



BANK OF FINLAND

MONTHLY BULLETIN

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APRIL

1964

RECENT DEVELOPMENTS

THE MONEY MARKET

Total production grew rather slowly in 1963, although a marked improvement was apparent towards the end of the year. The deficit in the balance of current payments was reduced, the importation of foreign capital continued, and there was an increase in the inflow of deposits; all of these tended to ease the money market somewhat. Nevertheless, no essential relaxation of the money market was discernible, as the demand for credit was augmented by a rise in wages and social expenditure, and a simultaneously accelerated rise in prices.

The net foreign assets of the banking system, which had been falling off during 1962, began to grow again right from the beginning of 1963. The rate of increase rose during the course of the year, and has remained at a high level ever since. The growth in net foreign assets was concentrated in the Bank of Finland, whose foreign exchange reserve rose by 113 million marks, following a drop of 57 million in the previous year. In addition, there was a reduction in the commercial banks' net foreign liabilities, against an increase in the year before. This improvement in the foreign position of the banking system was mainly the result of the deficit in the balance of

current payments falling off from 292 million marks in 1962 to 129 million (preliminary figure) in 1963, and of net imports of long-term foreign capital growing from 137 million marks to 342 million.

The growth in total deposits by the public, which had nearly come to a standstill by autumn 1962, subsequently recommenced, with a clear acceleration in 1963; it has continued during the current year. The relative increase was the same in 1963 as in the previous year, 7.4 per cent. In terms of marks, the increase was 557 million in 1963, against 516 million in 1962. The deposits made by the public were largely directed to long-term accounts. By the end of last year, 52 million marks had accumulated on the 100 per cent index-tied deposit accounts A, opened at the beginning of June, while the 50 per cent index accounts B rose by 161 million during the year. High-interest deposits, which had to all intents and purposes ceased to grow by spring 1963, began to flow in again, on conclusion of the new agreement providing for a rise in the rate of interest; the 1963 increase on these accounts amounted to 137 million marks. Deposits were not accepted on tax-

On page 18, The Finnish Economy in 1963

concession accounts during 1963, and the balance fell off. Of the total increase in term deposits, long-term accounts accounted for 55.4 per cent, their share of the total holdings of term deposits rising from 10.6 to 13.6 per cent during the year.

At the beginning of 1963, the banks had a heavy rediscounting debt, which necessitated the exercise of restraint in their lending. As the reduced economic activity was accompanied by lower demands for credit, their advances to the public grew less than in the year before, both relatively and absolutely. The increase amounted to 532 million marks, or 6.6 per cent in 1963, against 762 million or 10.5 per cent in 1962. The retardation was most appreciable in respect of the commercial and savings banks. The fact that lending increased less than deposits tended to raise the liquidity of the banks to some extent, and the course of development has continued this year.

As for the current year, the stringency in the money market can be expected to increase rather than decrease, as the recently concluded wage agreements will raise prices and thus affect deposit activity, although the price increase will probably slow down considerably towards the end of the year. At the same time, it is expected that there will be an increase in the demand for credit by trade and industry along with the rise in costs and the hardening of foreign competition. The importation of foreign capital is likely to exceed the deficit in the balance of current payments, which will probably be fairly small, but the easing effect of this will be largely offset by an increase in the demand for central bank money, resulting from the rise in value of the domestic product.

In the opinion of the Bank of Finland, measures for easing the money market cannot

be introduced at the present stage, with growing costs raising the price level. For this reason, the banks should in their lending give more weight than before to the maintenance of production, and avoid lowering their liquidity. At the beginning of the year, the Bank of Finland formulated a plan for changing the terms of rediscounting; this entailed that the obligation to pay a penalty rate, and the relative burden of the penalty, would be made dependent upon the extent to which the banks maintained the prescribed proportion between new lending and the growth of deposits. In February, the Bank decided to apply these principles to two banks (see Item). At the end of that month a circular letter was sent to the monetary institutions, pointing out the necessity of encouraging saving, and the importance of granting credits in the first place for investments calculated to maintain production and to raise the productivity of labour, whereas the financing of large-scale new investments should be avoided. Sufficient finance should be provided for such imports as would stimulate competition and check the rise in prices, whereas investments in commerce, especially for stock-piling, as well as credits for consumption, should be restricted. To preclude speculation in inflation, the Bank of Finland recommended that the new credits granted for periods exceeding on year be linked to the wholesale price index to the extent of 50 per cent. Moreover, to increase the Bank's possibilities of following more closely the development of the money market, the banks were enjoined to report twice monthly on their grants of new credits in excess of one million marks.

March 19, 1964

BANK OF FINLAND

Mill. mk

	1963		1964			
	Dec. 31	Feb. 28	Feb. 29	March 7	March 14	March 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	817.8	726.7	867.4	914.5	923.5	919.8
Gold	134.5	135.3	145.7	145.8	145.8	145.8
Foreign exchange	617.7	520.5	661.9	708.3	716.0	710.7
Foreign bills	26.2	20.9	24.0	24.3	25.6	25.6
Foreign bonds	39.4	50.0	35.8	36.1	36.1	37.7
<i>Supplementary note cover</i>	451.2	437.1	424.6	384.5	345.5	379.9
Inland bills discounted						
In foreign currency	68.7	79.9	66.7	66.7	66.7	66.7
In Finnish currency	57.2	31.0	28.9	28.9	28.9	22.3
Rediscounted bills	325.3	326.2	329.0	288.9	249.9	290.9
<i>Other assets</i>	138.8	132.8	94.2	69.0	65.5	102.3
Finnish bonds	89.5	65.2	35.7	11.7	8.9	26.9
Cheque accounts	1.7	1.6	1.5	1.5	1.4	6.9
Finnish coin	3.6	13.7	6.9	7.0	7.1	7.1
Other claims	44.0	52.3	50.1	48.8	48.1	61.4
Total	1 407.8	1 296.6	1 386.2	1 368.0	1 334.5	1 402.0
Liabilities						
<i>Notes in circulation</i>	943.7	794.4	893.4	858.1	863.5	873.1
<i>Liabilities payable on demand</i>	59.2	92.4	79.2	105.7	68.1	103.0
Foreign exchange accounts	18.2	16.5	21.0	17.7	16.6	19.2
Mark accounts of holders abroad	33.6	31.6	29.6	29.5	28.8	28.6
Cheque accounts						
Treasury	0.2	0.1	0.1	4.6	2.2	27.4
Post Office Savings Bank	3.0	39.5	18.1	27.0	4.9	24.3
Private banks	1.3	2.2	7.0	23.7	11.6	—
Other	0.4	0.5	0.5	0.6	0.7	0.8
Other sight liabilities	2.5	2.0	2.9	2.6	3.3	2.7
<i>Term liabilities</i>	68.0	78.3	66.0	66.0	66.0	66.0
Foreign	66.9	77.2	64.9	64.9	64.9	64.9
Finnish	1.1	1.1	1.1	1.1	1.1	1.1
<i>Equalization accounts</i>	141.0	142.8	147.7	137.5	135.4	158.0
<i>Bank's own funds</i>	195.9	188.7	199.9	200.7	201.5	201.9
Capital	100.0	100.0	100.0	100.0	100.0	100.0
Reserve fund	73.6	73.6	84.8	84.8	84.8	84.8
Profits undisposed	—	11.6	11.2	11.2	11.2	11.2
Earnings less expenses	22.3	3.5	3.9	4.7	5.5	5.9
Total	1 407.8	1 296.6	1 386.2	1 368.0	1 334.5	1 402.0
STATEMENT OF NOTE ISSUE						
Right of note issue						
<i>Ordinary cover</i>	817.8	726.7	867.4	914.5	923.5	919.8
<i>Supplementary cover</i> (Upper limit 500 mill. mk)	451.2	437.1	424.6	384.5	345.5	379.9
Total	1 269.0	1 163.8	1 292.0	1 299.0	1 269.0	1 299.7
Note issue						
<i>Notes in circulation</i>	943.7	794.4	893.4	858.1	863.5	873.1
<i>Liabilities payable on demand</i>	59.2	92.4	79.2	105.7	68.1	103.0
<i>Undrawn on cheque credits</i>	5.8	6.3	6.1	6.0	6.2	5.3
<i>Unused right of note issue</i>	260.3	270.7	313.3	329.2	331.2	318.3
Total	1 269.0	1 163.8	1 292.0	1 299.0	1 269.0	1 299.7

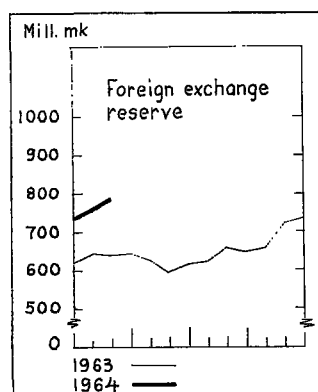
Rediscount rate since April 28, 1962, 7 per cent.

BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net claims on the Treasury (7+8-9)
	1	2	3	4	5	6	7	8	9	10
1956	294.1	46.0	248.1	112.7	153.4	207.4	191.6	— 23.1	105.5	63.0
1957	384.3	45.7	338.6	176.5	201.9	313.2	160.2	— 39.7	51.4	69.1
1958	575.6	21.8	553.8	126.2	160.1	519.9	90.3	— 51.6	71.5	— 32.8
1959	730.7	21.2	709.5	92.5	158.4	643.6	103.3	37.6	64.2	76.7
1960	686.0	40.6	645.4	67.0	142.7	569.7	37.5	32.4	61.9	8.0
1961	691.5	13.4	678.1	87.5	128.4	637.2	27.7	5.9	1.1	32.5
1962	637.7	17.1	620.6	67.7	114.9	573.4	—	28.9	5.5	23.4
1963	752.2	18.2	734.0	65.6	100.5	699.1	—	18.9	0.2	18.7
1963										
Jan.	659.8	16.2	643.6	67.4	111.0	600.0	—	28.9	9.6	19.3
Feb.	656.2	16.5	639.7	70.5	108.8	601.4	—	28.9	0.1	28.8
March	660.3	16.2	644.1	74.6	108.7	610.0	—	28.9	0.0	28.9
April	646.8	17.6	629.2	76.0	106.6	598.6	—	28.9	1.2	27.7
May	616.4	18.1	598.3	80.4	106.5	572.2	70.0	28.9	0.0	98.9
June	632.7	17.4	615.3	65.7	103.3	577.7	—	28.9	0.6	28.3
July	641.1	18.2	622.9	64.9	104.9	582.9	—	28.9	11.8	17.1
Aug.	677.7	18.4	659.3	62.7	103.6	618.4	—	28.9	47.0	— 18.1
Sept.	667.5	19.4	648.1	63.9	102.5	609.5	—	28.9	0.1	28.8
Oct.	675.2	18.6	656.6	62.3	100.8	618.1	—	18.9	0.5	18.4
Nov.	741.1	18.3	722.8	59.8	103.3	679.3	—	18.9	0.8	18.1
Dec.	752.2	18.2	734.0	65.6	100.5	699.1	—	18.9	0.2	18.7
1964										
Jan.	780.6	20.2	760.4	65.7	97.1	729.0	—	18.9	0.1	18.8
Feb.	807.6	21.0	786.6	59.8	94.5	751.9	—	18.9	0.1	18.8

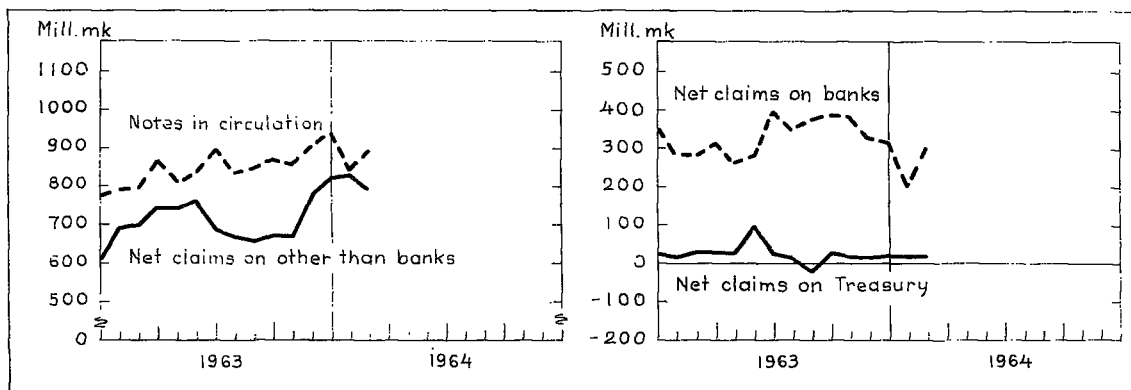
Category of currency	Foreign exchange reserve (col. 3 above) Mill. mk				
	1962	1963		1964	
	Dec. 31	Nov. 30	Dec. 31	Jan. 31	Feb. 29
Gold	135	135	135	146	146
Convertible	330	450	478	503	544
Eastern Bloc	101	84	66	58	47
Other	55	54	55	53	50
Total	621	723	734	760	787



BANK OF FINLAND

Mill. mk

End of year and month	Finnish credit institutions					Other				Notes in circulation
	Redis-counted bills	Liabilities, Cheque accounts			Net claims on the banks (1-2-3-4)	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the rest of economy (6+7-8)	
		Private banks	Post Office Savings Bank	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
1956	336.7	11.7	—	2.8	322.2	149.2	105.5	52.1	202.6	607.4
1957	249.1	24.1	—	-0.4	225.4	129.1	144.2	5.6	267.7	606.4
1958	187.1	14.7	—	20.8	151.6	88.2	143.0	5.3	225.9	650.8
1959	47.2	38.6	—	2.5	6.1	38.9	105.0	3.9	140.0	694.4
1960	205.1	16.8	—	1.6	186.7	72.3	109.5	3.5	178.3	727.4
1961	294.6	44.7 ¹⁾	4.4 ¹⁾	12.5	233.0	70.8	107.3	2.9	175.2	837.1
1962	401.2	4.0	53.3	0.8	351.1	33.5	99.6	4.1	129.0	774.4
1963	325.3	1.3	3.0	1.2	319.8	57.2	94.4	1.7	149.9	943.7
1963										
Jan.	428.7	5.1	134.3	2.4	286.9	30.9	96.8	1.7	126.0	787.5
Feb.	326.2	2.2	39.5	1.6	282.9	31.0	103.8	0.9	133.9	794.4
March	322.5	3.5	9.8	1.0	315.2	32.6	106.6	1.3	137.9	866.7
April	305.9	9.2	49.6	1.5	264.0	47.8	105.8	1.0	152.6	811.0
May	336.9	11.5	41.1	2.9	281.4	52.1	104.8	1.6	155.3	846.5
June	416.1	5.1	12.0	1.6	397.4	51.5	88.2	3.0	136.7	897.1
July	380.9	4.0	22.9	1.9	352.1	45.5	87.5	1.3	131.7	834.5
Aug.	406.5	6.3	21.6	2.5	376.1	31.8	84.8	1.1	115.5	847.8
Sept.	405.4	15.3	29.8	2.8	388.1	21.5	87.1	2.0	106.6	869.2
Oct.	422.8	0.2	38.9	2.7	381.0	30.1	85.0	0.8	114.3	859.9
Nov.	334.9	3.9	8.3	1.7	328.8	31.9	97.9	2.4	127.4	904.8
Dec.	325.3	1.3	3.0	1.2	319.8	57.2	94.4	1.7	149.9	943.7
1964										
Jan.	241.2	8.7	27.4	2.1	203.0	52.1	89.4	1.1	140.4	835.0
Feb.	329.0	7.0	18.1	2.4	301.5	28.9	98.3	1.0	126.2	893.4

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
1953	321.1	379.1	98.9	704.6	767.1	425.4	270.7	119.5	2 287.6	2 765.6
1954	349.1	421.1	132.2	834.4	921.7	520.5	300.8	134.2	2 712.0	3 265.3
1955	365.9	442.8	118.5	977.9	1 085.4	611.4	330.7	152.6	3 158.4	3 719.7
1956	386.1	459.6	138.4	968.1	1 124.0	635.3	341.6	160.1	3 229.5	3 827.5
1957	377.1	461.4	139.3	1 032.2	1 178.6	671.1	339.6	168.2	3 390.1	3 990.8
1958	395.7	495.8	167.7	1 222.6	1 312.6	742.7	381.7	191.9	3 851.8	4 515.3
1959	557.5	678.1	140.9	1 505.5	1 525.5	860.3	431.2	219.1	4 541.9	5 360.9
1960	550.8	680.7	135.9	1 813.6	1 798.6	1 052.5	485.2	254.3	5 404.5	6 221.1
1961	577.9	720.8	143.8	2 105.9	2 079.6	1 241.0	558.2	285.3	6 270.3	7 134.9
1962	649.0	800.8	168.5	2 270.4	2 210.8	1 325.5	606.6	293.2	6 706.7	7 676.0
1963*	715.3	875.7	250.3	2 441.0	2 339.9	1 448.7	648.5	310.7	7 189.0	8 315.0
1963*										
Jan.	663.0	805.8	211.6	2 252.2	2 214.8	1 325.9	613.3	296.4	6 702.9	7 720.3
Feb.	645.9	783.5	222.0	2 291.2	2 232.1	1 349.3	621.9	300.6	6 795.4	7 800.9
March	645.8	802.8	206.7	2 304.5	2 240.8	1 363.3	622.6	302.0	6 833.4	7 842.9
April	692.7	838.2	202.5	2 312.6	2 238.5	1 366.3	620.6	302.1	6 840.4	7 881.1
May	707.1	862.8	191.0	2 327.0	2 244.7	1 373.8	617.4	300.1	6 863.3	7 917.1
June	668.3	811.9	184.6	2 314.1	2 221.2	1 350.8	615.1	297.5	6 798.9	7 795.4
July	685.5	824.4	166.4	2 288.2	2 211.0	1 346.1	616.2	285.8	6 747.5	7 738.3
Aug.	661.1	811.0	152.0	2 286.4	2 230.3	1 355.2	620.3	295.3	6 787.8	7 750.8
Sept.	668.7	831.0	199.3	2 301.6	2 237.8	1 363.5	621.8	300.5	6 825.4	7 855.7
Oct.	678.8	838.8	181.5	2 307.7	2 242.9	1 369.7	623.7	304.5	6 848.6	7 868.9
Nov.	696.4	860.6	209.6	2 322.2	2 265.8	1 388.0	624.6	308.3	6 909.1	7 979.3
Dec.	715.3	875.7	250.3	2 441.0	2 339.9	1 448.7	648.5	310.7	7 189.0	8 315.0
1964*										
Jan.	707.3	844.6	229.1	2 452.5	2 361.4	1 447.8	655.4	311.9	7 249.2	8 322.9
Feb.	620.8	754.1	244.0	2 485.9	2 388.2	1 505.7	664.8	316.3	7 361.1	8 359.2

End of month	Index-tied deposits		High-interest deposits
	100 % clause, taxable	50 % clause, tax-free	
1963*			
June	14.6	207.5	542.2
July	20.2	211.9	562.6
Aug.	25.1	211.0	577.6
Sept.	30.8	217.6	600.6
Oct.	36.2	218.6	622.4
Nov.	42.1	223.6	640.8
Dec.	52.1	229.4	669.9
1964*			
Jan.	67.7	234.6	718.0
Feb.	116.3	255.1	740.1

