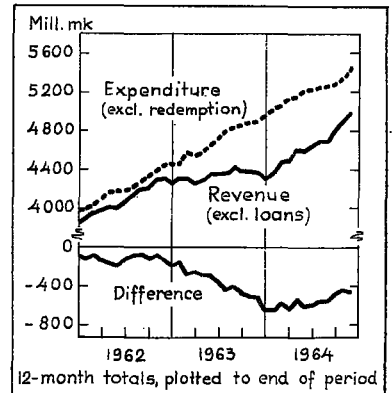


STATE FINANCES

Mill. mk

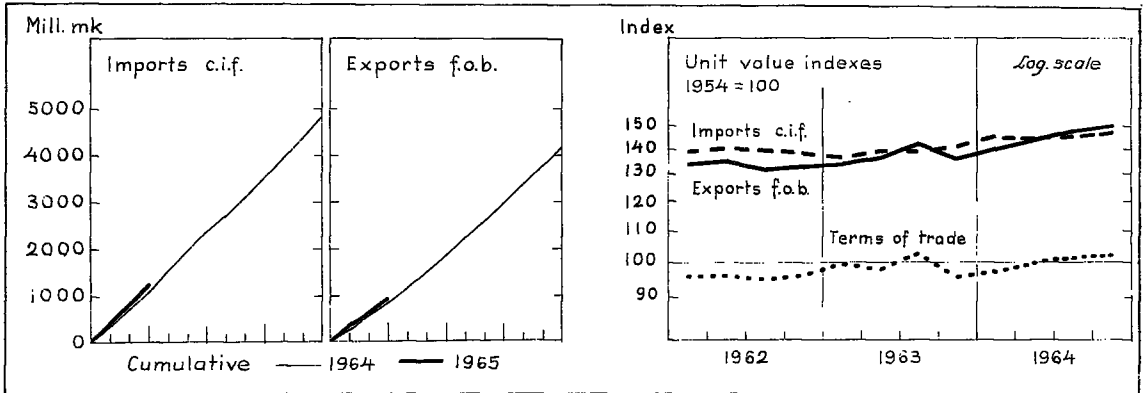
Revenue	Jan. - Mar.		Expenditure	Jan. - Mar.	
	1964	1965		1964	1965
Income and property tax (net)	374	434	Interest on State debt	45	56
Gross receipts	(761)	(901)	Child allowances	76	76
Refunds and communal income tax	(-387)	(-467)	The State's share in national pensions	55	62
Other direct taxes	5	4	Compensations to war-disabled	30	34
Sales tax	171	301	Subsidies	112	126
Import duties	128	121	Net payments on price equalization by extra-budgetary funds	—	—
Revenue from Alcohol Monopoly ..	76	92	State aid to agriculture	10	11
Excise duty on tobacco	84	73	State aid to communal and private schools	117	141
Excise duty on liquid fuel	40	64	Net loss of State enterprises	32	42
Other excise duties	20	19	Maintenance of roads	24	30
Tax on automobiles and motor cycles ..	27	42	Other current expenditure	416	522
Purchase tax on motor vehicles	—	6	Current expenditure	917	1 100
Stamp duties	54	41	Real investments	288	310
Employers' payments for child allow- ances	79	93	Other capital expenditure	129	171
Net receipts of price equalization by extra-budgetary funds	2	7	Capital expenditure	417	481
Other revenue similar to taxes	9	13	Total expenditure	1 334	1 581
Total taxes	1 069	1 310	Redemption of external loans	11	13
Interest and dividends	16	20	Redemption of internal loans	100	115
Other current revenue	38	45	Redemption of indemnity bonds etc.	2	2
Current revenue	1 123	1 375	Index premiums	7	9
Capital revenue proper	28	36	Redemptions	120	139
Decrease in inventories	45	19			
Capital revenue	73	55			
Total revenue	1 196	1 430			
External loans	62	12			
Internal loans	158	104			
Loans	220	116			
Short-term credit (increase +) ..	+ 2	-24			
Deficit (+) or surplus (-)	+36	+198			
Total	1 454	1 720			

Debt	1962	1963	1964		1965		
	Dec.	Dec.	Nov.	Dec.*	Feb.	March*	April*
External debt ...	803	963	1 109	1 187	1 192	1 188	1 184
Ordinary loans ...	936	1 109	1 158	1 206	1 200	1 192	1 395
Indemnity bonds etc.	18	11	7	7	7	5	5
Short-term credit ..	61	160	271	325	311	301	361
Cash debt (net) ...	-125	78	108	-4	201	194	..
Internal debt	890	1 358	1 544	1 534	1 719	1 692	..
Total debt	1 693	2 321	2 653	2 721	2 911	2 880	..
Total debt, mill. \$	525.4	720.8	825.0	845.5	904.7	893.4	..



