



# BANK OF FINLAND

## MONTHLY BULLETIN

Vol. 30 No. 5

MAY

1956

### RECENT DEVELOPMENTS

#### MONETARY SURVEY

The Bank of Finland has continued the strict monetary policy it adopted last year. This has particularly been so as since the general strike, which led to wage increases averaging about 10 per cent, the Bank has, by keeping the money market as tight as possible, endeavoured to prevent the inflation psychosis from spreading and to put a brake on the effects of the impulses towards further inflation occasioned by the wage increases.

A general increase in rates of interest was not, however, considered appropriate. Such a measure would inevitably have affected the rates for mortgage loans in addition, and so, by causing rents to rise, would have occasioned fresh demands for wage increases. Thus the Bank of Finland only raised the rates of interest for its own direct lending; since April 19, these rates have been  $6\frac{1}{2}$ —8 per cent (previous rates  $5$ — $7\frac{1}{2}$ ). On April 5, the Bank increased importers' obligatory deposits against import licences from 10 per cent to 20 per cent as regards imports other than those for which licensing is automatic and imports of certain raw materials.

The combined effect of the factors tightening the money market was, in fact, considerable during the first four months of the current year. Most important was the decrease,

by 5 032 mill. marks, in the net foreign balances of the Bank of Finland, caused in the main by the heavy excess of imports in foreign trade. Deposits against import licences increased by 2 175 mill. marks and the Treasury's net debt to the Bank of Finland was reduced by 1 432 million. When to this is added the increase by 384 mill. marks in cash reserve deposits, the increase by 580 mill. marks in the Bank's own funds, as well as 270 mill. marks representing the effect of other restrictive factors, the combined result is a contraction of the central bank money by 9 873 mill. marks.

On the other hand, by extending the storage period for merchandise of the forest industry, the transport difficulties due to the unusually severe winter increased this industry's seasonal demand for credit to an exceptional degree. The Bank of Finland found it necessary to satisfy this demand on the part of its own clients, which raised the Bank's net claims on business enterprises by 4 808 mill. marks. The commercial banks increased their re-discounts by 2 163 mill. marks partly as a result of the above mentioned restrictive

*On page 18,  
The Finnish Commercial Banks*

factors. The joint effect of the factors reducing the amount of central bank money totalled 6 971 mill. marks.

Thus, the net reduction in central bank money was 2 902 mill. marks (9 873 less 6 971), of which the decrease in notes in circulation represented 930 million, and the decrease in the commercial banks' accounts with the Bank of Finland 1 072 million.

This development was also reflected in the deposits and lending business of the other credit institutions. Their advances grew by 4 500 mill. marks during the first quarter of the year, the increase representing only 64 per cent of the corresponding amount for 1955. At the same time, the public's deposits in these credit institutions grew by 3 800 million, or one fourth of the corresponding increase in 1955, in part owing to index-tied Treasury bond loans competing for the savings of the public.

#### PRICES

There has been an upward tendency in all price indices since the beginning of the year. In March the cost of living index had risen by about 7 per cent from the December level and the wholesale price index by about 3.5 per cent. The rise in the cost of living was principally caused by rents and agricultural prices. The latter increase was occasioned partly by the lowering of subsidies for dairy products and partly by the fact that agricultural producers raised their prices in order to improve the profitability of farming. In the case of the wholesale price index, there was the additional influence of higher prices for some imported goods.

The average wage increase of 10 per cent, resulting from the strike in March, further increases the pressure on prices. In the new wage agreements, wages were linked to the

cost of living index, the February figure of 107 being taken as a basis. As soon as the index has risen by 5 points, wages will have to be reconsidered. To avoid a series of alternate price and wage increases, price control had to be resorted to again. At the beginning of April, the Government was authorised to reintroduce control of a number of prices representing about one third of those included in the cost of living index. With the purpose of stimulating price competition, the Government also instructed the licensing authorities to pay consideration to those domestic products which are considerably more expensive than the foreign products.

The present subsidies lower the cost of living index by about 5 points, and cost the State more than 20 000 mill. marks per annum. As this would cause a deficit in the finance accounts, the retail price of sugar, petrol, margarine and alcohol were raised in average 20 per cent at the end of April, and post, telegraph and railway tariffs will be raised by 10—20 per cent at the beginning of June. These increases are estimated to bring in some 15 000 mill. marks, but will in turn, raise the cost of living index by about 1 point. If the subsidies for milk and sausages are abolished — funds being granted to the end of June only — the index will rise by a further 2 points. The effect of the wage increases is also calculated to amount to about 3 points. When one considers that the cost of living index for March was 107.7, the index may easily reach 112 points in the summer, which would mean a new round of wage increases, as well as a further increase in farmers' income in the autumn, in addition to the increase due in consequence of the March wage adjustments.

*May 5, 1956.*

## BANK OF FINLAND

Mill. mk

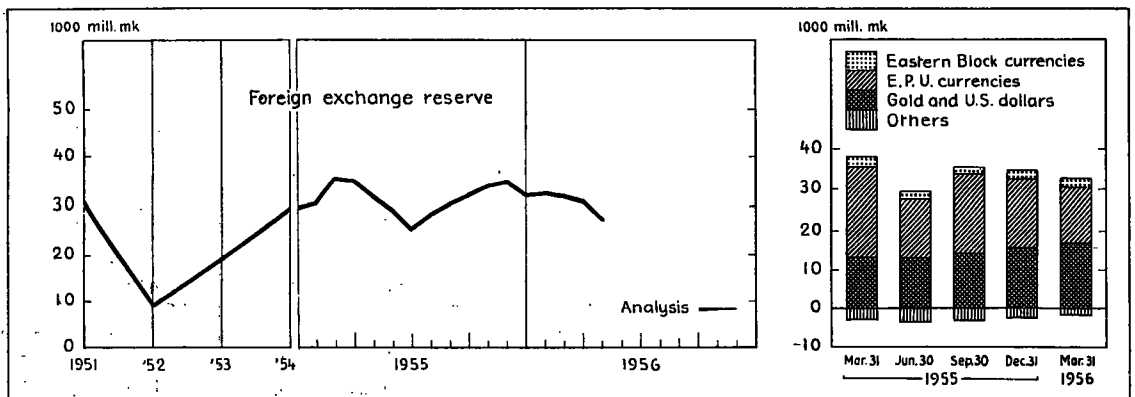
	1955		1956			
	April 30	Dec. 31	April 7	April 14	April 23	April 30
<b>BALANCE SHEET</b>						
<b>Assets</b>						
<i>Ordinary note cover</i> .....	41 304	38 314	36 424	35 203	33 898	34 146
Gold .....	6 891	7 849	7 849	7 849	7 849	7 849
Foreign exchange .....	31 945	28 089	26 015	24 794	23 489	23 737
Foreign bills .....	115	115	115	115	115	115
Foreign bonds .....	2 353	2 261	2 445	2 445	2 445	2 445
<i>Supplementary note cover</i> .....	45 780	65 576	66 565	67 964	70 701	72 193
Inland bills discounted						
In foreign currency .....	7 142	8 511	8 834	8 852	8 865	8 871
In Finnish currency .....	13 252	14 437	19 815	19 816	20 244	19 782
Rediscounted bills .....	5 386	22 628	19 166	20 546	22 842	24 790
Treasury bond loan .....	20 000	20 000	18 750	18 750	18 750	18 750
<i>Other assets</i> .....	11 768	11 617	12 804	12 802	12 871	13 166
Finnish bonds .....	2 095	1 915	1 840	1 840	1 809	1 814
Cheque accounts .....	377	490	438	421	411	515
Finnish coin .....	322	196	337	347	353	353
Other claims .....	8 974	9 016	10 189	10 194	10 298	10 484
Total	98 852	115 507	115 793	115 969	117 470	119 505
<b>Liabilities</b>						
<i>Notes in circulation</i> .....	49 713	55 883	52 553	53 578	53 417	54 951
<i>Short-term liabilities</i> .....	27 814	33 310	35 649	34 570	35 844	35 477
Foreign exchange accounts .....	7 000	3 855	3 509	3 679	3 643	3 937
Mark accounts of holders abroad .....	2 941	3 898	4 310	4 305	4 303	4 271
Cheque account of the Treasury .....	14 488	9 816	11 582	9 726	11 067	10 161
Cheque accounts of banks .....	3 294	8 384	6 757	7 331	7 140	7 592
Other cheque accounts .....	32	6 733	8 528	8 679	8 798	8 896
Other short-term liabilities .....	59	624	963	850	893	620
<i>Long-term liabilities</i> .....	8 097	9 013	9 398	9 404	9 416	10 353
Foreign .....	6 803	7 719	8 104	8 110	8 122	8 129
Finnish .....	1 294	1 294	1 294	1 294	1 294	2 224
<i>Equalisation accounts</i> .....	3 266	5 689	6 873	7 054	7 416	7 331
<i>Bank's own funds</i> .....	9 962	11 612	11 320	11 363	11 377	11 393
Capital .....	5 000	10 000	10 000	10 000	10 000	10 000
Reserve fund .....	4 479	—	806	806	806	806
Profits undisposed .....	—	—	6	6	6	6
Earnings less expenses .....	483	1 612	508	551	565	581
Total	98 852	115 507	115 793	115 969	117 470	119 505
<b>STATEMENT OF NOTE ISSUE</b>						
<b>Right of note issue</b>						
<i>Ordinary cover</i> .....	41 304	38 314	36 424	35 203	33 898	34 146
<i>Supplementary cover</i> (Upper limit 58 000 mill. mk) .....	45 780	58 000	58 000	58 000	58 000	58 000
Total	87 084	96 314	94 424	93 203	91 898	92 146
<b>Note issue</b>						
<i>Notes in circulation</i> .....	49 713	55 883	52 553	53 578	53 417	54 951
<i>Short-term liabilities</i> .....	27 814	33 310	35 649	34 570	35 844	35 477
<i>Undrawn on cheque credits</i> .....	620	494	606	622	633	528
<i>Unused right of note issue</i> .....	8 937	6 627	5 616	4 433	2 004	1 190
Total	87 084	96 314	94 424	93 203	91 898	92 146