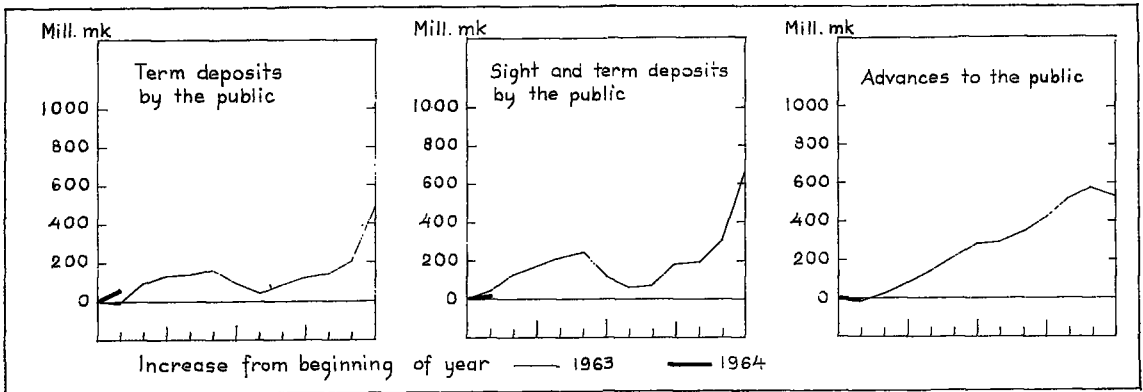
Selling rates for foreign exchange			
March 18, 1964			
		mk	mk
New York ...	1 \$	3.217	Zurich 100 Fr 74.40
Montreal	1 \$	2.980	Paris 100 FF 65.65
London	1 £	9.000	Rome 100 Lit 0.5156
Stockholm ...	100 Kr	62.60	Vienna 100 S 12.45
Oslo	100 Kr	44.93	Lisbon 100 Esc 11.22
Copenhagen ..	100 Kr	46.60	Reykjavik 100 Kr 7.49
Frankfurt o.M.	100DM	81.00	Madrid 100 Pta 5.42
Amsterdam ...	100 Fl	89.19	Prague, clear... 100 Kc 44.58
Brussels	100 Fr	6.460	Moscow, clear. ¹⁾ 1 Rbl 3.5667
			Clearing dollars ²⁾ 1 Cl \$ 3.21

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

ADVANCES TO THE PUBLIC - MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Post Office Savings Bank	Co-op. credit societies & their central bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1953	1 056.6	705.1	187.8	567.7	98.5	2 452.8	162.9	2 615.7	921.2
1954	1 289.6	824.5	221.2	647.0	127.7	2 915.1	194.9	3 110.0	995.6
1955	1 554.4	964.5	248.7	728.7	136.0	3 398.0	234.3	3 632.3	1 043.0
1956	1 626.6	1 028.3	262.3	767.6	146.9	3 578.0	253.7	3 831.7	1 160.0
1957	1 603.8	1 066.4	260.5	780.6	157.2	3 630.0	238.5	3 868.5	1 170.7
1958	1 745.4	1 154.8	290.3	835.1	219.3	4 011.5	233.4	4 244.9	1 302.3
1959	2 096.9	1 327.2	331.4	967.3	325.8	4 772.7	275.9	5 048.6	1 448.4
1960	2 604.6	1 549.3	395.0	1 176.0	452.2	5 861.9	315.2	6 177.1	1 494.6
1961	3 048.0	1 817.6	436.8	1 462.7	515.2	6 928.2	352.1	7 280.3	1 646.1
1962	3 299.9	2 018.5	508.7	1 600.6	614.7	7 680.8	361.6	8 042.4	1 722.5
1963*	3 472.5	2 133.7	544.0	1 760.2	664.3	8 228.8	345.9	8 574.7	1 987.5
1963*									
Jan.	3 275.4	2 025.5	519.7	1 589.8	616.5	7 660.3	366.6	8 026.9	1 733.0
Feb.	3 266.9	2 033.9	538.3	1 606.4	615.2	7 661.6	399.1	8 060.7	1 704.9
March	3 299.5	2 034.0	556.3	1 603.5	622.1	7 726.2	389.2	8 115.4	1 798.2
April	3 343.3	2 044.4	550.9	1 617.6	626.8	7 799.9	383.1	8 183.0	1 774.5
May	3 367.7	2 058.9	551.3	1 634.7	635.1	7 885.2	362.5	8 247.7	1 810.4
June	3 409.5	2 063.8	552.7	1 655.4	637.7	7 921.1	398.0	8 319.1	1 803.5
July	3 400.4	2 076.2	551.7	1 662.8	641.0	7 962.4	369.7	8 332.1	1 747.1
Aug.	3 418.2	2 091.2	550.1	1 681.4	641.7	8 006.6	376.0	8 382.6	1 740.3
Sept.	3 437.9	2 111.7	550.2	1 710.9	647.5	8 087.2	371.0	8 458.2	1 827.7
Oct.	3 469.7	2 133.4	573.8	1 727.2	654.1	8 171.6	386.6	8 558.2	1 804.9
Nov.	3 481.7	2 144.3	577.0	1 746.4	659.2	8 235.2	373.4	8 608.6	1 892.9
Dec.	3 472.5	2 133.7	544.0	1 760.2	664.3	8 228.8	345.9	8 574.7	1 987.5
1964*									
Jan.	3 446.1	2 139.6	547.1	1 763.6	672.7	8 201.5	367.6	8 569.1	1 827.1
Feb.	3 509.5	2 148.7	554.2	1 769.8	683.9	8 266.6	399.5	8 666.1	1 798.3

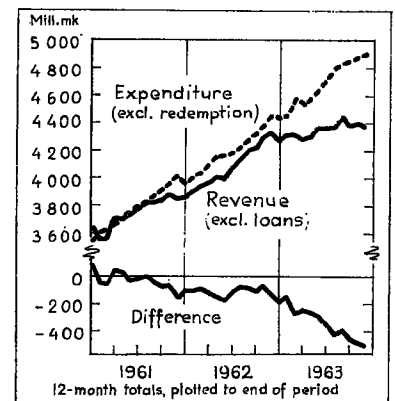


STATE FINANCES

Mill. mk

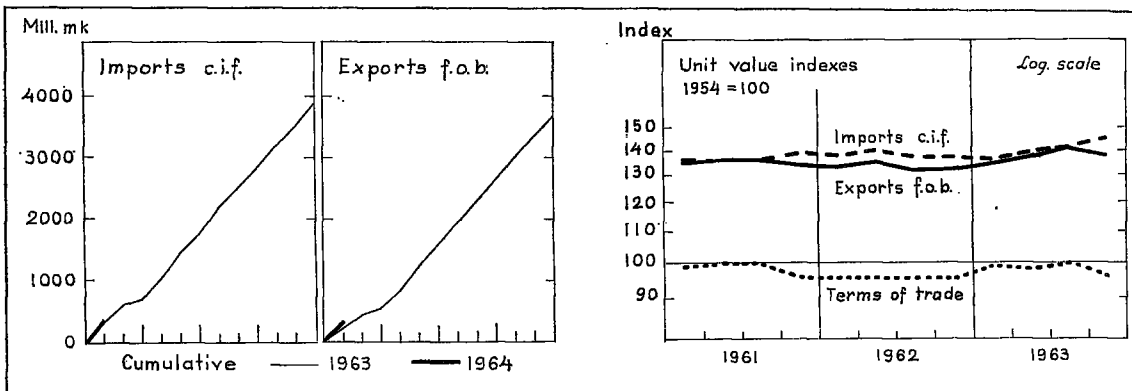
Revenue	Jan. - Nov.		Expenditure	Jan. - Nov.	
	1962	1963		1962	1963
Income and property tax (net)	861	894	Interest on State debt	59	76
Gross receipts	(2 163)	(2 320)	Child allowances	287	294
Refunds and communal income tax	(-1 302)	(-1 426)	The State's share in national pensions	174	187
Other direct taxes	16	18	Compensations to war-disabled	106	111
Purchase tax	949	921	Transfer of employers' payments for national pensions to the National Pensions Institution	93	—
Import duties	408	431	Subsidies	367	565
Revenue from Alcohol Monopoly	275	312	Net payments on price equalization by extra-budgetary funds	—	11
Excise duty on tobacco	207	250	State aid to agriculture	62	60
Excise duty on liquid fuel	148	163	State aid to communal and private schools	309	340
Other excise duties	54	73	Net loss of State enterprises	—	8
Tax on automobiles and motor cycles	64	81	Maintenance of roads	116	123
Stamp duties	183	194	Other current expenditure	1 272	1 469
Employers' payments for child allowances (1962 incl. national pensions)	342	279	Current expenditure	2 845	3 244
Net receipts of price equalization by extra-budgetary funds	4	—	Real investments	731	850
Other revenue similar to taxes	54	54	Other capital expenditure	491	411
Total taxes	3 565	3 670	Capital expenditure	1 222	1 261
Interest and dividends	65	68	Total expenditure	4 067	4 505
Net profit of State enterprises	0	—	Redemption of external loans	27	32
Other current revenue	141	123	Redemption of internal loans	156	172
Current revenue	3 771	3 861	Redemption of indemnity bonds etc.	8	7
Capital revenue proper	87	99	Index premiums	6	8
Decrease in inventories	33	39	Redemptions	197	219
Capital revenue	120	138	Total	4 264	4 724
Total revenue	3 891	3 999			
External loans	37	185			
Internal loans	288	328			
Loans	325	513			
Short-term credit (increase +) ..	+23	+79			
Deficit (+) or surplus (-)	+25	+133			
Total	4 264	4 724			

Debt	1961		1962		1963		1964	
	Dec.	Dec.	Nov.	Dec.*	Jan.*	Feb.*		
External debt ...	791	803	958	965	990	991		
Ordinary loans	757	936	1 091	1 111	1 142	1 180		
Indemnity bonds etc.	26	18	11	11	11	11		
Short-term credit ..	24	61	130	140	149	145		
Cash debt (net) ...	-98	-125	14	..	..	..
Internal debt	709	890	1 246	..	..	..
Total debt	1 500	1 693	2 204	..	..	..
Total debt, mill. \$	465.9	525.4	684.3	..	..	..



