



# BANK OF FINLAND

## MONTHLY BULLETIN

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APRIL

1965

### RECENT DEVELOPMENTS

#### LEGISLATION ON AGRICULTURAL PRICES

As was reported in Bulletin No. 10, 1962, on August 15 of that year Parliament passed an act concerning agricultural prices, to be valid for three crop years, i.e. from September 1962 to August 1965. This act was based largely on the recommendations made by a special agricultural committee. It was intended to protect total agricultural income and at the same time to secure a balance between output and consumption, since the disposal of the growing output of farm products was presenting difficulties and necessitating increased Government expenditure on subsidies.

The main principle has been that of balancing target prices, subsidies and costs against each other in such a way that total agricultural income rises in the same proportion as total agricultural costs in relation to a chosen basic level. Costs have included the value of the agricultural work carried out by members of the farmers' families, this value being tied to the general level of wages and salaries. Price adjustments covering the increase in costs were, however, guaranteed only for that quantity of production sufficient to meet domestic demand, although at least for a quantity of production corresponding to the 1961/62 output and, as regards milk, the 1962/63 output. For pro-

duction in excess of these basic quantities world market prices only have been paid to producers.

Each August a calculation of costs and incomes was made, and on the basis of this the target prices of rye, wheat, milk, pork, beef and eggs, as well as the subsidies relating to farmers' income, were determined for the coming crop year. There was provision for the prices of live-stock products to be raised again in February if there had been a general increase in wages and salaries of at least 3 per cent since the previous August. The act also stipulated that at least 10 per cent of the compensation due to farmers on the basis of the cost-income calculation made in August was to be paid as direct acreage subsidies to small farmers.

As the value of the work performed by family members represents more than half of total agricultural costs, the rise in the general level of wages and salaries has contributed most the rise in producer prices.

The last price adjustment for which provision was made in the act of 1962 was to be effected in February 1965. The Government proposed that in determining the size of this adjustment the rise in the value of family

*On page 18, The Finnish economy in 1964*

members' work should be estimated at only 80 per cent, instead of 100 per cent, of the rise in the general level of wages and salaries. At the same time the Government submitted a proposal for a new act on agricultural prices, to cover the next two crop years, beginning September 1965, with 1963/64 as the base period for quantities and September 1964—February 1965 as that for prices. Here, too, the principle of tying family members' wages and salaries to the general level of wages and salaries to the extent of 80 per cent was adopted, on the grounds that the rationalization carried out in agriculture means, in effect, a rise in farmers' income. Otherwise the proposed act broadly followed the lines of the 1962 act. The two-year period of validity was calculated to afford time for planning future production policies, for making an official investigation into the comparative income levels of farmers and wage earners and for drawing up more permanent legislation on agricultural prices.

The Social Democrats submitted another proposal, which was supported by the People's Democrats; if accepted, it would have superseded the current act and been valid for one crop year beginning June 1965. Under this farmers would receive compensation for rises in the prices of requisites and the wages of hired labour, while the value of family members' farm work would be tied to the cost of living index. The annual general adjustment of prices would be fixed

in May 1965 with the March level as a basis. Every 3 per cent increase in the cost of living index in comparison with the March figure would be followed by a fresh adjustment. The acreage subsidy to small farmers would be increased.

The Government proposal would have been passed, had not the Left Wing voted it pendent until after the elections. This means that negotiations concerning a new act on agricultural prices will have to be started anew.

Thus the February adjustment of prices was made as provided for in the act of 1962. The general level of earnings had then risen by 7.9 per cent since August 1964, when the size of the previous adjustment had been determined. In accordance with the principles of the cost-income calculation the rise in total costs originating from this source was 4.39 per cent, corresponding to a compensation need of 106.13 million marks. If the Government's proposal had been accepted this sum would only have been 83 million. The increase in production and exports since August 1964, which had been estimated at 1.81 million marks, was deducted from the amount of compensation, leaving 104.32 million marks to be found. This was covered by increases in the target prices of milk, pork and eggs and in the subsidies paid on butter.

*March 23, 1965*

## BANK OF FINLAND

Mill. mk

	1964		1965			
	Dec. 31	Feb. 29	Feb. 27	March 8	March 15	March 23
<b>BALANCE SHEET</b>						
<b>Assets</b>				*		
<i>Ordinary note cover</i> .....	1 049.7	867.4	1 056.5	1 040.7	1 033.1	1 004.1
Gold .....	189.6	145.7	189.7	189.7	189.7	189.7
Foreign exchange .....	783.8	661.9	792.5	778.1	771.2	743.3
Foreign bills .....	29.7	24.0	27.7	26.3	25.6	24.5
Foreign bonds .....	46.6	35.8	46.6	46.6	46.6	46.6
<i>Supplementary note cover</i> .....	570.7	424.6	519.2	501.0	500.7	549.3
Inland bills discounted						
In foreign currency .....	55.2	66.7	54.2	54.2	54.2	54.2
In Finnish currency .....	67.1	28.9	48.4	48.7	43.3	42.1
Rediscounted bills .....	448.4	329.0	416.6	398.1	403.2	453.0
<i>Other assets</i> .....	97.4	94.2	90.3	87.2	95.9	95.1
Finnish bonds .....	35.8	35.7	14.4	9.7	20.7	16.4
Cheque accounts .....	2.5	1.5	2.4	3.9	2.1	4.0
Finnish coin .....	3.8	6.9	6.0	6.5	6.5	6.3
Other claims .....	55.3	50.1	67.5	67.1	66.6	68.4
<b>Total</b>	1 717.8	1 386.2	1 666.0	1 628.9	1 629.7	1 648.5
<b>Liabilities</b>						
<i>Notes in circulation</i> .....	1 002.7	893.4	959.2	904.8	898.6	902.5
<i>Liabilities payable on demand</i> .....	186.8	79.2	166.5	150.5	156.2	182.5
Foreign exchange accounts .....	84.7	21.0	104.3	103.7	107.4	108.7
Mark accounts of holders abroad .....	28.5	29.6	16.3	16.2	16.1	15.9
Cheque accounts						
Treasury .....	5.4	0.1	1.4	4.7	3.3	14.3
Post Office Savings Bank .....	49.6	18.1	1.6	4.0	2.8	20.4
Private banks .....	16.4	7.0	18.1	—	1.9	—
Other .....	0.7	0.5	0.6	0.4	0.5	0.5
Other sight liabilities .....	1.5	2.9	24.2	21.5	24.2	22.7
<i>Term liabilities</i> .....	55.4	66.0	65.9	65.9	65.9	65.9
Foreign .....	54.3	64.9	54.3	54.3	54.3	54.3
Finnish .....	1.1	1.1	11.6	11.6	11.6	11.6
<i>Equalization accounts</i> .....	261.8	147.7	259.0	291.6	292.4	280.2
<i>Bank's own funds</i> .....	211.1	199.9	215.4	216.1	216.6	217.4
Capital .....	100.0	100.0	100.0	100.0	100.0	100.0
Reserve fund .....	84.8	84.8	97.9	97.9	97.9	97.9
Profits undisposed .....	—	11.2	13.2	13.2	13.2	13.1
Earnings less expenses .....	26.3	3.9	4.3	5.0	5.5	6.4
<b>Total</b>	1 717.8	1 386.2	1 666.0	1 628.9	1 629.7	1 648.5
<b>STATEMENT OF NOTE ISSUE</b>						
<b>Right of note issue</b>						
Ordinary cover .....	1 049.7	867.4	1 056.5	1 040.7	1 033.1	1 004.1
Supplementary cover						
(Upper limit 500 mill. mk) .....	500.0	424.6	500.0	500.0	500.0	500.0
<b>Total</b>	1 549.7	1 292.0	1 556.5	1 540.7	1 533.1	1 504.1
<b>Note issue</b>						
Notes in circulation .....	1 002.7	893.4	959.2	904.8	898.6	902.5
Liabilities payable on demand .....	186.8	79.2	166.5	150.5	156.2	182.5
Undrawn on cheque credits .....	5.0	6.1	4.6	4.2	4.9	4.3
Unused right of note issue .....	355.2	313.3	426.2	481.2	473.4	414.8
<b>Total</b>	1 549.7	1 292.0	1 556.5	1 540.7	1 533.1	1 504.1

