



BANK OF FINLAND

MONTHLY BULLETIN

Vol. 39 No. 7

JULY

1965

RECENT DEVELOPMENTS

FOREIGN EXCHANGE SITUATION

The deterioration in Finland's balance of payments which began in 1964 has continued in 1965. Now, however, it has brought in its wake a significant decline in the foreign exchange reserves of the Bank of Finland, a development which has characterized the foreign exchange market during the first half of the year and which also has had a profound effect on the money market. The first six months of the year are traditionally deficit months due to seasonal factors, but in 1965 the drain on the reserves has been unusually large.

In 1964, the large current account deficit (544 mill. Fmk) was offset by a sizable inflow of long-term capital, amounting on a net basis to 492 mill. Fmk. After making allowance for other items on the capital account, the balance was still great enough to produce a sizable increase in the foreign exchange reserve of the Bank of Finland. Measured on the basis of the Bank's statement, but making adjustment for the undervaluation of gold, the foreign exchange reserve rose from 793 mill. Fmk at the end of 1963 to 972 mill. Fmk at the end of 1964, or by 179 mill. Fmk. In the first week of 1965 the reserve reached its peak figure at 997 mill. Fmk.

At that point, this development was abruptly reversed, and the decline has

continued, with minor interruption, throughout the first half of 1965. From the peak referred to above, the reserve declined by 111 mill. Fmk in the first quarter, 31 mill. Fmk in April, 70 mill. Fmk in May and 69 mill. Fmk in June, in total representing a reserve loss of 281 mill. Fmk from the first week of January. The central bank's reserves reflect fairly closely the total foreign exchange position of the country: other holders of foreign exchange (mainly authorized banks) are net debtors, and they appear to have improved their position during the first five months of the year, for which statistics are available, by about 20 mill. Fmk.

Long-term borrowing abroad, which in 1964 concealed the effect of the deteriorating balance of payments on the reserves, slackened considerably in the first half of 1965. In 1964 bonds totalling 344 mill. Fmk were sold for public subscription in ten separate government and private issues. In the first half of 1965 the situation on the two major markets on which Finland had been relying in the past year — the German Federal Republic and the United States — tightened appreciably. Interest rates were rising in Germany, while the will-

*On page 18, The Finnish Sickness
Insurance Scheme*

ingness of the United States market to absorb foreign bond issues was clearly influenced by President Johnson's programme, announced in February, to correct the United States balance of payments deficit.

Thus, only two public issues were made by Finnish borrowers in the first half of 1965. In January, with a group of Western European banks acting as underwriters, Finland's largest industrial concern, Enso-Gutzeit Oy, issued a bond loan of £4 million (36 mill. Fmk) at an issue price of 97 $\frac{3}{4}$ per cent and a nominal interest of 6 $\frac{1}{2}$ per cent. The loan, which has a currency period of 15 years, yields 6.74 per cent to the investor and is guaranteed by a Finnish commercial bank. In April, the City of Helsinki issued in the United States 12-year bonds carrying interest at 6 $\frac{1}{4}$ per cent to a total of \$10 million (32 mill. Fmk). The bonds were sold at 97 $\frac{1}{4}$ per cent, and yielded 6.58 per cent to the purchaser. The bonds are not subject to the interest equalization tax in force in the United States.

The inflow of foreign long-term capital in forms other than bond issues has also slackened. According to preliminary estimates, Finland's total import of long-term capital (after taking into account repayments) was only 67 mill. Fmk in the first half of 1965, as compared with 270 mill. Fmk in the same period of 1964.

The continued high level of imports is of course the main factor responsible for the rapid decline in the foreign exchange reserves. Not only have the payments for large imports effected in the second half of last year fallen due in recent months, but also imports of such consumer durables (chiefly automobiles) which have to be paid for before customs clearance have recently been extremely high; in the case of automobiles this was largely due to the anticipated tax increase passed by the Parliament before its summer recess.

The decline in the foreign exchange reserve in the first half of 1965 has taken place entirely in the convertible currencies. The net position vis-à-vis non-convertible currencies (representing mainly bilateral agreement balances) has actually improved by 11 mill. Fmk, from a deficit of 9 mill. Fmk at the end of 1964 to a net holding of 2 mill. Fmk at the end of June 1965.

The drain on the foreign exchange reserve has naturally meant a withdrawal of central bank money from the economy. This has been a contributing factor in the sharp increase in the rediscounts of the commercial banks with the Bank of Finland: these have risen from 448 mill. Fmk at the end of 1964 to 777 mill. Fmk at the end of June. This increase has been made possible by the revised rediscount regulations which the Bank of Finland issued in April.

July 8, 1965

BANK OF FINLAND

Mill. mk

	1964		1965			
	Dec. 31	May 30	May 31	June 8	June 15	June 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	1 049.7	953.5	844.0	820.7	810.0	786.0
Gold	189.6	144.9	189.8	189.8	189.8	189.8
Foreign exchange	783.8	740.6	586.7	546.8	534.6	510.1
Foreign bills	29.7	27.8	24.0	40.6	42.3	42.8
Foreign bonds	46.6	40.2	43.5	43.5	43.3	43.3
<i>Supplementary note cover</i>	570.7	415.0	661.2	677.2	646.1	783.9
Inland bills discounted						
In foreign currency	55.2	65.1	52.6	49.9	49.9	49.9
In Finnish currency	67.1	20.4	11.8	11.2	7.4	5.1
Rediscounted bills	448.4	329.5	596.8	616.1	588.8	728.9
<i>Other assets</i>	97.4	115.9	130.9	135.2	143.2	128.4
Finnish bonds	35.8	34.7	24.5	35.3	36.1	33.9
Cheque accounts	2.5	2.8	18.2	14.6	2.2	3.0
Finnish coin	3.8	6.6	6.6	6.5	6.5	6.2
Other claims	55.3	71.8	81.6	78.8	98.4	85.3
Total	1 717.8	1 484.4	1 636.1	1 633.1	1 599.3	1 698.3
Liabilities						
<i>Notes in circulation</i>	1 002.7	945.4	983.7	978.9	948.5	1 003.5
<i>Liabilities payable on demand</i>	186.8	53.5	112.7	114.8	119.7	140.8
Foreign exchange accounts	84.7	17.5	74.4	72.0	70.4	61.7
Mark accounts of holders abroad	28.5	27.6	14.7	14.7	14.7	14.4
Cheque accounts						
Treasury	5.4	0.0	—	—	1.0	8.6
Post Office Savings Bank	49.6	0.2	0.8	5.5	4.7	25.9
Private banks	16.4	5.2	—	0.4	6.8	6.0
Other	0.7	0.8	1.2	1.3	1.2	1.1
Other sight liabilities	1.5	2.2	21.6	20.9	20.9	23.1
<i>Term liabilities</i>	55.4	64.2	62.8	61.6	61.6	61.6
Foreign	54.3	63.1	51.2	50.0	50.0	50.0
Finnish	1.1	1.1	11.6	11.6	11.6	11.6
<i>Equalization accounts</i>	261.8	214.9	254.2	254.2	245.3	280.7
<i>Bank's own funds</i>	211.1	206.4	222.7	223.6	224.2	211.7
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	—
Earnings less expenses	26.3	10.4	11.6	12.5	13.1	13.8
Total	1 717.8	1 484.4	1 636.1	1 633.1	1 599.3	1 698.3
STATEMENT OF NOTE ISSUE						
Right of note issue						
Ordinary cover	1 049.7	953.5	844.0	820.7	810.0	786.0
Supplementary cover						
(Upper limit 500 mill. mk)	500.0	415.0	500.0	500.0	500.0	500.0
Total	1 549.7	1 368.5	1 344.0	1 320.7	1 310.0	1 286.0
Note issue						
Notes in circulation	1 002.7	945.4	983.7	978.9	948.5	1 003.5
Liabilities payable on demand	186.8	53.5	112.7	114.8	119.7	140.8
Undrawn on cheque credits	5.0	4.7	4.5	5.0	4.8	4.0
Unused right of note issue	355.2	364.9	243.1	222.0	237.0	137.7
Total	1 549.7	1 368.5	1 344.0	1 320.7	1 310.0	1 286.0