Lowest discount rate since April 19, 1956, 6 1/2 per cent

## BANK OF FINLAND

Mill. mk

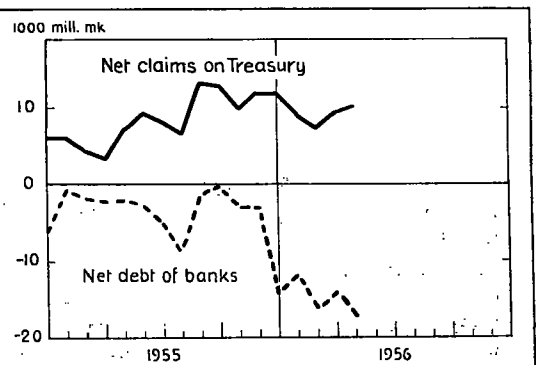
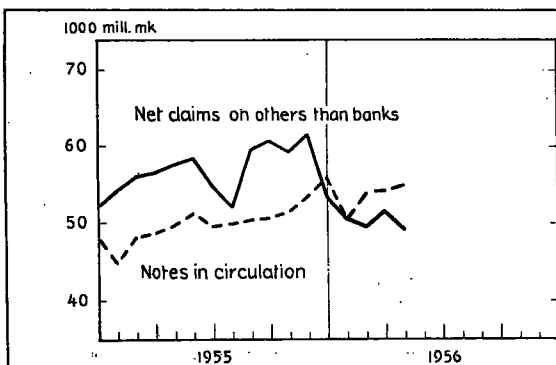
End of year and month	Gold and foreign accounts						Finnish credit institutions			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Redis-counted bills	Liabilities		Net claims on the banks (7-8-9)
								Cash reserve accounts	Cheque accounts proper	
	1	2	3	4	5	6	7	8	9	10
1948	3 329	3 211	118	—	1 379	-1 261	1 697	—	473	1 224
1949	5 196	6 930	-1 734	—	2 561	-4 295	2 427	—	665	1 762
1950	10 959	8 170	2 789	—	4 807	-2 018	6 913	—	552	7 465
1951	34 317	3 594	30 723	—	3 693	27 030	16	—	218	234
1952	22 099	13 141	8 958	—	5 524	3 434	17 217	—	2 088	15 129
1953	27 898	8 737	19 161	209	9 237	10 133	8 268	—	2 157	6 111
1954	36 573	7 017	29 556	972	10 102	20 426	8 465	—	2 187	6 278
1955	35 938	3 855	32 083	2 376	11 617	22 842	22 628	6 677	1 707	14 244
1954 Dec.	36 573	7 017	29 556	972	10 102	20 426	8 465	—	2 187	6 278
1955 Jan.	37 128	6 436	30 692	972	9 367	22 297	2 310	—	1 386	924
Feb.	41 506	6 144	35 362	972	9 275	27 059	2 388	—	584	1 804
March	40 974	5 897	35 077	972	9 299	26 750	3 074	662	255	2 157
April	38 836	7 000	31 836	2 468	9 744	24 560	5 386	2 325	969	2 092
May	36 044	6 814	29 230	2 468	9 999	21 699	6 112	2 743	486	2 883
June	33 610	7 870	25 740	2 468	10 069	18 139	9 020	2 987	817	5 216
July	34 635	6 280	28 355	2 468	10 586	20 237	13 239	4 227	662	8 350
Aug.	36 148	5 818	30 330	2 468	10 300	22 498	5 335	2 808	1 138	1 389
Sept.	37 700	5 470	32 230	2 468	10 794	23 904	6 751	5 441	930	380
Oct.	38 660	4 989	33 671	2 468	11 186	24 953	9 472	5 498	972	3 002
Nov.	38 899	4 166	34 733	2 468	11 528	25 673	10 007	6 176	748	3 083
Dec.	35 938	3 855	32 083	2 376	11 617	22 842	22 628	6 677	1 707	14 244
1956 Jan.	36 957	4 464	32 493	2 561	12 312	22 742	19 096	6 689	486	11 921
Feb.	36 080	3 982	32 098	2 561	12 347	22 312	23 551	6 607	723	16 221
March	34 309	3 296	31 013	2 561	12 405	21 169	20 086	5 983	135	13 968
April	31 585	3 937	27 648	2 561	12 400	17 809	24 790	7 062	530	17 198



## BANK OF FINLAND

Mill. mk

End of year and month	Treasury			Trade and industry						Notes in circulation
	Bills and bonds	Cheque account	Net claims on the Treasury (1-2)	Inland bills in Finnish currency	Other advances	Total advances (4+5)	Deposits against import licences	Other liabilities	Net claims on the public (6-7-8)	
	1	2	3	4	5	6	7	8	9	10
1948	19 230	19	19 211	13 591	1 387	14 978	—	207	14 771	27 369
1949	22 030	80	21 950	15 351	1 965	17 316	—	625	16 691	29 606
1950	19 730	34	19 696	13 516	5 470	18 986	—	263	18 723	34 383
1951	8 685	—	8 685	11 567	6 193	17 760	—	301	17 459	44 774
1952	14 738	—	14 738	14 678	12 696	27 374	—	2 185	25 189	46 153
1953	21 662	7 281	14 381	13 812	15 525	29 337	—	2 314	27 023	45 019
1954	21 662	15 470	6 192	11 940	14 129	26 069	—	791	25 278	47 902
1955	21 660	9 816	11 844	14 437	16 357	30 794	6 578	779	23 437	55 883
1954										
Dec.	21 662	15 470	6 192	11 940	14 129	26 069	—	791	25 278	47 902
1955										
Jan.	21 662	15 432	6 230	11 139	14 366	25 505	—	330	25 175	44 764
Feb.	21 662	17 216	4 446	11 393	13 160	24 553	—	409	24 144	48 151
March	21 660	18 320	3 340	12 380	14 020	26 400	—	94	26 306	48 746
April	21 660	14 488	7 172	13 252	14 833	28 085	—	91	27 994	49 713
May	21 660	12 382	9 278	14 553	16 633	31 186	—	365	30 821	51 344
June	21 660	13 458	8 202	15 120	17 327	32 447	—	228	32 219	49 584
July	21 660	15 044	6 616	14 395	17 230	31 625	739	1 549	29 337	49 903
Aug.	21 660	8 342	13 318	13 470	16 786	30 256	1 600	2 068	26 588	50 376
Sept.	21 660	8 803	12 857	13 780	17 836	31 616	2 931	1 594	27 091	50 634
Oct.	21 660	11 854	9 806	14 339	17 832	32 171	3 922	1 180	27 069	51 433
Nov.	21 660	9 627	12 033	13 563	17 748	31 311	5 105	872	25 334	53 493
Dec.	21 660	9 816	11 844	14 437	16 357	30 794	6 578	779	23 437	55 883
1956										
Jan.	21 660	12 905	8 755	15 204	16 846	32 050	7 476	844	23 730	50 539
Feb.	21 660	14 292	7 368	16 626	17 134	33 760	7 929	709	25 122	53 870
March	20 410	11 521	8 889	18 992	17 501	36 493	8 131	997	27 365	54 252
April	20 410	10 161	10 249	19 782	18 211	37 993	8 753	762	28 478	54 951



## DEPOSITS BY THE PUBLIC - FOREIGN EXCHANGE RATES

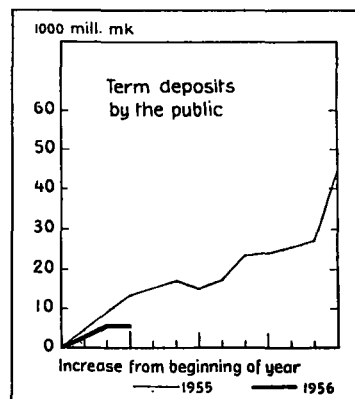
Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. credit societies & their central bank	Post Office Savings Bank	Savings depart- ments of co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1949	23 276	26 908	8 984	31 079	35 014	16 675	12 237	4 649	99 660	135 552
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	36 587	44 247*	11 795	97 794	108 543*	61 158*	33 073	15 255	315 863*	371 905*
1954										
Oct.	34 832	42 305	8 470	77 107	85 340	48 325	28 644	12 644	252 096	302 871
Nov.	34 008	41 375	7 874	77 933	86 750	49 080	28 921	12 809	255 529	304 778
Dec.	34 913	42 108	13 451	83 444	92 174	52 050	30 079	13 415	271 195	326 754
1955										
Jan.	36 908	44 248	7 661	84 806	93 679	53 131	30 120	13 785	275 554	327 463
Feb.	34 937	42 045	8 109	86 430	94 915	54 119	30 784	14 048	280 328	330 482
March	36 572	44 019	10 676	88 113	95 948	54 949	30 968	14 335	284 347	339 042
April	36 289	43 521	9 294	88 742	96 910	55 540	30 822	14 464	286 510	339 325
May	36 037	43 279	8 462	89 001	97 668	56 135	30 671	14 585	288 094	339 835
June	40 007	47 426	10 920	88 173	97 285	55 766	30 640	14 349	286 260	344 606
July	34 979	42 488	8 825	88 776	98 210	56 221	30 927	14 308	288 491	339 804
Aug.	37 788	45 175	8 797	90 961	99 791	57 621	31 715	14 406	294 543	348 515
Sept.	37 399	44 979	10 715	90 823	100 548	57 581	31 777	14 458	295 236	350 930
Oct.	37 908	45 561	9 709	91 287	101 316	57 674	31 890	14 534	296 751	352 021
Nov.	38 521	45 887	8 718	91 516	102 211	57 927	32 074	14 608	298 384	352 989
Dec.	36 587	44 247*	11 795	97 794	108 543*	61 158*	33 073	15 255	315 863*	371 905*
1956*										
Jan.	35 193	42 006	8 710	98 543	109 552	61 507	33 598	15 563	318 801	369 517
Feb.	32 806	39 429	9 634	98 990	110 233	62 204	34 292	15 762	321 519	370 582
March	35 545	42 643	12 629	98 745	110 080	62 567	34 002	15 805	321 237	376 509