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

## BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net claims on the Treasury (7+8-9)
	1	2	3	4	5	6	7	8	9	10
1957	384.3	45.7	338.6	176.5	201.9	313.2	160.2	— 39.7	51.4	69.1
1958	575.6	21.8	553.8	126.2	160.1	519.9	90.3	— 51.6	71.5	— 32.8
1959	730.7	21.2	709.5	92.5	158.4	643.6	103.3	37.6	64.2	76.7
1960	686.0	40.6	645.4	67.0	142.7	569.7	37.5	32.4	61.9	8.0
1961	691.5	13.4	678.1	87.5	128.4	637.2	27.7	5.9	1.1	32.5
1962	637.7	17.1	620.6	67.7	114.9	573.4	—	28.9	5.5	23.4
1963	752.2	18.2	734.0	65.6	100.5	699.1	—	18.9	0.2	18.7
1964	973.4	84.7	888.7	76.3	82.8	882.2	—	8.9	5.4	3.5
1964										
Jan.	780.6	20.2	760.4	65.7	97.1	729.0	—	18.9	0.1	18.8
Feb.	807.6	21.0	786.6	59.8	94.5	751.9	—	18.9	0.1	18.8
March	852.5	18.4	834.1	63.6	93.4	804.3	—	18.9	5.3	13.6
April	864.9	17.6	847.3	68.1	91.2	824.2	—	18.9	12.3	6.6
May	885.5	17.5	868.0	68.0	90.7	845.3	—	18.9	0.0	18.9
June	875.9	17.0	858.9	64.7	88.6	835.0	—	18.9	4.6	14.3
July	889.9	18.9	871.0	64.2	89.1	846.1	—	18.9	1.0	17.9
Aug.	901.0	19.0	882.0	64.3	86.3	860.0	—	18.9	3.3	15.6
Sept.	879.1	19.2	859.9	66.9	85.5	841.3	—	18.9	4.3	14.6
Oct.	894.4	20.8	873.6	71.8	82.8	862.6	—	18.9	7.7	11.2
Nov.	913.0	40.1	872.9	77.6	85.7	864.8	—	8.9	4.7	4.2
Dec.	973.4	84.7	888.7	76.3	82.8	882.2	—	8.9	5.4	3.5
1965										
Jan.	991.6	94.7	896.9	75.1	70.8	901.2	—	8.9	2.5	6.4
Feb.	982.2	104.3	877.9	74.3	70.6	881.6	—	8.9	1.4	7.5

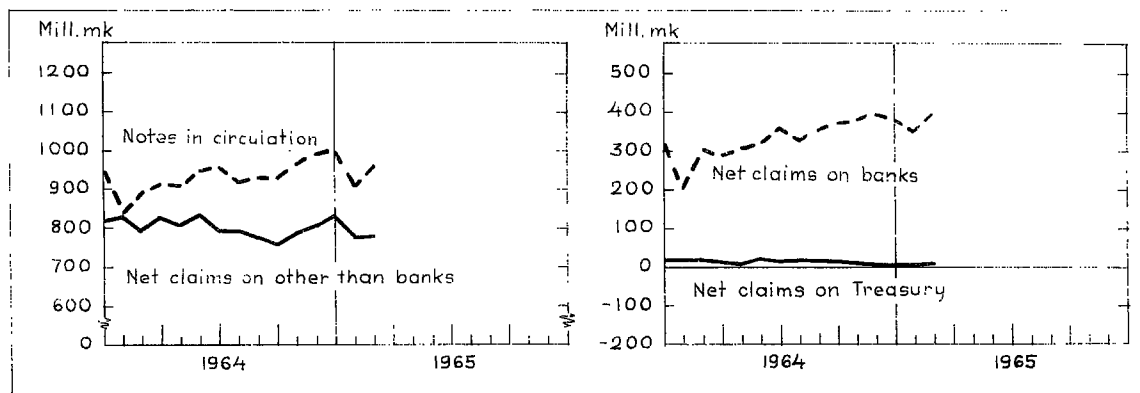
	Foreign exchange situation, mill. mk								
	Net holdings, Dec. 31, 1964			Net holdings, Feb. 27, 1965			Change in		
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	February	Jan.-Feb.	
Gold <sup>1)</sup> .....	+273	—	+273	+273	—	+273	—	—	
Convertible currencies .....	+708	—74	+634	+733	—87	+646	—21	+12	
Other currencies .....	—9	+1	—8	—45	—	—45	—11	—37	
Gold and foreign exchange .....	+972	—73	+899	+961	—87	+874	—32	—25	
Gold tranche position in IMF <sup>2)</sup> .....			+46			+46	—	—	
Total .....			+945			+920	—32	—25	

<sup>1)</sup> Gold holdings are valued on basis of the par value of the mark. <sup>2)</sup> Gold tranche position measures that part of Finland's quota which may be drawn essentially automatically in convertible exchange against payment in marks.

## BANK OF FINLAND

Mill. mk

End of year and month	Finnish credit institutions					Other				Notes in circulation
	Redis-counted bills	Liabilities, Cheque accounts			Net claims on the banks (1-2-3-4)	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the rest of economy (6+7-8)	
		Private banks	Post Office Savings Bank	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
1957	249.1	24.1	—	—0.4	225.4	129.1	144.2	5.6	267.7	606.4
1958	187.1	14.7	—	20.8	151.6	88.2	143.0	5.3	225.9	650.8
1959	47.2	38.6	—	2.5	6.1	38.9	105.0	3.9	140.0	694.4
1960	205.1	16.8	—	1.6	186.7	72.3	109.5	3.5	178.3	727.4
1961	294.6	44.7 <sup>1)</sup>	4.4 <sup>1)</sup>	12.5	233.0	70.8	107.3	2.9	175.2	837.1
1962	401.2	— 4.0	53.3	0.8	351.1	33.5	99.6	4.1	129.0	774.4
1963	325.3	1.3	3.0	1.2	319.8	57.2	94.4	1.7	149.9	943.7
1964	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1964										
Jan.	241.2	8.7	27.4	2.1	203.0	52.1	89.4	1.1	140.4	835.0
Feb.	329.0	7.0	18.1	2.4	301.5	28.9	98.3	1.0	126.2	893.4
March	316.0	—13.2	38.2	2.2	288.8	23.3	111.3	0.7	133.9	911.2
April	349.0	0.7	41.8	1.7	304.8	20.9	113.2	0.6	133.5	905.5
May	329.5	5.2	0.2	1.7	322.4	20.4	119.7	1.3	138.8	945.4
June	403.2	2.7	34.6	2.9	363.0	19.1	104.3	2.5	120.9	954.9
July	357.8	4.1	23.0	3.7	327.0	19.0	110.1	1.8	127.3	918.1
Aug.	389.7	3.7	30.8	1.6	353.6	17.9	104.7	1.3	121.3	928.2
Sept.	388.2	—1.6	14.2	1.3	374.3	24.3	103.9	3.4	124.8	927.3
Oct.	407.7	—7.1	33.5	0.9	380.4	41.6	105.8	0.9	146.5	964.0
Nov.	394.2	—6.8	5.4	1.0	394.6	55.6	111.2	3.1	163.7	989.9
Dec.	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1965										
Jan.	357.3	5.9	2.5	1.2	347.7	48.3	118.8	32.9	134.2	910.2
Feb.	416.6	18.1	1.6	1.1	395.8	48.4	114.1	34.2	128.3	959.2

<sup>1)</sup> Including cash reserve accounts

## DEPOSITS BY THE PUBLIC - FOREIGN EXCHANGE RATES

Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. credit societies & their cen- tral bank	Post Office Savings Bank	Savings depart- ments of co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1954	349.1	421.1	132.2	834.4	921.7	520.5	300.8	134.2	2 712.0	3 265.3
1955	365.9	442.8	118.5	977.9	1 085.4	611.4	330.7	152.6	3 158.4	3 719.7
1956	386.1	459.6	138.4	968.1	1 124.0	635.3	341.6	160.1	3 229.5	3 827.5
1957	377.1	461.4	139.3	1 032.2	1 178.6	671.1	339.6	168.2	3 390.1	3 990.8
1958	395.7	495.8	167.7	1 222.6	1 312.6	742.7	381.7	191.9	3 851.8	4 515.3
1959	557.5	678.1	140.9	1 505.5	1 525.5	860.3	431.2	219.1	4 541.9	5 360.9
1960	550.8	680.7	135.9	1 813.6	1 798.6	1 052.5	485.2	254.3	5 404.5	6 221.1
1961	577.9	720.8	143.8	2 105.9	2 079.6	1 241.0	558.2	285.3	6 270.3	7 134.9
1962	649.0	800.8	168.5	2 270.4	2 210.8	1 325.5	606.6	293.2	6 706.7	7 676.0
1963	715.3	876.0	250.3	2 441.0	2 336.6	1 448.0	648.5	310.7	7 185.0	8 311.3
1964*	683.4	857.0	296.5	2 816.7	2 621.0	1 680.4	713.8	331.3	8 163.4	9 316.9
1964*										
Feb.	620.8	754.1	244.0	2 485.9	2 388.2	1 505.7	664.8	316.3	7 361.1	8 359.2
March	615.3	755.9	292.6	2 521.6	2 404.5	1 533.2	666.0	318.8	7 444.3	8 492.8
April	641.5	777.7	220.5	2 541.5	2 416.7	1 551.7	661.7	319.6	7 491.3	8 489.5
May	645.2	797.4	256.6	2 577.8	2 444.7	1 576.5	660.0	318.0	7 577.1	8 631.1
June	640.0	789.1	260.7	2 569.4	2 418.0	1 551.4	659.2	314.3	7 512.4	8 562.2
July	671.3	833.6	224.9	2 579.9	2 430.4	1 557.6	660.0	313.1	7 541.0	8 599.5
Aug.	665.6	837.3	229.0	2 592.6	2 447.7	1 569.0	663.9	312.2	7 585.4	8 651.7
Sept.	667.5	826.8	281.0	2 610.9	2 469.8	1 583.8	667.8	316.1	7 648.5	8 756.3
Oct.	643.6	791.4	256.2	2 630.2	2 483.0	1 591.5	673.1	320.5	7 698.5	8 746.1
Nov.	668.8	833.3	284.8	2 662.7	2 515.4	1 621.2	676.7	323.4	7 800.0	8 918.1
Dec.	683.4	857.0	296.5	2 816.7	2 621.0	1 680.4	713.8	331.3	8 163.4	9 316.9
1965*										
Jan.	669.9	822.1	285.0	2 849.8	2 666.0	1 711.1	723.5	334.6	8 285.2	9 392.3
Feb.	632.2	775.8	367.3	2 885.6	2 715.3	1 760.2	734.6	339.9	8 435.8	9 578.9

End of month	Index-tied deposits		High-interest deposits
	100 % clause <sup>1)</sup>	50 % clause, tax-free	
1964*			
May	556.2	159.4	675.5
June	674.0	146.2	650.5
July	745.5	134.0	639.2
Aug.	817.6	129.0	628.7
Sept.	916.6	120.5	621.4
Oct.	987.1	119.2	603.7
Nov.	1 072.9	119.6	593.9
Dec.	1 166.4	120.3	592.3
1965*			
Jan.	1 312.9	113.3	592.5
Feb.	1 386.5	99.1	591.0

<sup>1)</sup> Tax-free since May 1, 1964.