FOREIGN TRADE

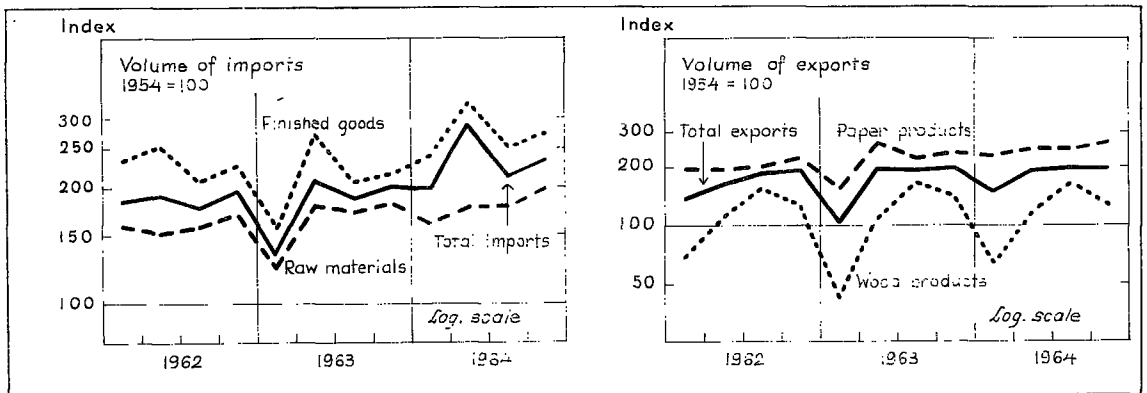
Period	Value mill. mk			Unit value indexes 1954 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering 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
1964	4 816.1	4 132.0	-684.1	144	168	149	134	152	144	100
Jan.-Mar.										
1963	688.0	536.0	-152.0							
1964	1 080.4	812.6	-267.8							
1965*	1 244.2	922.6	-321.6							
1964										
April	448.8	339.5	-109.3	143	174	146	133	152	143	100
May	398.7	335.3	- 63.4							
June	412.4	366.4	- 46.0							
July	362.9	368.6	+ 5.7	145	171	150	136	153	144	101
Aug.	390.2	349.3	- 40.9							
Sept.	422.3	408.4	- 13.9							
Oct.	418.8	400.8	- 18.0	149	164	154	135	172	145	103
Nov.	432.8	367.2	- 65.6							
Dec.	448.8	383.9	- 64.9							
1965*										
Jan.	383.9	317.3	- 66.6
Feb.	405.2	267.8	-137.4							
March	455.1	337.5	-117.6							



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

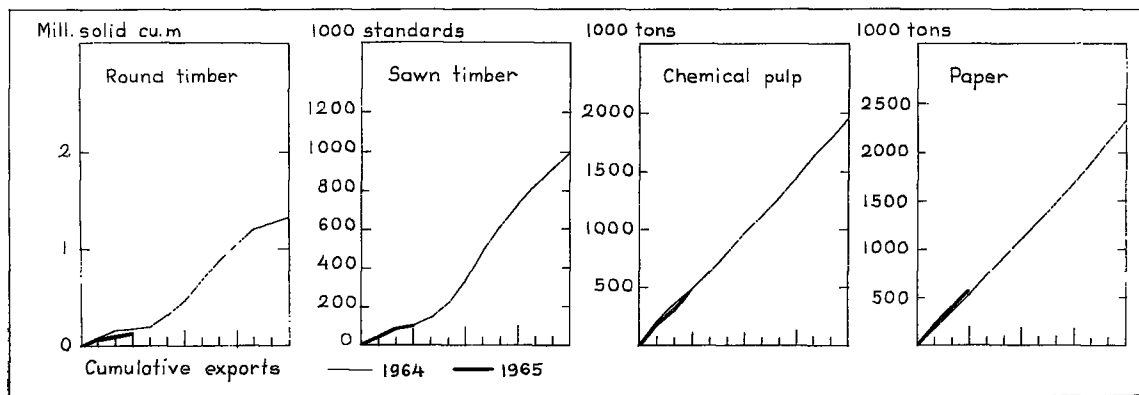
Period	Imports, c. i. f.				Exports, f. o. b.					
	Raw materials and producer goods	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods
			Investment goods	Consumer goods						
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
1964	2 110.7	508.4	1 395.8	801.2	230.4	89.8	895.8	2 019.5	610.5	286.0
Jan.-Mar.										
1963	337.6	63.2	162.4	124.8	33.0	11.1	71.7	304.6	86.7	28.9
1964	477.1	126.4	299.0	177.9	49.8	11.6	121.4	462.7	114.9	52.2
1965*	556.2	110.6	365.2	212.2	63.6	8.5	138.3	501.6	145.8	64.8
1964										
June	182.9	31.0	126.7	71.8	17.5	8.4	97.1	163.0	55.0	25.4
July	164.7	31.4	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
Oct.	179.1	36.4	131.7	71.6	16.7	9.0	89.0	192.1	67.5	26.5
Nov.	202.8	54.7	105.9	69.4	11.7	6.7	86.2	173.3	56.9	32.4
Dec.	203.9	51.5	121.3	72.1	28.4	4.9	75.2	180.1	66.2	29.1
1965*										
Jan.	184.8	33.2	110.4	55.5	24.3	3.7	60.3	169.0	39.9	20.1
Feb.	172.2	31.4	128.1	73.5	13.7	2.6	40.4	143.9	45.2	22.0
March	199.2	46.0	126.7	83.2	25.6	2.2	37.6	188.7	60.7	22.7



March 1963 figures are affected by strikes.

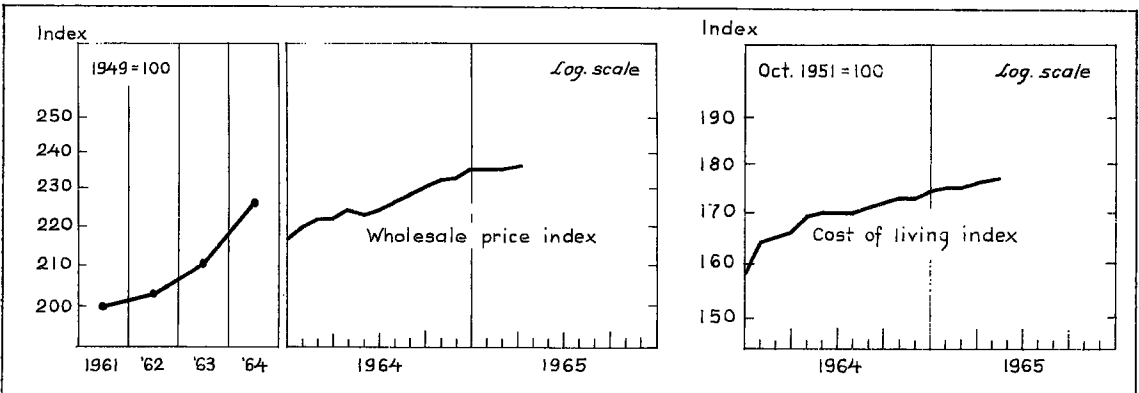
EXPORTS OF SOME IMPORTANT ARTICLES

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
1964	1 319	990	440	175	971	979	194	165	989	2 309
Jan.-Mar.										
1963	210	47	80	31	149	152	31	28	148	381
1964	165	97	105	43	238	238	41	44	208	521
1965*	123	99	118	43	243	231	40	38	239	578
1964*										
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
Oct.	140	97	41	17	86	97	17	15	100	219
Nov.	76	93	41	13	77	73	20	15	97	219
Dec.	58	73	44	17	79	93	28	15	93	192
1965*										
Jan.	62	52	44	13	91	95	13	14	83	189
Feb.	35	25	37	15	60	54	12	14	75	180
March	26	22	37	15	92	82	15	10	81	209