## Selling rates for foreign exchange

May 5, 1956

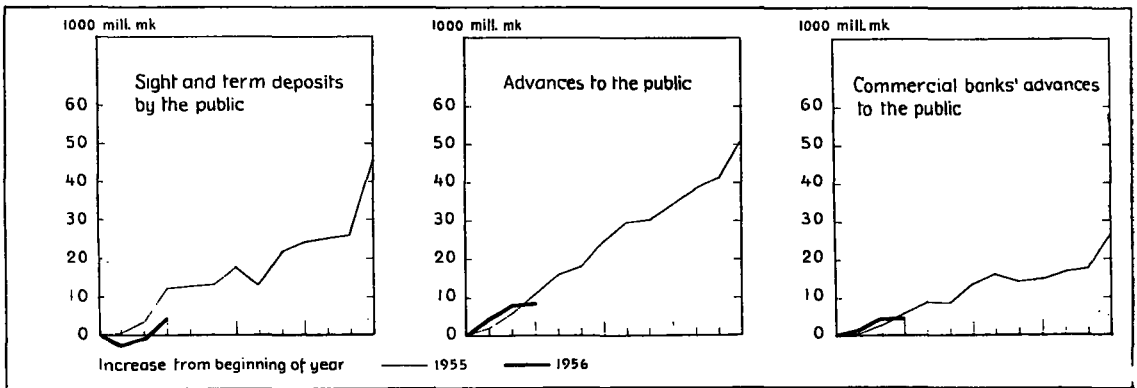
		mk			mk
New York .....	1 \$	231	Zürich .....	1 Fr	52.64
London .....	1 £	646	Frankfurt a/M ..	1 DM	55.05
Stockholm .....	1 Kr	44.43	Prague .....	1 Kz	32.08
Copenhagen ....	1 Kr	33.31	Vienna .....	1 Sch	8.90
Oslo .....	1 Kr	32.29	Lisbon .....	1 Es	8.04
Paris .....	1 Fr	0.66	Montreal .....	1 \$	231
Brussels .....	1 Fr	4.624	Moscow, clear. ...	1 Rbl.	57.75
Amsterdam ....	1 G	60.54			



ADVANCES TO THE PUBLIC

Mill. mk

End of year and month	Granted by					Types of advances			Total (1 to 5) (6 to 8)
	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
1949	57 160	29 065	3 472	30 925	3 382	81 667	33 429	8 908	124 004
1950	67 438	35 511	4 507	35 048	3 830	97 375	37 934	11 025	146 334
1951	85 578	45 554	8 508	41 849	4 425	117 358	54 645	13 911	185 914
1952	104 881	59 824	13 402	50 694	5 379	147 035	70 106	17 039	234 180
1953	105 659	70 511	18 782	56 765	9 847	177 703	67 572	16 289	261 564
1954	128 955	82 447	22 123	64 697	12 773	212 306	79 200	19 489	310 995
1955	155 436	96 374	24 866	71 914	13 599	244 704	94 121	23 364	362 189
1954									
Oct.	123 992	81 038	21 648	63 502	11 581	205 597	76 789	19 375	301 761
Nov.	124 677	81 767	21 446	63 875	11 723	207 896	76 494	19 098	303 488
Dec.	128 955	82 447	22 123	64 697	12 773	212 306	79 200	19 489	310 995
1955									
Jan.	129 474	83 547	22 581	64 430	12 868	214 300	79 174	19 426	312 900
Feb.	131 673	84 328	23 147	64 936	12 940	216 614	80 134	20 276	317 024
March	134 881	85 204	22 990	65 700	12 982	218 163	82 590	21 004	321 757
April	137 728	86 211	23 183	66 675	12 945	220 561	85 841	20 340	326 742
May	137 630	87 394	23 474	67 600	12 979	223 275	85 401	20 401	329 077
June	142 305	88 533	23 691	67 962	13 042	226 137	87 218	22 178	335 533
July	144 995	90 087	23 817	68 461	13 170	229 737	88 513	22 280	340 530
Aug.	143 149	91 262	24 005	69 484	13 406	233 471	87 744	20 091	341 306
Sept.	143 785	93 062	24 141	70 476	13 517	236 197	87 237	21 547	344 981
Oct.	145 683	94 363	24 518	71 050	13 648	239 583	88 291	21 388	349 262
Nov.	146 531	95 477	24 804	71 454	13 766	242 132	88 476	21 424	352 032
Dec.	155 436	96 374	24 866	71 914	13 599	244 704	94 121	23 364	362 189
1956*									
Jan.	157 132	97 784	24 893	72 824	13 607	246 784	95 688	23 768	366 240
Feb.	159 944	98 334	24 994	73 114	13 626	248 233	96 773	25 006	370 012
March	159 981	98 710	25 374	72 720	13 562	249 322	96 593	24 432	370 347

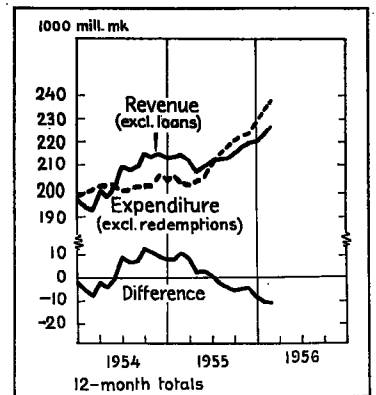


## STATE FINANCES

1000 mill. mk

Revenue	Jan.—Feb.		Expenditure	Jan.—Feb.	
	1955	1956		1955	1956
Income and property tax (net) .....	10.5	14.6	Interest on State debt .....	1.2	0.9
Gross receipts .....	(12.7)	(16.3)	Child allowances .....	4.8	4.8
Refunds and communal income tax .....	(-2.2)	(-1.7)	Old age allowances .....	0.6	0.6
Other direct taxes .....	0.1	0.1	Compensations to war-disabled .....	1.0	1.4
Purchase tax .....	7.8	8.3	Transfer of employers' payments for national pensions to National Pensions Fund .....	0.0	0.0
Import duties .....	3.0	4.2	Subsidies .....	3.0	5.0
Revenue from Alcohol Monopoly .....	1.9	1.6	Payments by Price Equalisation Fund .....	0.4	1.2
Excise duty on tobacco .....	1.9	2.3	State aid to agriculture .....	0.3	0.2
Other excise duties .....	0.7	0.6	State aid to communal and private schools .....	2.6	3.2
Stamp duties .....	1.4	1.7	Net loss of State enterprises .....	—	1.6
Employers' payments for child allowances and national pensions .....	2.9	3.4	Maintenance of roads .....	0.4	0.6
Receipts of Price Equalisation Fund .....	1.2	2.1	Other current expenditure .....	9.9	12.2
Other revenue similar to taxes .....	0.4	0.4	<b>Current expenditure</b> .....	24.2	31.7
<b>Total taxes</b> .....	31.8	39.3	Real investments .....	3.9	5.4
Interest and dividends .....	0.9	0.3	(of which: unemployment grants) ..	(1.8)	(2.4)
Net profit of State enterprises .....	0.2	—	Other capital expenditure .....	4.1	4.3
Other current revenue .....	1.1	0.8	<b>Capital expenditure</b> .....	8.0	9.7
<b>Current revenue</b> .....	34.0	40.4	<b>Total expenditure</b> .....	32.2	41.4
Capital revenue proper .....	0.6	0.5	Redemption of external loans .....	0.4	0.2
Decrease in inventories .....	0.6	1.1	Redemption of internal loans .....	2.5	1.0
<b>Capital revenue</b> .....	1.2	1.6	Redemption of Indemnity Bonds etc. ....	0.0	0.1
<b>Total revenue</b> .....	35.2	42.0	Index premiums .....	0.0	0.0
External loans .....	—	0.6	<b>Redemptions</b> .....	2.9	1.3
Internal loans .....	1.9	3.6	<b>Total</b> .....	35.1	42.7
<b>Loans</b> .....	1.9	4.2			
Bills (increase +) .....	+3.9	—			
Deficit (+) or surplus (—) .....	-5.9	-3.5			
<b>Total</b> .....	35.1	42.7			

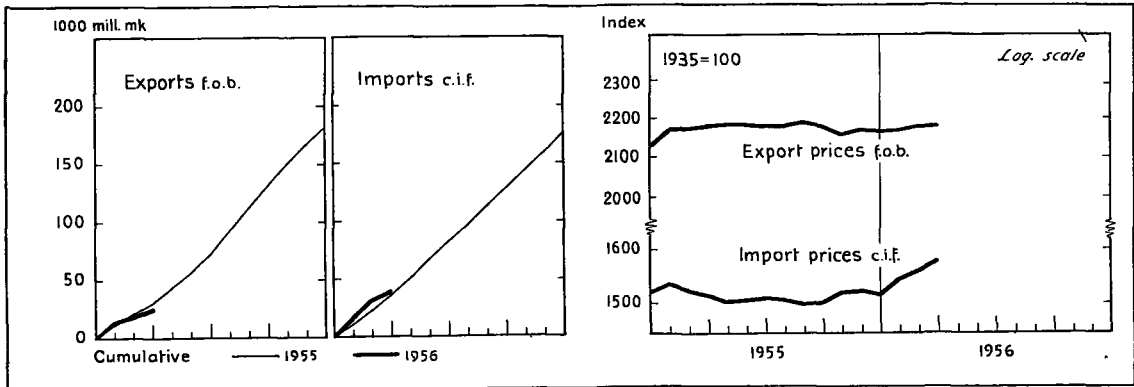
Debt	1953	1954	1955	1956		
	Dec.	Dec.	Dec.*	Jan.	Feb.	March
<b>External debt</b> .....	65.0	62.1	61.5	61.9	61.8	61.8
Ordinary loans .....	31.3	36.1	43.0	43.7	45.6	45.5
Indemnity bonds etc. ....	10.2	8.8	6.8	6.8	6.8	6.6
Bills .....	3.4	0.5	—	—	—	—
Cash debt (net) .....	11.3	4.3	6.0	7.0*	3.5	..
<b>Internal debt</b> .....	56.2	49.7	55.8	57.5*	55.9	..
<b>Total debt</b> .....	121.2	111.8	117.3	119.4*	117.7	..
Total debt, mill. \$	524.7	484.0	507.5	516.9*	509.8	..