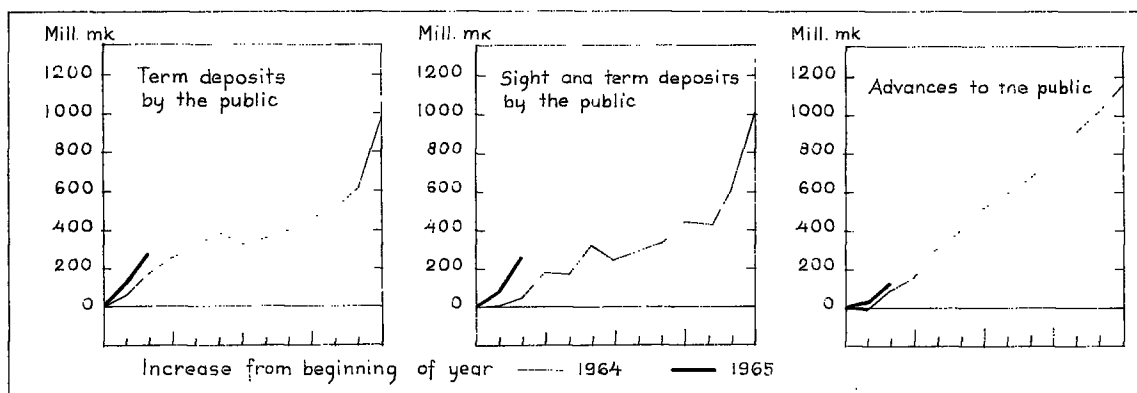
Selling rates for foreign exchange				
March 24, 1965				
		mk		mk
New York ...	1 \$	3.224	Zurich ..... 100 Fr	74.22
Montreal .....	1 \$	2.980	Paris ..... 100 FF	65.75
London .....	1 £	9.000	Rome ..... 100 Lit	0.5159
Stockholm ...	100 Kr	62.78	Vienna ... .. 100 S	12.48
Oslo .....	100 Kr	45.06	Lisbon ..... 100 Esc	11.22
Copenhagen ..	100 Kr	46.58	Reykjavik .... 100 Kr	7.50
Frankfurt o.M.	100DM	81.04	Madrid ..... 100 Pta	5.42
Amsterdam ...	100 Fl	89.54	Prague, clear... 100 Kč	44.58
Brussels .....	100 Fr	6.495	Moscow, clear. <sup>1)</sup> 1 Rbl	3.5667
			Clearing dollars <sup>2)</sup> 1 Cl \$	3.21

<sup>1)</sup> Bucharest, Peking.<sup>2)</sup> 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
1954	1 289.6	824.5	221.2	647.0	127.7	2 915.1	194.9	3 110.0	995.6
1955	1 554.4	964.5	248.7	728.7	136.0	3 398.0	234.3	3 632.3	1 043.0
1956	1 626.6	1 028.3	262.3	767.6	146.9	3 578.0	253.7	3 831.7	1 160.0
1957	1 603.8	1 066.4	260.5	780.6	157.2	3 630.0	238.5	3 868.5	1 170.7
1958	1 745.4	1 154.8	290.3	835.1	219.3	4 011.5	233.4	4 244.9	1 302.3
1959	2 096.9	1 327.2	331.4	967.3	325.8	4 772.7	275.9	5 048.6	1 448.4
1960	2 604.6	1 549.3	395.0	1 176.0	452.2	5 861.9	315.2	6 177.1	1 494.6
1961	3 048.0	1 817.6	436.8	1 462.7	515.2	6 928.2	352.1	7 280.3	1 646.1
1962	3 299.9	2 018.5	508.7	1 600.6	614.7	7 680.8	361.6	8 042.4	1 722.5
1963	3 472.5	2 134.5	544.0	1 757.7	664.3	8 226.2	346.8	8 573.0	1 986.5
1964*	3 916.4	2 316.6	607.7	2 057.5	829.4	9 320.4	407.2	9 727.6	2 046.0
1964*									
Feb.	3 509.5	2 148.7	554.2	1 769.8	683.9	8 266.6	399.5	8 666.1	1 798.0
March	3 547.4	2 150.3	559.5	1 783.0	687.5	8 329.6	398.1	8 727.7	1 849.7
April	3 635.3	2 170.0	563.1	1 806.8	706.6	8 473.4	408.4	8 881.8	1 826.2
May	3 628.6	2 190.4	570.0	1 827.9	751.1	8 599.4	368.6	8 968.0	1 914.1
June	3 689.8	2 200.9	575.3	1 859.8	768.2	8 688.9	405.1	9 094.0	1 901.4
July	3 706.0	2 219.7	583.0	1 876.1	777.1	8 771.9	390.0	9 161.9	1 889.4
Aug.	3 720.7	2 239.4	592.4	1 903.8	782.4	8 845.8	392.9	9 238.7	1 903.2
Sept.	3 761.2	2 268.8	601.3	1 949.4	787.2	8 967.3	400.6	9 367.9	1 946.3
Oct.	3 791.0	2 296.0	611.6	1 983.7	810.2	9 067.4	425.1	9 492.5	1 933.0
Nov.	3 819.3	2 322.2	607.8	2 028.0	824.7	9 203.3	398.7	9 602.0	2 012.2
Dec.	3 916.4	2 316.6	607.7	2 057.5	829.4	9 320.4	407.2	9 727.6	2 046.0
1965*									
Jan.	3 900.7	2 337.6	614.6	2 078.1	827.5	9 342.4	416.1	9 758.5	1 940.9
Feb.	3 944.4	2 357.1	623.6	2 100.4	830.1	9 437.5	418.1	9 855.6	2 010.4

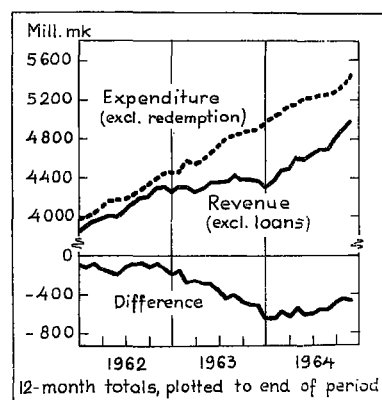


## STATE FINANCES

Mill. mk

Revenue	Jan. - Nov.		Expenditure	Jan. - Nov.	
	1963	1964		1963	1964
Income and property tax (net) .....	894	1 276	Interest on State debt .....	76	109
Gross receipts .....	(2 320)	(2 858)	Child allowances .....	294	304
Refunds and communal income tax .....	(-1 426)	(-1 582)	The State's share in national pensions .....	187	211
Other direct taxes .....	18	22	Compensations to war-disabled .....	111	120
Sales tax .....	921	913	Subsidies .....	565	543
Import duties .....	431	448	Net payments on price equalization by extra-budgetary funds .....	11	16
Revenue from Alcohol Monopoly ...	312	350	State aid to agriculture .....	60	62
Excise duty on tobacco .....	250	266	State aid to communal and private schools .....	340	405
Excise duty on liquid fuel .....	163	189	Net loss of State enterprises .....	8	23
Other excise duties .....	73	87	Maintenance of roads .....	123	128
Tax on automobiles and motor cycles .....	81	131	Other current expenditure .....	1 469	1 706
Stamp duties .....	194	224	<b>Current expenditure</b> .....	3 244	3 627
Employers' payments for child allow- ances .....	279	321	Real investments .....	850	943
Net receipts of price equalization by extra-budgetary funds .....	—	—	Other capital expenditure .....	411	419
Other revenue similar to taxes .....	54	60	<b>Capital expenditure</b> .....	1 261	1 362
<b>Total taxes</b> .....	3 670	4 287	<b>Total expenditure</b> .....	4 505	4 989
Interest and dividends .....	68	73	Redemption of external loans .....	32	40
Other current revenue .....	123	153	Redemption of internal loans .....	172	188
<b>Current revenue</b> .....	3 861	4 513	Redemption of indemnity bonds etc. ....	7	4
Capital revenue proper .....	99	114	Index premiums .....	8	13
Decrease in inventories .....	39	56	<b>Redemptions</b> .....	219	245
<b>Capital revenue</b> .....	138	170	<b>Total</b> .....	4 724	5 234
<b>Total revenue</b> .....	3 999	4 683			
External loans .....	185	183			
Internal loans .....	328	237			
<b>Loans</b> .....	513	420			
<b>Short-term credit</b> (increase +) ..	+ 79	+ 111			
<b>Deficit (+) or surplus (-)</b> .....	+ 133	+ 20			
<b>Total</b> .....	4 724	5 234			