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c. i. f.					Exports, f. o. b.				
	Whole year		Jan. - March			Whole year		Jan. - March		
	1963	1964*	1964*	1965*		1963	1964*	1964*	1965*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	15.8	15.3	14.7	15.0	187.0	23.6	25.3	24.6	23.6	218.1
United Kingdom	15.3	14.8	14.2	14.6	181.6	21.5	23.0	22.4	21.5	199.0
Other OECD countries										
in Europe	53.0	52.7	51.9	57.7	717.6	43.9	45.9	48.5	46.1	425.2
Austria	0.7	0.7	0.7	0.8	10.1	0.3	0.4	0.3	0.3	2.6
Belgium-Luxembourg	2.2	2.0	1.7	2.3	29.0	3.3	3.5	3.2	3.1	28.2
Denmark	3.3	3.0	2.9	3.2	39.1	3.5	3.7	3.3	3.7	34.2
France	4.3	5.5	4.3	4.3	53.4	5.0	5.8	5.5	4.9	44.7
Western Germany	18.0	17.3	17.7	20.0	248.6	12.0	11.6	11.7	11.7	108.0
Italy	2.0	1.8	2.2	2.1	25.9	3.2	3.0	4.1	3.6	33.4
Netherlands	4.7	4.0	3.8	4.3	53.4	6.3	6.8	6.5	5.7	52.7
Norway	1.6	1.5	1.6	1.9	23.7	0.8	0.9	0.9	1.1	10.5
Portugal	0.2	0.2	0.2	0.2	2.7	0.1	0.1	0.2	0.2	2.2
Spain	0.4	0.5	0.8	0.7	9.1	0.9	0.9	0.9	1.2	10.8
Sweden	11.9	12.7	12.7	13.9	173.0	5.7	6.4	9.2	7.4	68.5
Switzerland	2.9	2.8	2.7	3.0	37.8	0.7	0.8	0.8	0.7	6.7
Eastern Bloc	21.7	22.4	23.0	18.1	224.7	20.8	17.5	13.6	18.5	170.7
China	0.2	0.4	0.5	0.3	4.2	0.5	0.5	0.1	0.5	4.6
Czechoslovakia	0.7	0.6	0.6	0.7	9.2	0.9	0.4	0.7	0.7	6.5
Eastern Germany	1.1	1.0	0.9	0.9	10.7	1.0	1.0	1.0	0.7	6.5
Poland	2.0	2.0	2.0	1.6	19.4	1.7	2.0	2.0	2.4	22.5
Soviet Union	16.9	17.6	18.1	14.0	173.8	16.0	12.1	8.6	13.2	121.7
U.S. and Canada	5.3	5.0	6.0	4.7	58.9	5.4	5.9	6.5	6.7	61.5
United States	4.9	4.8	5.8	4.6	57.4	5.2	5.7	6.4	6.5	59.7
Latin America	2.9	3.0	2.6	2.0	24.9	2.9	2.7	3.5	2.7	24.7
Argentina	0.5	0.3	0.1	0.3	3.4	0.6	0.8	0.7	1.1	9.6
Brazil	1.6	1.6	1.9	1.2	15.3	0.7	0.5	0.7	0.3	2.9
Other	1.3	1.6	1.8	2.5	31.1	3.4	2.7	3.3	2.4	22.5
Grand total	100.0	100.0	100.0	100.0	1 244.2	100.0	100.0	100.0	100.0	922.7
of which										
EFTA countries	36.0	35.8	35.0	37.6	468.0	32.6	35.4	37.1	35.1	323.7
EEC countries	31.2	30.5	29.7	33.0	410.3	29.8	30.6	31.0	28.9	267.0



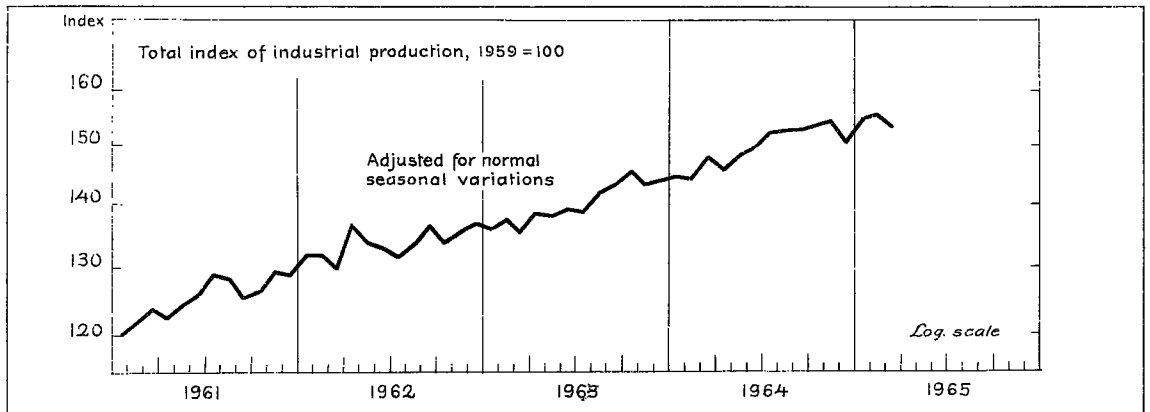
PRICE INDEXES

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			
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
1964	226	231	210	228	214	227	250	218	218	150	120	192
1964												
April	224	228	208	224	210	227	246	215	216	148	119	188
May	223	226	209	225	211	223	241	217	216	150	119	194
June	224	228	210	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	212	233	217	230	256	222	220	152	121	198
Oct.	232	237	212	236	217	230	260	223	220	153	122	200
Nov.	233	238	213	238	220	230	260	225	222	153	123	198
Dec.	235	240	213	238	222	233	263	225	224	154	123	199
1965												
Jan.	235	240	216	240	222	231	264	228	222	156	123	202
Feb.	235	240	216	240	222	232	264	228	222	156	123	204
March	236	242	216	240	222	235	266	229	223	157	125	207
April	236	242	213	240	222	234	268	222	222	158	125	210