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	138	140	148	127	145	139	99
1963*										
Jan.	323.7	234.1	- 89.6	134	148	137	125	141	136	99
Feb.	262.6	205.4	- 57.2							
March	101.8	96.6	- 5.2							
April	326.6	286.9	- 39.7	137	144	142	126	149	139	99
May	411.9	388.8	- 23.1							
June	366.6	355.0	- 11.6							
July	382.0	359.6	- 22.4	141	137	146	128	174	141	100
Aug.	290.4	343.4	+ 53.0							
Sept.	330.0	359.8	+ 29.8							
Oct.	371.3	377.7	+ 6.4	137	144	150	128	130	142	96
Nov.	331.4	331.4	- 0.0							
Dec.	368.6	339.3	- 29.3							
1964*										
Jan.	363.3	281.3	- 82.0							

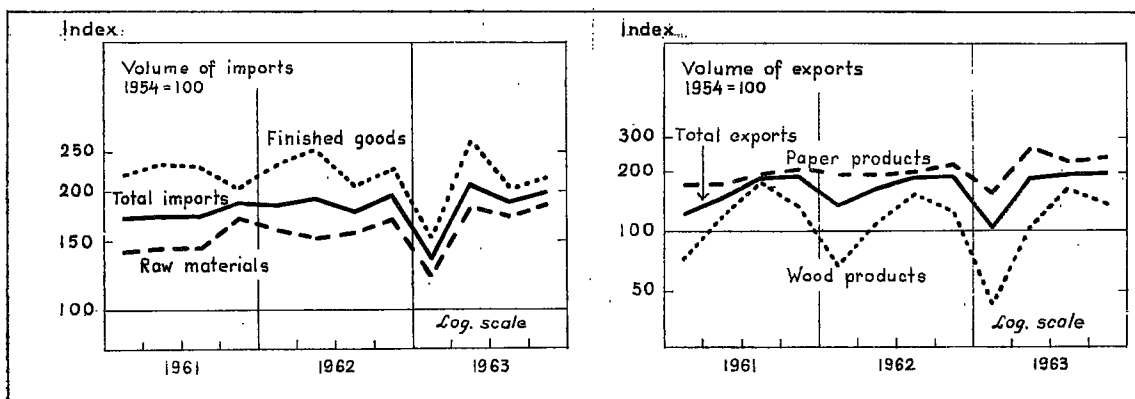


March 1963 figures are affected by strikes.

FOREIGN TRADE BY MAIN GROUPS

Mill. mk

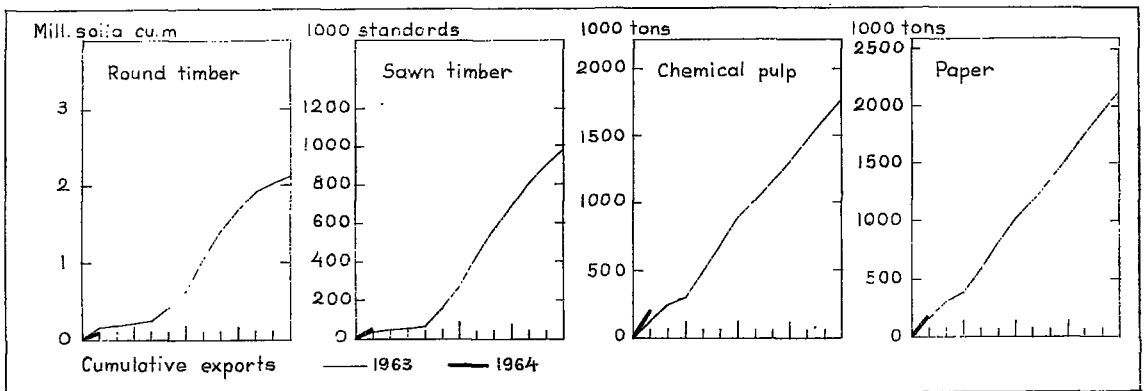
Period	Imports, c. i. f.				Exports, f. o. b.					
	Raw materials and accessories	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal engineering industry products	Other goods
			Producer goods	Consumer goods						
1954	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
1963*										
Jan.	175.6	27.0	69.5	51.6	17.8	7.4	39.5	120.5	36.9	12.0
Feb.	119.6	24.7	68.7	49.6	9.9	2.1	21.4	121.3	39.6	11.1
March	42.5	11.5	24.1	23.7	5.3	1.6	10.8	62.9	10.2	5.8
April	145.2	27.2	91.8	62.4	10.9	2.3	31.4	174.6	50.0	17.7
May	194.6	26.5	116.6	74.2	14.8	8.2	75.8	197.2	73.9	18.9
June	159.6	31.1	108.7	67.2	14.8	10.2	82.4	149.4	74.8	23.4
July	171.5	47.5	109.8	53.2	14.4	20.9	102.7	139.9	62.3	19.4
Aug.	152.4	17.3	71.6	49.1	14.4	18.3	99.2	156.6	36.0	18.9
Sept.	154.2	48.2	78.4	49.2	10.9	16.3	92.7	156.0	59.3	24.6
Oct.	184.2	45.3	82.0	59.8	15.9	11.9	91.7	173.0	60.3	24.9
Nov.	160.4	33.2	77.2	60.6	11.2	7.8	83.3	153.4	52.0	23.7
Dec.	167.7	33.8	105.9	61.2	24.5	5.8	80.9	147.4	58.5	22.2
1964*										
Jan.	172.2	42.3	90.9	57.9	14.0	4.3	50.3	169.3	25.6	17.8



March 1963 figures are affected by strikes.

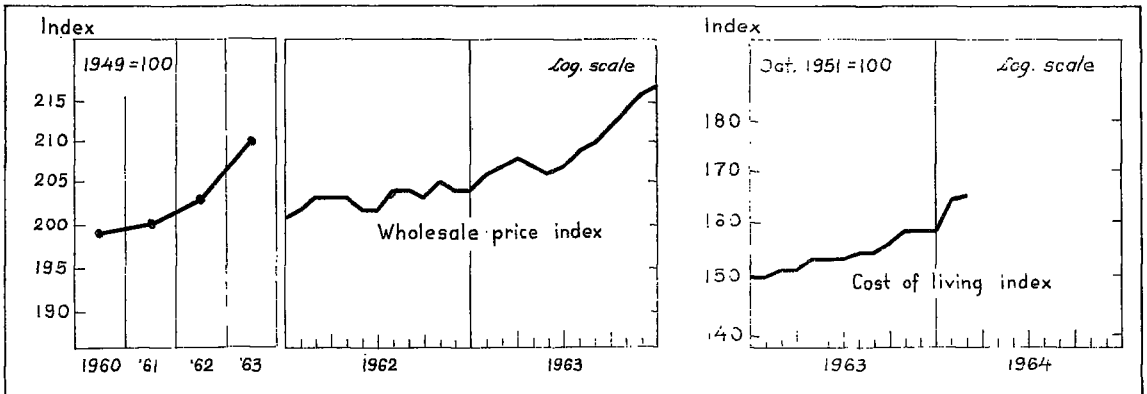
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber 1 000 solid cu. m	Sawn timber 1 000 stds	Veneers and plywood 1 000 cu. m	Mechanical pulp 1 000 tons	Sulphite pulp 1 000 tons	Sulphate pulp 1 000 tons	Board 1 000 tons	Fibre building board 1 000 tons	Newsprint 1 000 tons	Paper, all kinds 1 000 tons
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
1963*										
Jan.	160	37	32	13	57	68	13	13	64	169
Feb.	27	7	30	10	60	55	11	9	54	132
March	23	3	18	9	32	29	8	6	30	80
April	29	12	41	16	87	87	23	16	79	192
May	164	89	42	21	103	109	20	21	102	229
June	201	111	31	17	88	90	11	15	68	220
July	429	156	21	16	68	66	10	10	70	138
Aug.	346	143	30	11	68	84	15	10	80	191
Sept.	302	123	34	13	77	79	16	14	83	189
Oct.	224	117	40	18	74	90	18	16	94	215
Nov.	120	102	33	16	75	73	14	17	84	187
Dec.	83	77	32	13	72	63	12	14	74	184
1964*										
Jan.	86	47	37	17	97	104	14	16	75	179



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c. i. f.					Exports, f. o. b.				
	Whole year		January			Whole year		January		
	1962	1963*	1963*	1964*		1962	1963*	1963*	1964*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	15.7	15.8	13.6	13.1	47.6	22.2	23.6	24.4	28.3	79.6
United Kingdom	15.2	15.3	13.3	12.8	46.6	20.2	21.5	21.7	26.0	73.1
Other OECD countries										
in Europe	55.6	53.0	50.5	51.2	186.1	43.0	43.9	48.8	48.4	136.0
Austria	0.7	0.7	0.8	0.6	2.2	0.3	0.3	0.8	0.4	1.0
Belgium-Luxembourg	2.4	2.2	2.5	2.0	7.3	3.4	3.3	3.2	3.5	9.8
Denmark	3.1	3.3	3.5	3.4	12.3	3.7	3.5	3.6	3.4	9.5
France	5.2	4.3	3.8	4.2	15.2	4.5	5.0	3.7	5.9	16.6
Western Germany	20.2	18.0	17.2	17.9	65.0	11.9	12.0	14.2	12.5	35.2
Italy	2.1	2.0	2.3	2.0	7.4	2.8	3.2	4.1	4.1	11.4
Netherlands	4.4	4.7	4.8	3.7	13.5	6.1	6.3	5.5	8.0	22.5
Norway	1.5	1.6	1.1	1.6	5.9	1.2	0.8	0.8	0.8	2.3
Portugal	0.2	0.2	0.3	0.2	0.8	0.1	0.1	0.1	0.1	0.3
Spain	0.4	0.4	0.4	0.2	0.9	0.7	0.9	0.3	0.9	2.5
Sweden	12.1	11.9	10.1	12.4	44.8	5.7	5.7	9.4	5.6	15.8
Switzerland	2.6	2.9	2.8	2.6	9.3	0.6	0.7	0.7	0.8	2.2
Eastern Bloc	19.2	21.7	27.4	26.5	96.3	22.5	20.8	13.5	9.8	27.7
China	0.2	0.2	0.1	0.1	0.5	0.4	0.5	0.3	0.1	0.3
Czechoslovakia	1.0	0.7	0.7	0.6	2.3	0.9	0.9	0.3	0.6	1.7
Eastern Germany	1.4	1.1	0.9	1.0	3.4	1.1	1.0	0.7	1.1	3.1
Poland	2.2	2.0	2.3	2.9	10.5	1.7	1.7	0.2	2.1	5.9
Soviet Union	13.7	16.9	22.3	20.6	74.9	17.8	16.0	11.4	5.0	14.1
U.S. and Canada	5.6	5.3	5.3	5.1	18.6	5.5	5.4	7.7	6.9	19.5
United States	5.1	4.9	4.3	4.9	18.0	5.4	5.2	7.6	6.8	19.2
Latin America	2.7	2.9	2.0	2.1	7.4	3.4	2.7	2.5	2.9	8.0
Argentina	0.4	0.5	0.2	0.1	0.3	0.8	0.6	0.5	0.5	1.3
Brazil	1.5	1.6	1.2	1.2	4.3	1.5	0.7	1.1	0.7	1.9
Others	1.2	1.3	1.2	2.0	7.3	3.4	3.6	3.1	3.7	10.5
Grand total	100.0	100.0	100.0	100.0	363.3	100.0	100.0	100.0	100.0	281.3
of which										
EFTA countries	35.4	35.9	31.8	33.6	121.9	31.9	32.6	37.1	37.1	104.3
EEC countries	34.7	31.5	31.1	29.8	108.4	29.4	30.6	31.3	34.0	95.6



March 1963 figures are affected by strikes.