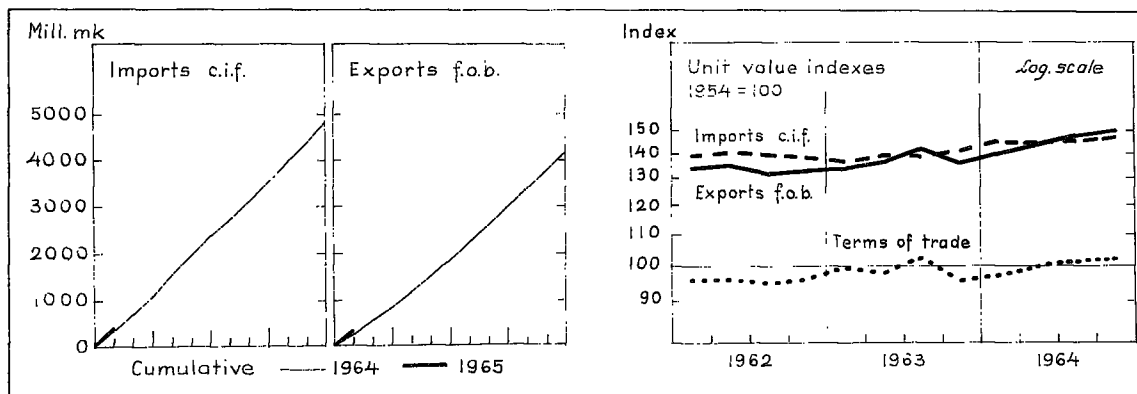
Debt	1961	1962	1963	1964		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
<b>External debt</b> ...	791	803	963	1 125	1 122	1 109
Ordinary loans ....	757	936	1 109	1 166	1 171	1 158
Indemnity bonds etc.	26	18	11	8	8	7
Short-term credit ..	24	61	160	192	204	271
Cash debt (net) ...	-98	-125	78	59	-44	108
<b>Internal debt</b> ....	709	890	1 358	1 425	1 339	1 544
<b>Total debt</b> .....	1 500	1 693	2 321	2 550	2 461	2 653
Total debt, mill. \$	465.9	525.4	720.8	791.4	765.1	825.0





## FOREIGN TRADE

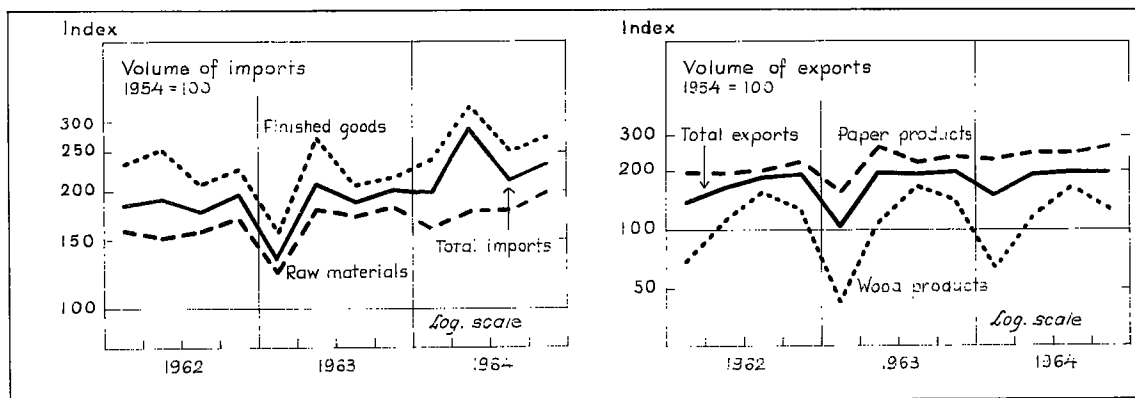
Period	Value mill. mk			Unit value indexes 1954 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (—) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
1955	1 769.6	1 812.6	+ 43.0	106	110	105	105	115	100	106
1956	2 035.6	1 779.9	—255.7	106	110	104	109	106	105	101
1957	2 279.3	2 123.9	—155.4	116	118	113	119	120	122	95
1958	2 333.0	2 479.3	+146.3	138	139	133	139	153	140	99
1959	2 673.0	2 673.2	+ 0.2	130	120	121	131	152	133	98
1960	3 403.0	3 164.7	—238.3	133	123	131	132	147	136	98
1961	3 690.2	3 374.0	—316.2	135	145	134	134	140	137	99
1962	3 928.7	3 533.1	—395.6	134	146	132	128	150	139	96
1963	3 866.9	3 678.0	—188.9	137	145	142	129	147	139	99
1964*	4 816.1	4 132.0	—684.1	146	161	155	133	158	143	102
1964*										
Jan.	363.0	281.3	— 81.7	140	148	152	131	133	144	97
Feb.	349.4	299.9	— 49.5							
March	368.0	231.4	—136.6							
April	448.8	339.5	—109.3							
May	398.7	335.3	— 63.4	144	164	148	132	158	144	100
June	412.4	366.4	— 46.0							
July	362.9	368.6	+ 5.7							
Aug.	390.2	349.3	— 40.9							
Sept.	422.3	408.4	— 13.9	150	162	160	133	174	147	102
Oct.	418.8	400.8	— 18.0							
Nov.	432.8	367.2	— 65.6							
Dec.	448.8	383.9	— 64.9							
1965*										
Jan.	383.9	317.3	—66.6							



## FOREIGN TRADE BY MAIN GROUPS

Mill. mk

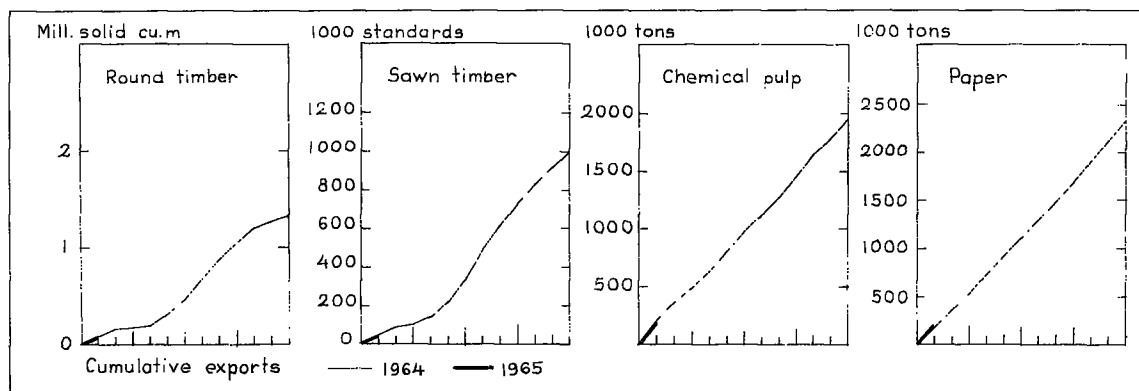
Period	Imports, c. i. f.				Exports, f. o. b.					
	Raw materials and producer goods	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods
			Investment goods	Consumer goods						
1954	864.2	173.4	288.0	195.8	51.5	135.8	497.3	616.6	209.9	55.1
1955	949.2	215.4	342.2	262.8	38.8	199.1	513.2	757.9	248.0	55.6
1956	1 042.8	274.6	433.6	284.6	62.1	172.4	404.9	817.8	251.2	71.5
1957	1 174.3	402.4	413.5	289.1	101.7	171.0	482.9	976.4	304.3	87.6
1958	1 195.0	326.6	488.0	323.4	106.5	193.5	578.2	1 151.7	340.3	109.1
1959	1 338.2	281.2	675.4	378.2	148.6	162.9	636.6	1 170.0	441.5	113.6
1960	1 662.6	330.5	933.4	476.5	160.3	205.6	840.8	1 337.2	473.6	147.2
1961	1 711.2	329.9	1 034.4	614.7	153.5	295.8	840.8	1 539.1	386.3	158.5
1962	1 762.6	371.2	1 144.9	650.0	144.5	189.5	770.3	1 588.8	662.6	177.4
1963	1 827.5	373.3	1 004.3	661.8	164.8	112.8	811.8	1 752.2	613.8	222.6
1964*	2 110.7	508.4	1 395.8	801.2	230.4	89.8	895.8	2 019.5	610.5	286.0
1964*										
Jan.	171.9	42.1	91.1	57.9	14.0	4.3	50.3	169.3	25.6	17.8
Feb.	155.6	36.5	100.1	57.2	23.8	5.5	44.6	148.1	60.4	17.5
March	149.6	47.7	107.9	62.8	12.1	1.8	26.4	145.3	28.9	16.9
April	162.3	34.1	148.5	103.9	27.9	2.3	49.5	165.1	75.6	19.1
May	167.7	50.6	114.9	65.5	23.1	7.1	67.5	173.7	37.2	26.7
June	182.9	31.0	126.7	71.8	17.5	8.4	97.1	163.0	55.0	25.4
July	164.7	31.4	114.7	52.1	18.1	13.3	116.9	156.6	40.9	22.8
Aug.	182.4	48.0	109.6	50.2	19.9	14.9	95.7	166.8	28.1	23.9
Sept.	187.8	44.4	123.4	66.7	17.2	11.6	97.4	186.1	68.2	27.9
Oct.	179.1	36.4	131.7	71.6	16.7	9.0	89.0	192.1	67.5	26.5
Nov.	202.8	54.7	105.9	69.4	11.7	6.7	86.2	173.3	56.9	32.4
Dec.	203.9	51.5	121.3	72.1	28.4	4.9	75.2	180.1	66.2	29.1
1965*										
Jan.	184.8	33.2	110.4	55.5	24.3	3.7	60.3	169.0	39.9	20.1



March 1963 figures are affected by strikes.