Rediscount rate since April 28, 1962, 7 per cent

BANK OF FINLAND

Mill. mk

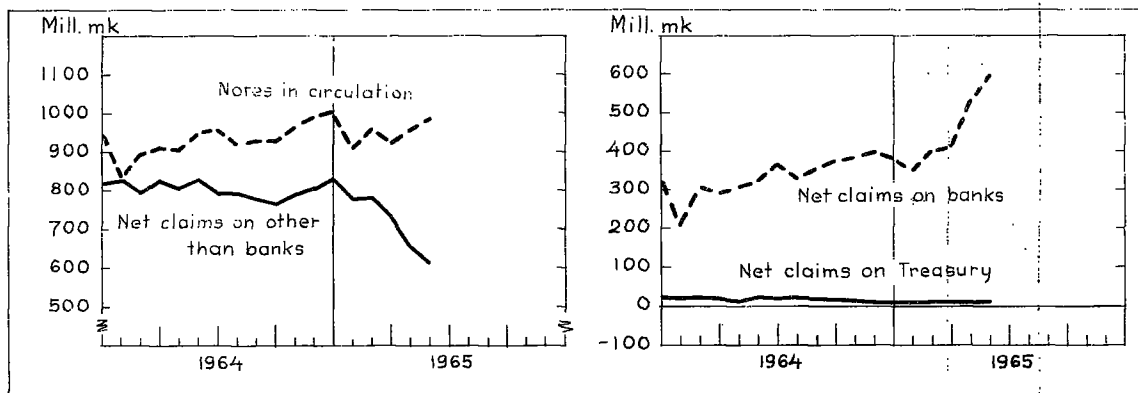
End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net 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										
April	864.9	17.6	847.3	68.1	91.2	824.2	—	18.9	12.3	6.6
May	885.5	17.5	868.0	68.0	90.7	845.3	—	18.9	0.0	18.9
June	875.9	17.0	858.9	64.7	88.6	835.0	—	18.9	4.6	14.3
July	889.9	18.9	871.0	64.2	89.1	846.1	—	18.9	1.0	17.9
Aug.	901.0	19.0	882.0	64.3	86.3	860.0	—	18.9	3.3	15.6
Sept.	879.1	19.2	859.9	66.9	85.5	841.3	—	18.9	4.3	14.6
Oct.	894.4	20.8	873.6	71.8	82.8	862.6	—	18.9	7.7	11.2
Nov.	913.0	40.1	872.9	77.6	85.7	864.8	—	8.9	4.7	4.2
Dec.	973.4	84.7	888.7	76.3	82.8	882.2	—	8.9	5.4	3.5
1965										
Jan.	991.6	94.7	896.9	75.1	70.8	901.2	—	8.9	2.5	6.4
Feb.	982.2	104.3	877.9	74.3	70.6	881.6	—	8.9	1.4	7.5
March	904.8	102.0	802.8	69.0	70.0	801.8	—	8.9	—	8.9
April	866.8	94.6	772.2	70.6	67.9	774.9	—	8.9	1.6	7.3
May	776.5	74.4	702.1	67.5	65.9	703.7	—	8.9	—	8.9

	Foreign exchange situation, mill. mk							
	Net holdings, Dec. 31, 1964			Net holdings, May 31, 1965			Change in	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	May	Jan.-May
Gold	+273	—	+273	+273	—	+273	—	—
Convertible currencies	+708	—74	+634	+527	—55	+472	—69	—162
Other currencies	—9	+1	—8	—15	+2	—13	+19	—5
Gold and foreign exchange	+972	—73	+899	+785	—53	+732	—50	—167
Gold tranche position in IMF ..			+46			+46	—	—
Total			+945			+778	—50	—167

BANK OF FINLAND

Mill. mk

End of year and month	Finnish credit institutions					Other				Notes in circulation
	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)	
	Redis-counted bills	Private banks	Post Office Savings Bank	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
1957	249.1	24.1	—	—0.4	225.4	129.1	144.2	5.6	267.7	606.4
1958	187.1	14.7	—	20.8	151.6	88.2	143.0	5.3	225.9	650.8
1959	47.2	38.6	—	2.5	6.1	38.9	105.0	3.9	140.0	694.4
1960	205.1	16.8	—	1.6	186.7	72.3	109.5	3.5	178.3	727.4
1961	294.6	44.7 ¹⁾	4.4 ¹⁾	12.5	233.0	70.8	107.3	2.9	175.2	837.1
1962	401.2	— 4.0	53.3	0.8	351.1	33.5	99.6	4.1	129.0	774.4
1963	325.3	1.3	3.0	1.2	319.8	57.2	94.4	1.7	149.9	943.7
1964	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1964										
April	349.0	0.7	41.8	1.7	304.8	20.9	113.2	0.6	133.5	905.5
May	329.5	5.2	0.2	1.7	322.4	20.4	119.7	1.3	138.8	945.4
June	403.2	2.7	34.6	2.9	363.0	19.1	104.3	2.5	120.9	954.9
July	357.8	4.1	23.0	3.7	327.0	19.0	110.1	1.8	127.3	918.1
Aug.	389.7	3.7	30.8	1.6	353.6	17.9	104.7	1.3	121.3	928.2
Sept.	388.2	—1.6	14.2	1.3	374.3	24.3	103.9	3.4	124.8	927.3
Oct.	407.7	—7.1	33.5	0.9	380.4	41.6	105.8	0.9	146.5	964.0
Nov.	394.2	—6.8	5.4	1.0	394.6	55.6	111.2	3.1	163.7	989.9
Dec.	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1965										
Jan.	357.3	5.9	2.5	1.2	347.7	48.3	118.8	32.9	134.2	910.2
Feb.	416.6	18.1	1.6	1.1	395.8	48.4	114.1	34.2	128.3	959.2
March	431.7	19.5	0.6	2.0	409.6	40.0	134.2	32.3	141.9	921.3
April	548.5	0.8	19.3	1.4	527.0	23.6	125.0	31.9	116.7	958.1
May	596.8	—0.8	0.8	1.1	595.7	11.8	141.6	32.2	121.2	983.7