FOREIGN TRADE

Period	Value, mill. mk			Imports by main groups, mill. mk				Price indices 1935 = 100	
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (—) or exports (+)	Raw materials	Machinery	Foodstuffs	Other consumer goods	Articles of import c. i. f.	Articles of export f. o. b.
1948	66 369	56 505	— 9 864	32 245	12 641	13 198	8 285	996	1 278
1949	66 278	65 606	— 672	30 248	15 191	9 370	11 469	1 063	1 201
1950	89 148	81 479	— 7 669	38 214	19 218	16 786	14 930	1 366	1 420
1951	155 464	186 883	+31 419	75 568	32 358	24 402	23 136	1 878	2 955
1952	182 186	156 829	—25 357	75 493	49 006	32 600	25 087	1 801	2 410
1953	121 860	131 555	+ 9 695	48 898	31 760	26 791	14 411	1 590	1 944
1954	152 137	156 618	+ 4 481	67 103	39 412	27 082	18 540	1 550	2 074
1955*	176 960	181 259	+ 4 299	76 121	46 902	30 912	23 025	1 510	2 175
1954									
Oct.	14 067	15 792	+ 1 725	6 931	3 571	1 931	1 634	1 531	2 118
Nov.	14 505	15 927	+ 1 422	5 878	4 200	2 624	1 803	1 515	2 116
Dec.	18 329	13 878	— 4 451	8 222	4 494	3 479	2 134	1 519	2 129
1955*									
Jan.	10 805	11 483	+ 678	5 236	1 964	2 172	1 433	1 533	2 167
Feb.	11 962	10 926	— 1 036	5 226	2 711	2 453	1 572	1 519	2 173
March	12 088	7 572	— 4 516	5 581	2 836	2 265	1 406	1 514	2 176
April	15 395	13 821	— 1 574	5 731	4 359	2 975	2 330	1 500	2 181
May	16 525	12 683	— 3 842	7 122	4 620	2 781	2 002	1 504	2 184
June	15 252	16 273	+ 1 021	6 861	4 147	2 262	1 982	1 507	2 178
July	14 276	19 632	+ 5 356	6 126	4 467	2 053	1 630	1 503	2 180
Aug.	16 759	20 242	+ 3 483	7 114	4 929	2 712	2 004	1 497	2 189
Sept.	14 427	18 379	+ 3 952	6 251	3 944	2 342	1 890	1 498	2 180
Oct.	16 082	19 211	+ 3 129	7 119	4 170	2 718	2 075	1 516	2 159
Nov.	14 972	15 431	+ 459	6 502	3 826	2 650	1 994	1 519	2 170
Dec.	18 417	15 606	— 2 811	7 252	4 929	3 529	2 707	1 513	2 164
1956*									
Jan.	16 079	11 881	— 4 198	6 494	5 162	2 449	1 974	1 540	2 169
Feb.	14 629	7 458	— 7 171	6 012	4 611	2 159	1 847	1 557	2 178
March	7 826	5 466	— 2 360	2 758	3 295	1 023	750	1 575	2 180



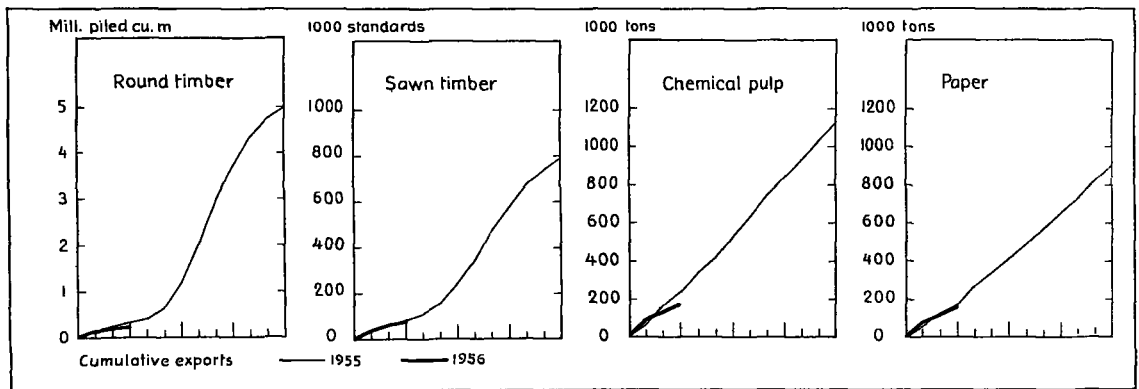
## FOREIGN TRADE BY CLASSES OF GOODS

Mill. mk

Classes of goods	Imports c. i. f.				Exports f. o. b.			
	Whole year		Jan.—March		Whole year		Jan.—March	
	1954	1955*	1955*	1956*	1954	1955*	1955*	1956*
Dairy produce, eggs, honey .....	40	1 988	553	184	2 933	2 380	631	511
Other animal products, live animals ..	621	1 068	161	137	1 036	341	184	38
Vegetables .....	76	423	65	63	1	0	—	—
Edible fruit .....	3 173	3 915	940	1 129	29	16	1	1
Coffee, tea, spices .....	10 299	8 247	1 733	1 636	0	—	—	0
Cereals, milling products .....	7 079	10 570	2 143	2 182	493	1	1	0
Certain seeds and fruit, plants for industrial purposes .....	1 205	1 565	452	219	125	110	35	115
Raw materials for tanning and dyeing	120	108	23	13	3	2	1	—
Animal and vegetable fats .....	2 310	2 191	370	340	370	118	1	13
Meat and fish products .....	344	549	69	200	0	0	0	0
Sugar, sweets .....	2 673	3 812	778	576	17	20	2	3
Beverages, vinegars .....	820	654	38	122	400	141	19	6
Fodder .....	1 267	2 357	1 282	1 602	21	—	—	—
Tobacco .....	1 635	1 598	408	379	0	0	0	0
Minerals, ore .....	1 855	2 250	410	232	1 244	1 776	88	45
Mineral fuel and oils .....	18 118	22 321	5 286	4 469	25	13	4	1
Chemical and pharmaceutical products	6 592	7 210	1 551	1 451	254	332	58	80
Tanning and dyeing extracts, varnishes	1 925	2 041	362	325	6	3	0	7
Casein, albumen, glues .....	538	643	130	124	13	0	0	0
Fertilizers .....	3 312	3 129	543	392	0	0	—	—
Hides, skins, leather and furs; manufactures thereof .....	1 892	2 148	413	331	477	872	341	465
Rubber and rubber articles .....	2 247	3 100	574	678	18	23	4	2
Wood and wood products .....	306	587	95	92	62 191	69 917	7 989	5 908
Woodpulp .....	7	31	4	2	29 880	36 778	7 737	5 810
Board, paper, manufactures therefrom	212	238	35	40	32 909	40 329	7 659	7 435
Textile materials, textile goods .....	20 077	21 209	3 996	4 084	1 726	1 996	351	357
Footwear .....	55	57	2	6	101	45	28	6
Articles of stone and of other mineral material, glass .....	1 360	1 413	280	231	556	642	121	111
Base metals; manufactures therefrom	20 828	23 561	4 494	3 949	2 317	2 768	606	824
Machinery, apparatus .....	12 579	16 211	2 662	3 843	5 559	6 452	1 086	873
Electric machinery and apparatus ...	6 047	6 847	1 259	1 533	793	743	178	191
Transport material .....	15 761	17 706	2 419	6 596	12 066	14 589	2 715	1 875
Instruments, clocks and watches, musical instruments .....	1 634	2 181	425	447	94	72	6	15
All others .....	5 130	5 032	899	927	961	780	135	114
Total	152 137	176 960	34 854	38 534	156 618	181 259	29 981	24 806

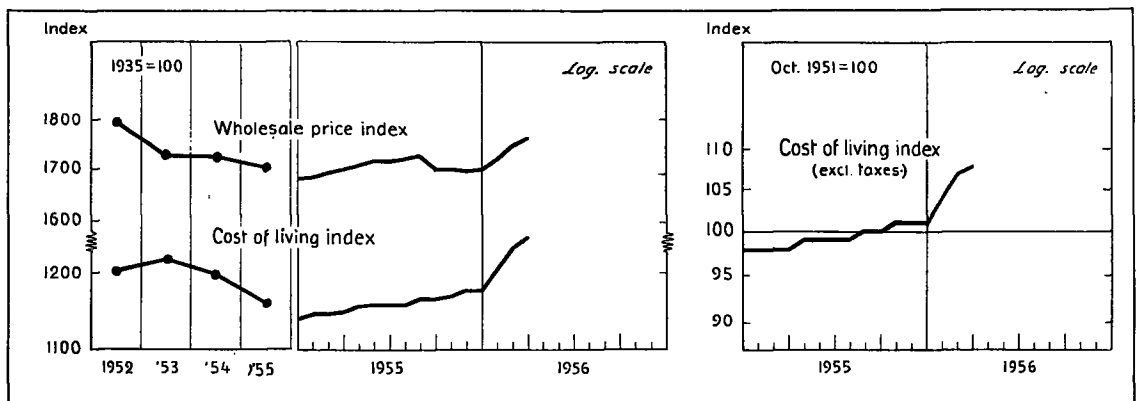
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round and hewn timber 1 000 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
1948	1 996	470	175	97	373	330	81	27	289	416
1949	2 251	607	208	160	449	311	61	31	348	455
1950	3 266	683	195	177	513	365	89	50	379	506
1951	5 305	875	279	210	594	388	97	68	382	605
1952	5 112	611	222	143	477	245	65	44	392	569
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
1954										
Sept.	468	89	30	17	48	34	9	4	34	65
Oct.	397	85	21	14	55	30	10	6	40	79
Nov.	274	77	30	17	53	39	9	6	24	56
Dec.	180	61	36	16	60	39	10	7	37	74
1955*										
Jan.	134	38	26	17	41	31	7	5	33	57
Feb.	117	29	31	12	63	36	11	6	34	69
March	70	17	17	11	43	26	6	3	21	45
April	96	27	40	14	63	41	13	6	50	96
May	226	49	31	15	50	23	10	6	34	74
June	541	80	21	20	60	54	9	5	36	72
July	789	106	24	19	62	43	9	4	41	75
Aug.	967	128	26	19	72	45	9	4	43	82
Sept.	771	101	26	9	53	30	10	5	42	81
Oct.	633	96	27	17	55	37	9	6	48	88
Nov.	418	64	28	16	60	40	9	6	48	88
Dec.	215	51	24	14	60	41	8	5	40	78
1956*										
Jan.	139	40	21	14	57	37	9	5	35	69
Feb.	58	24	10	8	28	15	6	2	26	52
March	35	8	8	8	19	16	4	2	24	40