PRICE INDEXES

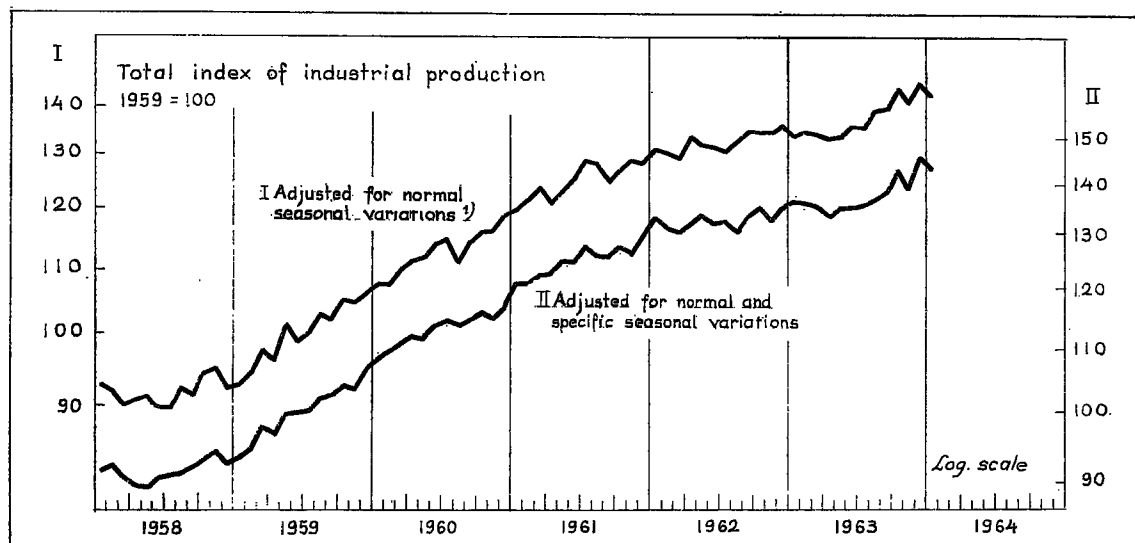
Period	Wholesale prices 1949 = 100									Building costs 1951 = 100		
	Total index	Origin		Purpose			Stage of processing			Total	Building material	Workers' average hourly earnings
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply processed goods	More elab- orately processed goods			
1961	200	202	194	209	195	190	213	202	191	128	114	148
1962	203	205	196	209	203	197	217	200	198	132	114	156
1963	210	212	201	214	211	205	226	203	205	140	118	171
1963												
Feb.	207	209	199	210	208	201	223	200	201	135	117	158
March	208	210	199	211	208	204	227	200	201	138	117	165
April	207	209	200	211	209	203	225	200	202	138	117	165
May	206	208	200	211	209	200	221	200	202	140	117	172
June	207	209	202	212	209	201	222	202	202	140	117	173
July	209	211	201	213	209	204	223	202	206	140	118	171
Aug.	210	212	202	213	212	206	226	202	206	141	118	175
Sept.	212	215	202	216	212	208	226	206	209	141	118	175
Oct.	214	217	203	216	214	211	230	205	210	143	118	180
Nov.	216	219	205	220	214	211	233	207	212	143	119	180
Dec.	217	220	205	222	214	212	236	209	212	145	123	182
1964												
Jan.	..	..	..	..	..	..	..	..	..	142	117	179
Feb.	..	..	..	..	..	..	..	..	..	144	118	180

Period	Cost of living Oct. 1951 = 100						Consumer prices Oct.—Dec. 1957 = 100					
	Total	Food- stuffs	Rent	Heating and lighting	Clothing	Other	Total	Food- stuffs	Rent	Heating and lighting	Clothing	Other
1961	141	150	310	100	87	137	110	110	115	97	109	111
1962	147	156	327	103	90	143	115	115	121	100	112	117
1963	154	164	346	108	93	151	121	120	128	105	115	123
1963												
Feb.	151	159	342	106	92	148	118	117	127	103	114	120
March	151	160	342	107	92	148	119	118	127	104	114	121
April	153	163	343	107	92	148	120	120	127	104	114	121
May	153	163	343	108	92	149	120	120	127	105	115	121
June	153	164	343	108	92	149	120	121	127	105	115	121
July	154	163	343	108	92	151	120	120	127	105	115	123
Aug.	154	163	343	109	93	152	121	120	127	105	115	124
Sept.	156	167	343	109	93	154	122	123	127	105	115	125
Oct.	158	168	356	109	94	155	124	124	132	106	116	126
Nov.	158	169	356	109	94	155	124	124	132	106	117	126
Dec.	158	169	356	109	94	155	124	124	132	106	117	127
1964												
Jan.	164	175	361	113	104	159	129	129	134	110	129	129
Feb.	165	177	361	113	105	160	130	130	134	110	130	130

PRODUCTION - INTERNAL TRADE

Period	Index of industrial production 1959 = 100									Commercial timber fellings 1 000 piled cu. m	Wholesale trade volume index 1954 = 100
	Total	Investment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations ¹⁾		
					Wood industry	Paper industry	Metal industry	Other			
1961	125	132	127	120	122	136	131	119	125	49 004	150
1962	132	144	133	128	114	143	143	126	133	47 264	160
1963*	137	133	140	133	119	157	137	132	137	47 784	169
1962*											
Sept.	138	149	138	134	101	151	148	133	134	1 984	170
Oct.	150	167	150	144	112	160	166	144	134	2 552	177
Nov.	144	155	146	136	110	154	155	140	134	2 966	171
Dec.	122	132	126	111	101	152	133	112	136	3 604	175
1963*											
Jan.	141	155	142	135	115	153	157	129	134	4 245	132
Feb.	133	129	136	128	115	149	137	125	135	4 995	142
March	137	135	139	134	125	153	141	128	134	5 409	156
April	134	129	136	131	128	143	135	131	134	4 036	171
May	145	145	146	144	133	161	147	141	134	10 095	191
June	128	124	126	132	110	129	129	130	136	1 941	167
July	105	81	113	96	114	149	81	99	136	1 299	153
Aug.	141	133	140	145	110	160	133	145	139	1 936	183
Sept.	145	142	149	139	113	172	147	139	140	2 192	176
Oct.	160	156	165	150	134	185	161	154	144	3 189	181
Nov.	149	141	155	139	111	173	147	145	141	3 915	173
Dec.	131	124	137	121	119	151	128	123	145	4 532	201
1964*											
Jan.	146	142	152	136	119	166	149	136	142	5 553	..

¹⁾ New series.

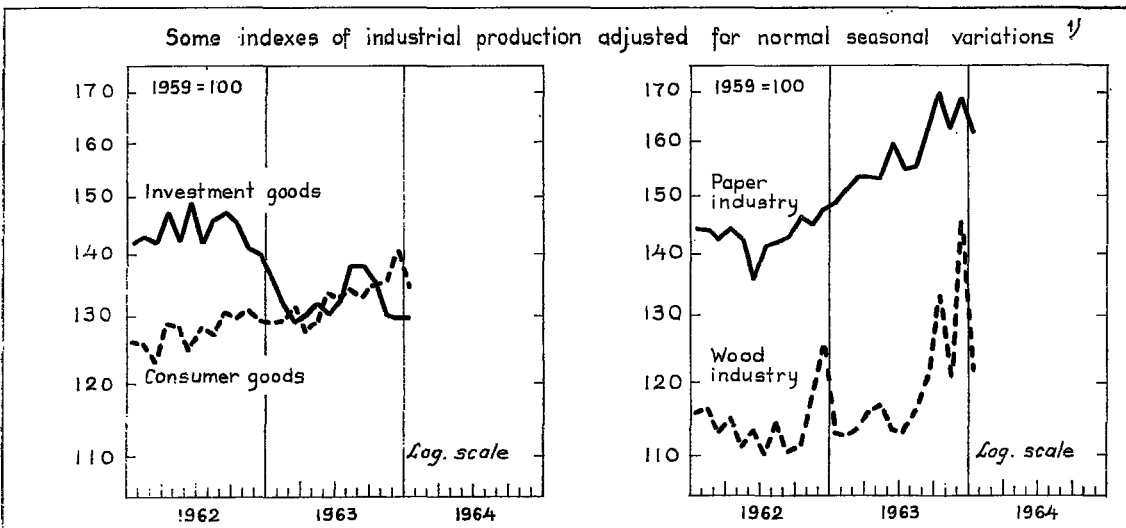


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

BUILDING – WAGES – TRANSPORT – EMPLOYMENT

Period	Buildings completed, mill. cu. m					Buildings under construction at end of period mill. cu. m	Index of salary and wage earners' earnings 1957 = 100			
	Total	Dwelling houses	Farm buildings	Commercial and industrial premises	Official buildings		All salary and wage earners	Wage earners in		
								Agriculture	Forestry	Manufacturing
1962	23.18	10.61	2.15	7.11	2.31	25.53	132	120	128	134
1963*	24.77	12.57	2.21	6.60	2.43	25.16	145	136	144	143
1962 Oct. - Dec.	8.10	4.34	0.90	1.95	0.61	25.53	135	123	130	135
1963* Jan. - Mar.	4.34	2.51	0.21	1.16	0.34	25.15	138	130	140	137
Apr. - June	4.71	2.36	0.28	1.41	0.49	26.57	145	137	148	145
July - Sept.	6.87	2.63	0.72	2.05	1.10	27.86	148	137	147	145
Oct. - Dec.	8.85	5.07	1.00	1.98	0.50	25.16	148	137	146	145