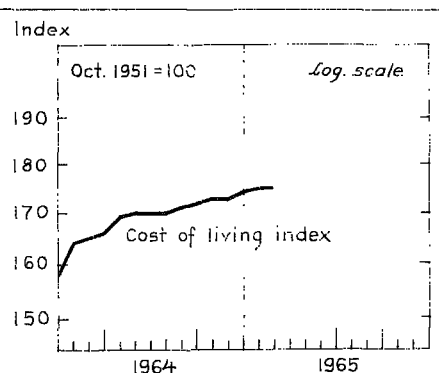
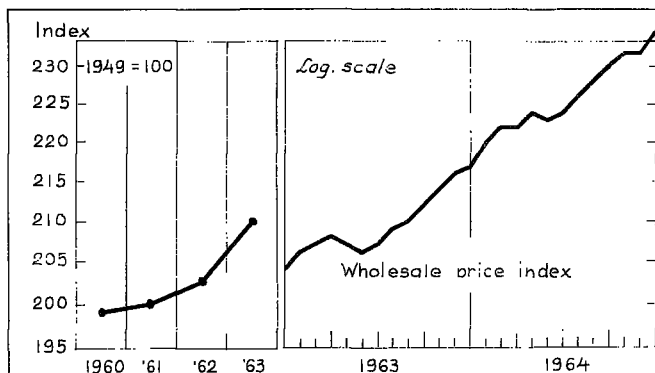
## EXPORTS OF SOME IMPORTANT ARTICLES

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
1964*	1 319	990	440	175	971	979	194	165	989	2 309
1964*										
Jan.	86	47	37	17	97	104	14	16	75	179
Feb.	64	35	41	15	75	66	13	15	68	174
March	15	15	27	11	66	68	14	13	65	168
April	26	42	38	15	81	64	16	16	79	197
May	122	69	43	13	82	97	14	15	81	195
June	143	122	31	20	87	84	15	12	83	182
July	218	156	31	11	69	67	13	10	76	195
Aug.	202	125	27	12	90	75	15	10	76	188
Sept.	169	116	39	14	82	91	15	13	96	201
Oct.	140	97	41	17	86	97	17	15	100	219
Nov.	76	93	41	13	77	73	20	15	97	219
Dec.	58	73	44	17	79	93	28	15	93	192
1965*										
Jan.	62	52	44	13	91	95	13	14	83	189



## FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c.i.f.					Exports, f.o.b.				
	Whole year		January			Whole year		January		
	1963	1964*	1964*	1965*		1963	1964*	1964*	1965*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
<b>Sterling area</b> .....	15.8	15.3	13.1	14.9	57.2	23.6	25.3	28.3	26.8	85.1
United Kingdom .....	15.3	14.8	12.8	14.5	55.8	21.5	23.0	26.0	24.2	76.7
<b>Other OECD countries</b>										
<b>in Europe</b> .....	53.0	52.7	51.3	57.2	219.6	43.9	45.9	48.4	48.4	153.5
Austria .....	0.7	0.7	0.6	0.8	2.9	0.3	0.4	0.4	0.3	1.1
Belgium-Luxembourg ....	2.2	2.0	2.0	2.2	8.4	3.3	3.5	3.5	3.8	11.9
Denmark .....	3.3	3.0	3.4	3.2	12.3	3.5	3.7	3.4	4.1	13.1
France .....	4.3	5.5	4.2	4.1	15.7	5.0	5.8	5.9	5.6	17.8
Western Germany .....	18.0	17.3	17.9	18.6	71.5	12.0	11.6	12.5	12.4	39.2
Italy .....	2.0	1.8	2.0	2.2	8.4	3.2	3.0	4.1	3.6	11.5
Netherlands .....	4.7	4.0	3.7	5.0	19.2	6.3	6.8	8.0	6.1	19.3
Norway .....	1.6	1.5	1.6	2.0	7.9	0.8	0.9	0.8	0.8	2.6
Portugal .....	0.2	0.2	0.2	0.2	0.7	0.1	0.1	0.1	0.0	0.1
Spain .....	0.4	0.5	0.3	0.9	3.3	0.9	0.9	0.9	1.1	3.5
Sweden .....	11.9	12.7	12.4	14.4	55.4	5.7	6.4	5.6	6.8	21.4
Switzerland .....	2.9	2.8	2.6	3.1	12.0	0.7	0.8	0.8	0.7	2.2
<b>Eastern Bloc</b> .....	21.7	22.4	26.4	18.1	69.6	20.8	17.5	9.8	19.7	33.8
China .....	0.2	0.4	0.1	0.6	2.2	0.5	0.5	0.1	0.6	2.0
Czechoslovakia .....	0.7	0.6	0.6	0.7	2.8	0.9	0.4	0.6	0.5	1.6
Eastern Germany .....	1.1	1.0	1.0	1.1	4.4	1.0	1.0	1.1	0.5	1.7
Poland .....	2.0	2.0	2.9	2.6	10.0	1.7	2.0	2.1	2.8	9.0
Soviet Union .....	16.9	17.6	20.5	12.5	48.0	16.0	12.1	5.0	5.3	16.5
<b>U.S. and Canada</b> .....	5.3	5.0	5.1	6.0	23.0	5.4	5.9	6.9	8.1	25.7
United States .....	4.9	4.8	5.0	5.9	22.5	5.2	5.7	6.8	7.9	25.1
<b>Latin America</b> .....	2.9	3.0	2.0	1.4	5.3	2.9	2.7	2.9	3.1	9.9
Argentina .....	0.5	0.3	0.1	0.2	0.6	0.6	0.8	0.5	1.4	4.5
Brazil .....	1.6	1.6	1.2	0.8	3.2	0.7	0.5	0.7	0.3	1.0
<b>Other</b> .....	1.3	1.6	2.1	2.4	9.2	3.4	2.7	3.7	2.9	9.3
<b>Grand total</b> .....	100.0	100.0	100.0	100.0	383.9	100.0	100.0	100.0	100.0	317.3
<b>of which</b>										
<b>EFTA countries</b> .....	36.0	35.8	33.6	38.3	147.0	32.6	35.4	37.1	36.9	117.2
<b>EEC countries</b> .....	31.2	30.5	29.8	32.1	123.2	29.8	30.6	33.9	31.4	99.7



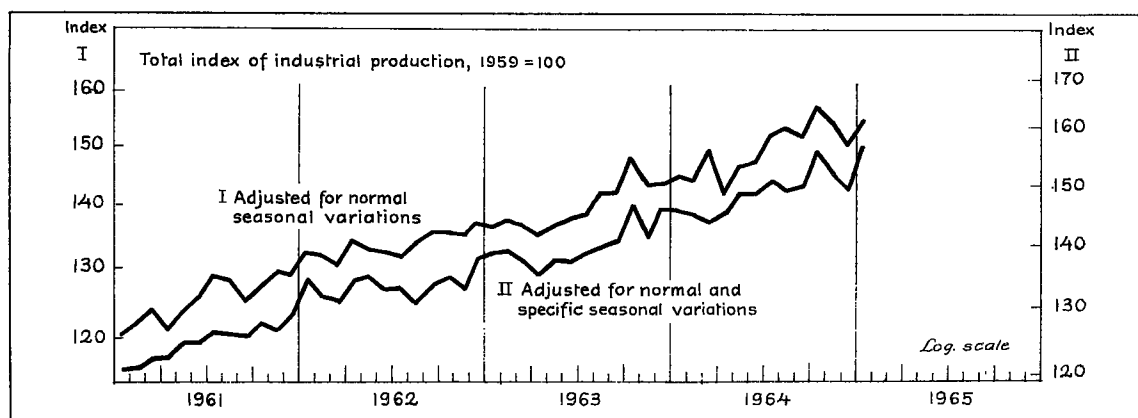
## PRICE INDEXES

Period	Wholesale prices 1949 = 100									Building costs 1951 = 100		
	Total index	Origin		Purpose			Stage of processing			Total	Building material	Workers' average hourly earnings
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply processed goods	More elab- orately processed goods			
1962	203	205	196	209	203	197	217	200	198	132	114	156
1963	210	212	201	214	211	205	226	203	205	140	118	171
1964	..	..	..	..	..	..	..	..	..	150	120	192
1964												
Feb.	222	226	207	222	210	226	243	213	216	144	118	180
March	222	226	208	223	211	224	242	214	216	146	118	186
April	224	228	209	224	211	227	246	215	217	148	119	188
May	223	226	209	225	211	223	241	217	216	150	119	194
June	224	228	211	227	211	224	246	217	216	150	120	195
July	226	230	210	227	212	227	252	215	216	150	120	194
Aug.	228	232	211	229	216	228	255	217	218	152	121	197
Sept.	230	235	213	233	217	230	256	222	220	152	121	198
Oct.	232	237	212	236	217	230	260	223	221	153	122	200
Nov.	232	238	212	237	217	230	260	225	221	153	123	198
Dec.	235	240	213	238	221	233	263	225	224	154	123	199
1965												
Jan.	..	..	..	..	..	..	..	..	..	156	123	202
Feb.	..	..	..	..	..	..	..	..	..	156	123	204