## FOREIGN TRADE BY COUNTRIES

Area and country	Imports c. i. f.					Exports f. o. b.				
	Whole year		Jan.—March			Whole year		Jan.—March		
	1954	1955*	1955*	1956*		1954	1955*	1955*	1956*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
<b>Sterling area</b> .....	19.8	20.9	18.4	21.5	8 285	25.8	27.3	28.6	22.3	5 526
United Kingdom .....	18.8	20.3	18.1	20.7	7 987	22.5	24.0	25.6	19.1	4 740
<b>Other OEEC countries</b> ..	35.3	36.4	35.9	40.8	15 721	31.7	32.4	25.9	26.5	6 576
Belgium-Luxembourg ....	3.0	3.0	3.0	3.0	1 149	2.9	3.5	2.3	3.5	862
Denmark .....	2.4	3.6	4.5	3.2	1 229	3.4	2.9	2.6	2.4	600
France .....	6.2	5.9	6.0	6.0	2 323	4.7	4.7	4.8	5.1	1 268
Western Germany .....	6.7	9.0	7.6	10.2	3 935	7.4	9.1	6.4	6.7	1 669
Italy .....	1.2	1.1	1.2	0.9	358	1.4	1.2	1.5	1.1	283
Netherlands .....	6.5	3.6	3.5	4.7	1 784	4.5	4.4	3.1	2.6	635
Norway .....	1.9	2.2	1.7	2.9	1 132	1.3	1.3	1.1	0.6	144
Sweden .....	4.6	4.9	4.8	6.4	2 476	2.7	1.9	1.6	2.0	490
Switzerland .....	1.2	1.3	1.7	2.1	793	0.7	0.9	0.3	0.2	45
Turkey .....	0.7	0.5	0.8	0.3	126	1.5	1.0	0.9	1.0	248
<b>Eastern Bloc</b> .....	28.7	27.1	28.9	21.8	8 407	27.9	25.8	28.9	31.8	7 887
China .....	0.4	0.5	0.4	0.1	22	1.0	1.6	0.9	0.9	225
Czechoslovakia .....	2.7	2.7	2.3	1.0	400	0.7	1.0	1.0	1.4	334
Eastern Germany .....	2.6	2.7	2.6	1.8	683	1.7	2.2	1.1	2.1	520
Poland .....	4.2	4.8	5.5	3.1	1 194	2.1	2.0	2.5	2.5	617
Soviet Union .....	17.8	14.7	16.6	13.7	5 286	21.5	17.5	21.7	23.4	5 808
<b>U.S. and Canada</b> .....	4.7	5.4	5.0	6.5	2 484	5.9	5.7	7.2	7.0	1 739
United States .....	4.6	5.3	4.8	6.5	2 475	5.8	5.7	7.2	7.0	1 721
<b>Latin America</b> .....	7.8	7.4	7.6	6.5	2 508	4.8	5.5	6.6	7.9	1 959
Argentina .....	2.0	2.9	2.8	2.3	869	1.7	2.1	2.8	1.2	298
Brazil .....	5.5	4.1	4.6	3.6	1 391	2.1	2.6	2.9	4.7	1 160
<b>Others</b> .....	3.7	2.8	4.2	2.9	1 129	3.9	3.3	2.8	4.5	1 119
<b>Grand total</b>	100.0	100.0	100.0	100.0	38 534	100.0	100.0	100.0	100.0	24 806



## PRICE INDICES

Period	Wholesale prices 1935=100						Cost of living 1935=100		
	Total index	Finnish goods				Imported goods	Total	Rent	Taxes
		Total	Products of agriculture	Products of forestry	Products of industry				
1938	114	118	117	145	110	104	108	111	90
1949	1 098	1 099	1 136	1 431	980	1 092	871	201	1 875
1950	1 265	1 287	1 378	1 664	1 131	1 222	992	248	1 987
1951	1 809	1 886	1 617	3 103	1 561	1 646	1 156	360	2 270
1952	1 793	1 892	1 752	3 056	1 545	1 581	1 203	438	2 509
1953	1 727	1 840	1 730	2 857	1 532	1 486	1 219	569	2 395
1954	1 724	1 841	1 728	2 941	1 506	1 475	1 199	703	2 051
1955	1 707	1 822	1 773	3 040	1 426	1 462	1 158	761	1 970
1955									
Sept.	1 704	1 810	1 749	2 996	1 430	1 477	1 163	747	2 014
Oct.	1 703	1 804	1 703	2 996	1 434	1 488	1 168	799	1 836
Nov.	1 700	1 801	1 704	2 980	1 435	1 483	1 175	803	1 836
Dec.	1 701	1 801	1 707	2 980	1 434	1 487	1 175	803	1 836
1956									
Jan.	1 721	1 821	1 787	2 998	1 435	1 506	1 204	898	1 790
Feb.	1 751	1 858	1 937	3 025	1 438	1 522	1 240	898	1 790
March	1 760	1 869	1 976	3 026	1 444	1 529	1 249	898	1 790

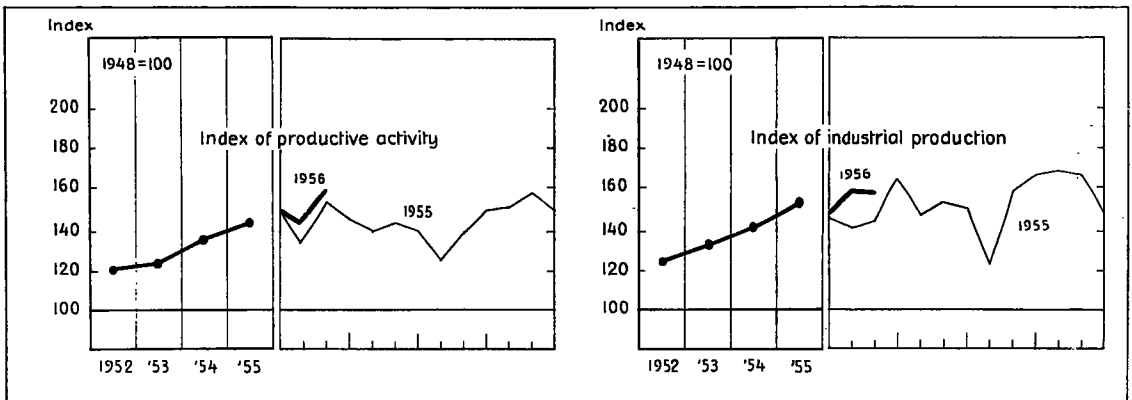
Period	Cost of living Oct. 1951=100						Building costs 1951=100		
	Total	Foodstuffs	Rent	Heating and lighting	Clothing	Others	Total	Building material	Workers' average hourly earnings
1952	101	107	105	97	88	102	103	104	103
1953	103	109	137	89	85	103	101	101	99
1954	103	106	169	82	83	102	101	98	105
1955	100	102	183	83	73	101	103	96	113
1955									
May	99	103	179	80	73	101	101	96	110
June	99	102	179	82	73	101	103	96	113
July	99	102	179	83	73	101	103	96	115
Aug.	100	103	179	84	73	102	104	96	118
Sept.	100	103	179	85	74	102	105	96	119
Oct.	101	103	192	86	74	102	105	97	118
Nov.	101	104	193	87	74	102	105	97	117
Dec.	101	104	193	87	74	102	104	97	114
1956									
Jan.	104	105	215	92	74	103	104	98	113
Feb.	107	112	215	93	74	104	104	99	109
March	108	113	215	93	74	104	106	99	114

## PRODUCTION - INTERNAL TRADE - WORK CESSATIONS

Period	Index of industrial production <sup>1)</sup> 1948 = 100						Commercial timber fellings  1 000 piled cu. m	Milk received by dairies  1 000 tons	Wholesale trade volume index <sup>2)</sup>  1954 = 100	Working- days lost in work cessations  Thousands
	Total	Home market industry		Export industry						
		Total	Metal industry	Total	Paper industry	Wood industry				
1949	105	109	106	96	93	101	23 010	1 021	70	1 195
1950	113	115	96	107	111	102	25 770	1 245	81	4 644
1951	131	133	122	126	130	120	36 070	1 447	85	324
1952	125	133	121	108	112	102	35 079	1 560	92	54
1953	133	140	120	116	121	108	29 170	1 657	93	64
1954	142	144	119	140	154	119	35 370	1 703	100	116
1955	153	153	129	152	178	114	38 600	1 704*	116	345
1954 Oct.	159	159	135	159	175	134	2 207	117	102	8
Nov.	157	161	135	149	170	118	3 000	111	113	0
Dec.	146	149	126	139	155	117	4 030	119	117	—
1955 Jan.	142	143	125	140	165	105	4 453	122	85	4
Feb.	145	145	127	146	164	120	5 075	113	95	9
March	164	163	141	166	184	139	4 254	131	107	251
April	148	150	128	142	157	121	2 961	150	119	25
May	153	154	129	150	175	114	7 970	166	118	16
June	151	154	128	146	166	116	1 014	174	118	10
July	123	112	79	148	173	111	1 220	178	107	4
Aug.	158	159	128	156	188	109	1 287	156	122	2
Sept.	166	169	137	161	192	117	1 589	137	130	12
Oct.	168	169	145	167	201	119	2 237	123	128	8
Nov.	166	171	143	157	196	101	3 000	121	128	2
Dec.	149	153	134	140	172	94	3 540	133	128	2
1956 Jan.	158	157	138	159	196	107	4 275	145*	93	6
Feb.	157	159	139	154	194	97	4 176	141*	102	2

<sup>1)</sup> Preliminary figures since 1954.