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
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
1964	170	184	364	114	107	164	133	135	135	110	132	134
1964												
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
Nov.	173	188	372	114	108	167	136	138	138	111	134	136
Dec.	174	189	372	114	109	168	136	139	138	111	135	137
1965												
Jan.	175	189	372	114	109	170	137	139	138	111	135	139
Feb.	175	190	372	114	109	170	137	140	138	111	136	139
March	176	194	372	114	108	171	138	142	138	111	135	139
April	177	194	373	115	108	171	139	142	138	111	135	140

PRODUCTION - INTERNAL TRADE

Period	Index of industrial production 1959 = 100									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			
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
1964*	150	140	156	140	124	168	148	143	149	53 200	156
1963*											
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	143	2 192	176
Oct.	162	160	167	152	132	182	166	156	145	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	138	144	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	148	6 500	142
April	157	150	161	153	150	169	158	153	146	5 469	161
May	144	133	149	158	127	164	139	138	148	11 353	154
June	143	141	146	139	137	142	145	141	149	1 863	150
July	116	77	128	103	118	168	85	107	152	1 327	145
Aug.	150	134	154	149	100	173	140	153	152	1 846	170
Sept.	162	157	168	152	121	182	167	155	153	2 335	173
Oct.	167	154	176	152	125	190	165	160	153	2 926	169
Nov.	163	156	172	147	121	182	164	156	154	3 462	164
Dec.	150	143	158	133	123	160	160	139	150	4 536	183
1965*											
Jan.	152	146	161	134	123	174	154	137	154	4 822	120
Feb.	153	154	160	140	131	172	160	141	155	6 095	147
March	170	167	178	155	151	195	174	158	153	6 342	..

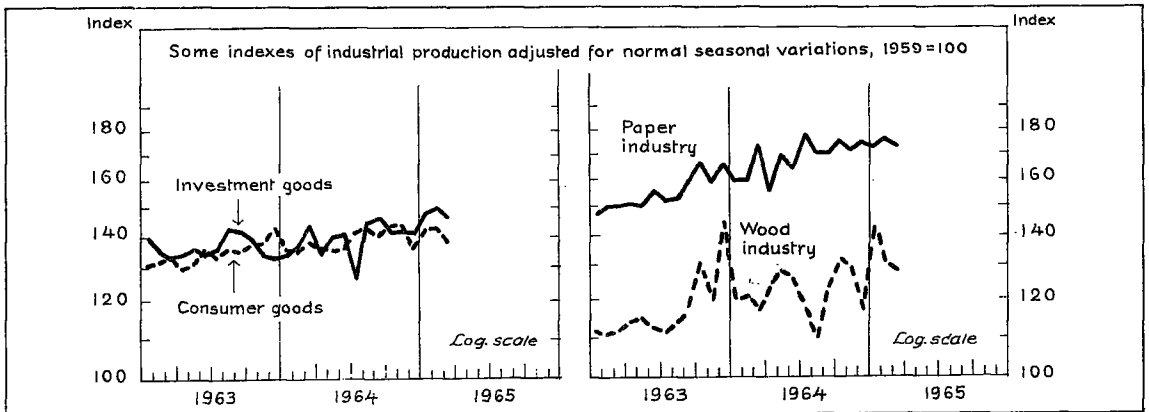


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

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	25.16	12.81	2.29	6.62	2.44	26.28	145	136	144	143
1964*	24.59	10.57	2.43	7.61	2.80	28.55	164	156	170	162
1963										
July-Sept.	7.04	2.77	0.76	2.01	1.10	28.58	148	137	141	145
Oct.-Dec.	8.90	5.13	1.00	1.99	0.51	26.28	149	138	150	146
1964*										
Jan.-Mar.	4.41	2.30	0.23	1.36	0.40	25.39	158	148	161	156
Apr.-June	4.93	1.83	0.31	1.91	0.66	29.45	164	154	172	162
July-Sept.	6.57	2.47	0.85	1.74	1.05	30.77	165	149	175	163
Oct.-Dec.	8.68	3.97	1.04	2.60	0.69	28.55	169	165	175	167

Period	Railways		Foreign shipping				Labour input		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo		Vessels departed 1 000 net reg. tons		1 000 man-months		% of total labour force	
	1964	1965	1964*	1965*	1964*	1965*	1964	1965*	1964	1965*
Jan.	125	118	576	690	527	549	1 854	1 877	2.7	2.0
Feb.	124	124	538	549	451	451	1 851	1 860	2.3	1.6
March	122	144	535	679	389	493	1 839	1 848	1.8	1.5
April	138	138	588	721	487	601	1 882		1.5	
May	125		755		709		1 920		1.1	
June	128		995		963		1 906		1.2	
July	128		1 165		1 253		1 772		1.1	
Aug.	132		1 072		1 111		1 862		1.0	
Sept.	138		861		873		1 924		1.0	
Oct.	140		842		760		1 928		1.3	
Nov.	135		909		683		1 905		1.5	
Dec.	116		827		679		1 866		1.7	



EXPLANATIONS RELATING TO THE STATISTICAL SECTION

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

BANK OF FINLAND

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

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

Page 5. *Other advances* = Inland bills in foreign currency + Cheque accounts (assets) + Other claims excl. Treasury's IMF and IBRD bill, Prepayments for exports and Advances for stand-by stocks. *Liabilities* = Other cheque accounts + Other sight liabilities + Other Finnish term liabilities — Account of the Mortgage Bank of Finland Oy. — *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, 1965): Length 5 463 km, of which 5 389 km are State and 74 km private railways. The gauge of State railways 1.524 m.