Period	Cost of living Oct. 1951 = 100						Consumer prices Oct.—Dec. 1957 = 100					
	Total	Food- stuffs	Rent	Heating and lighting	Clothing	Other	Total	Food- stuffs	Rent	Heating and lighting	Clothing	Other
1962	147	156	327	103	90	143	115	115	121	100	112	117
1963	154	164	346	108	93	151	121	120	128	105	115	123
1964	170	184	364	114	107	164	133	135	135	110	132	134
1964												
March	167	180	361	114	106	162	131	132	134	110	132	132
April	169	182	361	114	106	163	132	134	134	111	132	133
May	170	185	361	114	106	164	133	136	134	111	132	134
June	170	185	361	114	107	165	134	136	134	110	132	135
July	170	185	361	114	107	165	134	136	134	110	132	135
Aug.	171	185	361	114	107	166	134	136	134	110	133	135
Sept.	172	188	361	114	108	167	135	138	134	111	134	136
Oct.	173	187	372	114	108	167	135	137	138	111	134	136
Nov.	173	188	372	114	108	167	136	138	138	111	134	136
Dec.	174	189	372	114	109	168	136	139	138	111	135	137
1965												
Jan.	175	189	372	114	109	170	137	139	138	111	135	139
Feb.	175	190	372	114	109	170	137	140	138	111	136	139

## 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	Invest- ment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					Wood industry	Paper industry	Metal industry	Other			
1962	133	151	133	127	114	141	144	126	133	47 264	160
1963*	139	136	142	135	117	154	141	134	140	47 784	169
1964*	150	140	156	140	124	168	148	143	149	53 200	156
1963*											
May	147	149	147	146	131	158	152	142	137	10 095	191
June	130	128	128	134	109	126	134	131	138	1 941	167
July	106	83	114	96	112	146	83	100	139	1 299	153
Aug.	143	137	142	147	108	157	137	146	142	1 936	183
Sept.	148	146	151	141	111	169	151	141	142	2 192	176
Oct.	162	160	167	152	132	182	166	156	148	3 189	181
Nov.	151	145	157	141	110	169	152	146	143	3 915	173
Dec.	133	127	139	123	118	148	132	124	144	4 534	201
1964*											
Jan.	148	146	154	137	117	163	153	138	145	5 552	114
Feb.	147	144	152	138	127	162	152	137	144	6 031	143
March	146	139	152	136	121	162	147	137	149	6 500	142
April	157	150	161	153	150	169	158	153	142	5 469	161
May	144	133	149	158	127	164	139	138	146	11 353	154
June	143	141	146	139	137	142	145	141	147	1 863	150
July	116	77	128	103	118	168	85	107	152	1 327	145
Aug.	150	134	154	149	100	173	140	153	153	1 846	170
Sept.	162	157	168	152	121	182	167	155	152	2 335	173
Oct.	167	154	176	152	125	190	165	160	157	2 926	169
Nov.	163	156	172	147	121	182	164	156	154	3 462	164
Dec.	150	143	158	133	123	160	160	139	150	4 536	183
1965*											
Jan.	152	146	161	134	123	174	153	138	154	4 822	..

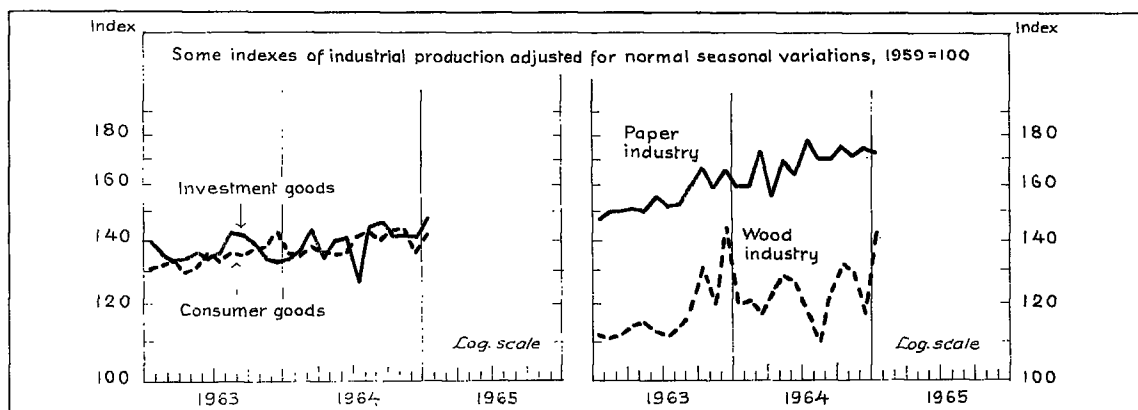


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

## 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		
								Agri- culture	Forestry	Manu- facturing
1962	23.18	10.61	2.15	7.11	2.31	25.53	132	120	128	134
1963	25.16	12.81	2.29	6.62	2.44	26.28	145	136	144	143
1964*	24.59	10.57	2.43	7.61	2.80	28.55	164	156	170	162
1963										
July- Sept.	7.04	2.77	0.76	2.01	1.10	28.58	148	137	141	145
Oct.- Dec.	8.90	5.13	1.00	1.99	0.51	26.28	149	138	150	146
1964*										
Jan. - Mar.	4.41	2.30	0.23	1.36	0.40	25.39	158	148	161	156
Apr. - June	4.93	1.83	0.31	1.91	0.66	29.45	164	154	172	162
July- Sept.	6.57	2.47	0.85	1.74	1.05	30.77	165	149	175	163
Oct.-Dec.	8.68	3.97	1.04	2.60	0.69	28.55	169	165	175	167

Period	Railways		Foreign shipping				Labour input		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo —		Vessels departed 1 000 net reg. tons		1 000 man-months		% of total labour force	
	1964	1965	1964*	1965*	1964*	1965*	1964	1965*	1964	1965*
Jan.	125	118	576	690	527	549	1 854	1 879	2.7	2.2
Feb.	124	124	538	549	451	451	1 851		2.3	
March	122		535		389		1 839		1.8	
April	138		588		487		1 882		1.5	
May	125		755		709		1 920		1.1	
June	128		995		963		1 906		1.2	
July	128		1 165		1 253		1 772		1.1	
Aug.	132		1 072		1 111		1 862		1.0	
Sept.	138		861		873		1 924		1.0	
Oct.	140		842		760		1 928		1.3	
Nov.	135		909		683		1 905		1.5	
Dec.	116		827		679		1 866		1.7	



## EXPLANATIONS RELATING TO THE STATISTICAL SECTION

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

### BANK OF FINLAND

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

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

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

### DEPOSITS BY THE PUBLIC —

#### ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

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

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

### STATE FINANCES

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

### FOREIGN TRADE

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

### PRICE INDEXES

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

### PRODUCTION — INTERNAL TRADE

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

### BUILDING — WAGES — EMPLOYMENT — TRANSPORT

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

### SYMBOLS USED

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

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



## SOME PARTICULARS ABOUT FINLAND

### FORM OF GOVERNMENT

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

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

### LAND

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

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

### POPULATION

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

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

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

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

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

EDUCATION (1963): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 6 colleges of university standard, and 2 teachers' training colleges, besides teacher-training departments in two of the universities.

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

### TRADE AND TRANSPORT

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

FOREST RESOURCES (1960—1963): The growing stock comprised 1 410 million of solid cu. m incl. bark (49 797 million

cu. ft), of which pine 43 % and spruce 38 %, the rest 19 % being leaf-trees, chiefly birch. Of the growing stock 13 300 million cu. ft, 56 % of them pine, was up to the standard required for logs. The annual growth is 43 million solid cu. m green wood excl. bark (1 519 mill. cu. ft). The total removal in 1963 calculated according to the use of wood was 51 million cu. m excl. bark (1 815 million cu. ft.)

AGRICULTURE (1960): Cultivated land 2.6 million hectares of which holdings of less than 5 ha amount to 17 %, 5 to 15 ha 48 %, 15 to 50 ha 30 % and more than 50 ha 5 %. Number of holdings 388 000, of which 184 000 are of more than 5 ha. Index of agricultural production 127 for 1963 (1954 = 100). Measure of self-sufficiency in bread cereals 69 % in the crop year 1963/64.