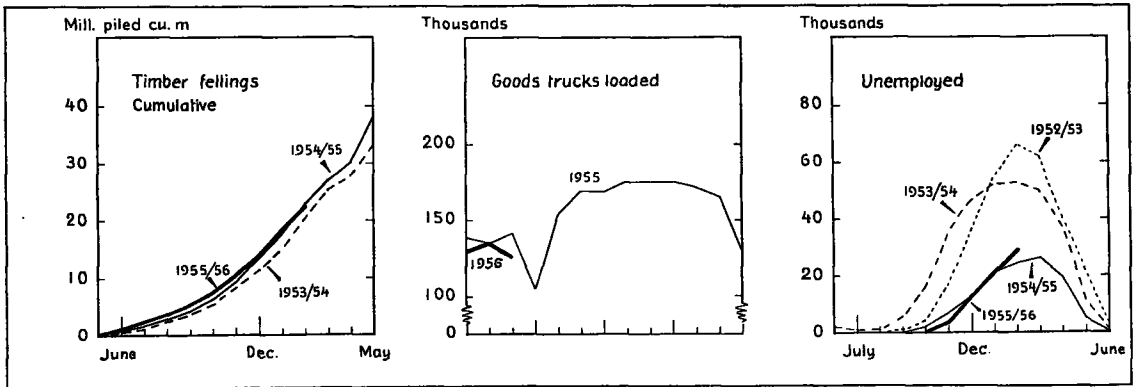
<sup>2)</sup> Converted from 1948 = 100.



**BUILDING - WAGES - EMPLOYMENT - TRANSPORT**

Period	Buildings completed, mill. cu. m					Buildings under construction at end of period mill. cu. m	Wages Oct. 1951 = 100		Index of working hours in industry
	Total	Dwelling houses	Farm buildings	Commercial and industrial premises	Official buildings		Industrial workers	Forest workers	
1953	20.09	8.44	5.66	2.53	2.25	22.66	103.1	89.7	..
1954	22.02	9.36	5.24	3.54	2.87	22.85	105.6	93.4	..
1955	20.25	9.47	4.29	3.12	2.29	23.75	..	113.3	..
1954 Oct.-Dec.	8.90	3.86	2.40	1.27	0.97	22.85	106.5	98.7	..
1955 Jan.-Mar.	3.20	1.56	0.20	0.76	0.57	22.02	107.3	104.7	104.2
Apr.-June	3.20	1.52	0.59	0.54	0.36	28.08	110.0	112.9	103.7
July-Sept.	5.56	2.41	1.50	0.77	0.53	28.32	112.2	118.4	101.5
Oct.-Dec.	8.25	3.94	2.00	1.05	0.83	23.75	..	117.1	102.0

Period	Railways		Foreign shipping				Unemployed at end of month			
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed		Registered		On relief work, %	
	1955	1956	1955	1956*	1955	1956*	1955	1956	1955	1956
Jan.	136	136	335	284	316	299	21 165	20 583	76.5	78.7
Feb.	142	126	252	154	258	142	24 305	25 751	86.5	84.1
March	105	..	226	74	201	53	26 053	..	91.1	..
April	154	..	313	..	307	..	19 434	..	92.0	..
May	169	..	446	..	405	..	5 008	..	92.2	..
June	168	..	440	..	582	..	—	..	—	..
July	175	..	413	..	684	..	—	..	—	..
Aug.	175	..	412	..	742	..	—	..	—	..
Sept.	175	..	384	..	614	..	—	..	—	..
Oct.	172	..	361	..	596	..	164	..	47.0	..
Nov.	165	..	384	..	479	..	3 337	..	51.9	..
Dec.	131	..	380	..	404	..	12 259	..	64.2	..



# 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. *Other foreign liabilities* = Mark accounts of holders abroad + Long-term foreign liabilities. *Cash reserve accounts* + *Cheque accounts proper* = Cheque accounts of banks. The cash reserve accounts consist of deposits made by the banks and tied by special conditions.

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 (assets) + Other claims excl. Treasury's IMF and IBRD bill. *Deposits against import licences* = importers' obligatory deposits of 20% of the value of the goods for which they have received import licences, except in the case of goods for which licensing is automatic (up to April 4, 10% for all goods). Included in Other cheque accounts (liab). *Other liabilities* = Other short-term liabilities + Other cheque accounts excl. deposits against import licences. — *Diagrams*. Left: *Net claims on others than banks* = Net foreign assets + Net claims on the Treasury + Net claims on the public + Finnish bonds + Finnish coin — Long-term Finnish liabilities — Equalisation accounts. Right: *Net debt of banks* = net claims on banks, plotted as negative figures in order that their dependence on Net claims on others than banks might be more clearly evident.

## DEPOSITS BY THE PUBLIC — ADVANCES TO THE PUBLIC

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.

## 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 of State departments. The change in this item = surplus (deficit) in the table on revenue and expenditure. *Diagram*. The 12-month totals are plotted to the last month of the respective periods.

## SYMBOLS USED

- |                  |  |
|------------------|--|
| * Preliminary    | o Less than half the final digit shown |
| .. 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.

## FOREIGN TRADE

Pages 9—12. Figures supplied by the Board of Customs, except for the price indices (p. 9), which are calculated by the Central Statistical Office.

## PRICE INDICES

Page 13. *Wholesale price index* and *Building cost index* calculated by the Central Statistical Office. *Cost of living indices* calculated by the Ministry for Social Affairs. The series based on Oct. 1951 does not include direct taxes.

## PRODUCTION — INTERNAL TRADE — WORK CESSATIONS

Page 14. *Index of industrial production* calculated by the Central Statistical Office. It is based on net values of industrial production at constant prices. Unadjusted for seasonal variations. Weights: Home market industry 69.5, of which metal industry 28.2, export industry 30.5, of which paper industry 18.0 and wood industry 12.5; total industry 100.0. *Commercial timber fellings* calculated by the Ministry of Communications and Public Works. *Milk received by dairies* calculated by the Board of Agriculture. Figures cover about 50—60% of the total milk production. The share of the dairies having grown over the last few years, this series does not correctly reflect the development of total milk production during a prolonged period. *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 wholesale price index so revised that the combined weight of wood and paper products has been reduced from 17.6 to 3.2. *Working days lost in work cessations* calculated by the Ministry for Social Affairs. *Diagram*. Left: *Index of productive activity* calculated by the periodical Mercator. It comprises all sectors of the economy. Annual averages are revised according to national income figures.

## BUILDING — WAGES — EMPLOYMENT — TRANSPORT

Page 15. *Building* figures supplied by the Central Statistical Office. *Wages of industrial workers* (average hourly earnings) calculated by the Ministry for Social Affairs. Its base period changed to correspond with October 1951 by calculating a weighted average of the last two quarters of the year. *Wages of forest workers* (average daily earnings) monthly figures supplied by the Ministry for Social Affairs, changed to quarterly index. Base calculated to correspond with Oct. 1951 by taking average from August to December 1951. *Index of working hours in industry* calculated by the Ministry for Social Affairs. The index is based on the number of working hours during the corresponding quarter of the previous year. *Railway* figures supplied by the Board of Railways. *Shipping* figures supplied by the Shipping Board. *Unemployment* figures supplied by the Ministry of Communications and Public Works.

More detailed statistical information about Finland is obtained from the Finnish Official Statistics: Statistical Yearbook of Finland, Bulletin of Statistics (monthly), Foreign Trade (yearly and monthly), Bank Statistics concerning commercial banks and mortgage institutions (yearly and monthly).



## 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, 1956, to March 1, 1962, is Urho Kaleva Kekkonen.

The Diet, comprising 200 members, is elected by universal suffrage. The number of seats of the different parties in the Diet elected in 1954 are as follows: Social Democrats 54, Agrarians 53, People's Democrats 43, Conservatives 24, Swedish Party 13, Finnish People's Party 13.

### LAND

**THE AREA** is 337 009 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total area 9.4 % are inland waters. On an average 13.9 % of the land in the South of Finland is cultivated (1950), 1.9 % in the North and 8.0 % of the land as a whole. Of the land area 21.8 mill. ha (53.9 mill. acres), or 71.6 %, are covered by forests.

**OWNERSHIP OF LAND (1950):** The total land area was distributed among different classes of owners approximately as follows: private 56.9 %, State 35.0 %, joint stock companies etc. 6.4 %, communes 1.7 %.

### POPULATION

**NUMBER OF INHABITANTS (1954):** 4.2 millions. Sweden (1954) 7.2, Switzerland (1954) 4.9, Denmark (1953) 4.4 and Norway (1953) 3.4 millions.

**DENSITY OF POPULATION (1954):** In South Finland 23.5, in North Finland 3.7 and in the whole country an average of 13.8 inhabitants to the square kilometre.

**DISTRIBUTION BY AREA (1954):** 66.2 % of the population inhabit the rural areas, 33.8 % the towns and market towns. The largest towns are (1954): Helsinki (Helsingfors), the capital, 404 000 inhabitants, Turku (Åbo) 110 000, Tampere (Tammerfors) 109 600.

**OCCUPATION (1950):** Agriculture and forestry 42 %, industry 29 %, commerce 7 %, transport and communication 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 (1953):** Practically all persons over 15 years of age are literate. There are three universities (the oldest founded in 1640) and 12 colleges of university standard.

**INCREASE OF POPULATION (1954):** Births 21.5 ‰, deaths 9.1 ‰, increase 12.1 ‰. Deaths in France (1954) 11.9 ‰ and in Great Britain (1954) 11.4 ‰.

### TRADE AND COMMUNICATIONS

**NATIONAL INCOME (1954, in thousand million marks):** Gross national income at market price 892. Net national product at factor cost, by industrial origin: agriculture 83 (12 %), forestry and fishing 82 (12 %), manufacturing 221 (32 %), construction 65 (10 %), transport and communications 46 (7 %), commerce, banking and insurance 82 (12 %), public activities 63 (9 %), other services 41 (6 %), total 682. Volume index 134 (1948 = 100).