Period	Railways		Foreign shipping				Labour input		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed 1 000 net reg. tons		1 000 man-months		% of total labour force	
	1963	1964	1963	1964*	1963	1964*	1962*	1963*	1962*	1963*
Jan.	132	125	485	576	458	527	1 829	1 830	1.9	2.3
Feb.	125	124	293		281		1 828	..	1.7	2.3
March	13		293		171		1 822	1 819	1.6	2.1
April	145		510		438		1 847	1 841	1.2	1.6
May	156		751		688		1 900	1 905	0.7	0.8
June	128		830		870		1 896	1 895	0.7	0.8
July	133		977		1 134		1 790	1 737	0.8	1.0
Aug.	139		919		1 033		1 876	1 851	0.8	1.0
Sept.	139		745		842		1 925	1 922	0.7	1.1
Oct.	148		697		752		1 917	1 910	0.9	1.3
Nov.	132		661		658		1 892	1 895	1.5	1.6
Dec.	110		657		614		1 873	1 871	2.1	2.0



EXPLANATIONS RELATING TO THE STATISTICAL SECTION

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

BANK OF FINLAND

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

Page 4. *Other foreign assets* = Foreign bills + Foreign bonds + Prepayments for exports. *Other foreign liabilities* = Mark accounts of holders abroad + Foreign term liabilities. *Treasury bills and bonds*: Including Treasury bond loan + Treasury bill covering certain IMF and IBRD accounts (included in Other claims). *Other claims, net* = Advances for stand-by stocks — Finnish term liabilities.

Page 5. *Other advances* = Inland bills in foreign currency + Cheque accounts (assets) + Other claims excl. Treasury's IMF and IBRD bill, Prepayments for exports and Advances for stand-by stocks. *Liabilities* = Other sight liabilities + Other cheque accounts + Deposits against import licences (in 1956) — Account of the Mortgage Bank of Finland Oy. — *Diagrams*. Left: *Net claims on other than banks* = Net foreign assets + Net claims on the Treasury + Net claims on the rest of economy + Finnish bonds + Finnish coin — Equalization accounts = Notes in circulation + Bank's own funds — Net claims on the banks.

DEPOSITS BY THE PUBLIC —

ADVANCES TO THE PUBLIC — MONEY SUPPLY

Commercial bank and mortgage bank figures obtained from the official bank statistics, savings bank figures from the Central Statistical Office, other figures from the respective credit institutions or their central banks.

Page 6. *Cheque accounts in all credit institutions* relates to commercial banks, savings banks, co-operative credit societies, and mortgage banks. *Term deposits in all credit institutions* includes a small amount of deposits in mortgage banks. *Indexed deposits and high-interest deposits* are included in term deposits.

Page 7. *Money supply* = Finnish notes and coins in circulation — Finnish notes and coins held by the banks + Cheque accounts of the public + Postal giro accounts of the public.

STATE FINANCES

Page 8. Official monthly figures adjusted by the Bank of Finland Institute for Economic Research. *Revenue and expenditure*: All extra-budgetary funds are included, and figures are reported on a payment basis. — Annual figures will be published in separate articles. *Debt*: Index-tied bond loans are given at their nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to the Post Office Savings Bank minus cash holdings (net) of State departments. In principle, the change in this item = surplus (deficit) in the table on revenue and expenditure. The small divergence is due to the fact that the adjustment of the monthly figures is not as accurate as that of the annual (December) figures.

FOREIGN TRADE

Pages 9—12. Figures supplied by the Board of Customs. *The unit value indexes* (p. 9): The indexes are calculated first according to the Laspeyres formula but at the end of each year adjustments are made according to the Fisher formula, and the level of the quarterly indexes is corrected so that their arithmetic mean equals the annual index. Thus the series above and below the line are not fully comparable. Seasonal variations are not eliminated. Terms of trade: the ratio of export indexes to import indexes. *Foreign trade by countries* (p. 12): imports by countries of purchase, exports by countries of sale.

PRICE INDEXES

Page 13. *Wholesale price index* and *Building cost index* calculated by the Central Statistical Office. *Cost of living index* and *Consumer price index* calculated by the Ministry for Social Affairs.

PRODUCTION — INTERNAL TRADE

Page 14. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the international nomenclature (ISIC). The weight of each group represents the ratio of its value added to the total value added of industrial production in the base year. The seasonally adjusted series is calculated by the Bank of Finland Institute for Economic Research on the basis of the index of industrial production per working day; for the method of calculation of series adjusted for normal and specific seasonal variations see Bulletin No. 8, 1961, p. 18. Other seasonally adjusted series are calculated according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: investment goods weight 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indexes: wood industry ISIC no. 25, weight 6.6, paper industry no. 27, weight 13.1, metal industry nos. 34—38, weight 23.5, and other manufactures nos. 20—24, 26, 28—33, 39, weight 44.0. *Commercial timber fellings* calculated by the Ministry of Communications and Public Works. *Wholesale trade volume index*, calculated by the Ministry of Finance. Based on sales statistics compiled by the daily Uusi Suomi, covering about 50% of all internal wholesale trade. Price fluctuations have been eliminated by means of the revised wholesale price index.

BUILDING — WAGES — EMPLOYMENT — TRANSPORT

Page 15. *Building* figures supplied by the Central Statistical Office. *Index of salary and wage earners' earnings* calculated by the Central Statistical Office. Beginning 1957, the weights employed are determined according to the structure of total earnings in 1957; for 1954—1956, the weights are in accordance with earnings in 1951. *Railway* figures supplied by the Board of Railways. *Shipping* figures supplied by the Shipping Board. *Labour input and unemployment* figures supplied by the Labour Research Bureau of the Ministry of Communications and Public Works, both based on the labour force sample survey. Labour input represents the estimated average number of days worked. (See article in No. 10, 1960 of this Bulletin.

SYMBOLS USED

* Preliminary o Less than half the final digit shown . Logically impossible .. Not available — Nil

A line drawn across a column between two consecutive figures indicates that the figures above and below the line are not strictly comparable.

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1154 to 1809 Finland formed a part of the kingdom of Sweden. It then became an autonomous Grand Duchy connected with Russia until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current period, March 1, 1962, to March 1, 1968, is Urho Kekkonen.

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1962 are as follows: Agrarians 53, People's Democrats 47, Social Democrats 38, Conservatives 32, Swedish Party 14, Finnish People's Party 13, Social Democratic League 2 and Liberal League 1.

LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. On an average 15.8 % of the land in the South of Finland is cultivated (1960), 2.3 % in the North and 9.2 % of the land as a whole. Of the land area 21.8 mill. ha (53.9 mill. acres), or 71.3 %, are covered by forests.

OWNERSHIP OF LAND (1960): The total land area was distributed among different classes of owners approximately as follows: private 60.9 %, State 31.8 %, joint stock companies etc. 5.6 %, communes and parishes 1.7 %.

POPULATION

NUMBER OF INHABITANTS (1962): 4.5 million. Sweden 7.6, Switzerland 5.7, Denmark 4.7 and Norway 3.6 million.

DENSITY OF POPULATION (1962): In South Finland 25.2, in North Finland 4.2 and in the whole country an average of 14.8 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1962): 60 % of the population inhabit the rural areas, 40 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 476 400 inhabitants, Tampere (Tammerfors) 133 300, Turku (Åbo) 130 800.

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 (1962): 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 (1962): births 18.1 ‰, deaths 9.5 ‰, increase 8.0 ‰. Deaths in France 11.5 ‰ and Great Britain 11.9 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1962, in million marks) Gross domestic product at market prices 17 070 (excl. repairs and maintenance). Net domestic product at factor cost, by industrial origin: agriculture 1 421 (10 %), forestry and fishing 1 376 (10 %), manufacturing 4 257 (31 %), construction 1 393 (10 %), transport and communications 1 064 (8 %), commerce, banking and insurance 1 771 (13 %), general government 1 635 (12 %), other services 838 (6 %), total 13 755. Index of real domestic product 127 (1957 = 100).

FOREST RESOURCES (1951—1953): The growing stock comprised 1 493 million of solid cu. m incl. bark (52 660 million

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

AGRICULTURE (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 121 for 1962 (1954 = 100). Measure of self-sufficiency in bread cereals 89 % in the crop year 1961/62.

INDUSTRY (1961): Gross value of industrial production 13 706 mill. marks, number of workers 345 000, salaried employees 67 000, motive power (1961) 3.9 mill. HP. Index of industrial production 155 for 1961 (1954 = 100).

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

MERCHANT FLEET (Feb. 29, 1964): Steamers 174 (289 878 gross reg. tons), motor vessels 351 (643 043 gross reg. tons), sailing vessels with auxiliary engines 42 (4 994 gross reg. tons). Total 567 (937 915 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1963): Private cars 294 400, lorries and delivery vans 78 800, buses 6 800, others 13 900. Total 393 900.

SCHEDULED AIR TRAFFIC OF FINNISH COMPANIES (1963): Kilometres flown 12.6 million, passengers carried 696 000, passenger kilometres 312.6 million, and ton kilometres of freight and mail 5.0 million.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). On Jan. 1, 1963, the value of the mark was raised to one hundred times its former value. The official par value of the new unit is 3.20 marks to the U.S. dollar. Finland has been a member of the International Monetary Fund since 1948.

MUNICIPAL FINANCES. In the finance accounts for 1961 expenditure amounted to 2 188 mill. marks. Total revenue was 2 221 million, of which income from taxation 1 089 million. The municipal income tax (non-progressive) averaged 11.92 % of the ratepayers' taxable income.