¹⁾ Including cash reserve accounts

DEPOSITS BY THE PUBLIC - FOREIGN EXCHANGE RATES

Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. credit societies & their cen- tral bank	Post Office Savings Bank	Savings depart- ments of co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1954	349.1	421.1	132.2	834.4	921.7	520.5	300.8	134.2	2 712.0	3 265.3
1955	365.9	442.8	118.5	977.9	1 085.4	611.4	330.7	152.6	3 158.4	3 719.7
1956	386.1	459.6	138.4	968.1	1 124.0	635.3	341.6	160.1	3 229.5	3 827.5
1957	377.1	461.4	139.3	1 032.2	1 178.6	671.1	339.6	168.2	3 390.1	3 990.8
1958	395.7	495.8	167.7	1 222.6	1 312.6	742.7	381.7	191.9	3 851.8	4 515.3
1959	557.5	678.1	140.9	1 505.5	1 525.5	860.3	431.2	219.1	4 541.9	5 360.9
1960	550.8	680.7	135.9	1 813.6	1 798.6	1 052.5	485.2	254.3	5 404.5	6 221.1
1961	577.9	720.8	143.8	2 105.9	2 079.6	1 241.0	558.2	285.3	6 270.3	7 134.9
1962	649.0	800.8	168.5	2 270.4	2 210.8	1 325.5	606.6	293.2	6 706.7	7 676.0
1963	715.3	876.0	250.3	2 441.0	2 336.6	1 448.0	648.5	310.7	7 185.0	8 311.3
1964*	683.4	857.0	296.5	2 816.7	2 621.0	1 680.4	713.8	331.3	8 163.4	9 316.9
1964*										
May	645.2	797.4	256.6	2 577.8	2 444.7	1 576.5	660.0	318.0	7 577.1	8 631.1
June	640.0	789.1	260.7	2 569.4	2 418.0	1 551.4	659.2	314.3	7 512.4	8 562.2
July	671.3	833.6	224.9	2 579.9	2 430.4	1 557.6	660.0	313.1	7 541.0	8 599.5
Aug.	665.6	837.3	229.0	2 592.6	2 447.7	1 569.0	663.9	312.2	7 585.4	8 651.7
Sept.	667.5	826.8	281.0	2 610.9	2 469.8	1 583.8	667.8	316.1	7 648.5	8 756.3
Oct.	643.6	791.4	256.2	2 630.2	2 483.0	1 591.5	673.1	320.5	7 698.5	8 746.1
Nov.	668.8	833.3	284.8	2 662.7	2 515.4	1 621.2	676.7	323.4	7 800.0	8 918.1
Dec.	683.4	857.0	296.5	2 816.7	2 621.0	1 680.4	713.8	331.3	8 163.4	9 316.9
1965*										
Jan.	669.9	822.1	285.0	2 849.8	2 666.0	1 711.1	723.5	334.6	8 285.2	9 392.3
Feb.	632.2	775.8	367.3	2 885.6	2 715.3	1 760.2	734.6	339.9	8 435.8	9 578.9
March	680.4	837.5	320.1	2 917.3	2 756.0	1 800.1	744.5	344.9	8 562.9	9 720.5
April	629.5	783.0	294.8	2 936.0	2 760.1	1 815.0	739.6	343.5	8 594.4	9 672.2
May	678.6	853.8	296.0	2 959.6	2 765.6	1 831.7	732.2	341.9	8 631.2	9 781.0

End of month	Index-tied deposits		High-interest deposits
	100 % clause ¹⁾	50 % clause, tax-free	
1964*			
Aug.	817.6	129.0	628.7
Sept.	916.6	120.5	621.4
Oct.	987.1	119.2	603.7
Nov.	1 072.9	119.6	593.9
Dec.	1 166.4	120.3	592.3
1965*			
Jan.	1 312.9	113.3	592.5
Feb.	1 386.5	99.1	591.0
March	1 462.8	82.4	603.3
April	1 506.3	75.3	611.6
May	1 484.1	73.5	628.8

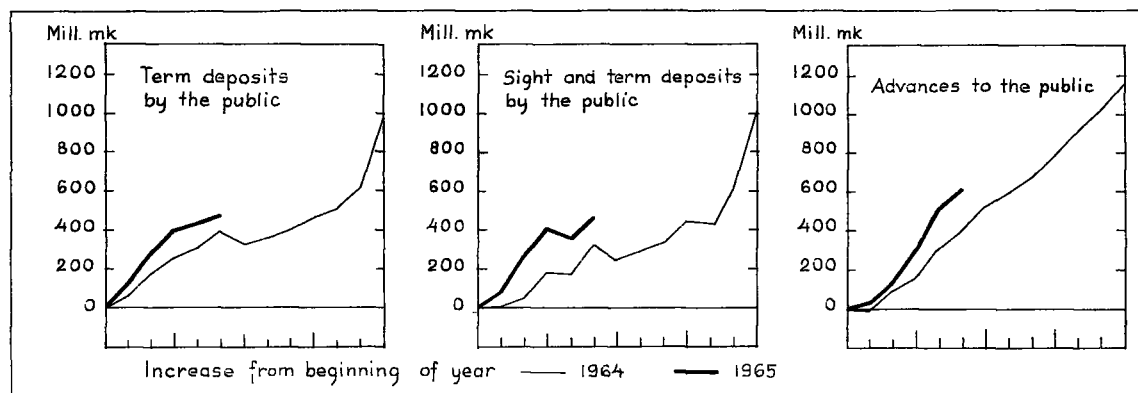
Selling rates for foreign exchange			
June 28, 1965			
	mk		mk
New York ... 1 \$	3.224	Zurich 100 Fr	74.43
Montreal 1 \$	2.980	Paris 100 FF	65.80
London 1 £	9.000	Rome 100 Lit	0.5163
Stockholm ... 100 Kr	62.33	Vienna 100 S	12.49
Oslo 100 Kr	45.10	Lisbon 100 Esc	11.23
Copenhagen .. 100 Kr	46.54	Reykjavik 100 Kr	7.50
Frankfurt o.M. 100 DM	80.60	Madrid 100 Pta	5.42
Amsterdam ... 100 Fl	89.51	Moscow, clear. ¹⁾ 1 Rbl	3.5667
Brussels 100 Fr	6.497	Clearing dollars ²⁾ 1 Cl \$	3.21