MERCHANT FLEET (Apr. 30, 1965): Steamers 152 (257 702 gross reg. tons), motor vessels 379 (728 361 gross reg. tons), sailing vessels with auxiliary engines 35 (4 357 gross reg. tons). Total 566 (990 420 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1964): Private cars 364 800, lorries and delivery vans 78 600, buses 6 900, others 14 000, Total 464 300.

SCHEDULED AIR TRAFFIC OF FINNISH COMPANIES (1964): Kilometres flown 12.0 million, passengers carried 639 700, passenger kilometres 311.2 million, and ton kilometres of freight and mail 5.4 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 1963 expenditure amounted to 2 776 mill. marks. Total revenue was 2 775 million, of which income from taxation 1 393 million. The municipal income tax (non-progressive) averaged 11.91 % 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, 1964). There are two big and four small commercial banks with in all 721 offices, 378 savings banks, 493 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 1/2 %. 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 %.

FINLAND'S BALANCE OF PAYMENTS IN 1964

BY

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CURRENT TRANSACTIONS

In the world economy the year 1964 presented a fairly favourable picture. The gross national product expanded by 4.8 per cent in the United States and the European economy expanded at the rate of 5.5 per cent, despite a number of anti-inflationary measures taken by some west European governments. Finland followed the over-all economic trend with the domestic product growing by an estimated 5.5 per cent in real terms, a distinct improvement over 1962 and 1963 (see Monthly Bulletin 4/1965). The manufacturing sector, bolstered by the strong world market for sawn softwood, pulp and paper, led the upswing with an expansion of nearly 8 per cent.

Last year the increase in world trade was somewhat around 10—12 per cent in volume terms. Finland's foreign trade grew even more — both exports and imports. Exports, led by agricultural products, pulp, paper and wood industry products, rose by 12.3 per cent in value, while the value of imports jumped by 24.5 per cent, with machinery, industrial supplies, fuels and lubricants, passenger cars and one-time items such as aircraft for Finnair showing the biggest gains (see Monthly Bulletin 5/1965). The unit price index of exports rose by 5.1 per cent compared with a rather modest rise of 3.6 per cent in import prices.

The performance of exports was by no means disappointing, engineering goods, machinery and ships excluded. But Finland's

Figure 1. The Trade Balance in 1959—64, seasonally adjusted quarterly figures, million marks

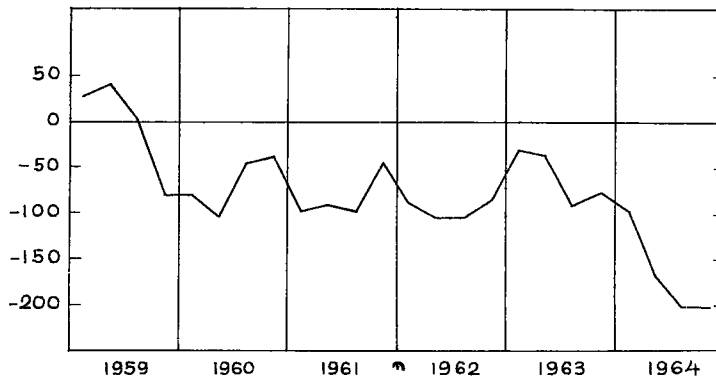


TABLE 1. BALANCE OF PAYMENTS SUMMARY ¹⁾ 1960—1964, MILLION MARKS

	1960	1961	1962	1963	1964
Exports ²⁾ f.o.b.	+3 168	+3 376	+3 536	+3 681	+4 135
Imports ³⁾ c.i.f.	-3 412	-3 700	-3 948	-3 878	-4 830
Trade balance	- 244	- 324	- 412	- 197	- 695
Services: receipts	+ 573	+ 656	+ 748	+ 808	+ 898
Services: payments	- 472	- 549	- 633	- 682	- 753
Invisible balance ⁴⁾	+ 101	+ 107	+ 115	+ 126	+ 145
Transfers payments, net	+ 9	+ 7	+ 5	+ 6	+ 6
A. BALANCE OF CURRENT TRANSACTIONS	- 134	- 210	- 292	- 65	- 544
B. BALANCE OF LONG-TERM CAPITAL ⁵⁾	+ 76	+ 179	+ 128	+ 326	+ 492
BASIC BALANCE (A + B)	- 58	- 31	- 164	+ 261	- 52
Private short-term capital, net	+ 81	+ 35	- 98	- 127	+ 126
Errors and omissions	+ 30	- 11	+ 2	- 27	+ 83
Authorized Exchange Dealers' foreign assets, net ..	- 37	+ 95	+ 140	- 26	- 37
Official short-term capital	-	-	-	+ 17	+ 18
C. BALANCE OF SHORT-TERM CAPITAL	+ 74	+ 119	+ 44	- 163	+ 190
OVER-ALL BALANCE (A + B + C)	+ 16	+ 88	- 120	+ 98	+ 138
D. OFFICIAL MONETARY MOVEMENTS, NET (incr. —) ..	- 16	- 88	+ 120	- 98	- 138

1) Plus sign indicates credit; minus sign indicates debit.

2) Exports include stevedoring expenses n.i.e. and grants in kind.

3) Imports include seamen's duty free imports, non-monetary gold and grants in kind; in addition adjustment is made to allow for smuggling.

4) Including factor income.

5) Including loans drawn by banks n.i.e.

relative international competitive position appeared to deteriorate somewhat. When the domestic upswing was gathering momentum with private investment especially accelerating and growing demand continuing to press on available resources, the economy which was already operating near full capacity could not meet this kind of impact without using imports as safety-valve. Furthermore, the propensity of consumers to purchase imported goods was exceptionally high and Finnish imports seem to have received additional stimulus from the increased stockbuilding at home. In addition, substantial price rises of coffee and sugar were not offset by declines in volume, since the demand for such products seems to be rather inelastic.