THE CENTRAL BANK. The Bank of Finland functions under the guarantee and supervision of Parliament. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1963). There are two big and four small commercial banks with in all 682 offices, 383 savings banks, 504 cooperative credit societies and their central bank, six mortgage societies, and POSB. The savings departments of the cooperative stores accept deposits from the public. The National Pensions Institution and sixty-five private insurance companies also grant credits.

RATES OF INTEREST (April 1, 1964). Bank of Finland discount rates 6—7 1/8 %. Other credit institutions: term deposits 4 1/8 %, 12 months' deposits 6 %, 100 per cent index-tied deposits 3 %, 50 per cent index-tied deposits 4 %; highest lending rate 8 %.

THE FINNISH ECONOMY IN 1963

BY

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FELLOW OF THE BANK OF FINLAND INSTITUTE FOR ECONOMIC RESEARCH

DOWNSWING AND UPSWING

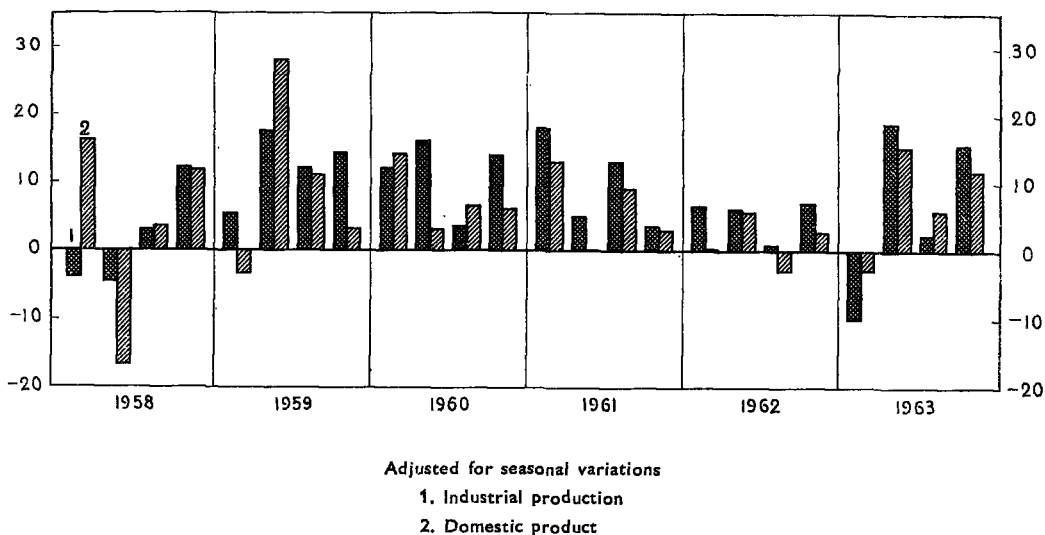
Economic development in 1963 was marked by an intermingling of elements of after-boom recession and of new economic expansion. Mid-year can be taken as an end point of the 1958—1962 trade cycle; subsequently, expansive factors slowly began to dominate the picture. However, the new growth is so tender, with so many lurking difficulties which can impede recovery, that it is too early to describe the second half-year as the decisive beginning of a new boom.

The January—June period, and in particular the first quarter, formed a continuation of the recession which made its presence felt in 1962. In fact, during the first quarter, total production taken against that of the previous quarter (seasonally adjusted) declined at an annual rate of 2.8 per cent, although the decline was chiefly caused by such factors as strikes and an unusually severe winter that hampered shipping. An exceptional rise in total production during the second quarter, at an annual rate of 15.2 per cent in comparison with the first quarter, is mainly explained by the speeding up of production and deliveries following this retardation. In all, the first half-year evi-

denced a growth rate in domestic product, taken against the second half-year of 1962, of less than 3 per cent, or less than the average rise in 1962. Of the main components of demand, export, private consumption and investments in machinery and equipment showed hardly any strength. On the other hand, building activity remained on a very high level, with a large volume of uncompleted construction being handed over from the previous boom period.

The second half-year was marked by an upturn in the growth rate. The domestic product grew at an annual rate of 5.7 per cent on the third, and 11.7 per cent on the last quarter. Exports were rising, and consumer demand likewise showed new signs of strength towards the end of the year. Nevertheless, the recovery was not uniform, as now it became the turn of building activity to decline, particularly during the last quarter. This applied specifically to dwellings; as regards other types of buildings the last quarter was not of so gloomy an aspect. It thus happened that one strategic component of demand — the construction of dwellings — was working against the general economic current. Some sectors of industrial production also lagged behind, partly in the

Figure 1. Industrial production and domestic product; the rate of change per cent per annum



wake of building activity, partly because exports of metal industry products were still facing difficulties, and also as a result of slackness in domestic investment.

The whole year was further characterized by an above-average rise in public expenditure; the peculiar development in the construction sector also made them increase towards the end of the year, when recovery was otherwise well on the way.

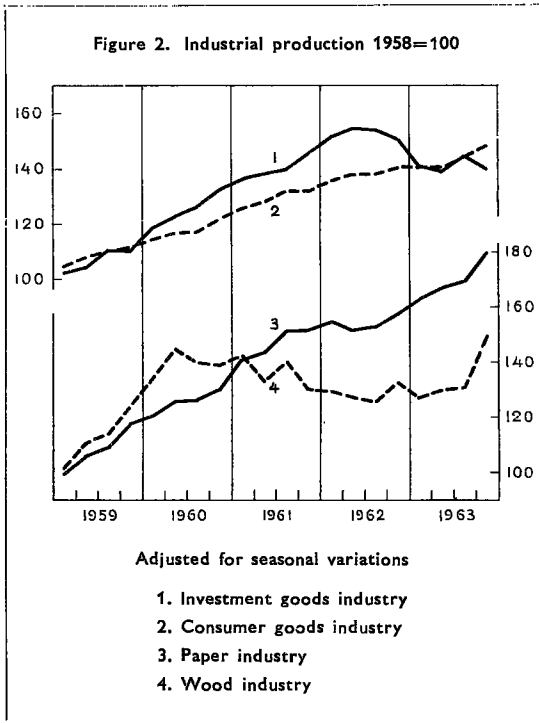
The increase in volume of the domestic product for the whole year amounted to 4 per cent, against 3 per cent the year before.

COMPONENTS OF DEMAND

Export demand had already shown signs of slackening towards the end of the previous year. When unusually severe ice conditions and strikes are also borne in mind, it is no wonder that the volume of exports

in January—March fell short of the corresponding 1962 figure by one-fourth. The retardation was partly caught up in the second quarter, when the volume exceeded the 1962 figure by 16 per cent, thus reducing the decrease for the first half-year to 6 per cent.

This decrease from the 1962 level was most noticeable in exports of round timber, which shrank by one-half in both volume and value. This seems to have been more a reflection of rising domestic needs than of a drop in export demand, as prices were not falling. Exports of sawn timber contracted by almost one-fifth in volume despite a rise in prices, but the exports of veneers and plywood expanded. The demand for chemical pulp and paper proceeded quite satisfactorily; although prices decreased by 2—3 per cent, the volume rose by 7 per cent. In this group, only the exports of newsprint displayed an adverse development.



In the second half-year, export demand showed signs of recuperation; in particular, the sales of paper and pulp industry products were rising. Export prices were moving upwards; this also applied to those for sawn goods. A weak outcome was registered for the exports of metal industry products for both six-month periods; moreover, the exports of round timber continued to run below the 1962 level. Nevertheless, for the whole of 1963 the value of exports grew by 4 per cent, and the volume by 1 per cent.

Private investment activity had come to a halt in 1962, by reason of two opposing tendencies.

First of all, following extensive capacity installations in 1958—61, investments in machinery and equipment began to contract in 1962. This development continued throughout 1963, though the actual decline seems

to have stopped towards the end of the year. Another legacy from 1962 was a contractive tendency in industrial and commercial house-building. Altogether, this meant a decline in the so-termed productive investment at the beginning of the year. However, it seemed that building for industry and commerce would soon pass its low ebb; during the first quarter, the building permits issued were still 15 per cent below the corresponding 1962 level (measured in cubic content), but by the end of June there was already an excess of 8 per cent. By the year-end, the volume of uncompleted industrial and commercial buildings exceeded the 1962 figure by 8 per cent.

A different course of events was apparent in dwelling construction, which was running on a very high level at the beginning of the year. This was due not only to unflagging demand, but also to legislation on tax alleviations for housing which expired in 1962, and which favoured residential building embarked upon before December 31, 1962. Building permit development presented another picture, presaging the decline to come; in the first half-year, permits for residential construction were issued for a volume of 36 per cent less than a year before. Similarly, the number of new houses started fell short of the corresponding 1962 figure by 21 per cent during the second quarter, although by that time the volume of residential buildings under construction was still 13 per cent higher than in June 1962. As expected, the fall was a sharp one in the second half-year; new projects fell short of the 1962 levels by 26 per cent during the third, and 42 per cent during the last quarter. By the end of the year, the volume of dwellings under construction was 17 per cent less than in December 1962, but the final volume of dwellings completed in 1963 was 18 per cent more than in 1962, thanks to the first half-year.

In real terms, the growth of private consumption demand ceased in the first quarter, partially the result of strikes and the consumption spurt during the last quarter of 1962. In the second quarter, consumption demand again started to grow, and remained an expansive factor for the rest of the year. As opposed to 1962, the growth applied more particularly to non-durable goods, but as in 1962, there occurred an unusually sharp December spurt, on this occasion because it was expected that the 1964 sales tax reform would raise a number of prices.

One factor which favoured consumption demand was the income transfer policy of the State. Viewed from this aspect, the effect of the public sector on the private one was clearly expansive, and the same can be said of its effect on household incomes. With the national income rising, the net income transfers from the private to the public sector remained about the same. Even if tax yields grew, the increase was mild, as the income tax yield had included a corporate surtax in the previous year and as the yield of the sales tax actually declined; against this, State transfer expenditure increased by about 20 per cent. An exceptional factor in this was the compensation to farmers for the previous year's poor crop, the payment of which had been deferred to 1963.