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

ADVANCES TO THE PUBLIC – MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Post Office Savings Bank	Co-op. credit societies & their central bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1954	1 289.6	824.5	221.2	647.0	127.7	2 915.1	194.9	3 110.0	995.6
1955	1 554.4	964.5	248.7	728.7	136.0	3 398.0	234.3	3 632.3	1 043.0
1956	1 626.6	1 028.3	262.3	767.6	146.9	3 578.0	253.7	3 831.7	1 160.0
1957	1 603.8	1 066.4	260.5	780.6	157.2	3 630.0	238.5	3 868.5	1 170.7
1958	1 745.4	1 154.8	290.3	835.1	219.3	4 011.5	233.4	4 244.9	1 302.3
1959	2 096.9	1 327.2	331.4	967.3	325.8	4 772.7	275.9	5 048.6	1 448.4
1960	2 604.6	1 549.3	395.0	1 176.0	452.2	5 861.9	315.2	6 177.1	1 494.6
1961	3 048.0	1 817.6	436.8	1 462.7	515.2	6 928.2	352.1	7 280.3	1 646.1
1962	3 299.9	2 018.5	508.7	1 600.6	614.7	7 680.8	361.6	8 042.4	1 722.5
1963	3 472.5	2 134.5	544.0	1 757.7	664.3	8 226.2	346.8	8 573.0	1 986.5
1964*	3 916.4	2 316.6	607.7	2 057.5	829.4	9 320.4	407.2	9 727.6	2 046.0
1964*									
May	3 628.6	2 190.4	570.0	1 827.9	751.1	8 599.4	368.6	8 968.0	1 914.1
June	3 689.8	2 200.9	575.3	1 859.8	768.2	8 688.9	405.1	9 094.0	1 901.4
July	3 706.0	2 219.7	583.0	1 876.1	777.1	8 771.9	390.0	9 161.9	1 889.4
Aug.	3 720.7	2 239.4	592.4	1 903.8	782.4	8 845.8	392.9	9 238.7	1 903.2
Sept.	3 761.2	2 268.8	601.3	1 949.4	787.2	8 967.3	400.6	9 367.9	1 946.3
Oct.	3 791.0	2 296.0	611.6	1 983.7	810.2	9 067.4	425.1	9 492.5	1 933.0
Nov.	3 819.3	2 322.2	607.8	2 028.0	824.7	9 203.3	398.7	9 602.0	2 012.2
Dec.	3 916.4	2 316.6	607.7	2 057.5	829.4	9 320.4	407.2	9 727.6	2 046.0
1965*									
Jan.	3 900.7	2 337.6	614.6	2 078.1	827.5	9 342.4	416.1	9 758.5	1 940.9
Feb.	3 944.4	2 357.1	623.6	2 100.4	830.1	9 437.5	418.1	9 855.6	2 010.4
March	4 049.1	2 379.6	633.0	2 128.6	838.0	9 594.4	433.9	10 028.3	1 997.7
April	4 187.6	2 396.9	637.0	2 170.2	843.0	9 786.3	448.4	10 234.7	1 949.0
May	4 196.4	2 433.6	647.6	2 208.7	850.4	9 917.8	418.9	10 336.7	2 040.2

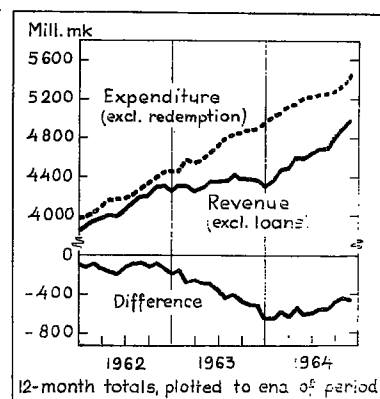


STATE FINANCES

Mill. mk

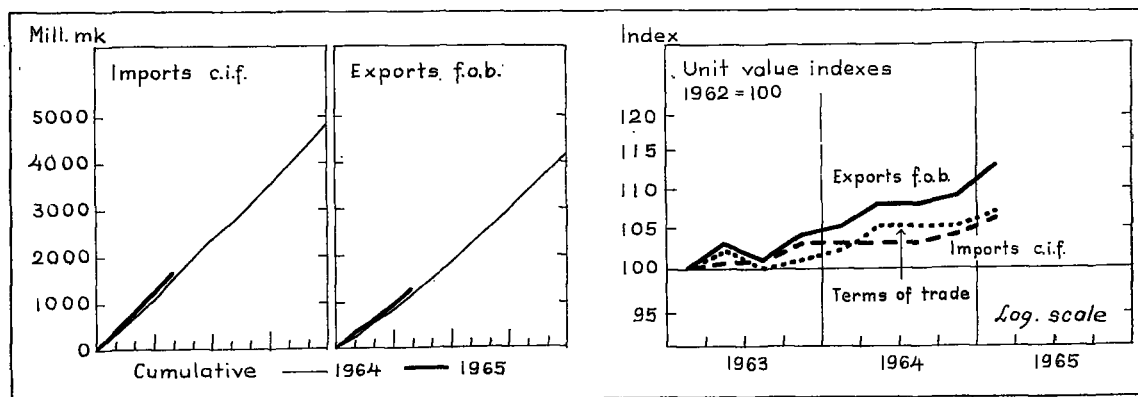
Revenue	Jan. - April		Expenditure	Jan. - April	
	1964	1965		1964	1965
Income and property tax (net)	534	621	Interest on State debt	52	67
Gross receipts	(1 065)	(1 255)	Child allowances	77	76
Refunds and communal income tax	(-531)	(-634)	The State's share in national pensions	74	82
Other direct taxes	6	6	Compensations to war-disabled	45	50
Sales tax	255	409	Subsidies	153	163
Import duties	168	165	Net payments on price equalization by extra-budgetary funds	—	—
Revenue from Alcohol Monopoly	112	134	State aid to agriculture	14	15
Excise duty on tobacco	100	95	State aid to communal and private schools	142	173
Excise duty on liquid fuel	55	88	Net loss of State enterprises	29	43
Other excise duties	28	26	Maintenance of roads	32	41
Tax on automobiles and motor cycles	45	60	Other current expenditure	565	700
Purchase tax on motor vehicles	—	11	Current expenditure	1 183	1 410
Stamp duties	85	55	Real investments	393	432
Employers' payments for child allow- ances	108	127	Other capital expenditure	162	216
Net receipts of price equalization by extra-budgetary funds	4	9	Capital expenditure	555	648
Other revenue similar to taxes	19	22	Total expenditure	1 738	2 058
Total taxes	1 519	1 828	Redemption of external loans	14	16
Interest and dividends	19	25	Redemption of internal loans	112	126
Other current revenue	48	58	Redemption of indemnity bonds etc.	3	3
Current revenue	1 586	1 911	Index premiums	8	10
Capital revenue proper	36	44	Redemptions	137	155
Decrease in inventories	54	15	Total	1 875	2 213
Capital revenue	90	59			
Total revenue	1 676	1 970			
External loans	63	12			
Internal loans	164	118			
Loans	227	130			
Short-term credit (increase +) ..	+30	+36			
Deficit (+) or surplus (—)	—58	+77			
Total	1 875	2 213			

Debt	1962	1963	1964	1965			
	Dec.	Dec.	Dec.*	Feb.	March	April	May*
External debt ...	803	963	1 187	1 192	1 188	1 184	1 180
Ordinary loans	936	1 109	1 206	1 200	1 192	1 196	1 206
Indemnity bonds etc.	18	11	7	7	5	204	204
Short-term credit ..	61	160	325	311	301	361	377
Cash debt (net) ...	—125	78	—4	201	194	73	..
Internal debt	890	1 358	1 534	1 719	1 692	1 834	..
Total debt	1 693	2 321	2 721	2 911	2 880	3 018	..
Total debt, mill. \$	525.4	720.8	845.5	904.7	893.4	936.2	..