**FOREST RESOURCES (1951—1953):** The growing stock comprised 1 491 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 (1950):** Cultivated land 2.4 million hectares of which holdings of less than 5 ha amount to 18 %, 5 to 15 ha 45 %, 15 to 50 ha 32 % and more than 50 ha 5 %. Number of holdings 287 000, of which 130 000 are of more than 5 ha. Index of agricultural production 107 for 1954 (1938 = 100). Measure of self-sufficiency in the crop year 1954/55: bread cereals 48 %, fertilizers 49 %, dairy products 102 %, meat 104 %, fodder 92 %.

**INDUSTRY (1954):** Gross value of industrial production 580 000 mill. marks, number of workers 288 000, administrative employees 46 000, motive power (1953) 1.9 mill. HP. Index of industrial production 200 for 1954 (1938 = 100).

**RAILWAYS (1955):** Length 5 046 km, of which 4 859 km are State and 187 km private railways. The gauge of State railways 1 524 m.

**MERCHANT FLEET (April 1, 1956):** Steamers 302 (419 000 gross reg. tons), motor vessels 164 (306 000 gross reg. tons), sailing vessels with auxiliary engines 116 (12 000 gross reg. tons). Total 582 (737 000 gross reg. tons).

**MOTOR VEHICLES (1955):** Passenger cars 85 400, lorries and delivery vans 50 200, buses 4 300, others 1 700. Total 141 600.

### 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 230 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 1953 expenditure amounted to 106 000 mill. marks. Total revenue was 105 700 million, of which income from taxation 57 000 million. The municipal income tax (non-progressive) averaged 11.34 % 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 12 branch offices in other towns.

**OTHER CREDIT INSTITUTIONS (1955).** There are three big and three small commercial banks with in all 520 offices, 421 savings banks, 594 co-operative credit societies and their central bank, six mortgage societies, and the Post Office Savings Bank. The savings departments of the co-operative stores accept deposits from the public.

**RATES OF INTEREST.** (May 1, 1956). Bank of Finland: discount rates 6 ½—8 %. Other credit institutions: term deposits 5 ¼ % and sight deposits 1—1 ½ %; lending rate 8 % in general.

## THE FINNISH COMMERCIAL BANKS

BY

RAIMO ILASKIVI

INFORMATION MANAGER OF THE FINNISH BANKERS' ASSOCIATION

### THE DEVELOPMENT AND CENTRALISATION OF THE COMMERCIAL BANKS

The first commercial bank in Finland was established in 1862, at a time when progress in the various branches of trade had by degrees reached a point at which, in order to develop and extend their activities, business enterprises required a type of bank that would attend to questions of financing commerce in particular. Although, during the following two decades, the establishment of banks was comparatively slow, the importance of the work of commercial banks gradually began to be appreciated, and at the turn of the century ten banks were transacting business. The establishment of commercial banks was accelerated when Finland became independent, and in 1920 the number of banks attained its peak of 24, since when it has gradually decreased; in 1930 there were 17, in 1940 there were 9 and at present there are only 6. This centralisation was brought about in part by the amalgamation of banks and partly by their going out of business. Some slight centralisation has, indeed, occurred in regard to branch offices, the present number of which, 533, is rather below the maximum reached a quarter of a century ago. As this was occasioned by combination of the offices belonging to banks that had amalgamated at different times and which were operating in the same place, the number of communities with banks has not been thereby reduced.

Such a tendency towards centralisation was a very natural consequence of the structure of the business life of the country. As, on

the one hand, various concerns that require large sums of capital, both in the principal mass-production branches of industry, that is to say the woodworking and metal industries, and in wholesale trade, are of considerable importance, and as, on the other hand, there is an almost chronic shortage of capital in the country, centralisation in banking is also called for, in order to supply satisfactorily the fluctuating credit requirements of the big concerns. This also explains why the two largest commercial banks account for 81 per cent of the total balance sheets, and the three largest for all of 90 per cent. For this reason, the structure of the loans of the big banks differs to some extent from that of the smaller ones, the former having specialised in serving large customers, while the principal task of the smaller banks is the financing of medium-sized and small undertakings.

### THE POSITION OF THE COMMERCIAL BANKS IN THE CREDIT SYSTEM

The six commercial banks operating at present are: Kansallis-Osake-Pankki, Oy Pohjoismaiden Yhdyspankki/Ab Nordiska Föreningsbanken, Helsingin Osakepankki/Helsingfors Aktiebank, Säästöpankkien Keskus-Osake-Pankki/Sparbankernas Central-Aktie-Bank, Suomen Maatalous-Osake-Pankki and Ålands Aktiebank. If the position of the commercial banks is compared with other classes of banking institutions, it will be found that their proportion represents 38 per cent of deposits by the public in all banking institutions. The share of the savings banks is

31 per cent, of the co-operative credit societies 18 per cent, of the Post Office Savings Bank 9 per cent and of the savings departments of consumers' co-operative stores 4 per cent. Of the loans to the public the share of the commercial banks amounts to 43 per cent, of the savings banks to 28 per cent, of the co-operative credit societies to 21 per cent and of the Post Office Savings Bank to 8 per cent. As the velocity of circulation of bank loans is much greater in the commercial banks than in other banking institutions, owing to the shortness of the terms of the loans, the former occupy a predominating position in Finnish banking.

#### SPECIAL FEATURES OF THE BUSINESS OF THE COMMERCIAL BANKS

In order to obtain an idea of the typical features of the Finnish commercial banks, it is worth while examining their transactions in the light of the balance sheets for 1938 and 1955, as shown in the accompanying table, divided according to the main items.

BALANCE SHEETS OF THE COMMERCIAL BANKS AT THE END OF DECEMBER 1938 AND 1955

<i>Assets</i>	1938		1955	
	Mill.mk	%	Mill.mk	%
Cash and cash reserve	1 234	9.3	15 405	7.5
Finnish credit institutions	268	2.0	6 748	3.3
Foreign assets	454	3.4	9 677	4.8
Bills	1 770	13.4	87 041	42.6
Loans	4 584	34.6	51 238	25.1
Cheque accounts	2 590	19.6	17 159	8.4
Bonds and shares	1 592	12.0	5 334	2.6
Sundry assets	754	5.7	11 726	5.7
<b>Total</b>	<b>13 246</b>	<b>100.0</b>	<b>204 328</b>	<b>100.0</b>
<i>Liabilities</i>				
Term deposits	7 549	57.0	97 793	47.9
Cheque accounts	1 944	14.7	36 587	17.9
Rediscounted bills	—	—	20 212	9.9
Finnish credit institutions	1 263	9.5	9 445	4.6
Foreign liabilities	309	2.3	8 751	4.3
Capital	824	6.2	8 892	4.4
Reserve funds and Profit and Loss Account	808	6.1	7 189	3.5
Sundry liabilities	549	4.2	15 459	7.5
<b>Total</b>	<b>13 246</b>	<b>100.0</b>	<b>204 328</b>	<b>100.0</b>

As far as the liabilities are concerned it will be seen that the banks obtain the greater part of the capital they require for lending purposes by the accumulation of funds on the deposit and cheque accounts of the public, which together constitute the borrowing of the banks from the public. At present, this represents about 66 per cent of the balance sheet total. Before the war, term deposits were of exceptional importance and their share amounted to about four fifths of the borrowing from the public. Cheque accounts have now made headway at the expense of deposits, and represent fully a quarter of this borrowing; during good trade conditions their share has been appreciably larger, but during bad times smaller. The deposit and cheque accounts of the public and the funds standing to the credit of Finnish banking institutions form the total deposits of the banks. When these prove insufficient for their loans, the banks obtain temporary additional funds by rediscounting bills at the Bank of Finland. It should be mentioned that during 1955 an average of 5 per cent of the loans granted to the public were covered by rediscounted bills.

Among the assets, it will be noted that the three principal forms of loans granted by the Finnish commercial banks consist of bills, loans and advances on cheque account. These, in conjunction, form the banks' lending to the public, which at the end of 1955 amounted to 76 per cent of the balance sheet total. Since the war the aim has been in the direction of shorter-term forms of lending, as is shown by the great increase in the proportion of bills, and the decrease in the proportion of loans. In practice, however, part of the bill credits, which are formally short-term, have become long-term owing to the frequent prolongation of bills. Before the war, bills amounted to only one fifth of the loans granted to the public, whereas their share has now risen to three fifths, it

being in the main the share of loans that has been correspondingly reduced. In bonds and shares, which form a very important object of the banks' investments in most other countries and which, for example amount in Britain, Belgium and Holland to 40—60 per cent and in the other northern countries to about 10 per cent of the balance sheet totals of the commercial banks, the Finnish commercial banks have invested only 3 per cent, which affords some indication of the great demand for short-term credit in the business world.

Since 1948 an annual investigation has been made into the dissection of loans granted by the banking institutions according to branches of trade. These statistics, of which some particulars are given in the accompanying table, illustrate very clearly the great importance of the commercial banks in financing industry, commerce and transport, and building in particular. It should be mentioned that the savings banks mainly finance building and farming, and that the co-operative credit societies finance farming, commerce and transport.