Public consumption expenditure grew nominally by 14 per cent, and in real terms by 5 per cent. Wage and salary expenses accounted for most of the rise. The simultaneous increase in public investment expenditure was 10 per cent in volume and 16 per cent in value. Housebuilding increased its relative share, particularly during the last quarter, at the expense of land and water constructional works.

The changes in domestic demand factors were clearly reflected in commodity imports. These fell considerably in the first half-

year, the decrease being most marked in investment goods. The imports of consumer goods and raw materials also fell. By the end of June, the excess of imports over exports amounted to 240 million marks (402 million by June 1962).

Although the growth rates of imports recovered during the second six months, their value for the whole year was still short of that for 1962 by 2 per cent. As the value of exports simultaneously rose, the trade deficit at the end of December was reduced to 202 million marks, against 396 million the year before.

The table below gives a preliminary estimate of the total demand and supply in 1963.

	1963 million marks	Real change in 1963. per cent
<i>Total demand</i>		
Exports of goods and services ..	4 380	+ 0
Domestic gross investment	6 700	+ 0
Private investment	5 510	- 1
Public investment	1 190	+10
Consumption	13 200	+ 4
Private consumption	10 460	+ 4
Public consumption	2 740	+ 5
	Total 24 280	+ 3
<i>Total supply</i>		
Gross domestic product at market prices	19 820	+ 4
Imports of goods and services ..	4 460	- 2
	Total 24 280	+ 3

Public and consumption expenditures emerge as the most significant factors in the maintenance of productive activity. The drop in new machinery and equipment meant that the change in private investment became negative.

PRODUCTION AND EMPLOYMENT

The development of some of the branches of manufacturing industry is depicted by the quarterly graphs in Fig. 2. The effects of strikes on the first quarter's production

have been smoothed out. The general pattern runs in line with total production (Fig. 1): a fall in the first, and a recovery in the second quarter, with a distinct growth recorded during the second six months.

The worst fate befell the investment goods industry, where a fall of 8 per cent was recorded. This can be traced back to diminishing exports of metal industry products, and to a slackening of domestic investment. The wood industry, which had undergone a period of stagnation since mid-1960, evidenced a noteworthy spurt thanks to the last quarter's export demand, which brought the annual rise up to 4 per cent. The paper and pulp industry advanced throughout the year at an annual growth rate of 10 per cent. Consumer goods recorded an average rise of 4 per cent, as did the industry for other producer goods. In the latter group, the chemical industry increased its production by 12 per cent, and mining by 9 per cent. Industries serving housebuilding experienced contraction during the last quarter.

The following table summarizes the changes in the volume of total output by industrial origin for the last two years.

	1962	1963
	Per cent	
Agriculture	- 7	+ 8
Forestry	- 3	- 1
Manufacturing	+ 5	+ 4
House construction	+ 2	+ 2
Other construction	+ 3	+ 7
Transport	+ 4	+ 2
Commerce, banking, insurance	+ 7	+ 5
General Government	+ 5	+ 3
Other services	+ 4	+ 2
Total	+ 3	+ 4

The largest relative expansion occurred in agriculture — where the harvest was markedly better than the year before — and land and water construction, mainly

public works. If these two sectors were omitted, the totals for 1962 and 1963 would be reversed to 4 and 3 per cent, respectively.

The employment situation was fairly good for the year as a whole. The last quarter saw a rise in unemployment, particularly in housebuilding, and thus in urban areas. Employment in forestry fell in the first, but rose in the second half-year.

The growth of production did not entail a rise in the demand for labour input, as the productivity of labour rose by about 3 per cent. As the supply of labour did not grow — with the falling-off of overtime and part-time work — the balance on the labour market was not disrupted. It must also be kept in mind that expanding public works absorbed a proportion of those potentially unemployed. According to the labour force sample survey, the number of unemployed rose from 27 000 to 32 000 persons (annual averages); this represents 1.4 per cent of the labour force, against 1.2 per cent in 1962.

PRICES AND WAGES

As the total demand pull was not very strong, the market situation was unfavourable to price rises originating in excess demand. Instead, the costs of production were rising, with a consequent pushing up of prices. However, a partial price-freeze was in force; this had been ordered with a view to the prevention of undue rounding-off of price rises in connection with the currency reform. As this freeze was gradually eased off during the year, its effect was that of decelerating the cost-induced price rises in the first half of the year, only to let the cost push make itself more strongly felt in the second half. From December 1962 to December 1963, the cost of

living index rose by 5 per cent. The price index of gross national expenditure similarly increased on an average by 5 per cent.

State finances also exerted some pressure on the price level. In the summer the Government raised railway, postal and telephone tariffs, liquor prices, and the duties on cigarettes. Furthermore, the State could no longer compensate the legally stipulated increases in agricultural income by increasing subsidies, and accordingly the retail prices of agricultural products were allowed to rise. The level of wages and salaries rose by about 8 per cent in 1963, the rise being highest in agriculture, forestry and the civil service, where some adjustments were made to compensate for wage lags. The increase in consumer prices reduced the real rise in earnings to about 3 per cent.

FISCAL AND MONETARY DEVELOPMENTS

The year 1963 was not an easy one for the Treasury. Its budgeted consumption and transfer expenditures grew, whereas no corresponding increase could be envisaged on the revenue side. In addition, the maintenance of employment would absorb more funds than hitherto. In the first place, the Government had to raise some revenue tariffs and indirect taxes as mentioned above. The gap remaining was closed by increased borrowing.

State revenue increased by about 2 per cent on 1962, while the growth in expenditure amounted to 11—12 per cent. The Treasury took new domestic and foreign loans for 650 million marks (414 million in 1962). Of these, 100 million marks were in short-term loans, termed "tax payment bond loans", offered on rather favourable terms to the public, which could utilize them for the payment of income tax in 1964 and

1965. In spite of these measures, the cash position of the Treasury was rather strained in the closing months of the year.

The increasing deficit in the current balance of payments in 1960—1962 had been a strain on the money market, notwithstanding the concurrent import of foreign capital. As this deficit was greatly reduced in 1963, with foreign loans being simultaneously drawn to an increasing extent, it can be said that a slight alleviation occurred in the money market. The banks improved their position with relation to the Central Bank; this resulted in the net indebtedness of the rediscounting banks to the Central Bank falling off by 81 million marks during the year.

The growth in net foreign assets of the banking sector constituted one source of increase in the money supply; this was the consequence of extensive long-term foreign borrowing by industrial concerns, the Treasury and the banks, which was greatly in excess of the amount needed to cover the deficit of the current balance of payments. Bank advances represented by far the more important source of money supply, although these grew by no more than 532 million marks, against 762 million in 1962. Further, the inflow of deposits into the banks, which had almost ceased to grow by the end of 1962, again gathered momentum in 1963, particularly in the second six months. The increase in sight and term deposits amounted to 557 million marks, and thus outstripped the 516 million marks of 1962.

It can be said that in 1963 a better balance prevailed on the money market than in the previous year. The banks adjusted their lending volume to the inflow of deposits, and could reduce their indebtedness to the Central Bank and abroad. On the other hand, the revival of deposit business — despite some inroads made by State bond

loan issues — made this process of curtailment comparatively painless. Moreover, the Central Bank stood by, ready to assist with credits certain strategic sectors in which a shortage of funds might otherwise have created a production bottleneck (see the statement by Governor Waris in Bulletin No. 1, 1964).

ITEMS

Terms of rediscounting. On February 8, the Bank of Finland amended its instructions concerning the penalty rate on rediscounting in respect of two banks, the Central Bank of the Savings Banks and the Central Bank of the Co-operative Credit Societies. According to the new instructions, the Central Bank of the Savings Banks is totally exempted from the penalty rate for as long as the combined increase in its own lending and that of the savings banks does not exceed the growth in their combined deposit holdings, both calculated cumulatively from the end-1963 figures. If the growth in lending exceeds the growth in deposits, the Central Bank of the Savings Banks must pay a penalty on its rediscounting debt at a rate which rises in accordance with the magnitude of the excess growth in lending. Similarly, the penalty rate chargeable to the Central Bank of the Co-operative Credit Societies is conditioned by the development of the lending and deposits of that bank and the co-operative credit societies.

For the other rediscounting banks the penalty rate will be determined as before (see Bulletin No. 5, 1963, p. 2).

Finland borrows in Western Germany. The Republic of Finland has issued a bond loan for public subscription in the Federal Republic of Germany through the intermediary of the Dresdener Bank AG, Hamburg, and 16 other West German banks and banking-houses. The bonds were offered for sale early in March, and the issue was fully subscribed. This marks the first offer of Republic of Finland bonds in Western Germany.

The amount of the loan is DM 40 million, equivalent to about 32.4 million Finnish marks. The currency period is 15 ½ years, and the bonds will be redeemable with effect from Sept. 1, 1970, by annual instalments of 10 per cent of the original nominal amount of the loan. The interest rate is 6 ¼ per cent, and the rate of issue 98 per cent.

Proceeds from the sale of the bonds will be included in the capital revenues of the Republic, and used for the promotion of economic development. The interest on, and the principal of the bonds will be payable in DM or in US dollars at a fixed rate of 4 DM = 1 US \$.

BANK OF FINLAND

BOARD OF MANAGEMENT

KLAUS WARIS,
Governor

ESKO K. LEINONEN

A. SIMONEN

AHTI KARJALAINEN

REINO ROSSI

SECRETARIES

U. A. VATANEN

PERTTI TAMMIVUORI

JOUKO J. VOUTILAINEN

JAAKKO S. LASSILA

K. IGNATIUS

JORMA ARANKO

HEADS OF DEPARTMENT

G. ENGBERG,
Personnel

C. G. SUNDMAN,
*Foreign exchange
(trade)*

P. BLOMQUIST,
Central Accounting

P.-E. ÖSTERLUND,
*Foreign exchange
(services)*

A. KAJANTIE,
Internal Audit

HELGE LINDSTRÖM,
Credits

ARTHUR ASPELUND,
Cash

EINO JUSSILA,
Office

K. EIROLA,
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A. NENONEN,
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