FOREIGN TRADE

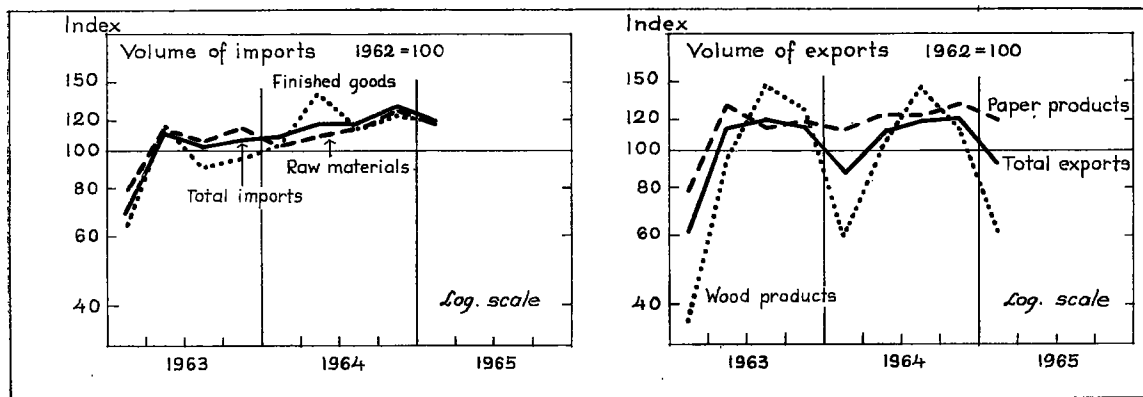
Period	Value mill. mk			Unit value indexes 1962 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
1961	3 690.2	3 374.0	-316.2	102	99	103	104	100	99	103
1962	3 928.7	3 533.1	-395.6	100	100	100	100	100	100	100
1963	3 866.9	3 678.0	-188.9	102	96	104	100	105	101	101
1964	4 816.1	4 132.0	-684.1	108	109	111	104	113	103	105
Jan.-Apr.										
1963	1 014.5	822.9	-191.6							
1964	1 529.2	1 152.1	-377.1							
1965*	1 678.9	1 263.9	-415.0							
1964										
Jan.	363.0	281.3	- 81.7	105	99	107	103	112	103	102
Feb.	349.4	299.9	- 49.5							
March	368.0	231.4	-136.6							
April	448.8	339.5	-109.3	108	109	110	104	115	103	105
May	398.7	335.3	- 63.4							
June	412.4	366.4	- 46.0							
July	362.9	368.6	+ 5.7	108	111	112	105	113	103	105
Aug.	390.2	349.3	- 40.9							
Sept.	422.3	408.4	- 13.9							
Oct.	418.8	400.8	- 18.0	109	116	115	105	112	104	105
Nov.	432.8	367.2	- 65.6							
Dec.	448.8	383.9	- 64.9							
1965*										
Jan.	383.9	317.3	- 66.6	113	114	118	105	126	106	107
Feb.	405.2	267.8	-137.4							
March	455.1	337.5	-117.6							
April	434.8	341.3	- 93.5							



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

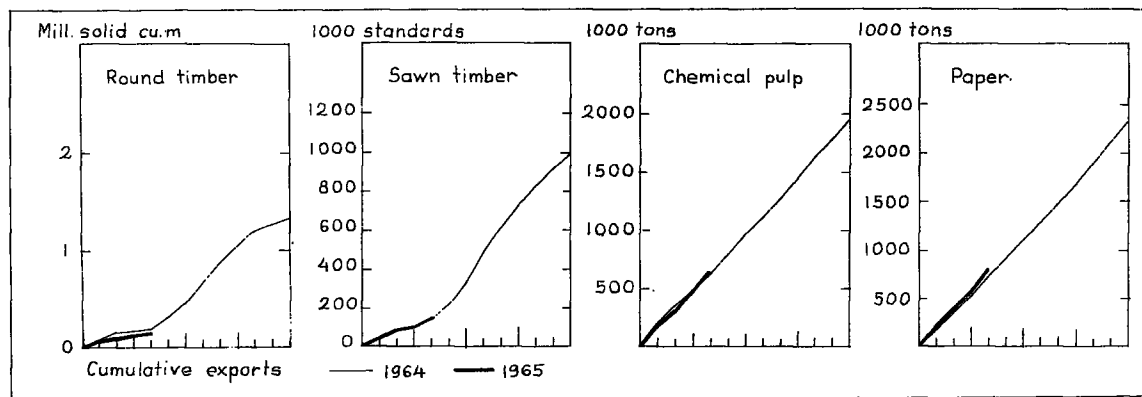
Period	Imports, c.i.f.				Exports, f.o.b.					
	Raw materials and producer goods	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods
			Investment goods	Consumer goods						
1961	1 711.2	329.9	1 034.4	614.7	153.5	295.8	840.8	1 539.1	386.3	158.5
1962	1 762.6	371.2	1 144.9	650.0	144.5	189.5	770.3	1 588.8	662.6	177.4
1963	1 827.5	373.3	1 004.3	661.8	164.8	112.8	811.8	1 752.2	613.8	222.6
1964	2 110.7	508.4	1 395.8	801.2	230.4	89.8	895.8	2 019.5	610.5	286.0
Jan.-Apr.										
1963	482.7	90.4	254.2	187.2	43.9	13.4	103.1	479.1	136.7	46.7
1964	639.4	160.5	447.5	281.8	77.7	13.9	170.8	627.8	190.5	71.4
1965*	733.8	158.4	503.5	283.2	80.8	10.9	193.5	697.4	192.2	89.1
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	100.0	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.	184.9	33.2	110.4	55.4	24.3	3.7	60.3	169.0	39.9	20.1
Feb.	172.2	31.4	128.1	73.5	13.7	2.6	40.4	143.9	45.2	22.0
March	199.2	46.0	126.7	83.2	25.6	2.2	37.6	188.7	60.7	22.7
April	177.6	47.8	138.2	71.2	17.2	2.4	55.2	195.8	46.4	24.3



March 1963 figures are affected by strikes.