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

RAILWAYS (Jan. 1, 1965): Length 5 463 km, of which 5 389 km are State and 74 km private railways. The gauge of State railways 1,524 m.

MERCHANT FLEET (Feb. 28, 1965): Steamers 152 (257 458 gross reg. tons), motor vessels 374 (711 112 gross reg. tons), sailing vessels with auxiliary engines 36 (4 419 gross reg. tons). Total 562 (972 989 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1964): Private cars 364 800, lorries and delivery vans 78 600, buses 5 900, others 14 000, Total 464 300.

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

### FINANCE AND BANKING

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

MUNICIPAL FINANCES. In the finance accounts for 1962 expenditure amounted to 2 504 mill. marks. Total revenue was 2 481 million, of which income from taxation 1 217 million. The municipal income tax (non-progressive) averaged 11.83 % of the ratepayers' taxable income.

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1964). There are two big and four small commercial banks with in all 721 offices, 378 savings banks, 493 cooperative credit societies and their central bank, six mortgage societies, and POSB. The savings departments of the cooperative stores accept deposits from the public. The National Pensions Institution and sixty-five private insurance companies also grant credits.

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

# THE FINNISH ECONOMY IN 1964

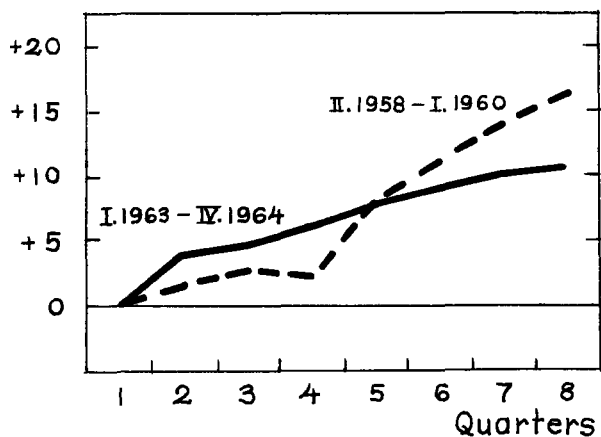
BY

J. J. PAUNIO, D. Pol. Sc.

HEAD OF DEPARTMENT OF THE BANK OF FINLAND INSTITUTE  
FOR ECONOMIC RESEARCH

The upswing in economic activity which began in 1963 continued throughout 1964. The estimated rate of growth of the domestic product was 5.5 per cent in that year. Although this figure exceeds the average rate of 4.8 per cent experienced during the post-war period, nevertheless the current upswing has been less strong than in the previous recovery-period of 1958 onwards. This is illustrated by the curves in Figure 1. After the minor recession in 1962—63 there were of course less idle resources, and thus less scope for expansion than after the major down-swing of 1957—58. Furthermore, it seems that there are during the present upswing fewer investment opportunities in the economy than there were during the previous upturn.

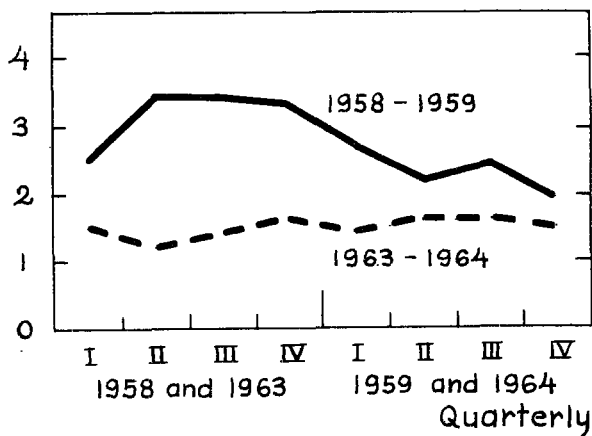
Figure 1. Volume of net national product (seasonally adjusted)  
----- Percentage change from the trough in II quarter 1958  
——— Percentage change from the trough in I quarter 1963



The sluggishness of the recovery is also shown by the failure of the rate of unemployment to fall. The seasonally adjusted rate remained more or less on the same level of 1.5 per cent throughout this period (see Figure 2). It should be noted that this rate in itself did not diverge very much from the full employment rate of about 1.2 per cent. The slow expansion in employment, parallel with the growth in the labour force, can be partly at least attributed to the slackness in several of the labour intensive industries. These developments contrast with the pattern of events in 1958—59 as shown by the same figure.

The new inflationary injections of the sales tax reform and of the collective wage agreements at the beginning of the year set

Figure 2. Rate of unemployment (seasonally adjusted)



in motion a process of cost inflation that raised the domestic price level 7 per cent above that of 1963. In addition import prices gave further strength to these cost pressures (see Monthly Bulletin 2/1965). The linking of wages to the cost of living index and that of agricultural prices to wages provided the mechanism for an inflationary spiral, the expanding total demand being only a permissive factor in this process. It was however damped down because the degree of linkage of prices to costs and vice versa was not in fact 100 per cent and the growth in demand was only moderate. Consequently, the rate at which prices rose was considerably reduced during the latter part of the year.

The sales tax reform had an inflationary effect by raising consumer prices (see Figure 3). On the other hand, this reform had the positive effect of lowering the relative prices of investment goods which may have provided fresh impetus to investment. Since the rise in labour costs was not, initially at least, matched by a corresponding rise in demand and since the measure of foreign competition was such, the profit margins

of firms may have been squeezed so providing an incentive for labour-saving investments. — A further effect of the rise in costs may have been cautiousness on the part of employers to hire new labour as reflected in the unemployment data of Figure 2. Although the export demand was strong, it seems that it did not provide much direct impetus to investment in that sector since there was considerable unused capacity in the paper and pulp industry. However, there is little doubt that exports indirectly through a strong multiplier effect created a more favorable climate for investment decisions in the economy.

In the category of productive investment that in buildings proceeded at a greater rate than investment in machinery and equipment. Though the rate of the latter was higher than generally experienced at this stage of the upswing because of the assumed move towards greater capital intensity in investments. The downswing in housing investment levelled off; no signs of a new upturn were visible. — Thus the total volume of building construction increased by only 1 per cent from 1963. Private fixed investment gathered momentum

Figure 3. Wholesale prices, percentage change from Dec. 1963

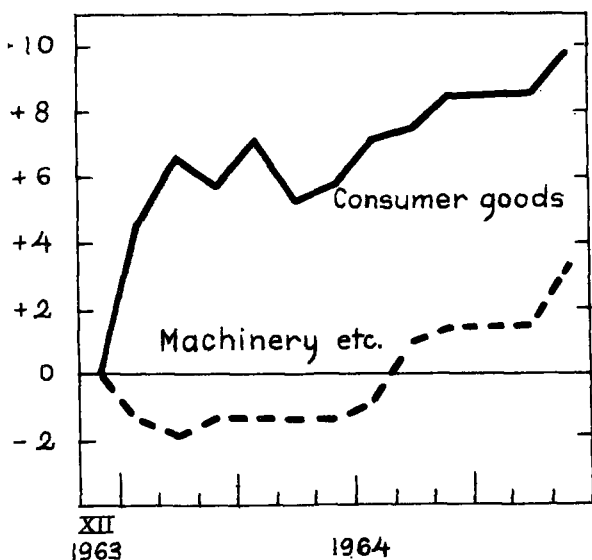
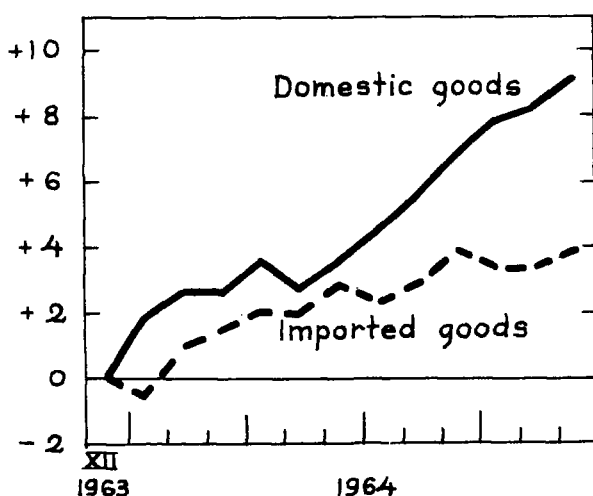


Figure 4. Wholesale prices, percentage change from Dec. 1963



throughout the year, averaging roughly 6 per cent as compared with 1963. The scattered information available indicates that investment in stocks increased very rapidly.

The effects of inflation were also evidenced in consumer demand. Despite the sharp rise in personal income following the wage and salary adjustments at the beginning of the year the increase in consumer expenditure in real terms was negligible as the rise in income had been largely offset by higher prices emanating from the sales tax reform. Later in the year when inflation had slowed down the surtax on personal income again checked the expansion of consumer expenditure. The households' disposable real income grew by less than 2 per cent from 1963, and so only a moderate increase in consumer expenditure in real terms over the course of the year was possible in spite of the fact that the propensity to spend of consumers rose because of inflationary expectations and easier hire-purchase facilities. The major part of the increase in consumer demand was directed towards imports, cars in particular. The demand for imported goods was intensified by their increasing competitiveness as inflation proceeded at home (see Figure 4). Thus the pressure of demand for domestic consumer goods never became great. For example, during the last quarter of the year the volume of production of the consumer goods industry was 3.8 per cent higher than one year before whereas the corresponding figure for industry as a whole was 7.2 per cent. The total volume of consumer demand increased from 1963 by 4 per cent with nearly half of this figure representing passenger cars.