With the expansion of the domestic economy, the balance of payments of Finland thus began again to deteriorate after a transient period of improvement in 1963 and during the course of 1964 a large current account deficit was developing.

Foreign trade statistics reveal that imports c.i.f. exceeded exports f.o.b. by 684 million marks. In 1962 and 1963 the trade deficit was 396 and 189 million marks respectively. The development of the trade deficit, seasonally adjusted, is shown in figure 1.

As can be seen from table 1, the invisible surplus, of 145 million marks including factor income, was again a little higher than during the previous year. In spite of this, the deficit in the balance of payments on current account including transfer payments soared to a record level of 544 million marks. This compares with a total current deficit of 65 million marks for 1963 and 292 million marks for 1962.

There were two aspects to the Finnish payments deficit: how it was to be financed and how it was to be cured. Last year the first problem was solved with relative ease. Thanks to the favourable attitude on foreign capital markets towards Finnish loans, the

TABLE 2. GOODS AND SERVICES, AND TRANSFER PAYMENTS. MILLION MARKS

	1963			1964		
	Receipts	Payments	Net receipts	Receipts	Payments	Net receipts
Merchandise	3 681	3 878	-197	4 135	4 830	-695
Non-monetary gold	—	0	— 0	—	0	— 0
Transport	385	165	+220	467	159	+308
Travel	90	190	-100	107	222	-115
Investment income	25	93	- 68	27	125	- 98
Government	23	21	+ 2	25	20	+ 5
Non-merchandise insurance ..	122	111	+ 11	122	111	+ 11
Other services	163	102	+ 61	150	116	+ 34
<i>Total goods and services ..</i>	<i>4 489</i>	<i>4 560</i>	<i>- 71</i>	<i>5 033</i>	<i>5 583</i>	<i>-550</i>
Transfer payments	13	7	+ 6	14	8	+ 6
<i>Total current transactions ..</i>	<i>4 502</i>	<i>4 567</i>	<i>- 65</i>	<i>5 047</i>	<i>5 591</i>	<i>-544</i>
Errors and omissions			- 27			+ 83
<i>Total</i>			<i>- 92</i>			<i>-461</i>

deficit on current account was more than offset by the heavy borrowing abroad, especially by the Government. Thus, Finland's convertible currency reserves actually showed an increase. These developments will be analysed more fully below.

The second problem is to great extent a reflection of long-run difficulties and involves effecting structural changes and making efforts to improve the productivity of Finnish industries.

The short-run attempts used to reduce the current account deficit included indirect credit and monetary measures affecting imports and tightened hire purchase regulations aimed at reducing the sales of passenger cars. The weakening of the balance of payments was largely attributable to an extremely sharp increase in imports of motor vehicles after the liberalisation which took place in the middle of 1962. In November 1964 the minimum down-payment was raised and maximum repayment period was shortened. Furthermore, the system whereby a payment abroad has to be effected or a corresponding deposit has to be made before Customs clearance is granted for certain durable consumer goods, which was introduced in October 1962, is still in force.

The slight improvement in the invisible balance from 126 to 145 million marks was entirely due to the increased net receipts from transportation since the trend of other invisible items was in the opposite direction.

The favourable development of the net shipping receipts must of course be seen against the background of both exports and imports being at record levels. In addition, it is to be attributed partly to higher freight rates and the slightly increased share of Finnish tonnage in transportation.

The total volume of sea transportation was 23.1 million tons, which represents a 15 per cent increase on a year-to-year basis. The total volume of goods transported by Finnish ships increased by 18 per cent to 12.5 million tons. The share of Finnish tonnage decreased in the import shippings from 66 per cent to 63 per cent. As regards export shippings, the share of Finnish tonnage increased from 40 per cent to 43 per cent. Thus the share of Finnish tonnage in the total amount of transportation was raised from 53 to 58 per cent.

The advance in travel receipts outpaced that in travel payments: receipts rose by 18.8 per cent and payments by 16.8 per cent. In spite of this the net deficit on travel

increased from 100 million marks to 115 million marks since the level of expenditure is about twice that of travel earnings.

The increase in interest payments on foreign loans was both absolutely and in percentage terms much greater in 1964 than in any other year. Last year they amounted to 125 million marks. The rise was 32 million marks or 34.4 per cent over 1963. This is only a natural reflection of the heavily increased foreign indebtedness which Finland has recently incurred. Since the exchange reserves of convertible currencies stood at the end of 1964 at a markedly higher level than one year previously, the investment income receipts also increased by 2 million marks. The net payments on investment income rose consequently by 30 million marks. Another factor contributing towards the deterioration of the current balance came from the catch-all-account of "other services": the factor income in the form of wages derived from the construction of the electric power plant at Tuuloma for the USSR decreased from 42.1 million marks to 33.8 million marks.

BASIC BALANCE

Finland's heavy borrowing abroad last year has already been referred to above. In total the net import of long-term capital in the form of loans, credits and direct investments covered a large part of the deficit of current transactions and the basic balance amounted to a deficit of only 52 million marks.

The availability of funds on foreign capital markets for Finnish requirements contributed significantly to the short-run solution of Finland's balance of payments problems and thus eased the pressure on the foreign exchange market. The net increase in foreign long-term borrowing was 492 million marks. Loans totalling 762 million marks were drawn and repayments amounting to 228 million marks were made on earlier loans. These figures compare with a net increase of 326 million marks, drawings on new loans of 513 million marks and amortisations of 164 million marks in 1963.