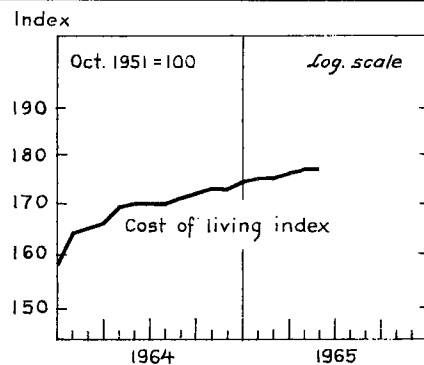
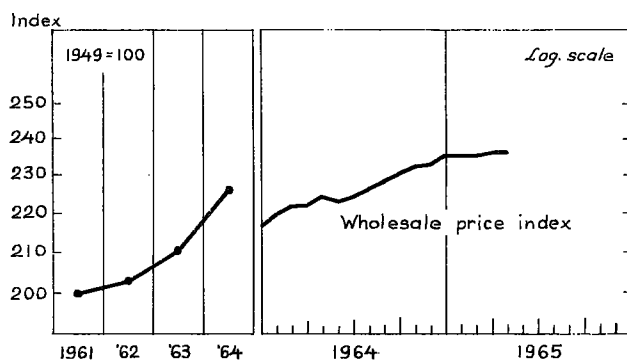
EXPORTS OF SOME IMPORTANT ARTICLES

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
1961	5 955	1 106	329	160	872	569	154	146	846	1 806
1962	3 681	1 010	357	150	828	731	153	152	870	1 980
1963	2 108	977	384	173	861	893	171	161	882	2 126
1964	1 319	990	440	175	971	979	194	165	989	2 309
Jan.-Apr.										
1963	239	59	121	48	236	239	55	44	227	573
1964	191	139	143	58	319	302	57	60	287	718
1965*	154	140	159	59	321	322	56	54	340	815
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
Feb.	35	25	37	15	60	54	12	14	75	180
March	26	22	37	15	92	82	15	10	81	209
April	31	41	41	16	78	91	16	16	101	237



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c.i.f.					Exports, f.o.b.				
	Whole year		Jan. - April			Whole year		Jan. - April		
	1963	1964*	1964*	1965*		1963	1964*	1964*	1965*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	15.8	15.3	15.3	15.4	258.0	23.6	25.3	24.2	22.7	287.4
United Kingdom	15.3	14.8	15.0	15.0	250.9	21.5	23.0	22.0	20.9	264.7
Other OECD countries										
in Europe	53.0	52.7	52.1	56.9	955.1	43.9	45.9	45.0	45.4	573.4
Austria	0.7	0.7	0.7	0.8	13.2	0.3	0.4	0.3	0.3	3.4
Belgium-Luxembourg	2.2	2.0	1.7	2.3	38.3	3.3	3.5	3.1	2.9	36.0
Denmark	3.3	3.0	3.3	3.0	51.0	3.5	3.7	3.2	3.6	45.1
France	4.3	5.5	4.4	4.3	72.9	5.0	5.8	5.2	4.9	61.2
Western Germany	18.0	17.3	17.0	19.9	334.4	12.0	11.6	11.3	11.8	149.0
Italy	2.0	1.8	2.0	2.1	34.5	3.2	3.0	3.7	3.5	44.7
Netherlands	4.7	4.0	3.7	4.2	70.8	6.3	6.8	5.8	5.6	70.6
Norway	1.6	1.5	1.7	1.8	30.3	0.8	0.9	0.8	1.1	14.2
Portugal	0.2	0.2	0.2	0.2	3.8	0.1	0.1	0.1	0.2	3.1
Spain	0.4	0.5	0.7	0.7	12.0	0.9	0.9	0.8	1.1	14.0
Sweden	11.9	12.7	13.3	13.8	231.6	5.7	6.4	7.9	7.1	90.1
Switzerland	2.9	2.8	2.8	2.9	48.3	0.7	0.8	0.8	0.7	9.1
Eastern Bloc	21.7	22.4	22.5	18.1	304.4	20.8	17.5	17.6	18.7	235.9
China	0.2	0.4	0.4	0.5	8.6	0.5	0.5	0.2	0.4	4.7
Czechoslovakia	0.7	0.6	0.7	0.8	12.9	0.9	0.4	0.6	0.7	8.3
Eastern Germany	1.1	1.0	0.9	0.9	15.3	1.0	1.0	0.9	0.6	8.1
Poland	2.0	2.0	1.7	1.4	24.3	1.7	2.0	2.4	2.8	35.2
Soviet Union	16.9	17.6	17.8	13.9	233.6	16.0	12.1	11.9	13.2	167.3
U.S. and Canada	5.3	5.0	5.7	5.1	86.0	5.4	5.9	7.0	7.0	89.0
United States	4.9	4.8	5.6	5.0	83.7	5.2	5.7	6.8	6.8	86.5
Latin America	2.9	3.0	2.6	2.1	35.5	2.9	2.7	3.2	2.8	35.0
Argentina	0.5	0.3	0.3	0.4	6.5	0.6	0.8	0.7	1.0	13.0
Brazil	1.6	1.6	1.6	1.1	19.3	0.7	0.5	0.6	0.4	4.9
Other	1.3	1.6	1.8	2.4	39.9	3.4	2.7	3.0	3.4	43.2
Grand total	100.0	100.0	100.0	100.0	1 678.9	100.0	100.0	100.0	100.0	1263.9
of which										
EFTA countries	36.0	35.8	36.9	37.5	629.1	32.6	35.4	35.2	34.0	429.7
EEC countries	31.2	30.5	28.8	32.8	550.9	29.8	30.6	29.1	28.6	361.5



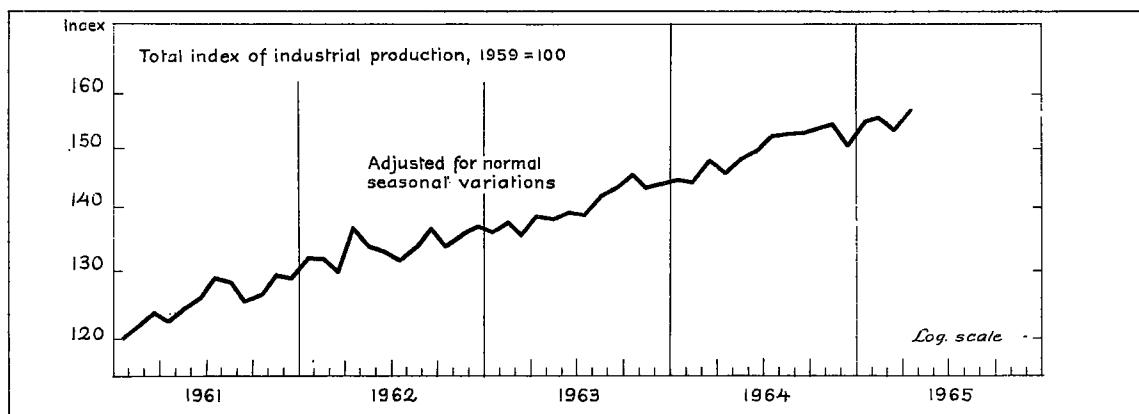
PRICE INDEXES

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	Mach- inery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply processed goods	More elab- orately processed goods			
1962	203	205	196	209	203	197	217	200	198	132	114	156
1963	210	212	201	214	211	205	226	203	205	140	118	171
1964	226	231	210	228	214	227	250	218	218	150	120	192
1964												
May	223	226	209	225	211	223	241	217	216	150	119	194
June	224	228	210	227	211	224	246	217	216	150	120	195
July	226	230	210	227	212	227	252	215	216	150	120	194
Aug.	228	232	211	229	216	228	255	217	218	152	121	197
Sept.	230	235	212	233	217	230	256	222	220	152	121	198
Oct.	232	237	212	236	217	230	260	223	220	153	122	200
Nov.	233	238	213	238	220	230	260	225	222	153	123	198
Dec.	235	240	213	238	222	233	263	225	224	154	123	199
1965												
Jan.	235	240	216	240	222	231	264	228	222	156	123	202
Feb.	235	240	216	240	222	232	264	228	222	156	123	204
March	236	242	216	240	222	235	266	229	223	157	125	207
April	236	242	213	240	222	234	268	222	222	158	125	210
May	236	242	213	242	223	231	268	229	222	159	125	212