The recovery in economic activity in 1963 was largely due to the upturn in export demand which continued to provide fuel for the expansion in 1964, though at a lesser rate towards the end of the year. The growth in exports of the woodworking industry was

notable in this respect. Its expansionary effect was enforced by a not inconsiderable rise in the prices of raw wood which resulted from the prevailing inelasticity of supply in this market. The growth was not felt by all export industries; the exports of the metal industry declined because of smaller deliveries to the Eastern countries, where its main markets have been located. This development in the export market was reflected in the production of the investment goods industry. Its volume increased from the last quarter of 1963 to the last quarter of 1964 by 7 per cent in spite of the very marked growth of some 15 per cent in domestic investment in machinery and equipment. The total volume of the exports of goods rose by 6 per cent and the export prices by nearly 7 per cent from 1963; the corresponding value figure including services was 13 per cent.

During the first five quarters of the upswing (from the 2nd quarter of 1963 onwards) the growth of imports was unusually high, though it tended to slow down in the latter half of 1964. The growth in imports was as such merely following the pattern of events typical of the Finnish economy during a period of upswing, though it was now enforced by exceptional factors: high propensity of consumers to purchase imported goods, sizeable investments in stocks of imported goods, strong rise in investment in machinery and equipment which has a relatively high import content, inordinate rises in the prices of some imported goods such as sugar and coffee and extraordinary government purchases from abroad to mention the most important factors. The value of imports of goods rose by 25 per cent from 1963 and the corresponding figure including services was 23 per cent (see the forthcoming Bulletin 5/1965 on foreign trade).

As a result of the above described development of trade the deficit in the balance of payments on current account totalled 543 million marks. Foreign loans and credits were, however, forthcoming in amounts sufficient to cover the deficit and in addition to widen the domestic credit base. Furthermore, the prevailing inflationary expectations did not discourage the public from holding bank deposits, and this can probably be attributed to the 100 per cent index-tied deposits being made fully tax-free as from May. These deposits grew from May to December by 1 000 million marks whereas total term deposits grew by 700 million marks. The liquidity position of the banks weakened further during the year as their debts to the Bank of Finland rose slightly (see Bulletin 1/1965 on monetary policy).

The upswing was financed by fully utilizing the widened credit base and by some lowering in the liquidity of the private sector. See Figure 5 indicating the fall in liquidity of the non-banking private sector.

There was also some easing in credit conditions from the point of view of the

private sector because the Government did not have to resort to the domestic credit market to obtain funds to cover its cash deficit to the same extent as in 1963.

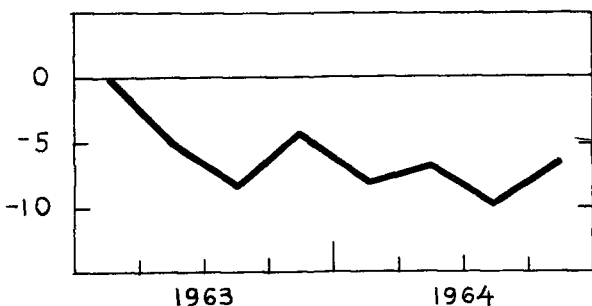
The expansion of the public sector activity was mainly due to the necessity to provide employment for the unemployed. Consequently, public investment grew by 13 per cent in real terms from 1963. The growth in public consumption was by contrast quite moderate.

The prevailing tendencies at the end of the year indicated that total output would probably continue to grow at an annual rate of 5 per cent and that the rate of unemployment might be reduced. It appeared that the inflationary forces were almost spent. It seemed that investment was the major factor making for continued expansion and growth. The foreign trade gap was not expected to widen in the immediate future.

\* \* \*

The table below gives a preliminary estimate of demand and supply in 1964.

Figure 5. Ratio between the money supply (incl. term deposits) and the nominal net national product, seasonally adjusted, percentage change from 1 quarter 1963



	Million marks	Change in real terms in 1964, per cent
<i>Total demand</i>		
Exports of goods and services	5 079	+ 8
Domestic gross investment ..	7 577	+14
Private investment .....	5 951	+14
Public investment .....	1 626	+13
Consumption .....	17 886	+ 4
Private consumption ....	14 426	+ 4
Public consumption .....	3 460	+ 4
<b>Total</b>	<b>30 542</b>	<b>+ 7</b>
<i>Total supply</i>		
Gross domestic product at market prices .....	25 037	+ 5
Imports of goods and services	5 505	+17
<b>Total</b>	<b>30 542</b>	<b>+ 7</b>

## ITEMS

**An agreement on economic and technical cooperation** was concluded on March 11, 1965 between Finland and Peru aiming at the further development of friendly relations, and the promotion of economic and technical cooperation between the two countries, as well as the exchange of scientific and technical experience on the basis of equality and mutual benefit.

This is the first agreement of this kind between the two countries. Peru and Finland entered into diplomatic relations two years ago.

\*

**IFC's loan to Huhtamäki-yhtymä Oy.** The International Finance Corporation (IFC), an affiliate of the World Bank, and the Industrialization Fund of Finland, Teollistamisaust Oy (TR), have announced that in conjunction with a group of European, U.S. and Middle East investment institutions, they have agreed to assist in financing a \$1 875 000 expansion programme being undertaken by Huhtamäki-yhtymä Oy (HUHTAMÄKI), one of the largest manufacturers of processed foods and pharmaceuticals in Finland.

IFC is extending a long-term loan of \$700 000 and is purchasing shares of HUHTAMÄKI to the amount of 320 000 marks (\$100 000 equivalent). TR is providing 1.0 million marks (the equivalent of \$312 500). This is the first joint venture of the two institutions since TR was reorganized in 1963 with the assistance of the World Bank and IFC.

The IFC and TR investments, supplemented by financing from HUHTAMÄKI's own resources, will enable the company to expand its Leiras Pharmaceutical Division by building a larger plant to replace existing facilities at Turku and by installing additional production machinery. The programme will assist the division in meeting increased demand for pharmaceutical products, as well as improve operating conditions and expand the activities of its research and development laboratories.

When HUHTAMÄKI was established over 60 years ago its range of food products included biscuits, bread, chocolates and candies. Since then, the company has expanded its interest in food products to include canned and processed foods and has diversified into such fields as pharmaceuticals and containers.

The parent company has six manufacturing plants and also operates through a number of manufacturing and trading subsidiaries.

\*

**Domestic bond issues.** In February the Government made a bond issue of 30 million marks. The bonds carry interest as from March 1, 1965, at a rate which is 2 ½ percentage points above the general rate of six month deposits in the two largest commercial banks (at present 4 ½ per cent). The loan will be redeemed by annual instalments of 12 ½ per cent of the original nominal value of each bond in 1966—69 and instalments of 20 per cent in 1970—71.

Amortization and interest are tied to the cost of living index (Oct. 1951 = 100) to the extent of 50 per cent. The loan was priced at par.

In March the Government authorized the Land and Industry Real Estate Bank Ltd and Oy Tampella Ab to make private bond issues.

The issue of the Land and Industry Real Estate Bank Ltd is for 20 million marks. The bonds will run for a period of 10 years at a rate which is  $2\frac{3}{4}$  percentage points above the general rate of six month deposits in co-operative credit societies (at present  $4\frac{1}{2}$  per cent). The loan will be redeemed by semi-annual instalments of 5 per cent of the original nominal value of each bond with the exception of the last instalment which will be 10 per cent. The loan is tied to the cost of living index (Oct. 1951 = 100) to the extent of 50 per cent. The loan is issued at par.

The issue of Oy Tampella Ab is for 20 million marks. The loan is current for a

period of  $11\frac{1}{2}$  years, and bears interest at a rate of 7 per cent. The bonds will be redeemed by annual instalments of  $1/10$  of the original nominal value of each bond. It is issued at par.

\*

**New statistics on Finland's foreign exchange position.** Until now the foreign exchange reserve statistics published by the Bank of Finland have shown only the central bank's holdings of gold and foreign exchange. They have recently been extended to include the foreign exchange holdings of the authorized foreign exchange dealers and the Treasury as well as Finland's gold tranche position with the International Monetary Fund. In the new statistics gold is given at its par value, 0.27771 grammes of fine gold = 1 Finnish mark, instead of its book-keeping value. Henceforth these statistics will be published in the Bulletin on page 4.

# BANK OF FINLAND

## BOARD OF MANAGEMENT

KLAUS WARIS,  
*Governor*

ESKO K. LEINONEN

A. SIMONEN

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

REINO ROSSI

HEIKKI VALVANNE  
*ad int.*

## 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,  
*Accounts*

A. NENONEN,  
*Foreign correspondence*

## INSTITUTE FOR ECONOMIC RESEARCH

HEIKKI VALVANNE,  
*Director*

J. J. PAUNIO,  
*Head of department*

TIMO HELELÄ  
*Head of department*