DISTRIBUTION OF THE VOLUME OF CREDITS OF THE COMMERCIAL BANKS

	Loans granted in 1955		Share in total loans in 1954
	Mill.mk	%	%
Industry .....	66 463	41.7	54.4
Power and electric stations .....	2 382	1.5	4.0
Building .....	19 264	12.1	18.3
Commerce and transport .....	52 339	32.8	57.1
Farming .....	5 627	3.5	11.0
Communes .....	2 001	1.2	8.9
Personal and sundry loans .....	11 448	7.2	48.5
Total	159 524	100.0	34.3

To return to the figures in the balance sheet, two points attract attention, namely, the items of foreign assets and liabilities, and the cash account. The former illustrate the payment position of the commercial banks in regard to foreign countries, the latter the size of the cash and cash reserve, which is

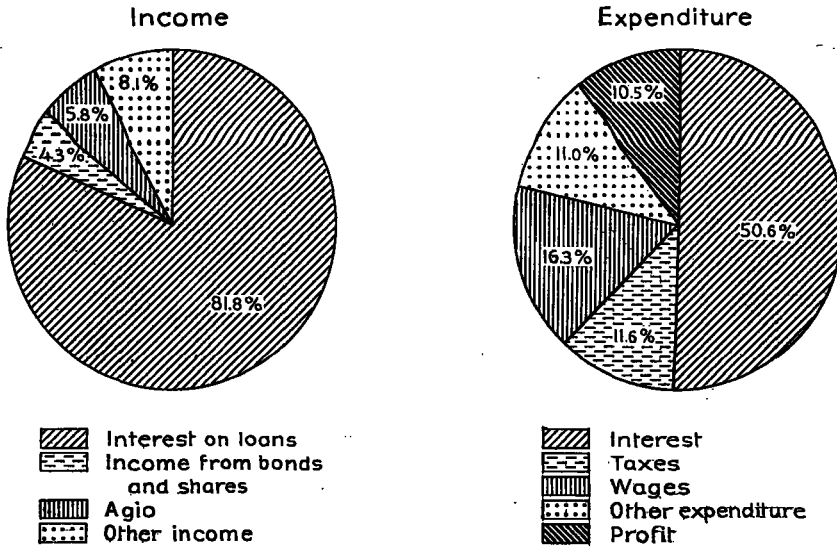
very high from an international point of view. This is the result, on the one hand, of the stipulations in the law of banking and, on the other, of the deposit of funds in the central bank in accordance with the cash reserve agreement concluded between the Bank of Finland and the banking institutions, by means of which an attempt has been made to reduce the credit multiplier and to restrict the growth of the volume of credit.

An examination of the profit and loss account shows that the interest on loans forms the preponderating part of the income of the commercial banks. Altogether it represent as much as four fifths of their total income. As regards expenditure, the interest paid on deposits occupies a predominating position. In the net expenditure, from which interest payments have been deducted, salaries are the largest item, amounting to fully 50 per cent and thus being of the same size as in Sweden, Norway and Denmark for example. The proportion of taxes, on the contrary, is appreciably higher in Finland, and in 1954 taxation represented 22.5 per cent of the net expenditure, whereas the corresponding ratio was 17.5 per cent in Sweden, 17.2 per cent in Norway and 14.8 per cent in Denmark. The profit, about one fifth of the expenditure, is of about the same size in Finland as in the other northern countries, but the depreciation is considerably less.

PRESENT-DAY PROBLEMS

Although, on the basis of the balance sheet figures, the business of the commercial banks appears to have grown considerably, it should be borne in mind that the growth is almost entirely nominal, being due to the inflation of the 1940's. Wholesale prices rose 15-fold between 1938 and 1955 and, as the balance sheets of the banks increased 15.4-fold during that time, the latter increased in reality by

## COMMERCIAL BANKS PROFIT AND LOSS ACCOUNTS FOR 1955



only 3 per cent. In reality deposits from the public fell off by 6 per cent and loans grew by 15 per cent. As trade developed appreciably more during that period, industrial production being almost doubled for example, there is still a shortage of capital in the country. The reduction of this shortage, which has been attempted by allowing a comparatively high deposit rate, 5 3/4 per cent at present, by releasing deposits and the interest on them from taxation and

by propaganda in favour of saving, is one of the most important tasks of economic policy in banking. It is a hard task, however, for efforts must be synchronised, in order to safeguard the value of the currency, and to avoid too rapid an extension of the banks' business, which might in the event of a deficit in the State economy, increase purchasing power during a period of full employment in a community that has proved sensitive to inflation.

## ITEMS

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

*Israel*, on March 20. Period: March 1, 1956, to February 28, 1957. Total trade is estimated at about \$16.5 million. Finland's exports will consist principally of forest industry products, and her imports of fruit, textiles and chemicals.

*France*, on March 28. Period: April 1, 1956, to March 31, 1957. A payments agreement was signed on the same day. Finnish exports to France, including Algeria, Tunis, Morocco and transoceanic territories, will amount to some 20 000 mill. francs. The quota-bound part of Finnish imports from France is estimated at 7 600 mill. marks only, and the remainder of the Finnish receipts from exports will be used for free purchases from France and other EPU countries. Finnish exports will include cheese and products of the forest industry. Finnish imports will include wines and strong liquors, chemicals, products of the chemical industry, and textiles.

\*

**Deposits against import licences.** On July 1, 1955, when import licensing was made part-automatic, a procedure was adopted according to which the importer, in order to receive his licence, was bound to deposit in the Bank of Finland 10 per cent of the c.i.f. value of the goods concerned (see Market Review in Bulletin No. 7, 1955). On April 5, this year, the proportion to be deposited was increased to 20 per cent, until further notice. This increase does not affect goods the licensing for which is automatic, nor does it concern certain other commodities, principally raw materials. At the same time,

the maximum period of deposit was reduced from 12 to 6 months. The minimum period was retained at 3 months.

\*

**USSR Rouble credit used in full.** On March 15, the Government decided to draw the remaining portion of the stand-by credit of 40 million Roubles granted to Finland in January 1955 (see items in Bulletins Nos. 1—2 and 7, 1955). This part corresponds to about 1.7 million USA dollars, or 384 million marks. Of this, 231 mill. marks will be re-loaned to the Kemijoki Oy, and the rest to a number of other companies, mainly for the purchase of machinery for the construction of power stations.

\*

**Fluctuating rates of exchange.** On April 4, the French franc was included among the currencies for which fluctuating rates of exchange are quoted. As was mentioned in the January issue, such exchange rates were introduced on December 31, 1955, for sterling, Swedish, Danish and Norwegian crowns, Guilders, Swiss and Belgian francs and DM.

\*

**Rates of discount.** On the proposal of the Board of Management of the Bank of Finland, the Bank Supervisors of the Diet decided to raise the discount rates of the Bank to 6 ½—8 per cent as from April 19. The previous rates, which had been in force since December 1, 1954, had been 5—7 ½ per cent, though in practice 6 ½—7 ½ per cent had been applied for some time. This measure was taken in order to reduce the margin between the lending rates of the Bank of Finland and those of other credit institutions.

\*

**Supplementary Budget.** On April 26, the Cabinet presented its first supplementary budget for 1956. Expenditure was raised by 15 560 mill. marks, of which the greater part, or 9 300 million, consists of various grants for the maintenance of employment. Revenue was raised by 6 384 mill. marks only, 6 000 million of which represents new loans.

The table below shows the principal categories of revenue and expenditure contained in the supplementary budget, the ordinary budget (passed on February 10) and the finance accounts for 1955.

	1956 Ordinary budget	1956 I suppl. budget Mill.mk	1955 Finance report
<b>Revenue:</b>			
Current . . . . .	200 701	106	205 615
Capital . . . . .	4 252	278	16 237
Loans . . . . .	10 356	6 000	13 530
<b>Total</b>	<b>215 309</b>	<b>6 384</b>	<b>235 382</b>
<b>Expenditure:</b>			
Current . . . . .	160 343	2 385	168 211
Capital . . . . .	45 840	13 175	64 732
Redemptions . . . . .	9 120	—	10 045
<b>Total</b>	<b>215 303</b>	<b>15 560</b>	<b>242 988</b>

\*

**Bond loans.** On February 16, the Government raised the amount of the 1956 bond loan I, with a varying rate of interest (see item in Bulletin No. 1, 1956), from 2 000 mill. marks to 4 000 mill. marks, and on April 12, to 5 000 mill. marks.

On May 2, the Government issued a second bond loan with a varying rate of interest amounting to 1 000 mill. marks. The rate of

interest will be 2 per cent above the deposit rate of the largest two commercial banks. The loan will be redeemed in 1957—1966, by 10 per cent of the nominal amount of the bonds every year. It is tied to the cost of living index (October 1951 = 100) to the extent of about 50 per cent. The basic index number will be that for May 1956.

\*

**The merchant fleet.** The following table gives the number of the various types of vessels, and their tonnage, of the Finnish merchant fleet on April 1, 1956 as compared with the figures for April 1, 1955:

	April 1, 1955		April 1, 1956	
	Number	Gross reg. tons	Number	Gross reg. tons
Steamers . . . . .	317	424 000	302	419 000
Motor vessels . . . . .	153	304 000	164	306 000
Sailing vessels with auxiliary engines	118	12 000	116	12 000
<b>Total</b>	<b>588</b>	<b>740 000</b>	<b>582</b>	<b>737 000</b>

The gross tonnage was reduced by some 3 000 tons during the period to which reference is made, after having increased by 72 000 tons during the previous twelve-month period, and by 41 000 tons during the period prior to that. The cessation of the increase was due partly to the withdrawal of old vessels, and partly to the sales of vessels abroad. The total tonnage will probably decrease further during the next few years, as about 200 000 tons of old vessels will have to be laid up, while the capacity of new ones ordered for delivery in 1956—1960 amounts in total to some 60 000 tons gross only.

# BANK OF FINLAND

## BOARD OF MANAGEMENT

V. FIEANDT, R.,  
*Governor*

WARIS, KLAUS,  
*Deputy Governor*

JUTILA, K. T.,

LEINONEN, ESKO K.,

SUNDMAN, C. G.,  
*ad int.*

## HEADS OF DEPARTMENT

TAMMIVUORI, PERTTI,  
*ad int., Secretariat*

ROSSI, REINO,  
*Institute for  
Economic Research*

ENGBERG, G.,  
*Personnel*

SUNDMAN, C. G.,  
*Foreign currency*

BLOMQUIST, P.,  
*Accounts and Personnel*

ÖSTERLUND, P.-E.,  
*Foreign currency*

KAJANTIE, A.,  
*Documentary credits  
and Control*

HELANDER, J.,  
*Foreign currency control*

ASPELUND, ARTHUR,  
*Cash*

JUSSILA, EINO,  
*Office*

LINDSTRÖM, HELGE,  
*Credits*

NENONEN, A.,  
*Foreign correspondence*