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												
May	170	185	361	114	106	164	133	136	134	111	132	134
June	170	185	361	114	107	165	134	136	134	110	132	135
July	170	185	361	114	107	165	134	136	134	110	132	135
Aug.	171	185	361	114	107	166	134	136	134	110	133	135
Sept.	172	188	361	114	108	167	135	138	134	111	134	136
Oct.	173	187	372	114	108	167	135	137	138	111	134	136
Nov.	173	188	372	114	108	167	136	138	138	111	134	136
Dec.	174	189	372	114	109	168	136	139	138	111	135	137
1965												
Jan.	175	189	372	114	109	170	137	139	138	111	135	139
Feb.	175	190	372	114	109	170	137	140	138	111	136	139
March	176	194	372	114	108	171	138	142	138	111	135	139
April	177	194	373	115	108	171	139	142	138	111	135	140
May	177	195	373	114	108	172	139	143	138	111	135	140

PRODUCTION - INTERNAL TRADE

Period	Index of industrial production 1959 = 100									Commer- cial timber fellings 1 000 piled cu. m	Wholesale trade volume index 1954 = 100
	Total	Invest- ment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					Wood industry	Paper industry	Metal industry	Other			
1962	133	151	133	127	114	141	144	126	133	47 264	160
1963*	139	136	142	135	117	154	141	134	140	47 784	169
1964*	150	140	156	140	124	168	148	143	149	53 200	156
1963*											
Aug.	143	137	142	147	108	157	137	146	142	1 936	183
Sept.	148	146	151	141	111	169	151	141	143	2 192	176
Oct.	162	160	167	152	132	182	166	156	145	3 189	181
Nov.	151	145	157	141	110	169	152	146	143	3 915	173
Dec.	133	127	139	123	118	148	132	124	144	4 534	201
1964*											
Jan.	148	146	154	137	117	163	153	138	144	5 552	114
Feb.	147	144	152	138	127	162	152	137	144	6 031	143
March	146	139	152	136	121	162	147	137	148	6 500	142
April	157	150	161	153	150	169	158	153	146	5 469	161
May	144	133	149	158	127	164	139	138	148	11 353	154
June	143	141	146	139	137	142	145	141	149	1 863	150
July	116	77	128	103	118	168	85	107	152	1 327	145
Aug.	150	134	154	149	100	173	140	153	152	1 846	170
Sept.	162	157	168	152	121	182	167	155	153	2 335	173
Oct.	167	154	176	152	125	190	165	160	153	2 926	169
Nov.	163	156	172	147	121	182	164	156	154	3 462	164
Dec.	150	143	158	133	123	160	160	139	150	4 536	183
1965*											
Jan.	152	146	161	134	123	174	154	137	154	4 822	120
Feb.	153	154	160	140	131	172	160	141	155	6 095	147
March	170	167	178	155	151	195	174	158	153	6 342	168
April	153	149	159	145	139	166	156	146	157	5 674	..

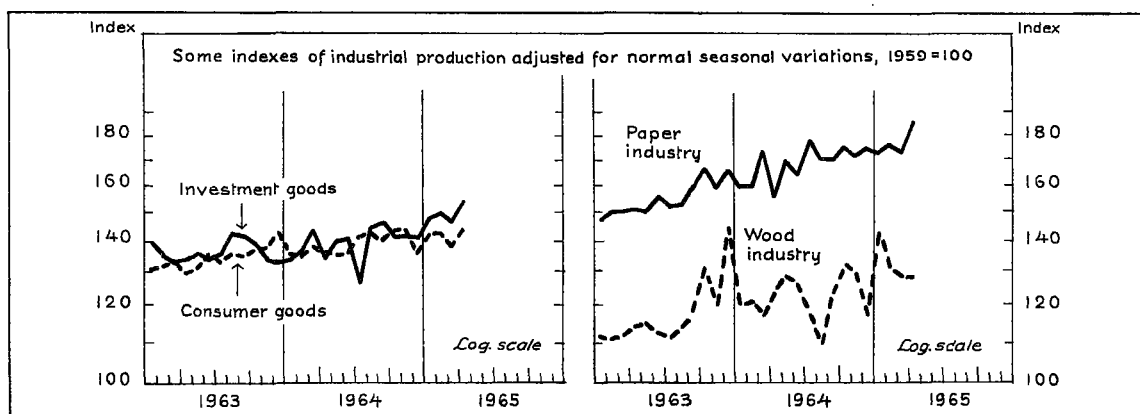


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

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
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
1965*										
Jan.-Mar.	4.56	1.93	0.23	1.77	0.50	28.08

Period	Railways		Foreign shipping				Labour input		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons				1 000 man-months		% of total labour force	
	1964	1965	1964*	1965*	1964*	1965*	1964	1965*	1964	1965*
Jan.	125	118	576	690	527	549	1 854	1 877	2.7	2.0
Feb.	124	124	538	549	451	451	1 851	1 860	2.3	1.6
March	122	144	535	679	389	493	1 839	1 839	1.8	1.7
April	138	138	588	721	487	601	1 882	1 883	1.5	1.6
May	125	132	755	969	709	772	1 920		1.1	
June	128		995		963		1 906		1.2	
July	128		1 165		1 253		1 772		1.1	
Aug.	132		1 072		1 111		1 862		1.0	
Sept.	138		861		873		1 924		1.0	
Oct.	140		842		760		1 928		1.3	
Nov.	135		909		683		1 905		1.5	
Dec.	116		827		679		1 866		1.7	



EXPLANATIONS RELATING TO THE STATISTICAL SECTION

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

BANK OF FINLAND

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

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

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

DEPOSITS BY THE PUBLIC —

ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

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

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

STATE FINANCES

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

FOREIGN TRADE

Pages 9—12. Figures supplied by the Board of Customs. *The unit value indexes* (p. 9): The indexes are calculated according to the Laspeyres formula. At the end of the year the arithmetic mean of the Laspeyres indexes corresponds to the annual level of the Fisher index formula. 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 (May 31, 1965): Steamers 152 (257 691 gross reg. tons), motor vessels 379 (715 817 gross reg. tons), sailing vessels with auxiliary engines 35 (4 357 gross reg. tons). Total 566 (977 865 gross reg. tons).