The relative ease of raising loans abroad was partly due to the fact that Finland is

TABLE 3. MOVEMENTS OF CAPITAL AND MONETARY GOLD, MILLION MARKS

	1963			1964		
	Assets increase — decrease +	Liabilities increase + decrease —	Net assets increase — decrease +	Assets increase — decrease +	Liabilities increase + decrease —	Net assets increase — decrease +
NON-MONETARY SECTORS						
<i>Private</i>	— 9	+ 41	+ 32	+ 39	+ 342	+ 381
Long-term capital	+ 1	+ 158	+ 159	— 24	+ 279	+ 255
Loans drawn	—	+ 292	+ 292	—	+ 418	+ 418
Loans repaid	—	— 112	— 112	—	— 123	— 123
Other	+ 1	— 22	— 21	— 24	— 16	— 40
Short-term capital	— 10	— 117	— 127	+ 63	+ 63	+ 126
<i>Public (central and local governments)</i>	+ 4	+ 167	+ 171	— 2	+ 218	+ 216
Loans drawn	—	+ 190	+ 190	—	+ 291	+ 291
Loans repaid	—	— 41	— 41	—	— 88	— 88
Other	+ 4	+ 18	+ 22	— 2	+ 15	+ 13
MONETARY SECTOR						
<i>Banks (including the Bank of Finland)</i>	— 88	— 23	— 111	— 218	+ 32	— 136
Loans drawn	—	+ 31	+ 31	—	+ 53	+ 53
Loans repaid	—	— 13	— 13	—	— 17	— 17
Other	— 88	— 41	— 129	— 218	+ 46	— 172
<i>Total</i>	— 93	+ 185	+ 92	— 181	+ 642	+ 461

exempted from the United States' Interest Equalization Tax on foreign securities proposed in July 1963 to curb the net outflow of private long-term capital from the U.S.A. This measure for all practical purposes closed the market for new European issues and stimulated activity on Western European capital markets. Thus, Finland was also successful in borrowing on European capital markets. In total ten new bond issues were placed last year on the New York and Western European capital markets. The proceeds of these issues amounted to 335 million marks compared with 54 million marks in 1963. In May Finland made a 12 year bond issue of 15 million dollars or 48 million marks on the New York market and this was followed by a 15 year loan of the same amount in December. Both were at a rate of interest of 6 per cent. These loans marked the second and third offer of Finnish bonds in the United States since 1934. The first offer of 12.5 million dollars 10 year bonds was made in March 1963. In addition, Finland made a bond issue in Western Germany in March through the intermediary of a number of West German banks and banking-houses. This loan amounted to DM 40 million or 32 million marks, the currency period was 15 ½ years and the rate of interest 6 ¼ per cent. This issue was followed by a similar 15 ½ year bond issue in Western Germany in July at the rate of interest of 6 per cent. The amount of the second loan was DM 50 million or 40 million marks.

In addition, a West German banking consortium granted a 15 year bond loan of DM 40 million or 32 million marks to the Industrial Mortgage Bank of Finland to be relented to mediumsize and large industrial concerns (other than paper and pulp industries) in the form of mortgage loans. Also some private companies raised capital abroad by bond issues.

The loans granted previously by the World Bank were drawn to the amount of 43 million marks and repaid by 22 million marks. In July the World Bank granted Finland a new loan equivalent to 28.5 million dollars or 91 million marks for the construction, paving, maintenance and further modernization of Finland's road network, but this loan was not drawn until 1965.

Other financial long-term loans were drawn to the net amount of 74 million marks and delivery credits were utilized to a net amount of 44 million marks. The drawings of delivery credits increased from 107 million marks in 1963 to 123 million marks in 1964, largely as a consequence of the sharp rise in imports of finished investment goods and equipment. The so-called "rouble credit" granted by the Soviet Union in 1959 was drawn to the net amount of 62 million marks.

Movements of capital representing changes in the foreign assets and liabilities related to direct investment have only recently begun to play a role in the statistical analysis of Finland's balance of payments developments. However, the statistical sources and data on such movements of capital are still at present somewhat uncertain and awaiting further calculation. The preliminary estimates indicate that direct investments in Finnish business enterprises controlled by foreigners increased clearly last year. The figure is around 15 million marks representing 11 million marks of investments in new projects and 4 million marks in increases in the share capital attributable presumably in several cases to utilization of undistributed profits. The total figure compares with 2 million marks in 1962 and 1963.

New Finnish direct investment abroad rose from 11 million marks in 1963 to 17 million marks last year and was higher than during previous years. This figure only includes such cases, where the domestic investor can be considered to acquire a controlling interest

in the foreign subsidiary. The credits given separately to foreign subsidiaries amounted last year to some 11 million marks.

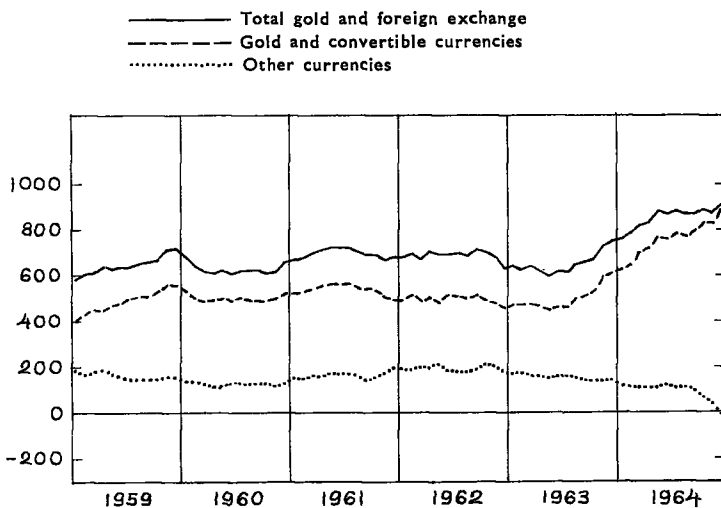
Another item which has recently become significant in the statistics is the long-term export credits. At the beginning of 1963 an existing export credit company founded in 1956 was reorganized as Suomen Vientiluotto Oy and its share capital, hitherto owned entirely by a number of Finnish commercial banks and industrial concerns, was raised by State subscription to the new shares. In addition the State and the commercial banks subscribed to debentures issued by the company. Last year the credits provided by the company represented a net export of capital of 33 million marks.

SHORT-TERM FLOWS OF CAPITAL AND THE FINANCING OF THE DEFICIT

A large part of the basic deficit for 1964 was financed by short-term borrowing of various kinds. Private short-term flows of funds, which in 1963 had represented a net

outflow of 127 million marks, became an inflow of the same magnitude. In fact all components of the identified leads and lags in commercial payments contributed to this effect taken the year 1964 as a whole, even if there were exports of short-term capital especially in the form of export credits granted during the second and third quarters. The pressure on the foreign exchange market was eased particularly by the short-term import credits, which increased in 1964 by 54 million marks, and by short-term export credits, which declined by 48 million marks. In addition, there was some inflow of capital in the form of pre-payments for exports and diminished pre-payments for imports. Without these short-term flows of funds the excess demand for foreign exchange would have been considerably larger. It may also be assumed that the net figure for unrecorded transactions consists largely of unrecorded changes in Finnish private claims on foreigners. In 1963 this item indicated a net capital outflow of some 27 million marks. In the second half of 1964

Figure 2. Bank of Finland Foreign Exchange Reserve in 1959—64, seasonally adjusted, million marks



the "errors and omissions" item reversed rapidly. It thus suggests that volatile capital imports up to a net amount of some 80 million marks may have taken place in addition to the recorded private capital flows, which all were credit items last year.

The government short-term account also showed a small import of capital. Finnish commercial banks continued to utilise the facilities offered by the Euro-dollar market for short-term borrowing. Towards the end of 1964 the Euro-dollar deposits accepted by them declined somewhat. The net effect was, however, a small increase in both their short-term foreign assets and liabilities.

Movements in the Bank of Finland gold and foreign exchange reserves, seasonally adjusted, are shown in figure 2. A new development in the merchandise trade has been a considerable trade deficit with the eastern countries also, which resulted in a decline of 130 million marks in the bilateral net assets. In fact towards the end of 1964 these assets became liabilities. The inflow of foreign funds into Finland was of such a magnitude that despite the adverse development of the current account described above, the Bank of Finland gold reserve increased by 55 million marks and the convertible currency reserves by 230 million marks.

ITEMS

Agreement on territorial waters. Upon the initiative of the Finnish Government negotiations were opened at the end of April between Finland and the Soviet Union on questions pertaining to territorial waters in the Finnish Gulf and fishing rights in certain parts of the Gulf. The negotiations resulted in the signing on May 20 of an Agreement on the limits of the territorial waters and the continental shelf of Finland and the Soviet Union in the Finnish Gulf, and a protocol, whereby the Soviet Union permits fishing for Finnish fishers within their territorial waters in an area east of Suursaari.

According to the agreement Finland and the Soviet Union will not extend their territorial waters or their fishing rights or other zones over a boundary which, west of Suursaari follows a line based upon the half-way line principle of the Geneva Convention on territorial seas of 1958, to which both Finland and the Soviet Union have acceded. In spite of the new agreement Finland is not considering the extension of its four mile territorial waters. The new boundary cuts in five areas the former spheres of Soviet territorial waters, thus opening substantial new areas for Finnish fisheries.

In the protocol the Soviet Union grants the right for Finnish fishers to fish within a considerable area of their territorial waters east of Suursaari.

The agreement and the protocol are subject to ratification by both Governments.

*

Ship service between Helsinki and Tallinn. On May 25 an agreement was signed

in Leningrad by which a daily ship service between Helsinki and Tallinn will be inaugurated on July 7. Sailings on this route will be made by Soviet and Finnish ships and the crossing will take about four hours.

*

Trade agreement. On March 24 an agreement was signed between Finland and the People's Republic of China regulating the exchange of goods during 1965. Finnish exports and imports will each amount to 10 million roubles. Finland's export list includes products of the metal, shipbuilding and machinery industries, chemical pulp, mechanical wood pulp, paper, paper and cardboard products, copper semiproducts, rayon staple fibre, plywood etc. Her import list includes soya, rice, various tinned foods, textiles, tin, chemicals, pharmaceutical products etc.

*

Domestic bond issues. In May the Government decided on the following two bond issues.

The 1965 Forest Improvement Loan of 20 million marks. The loan is divided into two groups of 10 million. The bonds of the first group are dated June 1 and those of the second group September 1. Both groups will mature in 16 years. The rate of interest is 2½ percentage points above the general rate of six month deposits in the two largest commercial banks. The loan is tied to the cost of living index to the extent of 50 per cent. — This is the first loan issued as recommended in the Mera-programme. The Government will relend the proceeds of the

issue to forest owners for approved forest improvement projects. (See Bulletin 10/1964, pp. 1—2).

The issue of 11 million marks for subscription by the Labour Pensions Funds of farming, forest works, and construction. The bonds carry interest as from July 1, 1965, at a rate which is $2\frac{3}{4}$ percentage points above the general rate of six month deposits in the two largest commercial banks. The loan is current for a period of 10 years and is tied to the cost of living index to the extent of 50 per cent.

In May Industrial Mortgage Bank of Finland Ltd was authorized to make a private bond issue of 25 million marks. The loan is current for a period of 12 years and bears interest at a rate which is $2\frac{3}{4}$ percentage points above the general rate of six month deposits in the three largest commercial banks. The loan is tied to the wholesale price index to the extent of 50 per cent.

*

Publications of the Bank of Finland. So far the following publications have appeared in English in series D — Mimeographed Studies — of the Publications issued by the Bank of Finland Institute for Economic Research: Pertti Kukkonen, "On the Measurement of Seasonal Variations"; "The Index Clause System in the Finnish Money and Capital Markets"; J. J. Paunio, "Adjustment of Prices to Wages"; Heikki Valvanne and Jaakko Lassila, "The Taxation of Business Enterprises and the Development of Financial Markets in Finland"; Heikki Valvanne, "The Framework of the Bank of Finland's Monetary Policy".

"Finnish Bond Issues 1964" has been published in a common Finnish, Swedish and English edition. It contains detailed descriptions of the 32 loans issued in 1964 of which 21 were denominated in Finnish marks and launched in Finland and 11 in foreign currency issued in the USA and the West European capital markets.

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A. SIMONEN

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Government)*

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HEIKKI VALVANNE
ad int.

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