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

SCHEDULED AIR TRAFFIC OF FINNISH COMPANIES (1964): Kilometres flown 12.0 million, passengers carried 639 700, passenger kilometres 311.2 million, and ton kilometres of freight and mail 5.4 million.

FINANCE AND BANKING

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

MUNICIPAL FINANCES. In the finance accounts for 1963 expenditure amounted to 2 776 mill. marks. Total revenue was 2 775 million, of which income from taxation 1 393 million. The municipal income tax (non-progressive) averaged 11.91 % of the ratepayers' taxable income.

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

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

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

THE FINNISH SICKNESS INSURANCE SCHEME

BY

JAAKKO PAJULA, Licentiate in Laws

DIRECTOR OF THE NATIONAL PENSION INSTITUTE

The Finnish sickness insurance scheme is based on the Sickness Insurance Act of July 4, 1963. It encompasses every person resident in Finland and includes three forms of insurance, viz., a medical care insurance, an earnings insurance and a maternity insurance. The system is implemented progressively. The first phase came into force on September 1, 1964 and the second phase will take effect on January 1, 1967.

BENEFITS

Medical care insurance

The medical care insurance primarily aims at bringing those sickness costs that arise outside the hospital service system, i.e. the costs of open care, under the system of social equalization. Reimbursement is furnished for doctor's fees, costs arising from the procurement of medicines prescribed by a doctor, travelling expenses incurred by sickness as well as for fees charged by laboratories, X-ray, and physical therapy units. The reimbursement for doctor's fees is 60 per cent. In reimbursing the costs of medicines two principles are observed: necessary medicines in serious and prolonged diseases are reimbursed in full, and of the price of other medicines half of that part exceeding 4 marks is refunded per purchase time. Of the expenses incurred by a one-way journey that part exceeding either 5 marks or 2.50 marks is reimbursed in full, depending on

whether the journey in question is the first or subsequent one on account of a case of illness. The reimbursement for fees charged by the above-mentioned institutions for medical examinations and treatment amounts to 75 per cent of that part exceeding 6 marks.

As can be gathered from what has already been said, the refund of hospital fees is not included in the system. This is due to the fact that 99 per cent of the hospital beds are community-owned. The daily hospital fee collected from the patients for these beds corresponds on the average to slightly less than 20 per cent of the actual daily medical care expenses, which do not include the amortization of and interest on the principal invested in the founding of the hospital. The fee is usually 6 marks a day. Furthermore, it is to be noted that the treatment of certain diseases, such as tuberculosis, is provided free of any charge to the patient.

The sickness insurance is based on an own-risk system. With the above-mentioned exception of fully reimbursable medicines, the insured person always receives only a partial reimbursement for his sickness expenses. The own-risk system constitutes a system of self-control for sickness insurance. It prevents misuse and restrains unnecessary demand for medical services. The costs of sickness insurance, too, can be effectively influenced thereby. However, as regards the own-risk parts with fixed amounts in marks, it is to be

BENEFITS

Medical care insurance	Earnings insurance	Maternity insurance
<p><i>Doctor's fees</i> 60 % reimbursed as of Jan. 1, 1967</p> <p><i>Medicines</i> a) Reimbursed in full with respect to 27 serious and prolonged illnesses b) For other medicines prescribed by doctor the reimbursement is 1/2 of part exceeding 4 mks per purchase time</p> <p><i>Fees of laboratories and X-ray units</i> 75 % of part exceeding 6 mks reimbursed</p> <p><i>Travelling expenses</i> 1st journey: part exceeding 5 mks reimbursed with respect to one-way journey 2nd journey: correspondingly, part exceeding 2.50 mks reimbursed</p>	<p>Employed or self-employed persons entitled to <i>daily allowance</i> if incapacity for work exceeds 14 weekdays, as of Jan. 1, 1967 7 weekdays.</p> <p>Size of daily allowance varies, depending on income from employment, from 4 mks to 22.50 mks a day.</p> <p>In addition, daily allowance payable with provider's supplement for spouse and children under 16. Provider's supplement amounts to 10—50 % of daily allowance, depending on number of dependants.</p>	<p>a) <i>Doctor's fees, medicines, fees of laboratories and X-ray units and travelling expenses reimbursed as in medical care insurance</i></p> <p>b) Each woman in confinement receives <i>maternity allowance</i> for 54 weekdays. Size of maternity allowance determined on same basis as amount of daily allowance, thus varying between 4 mks and 22.50 mks a day. In addition, provider's supplement payable with maternity allowance.</p>

noted that they gradually lose some of their significance.

As the community through sickness insurance participates to a greater extent than before in the financing of medical services, this also increases its interest in controlling both the standard of the services and the fees that are being charged for them. Since the demand for and the supply of medical services are not balanced in Finland, it is evident that the execution of sickness insurance, which increases the demand, can easily result in unsound phenomena in the prices of medical services. With the exception of medicines, the prices of medical necessities, such as the fees charged for services performed by private physicians, laboratories, X-ray, and physical therapy units, are not subject to public price determination. Sickness insurance au-

thorities, on the other hand, are obliged to observe sickness insurance tariffs as regards the establishing of the reimbursement due to the insured person. If the price collected from the insured person exceeds the said tariff the reimbursement is fixed on the basis of the tariff price.

In regard to the medical care insurance the reimbursement system is in force in every respect save the refunding of doctor's fees. The reimbursement of doctor's fees begins on January 1, 1967.

Earnings insurance

The earnings insurance aims at reimbursing the insured person for part of loss of earnings occasioned by sickness. A person who on account of sickness is incapable of performing his usual work or work closely

comparable therewith is entitled to a daily allowance after a qualifying period of 14 (7 as of January 1, 1967) weekdays. Receipt of daily allowance also presupposes that the insured person, before falling sick, has been either employed or self-employed. Thus, in addition to wage- and salary-earners, the daily allowance is payable to self-employed persons, such as housewives, farmers, traders and other independent workers, university and college students as well as students at vocational schools. The daily allowance is paid to persons aged from 16 to 64 years.

The size of the daily allowance is 1.5 per mille of annual income from employment as established in connection with taxation. An insured person with no income established for the purposes of communal taxation or with an income of 2 750 marks or below receives a minimum daily allowance of 4 marks. If the annual income established for taxation exceeds 15 000 marks, that part in excess of the said amount is not taken into account in determining the size of the daily allowance. The amount of the daily allowance thus varies, depending on the income, from 4 to 22.50 marks and corresponds, with respect to those with an annual income between the above-mentioned limits, i.e. 2 750 and 15 000 marks, to 45 per cent of earnings. In addition, the daily allowance is payable with a provider's supplement for spouse and for children under 16 years of age. With this supplement the daily allowance may amount to 67.5 per cent of earnings.

If the insured person, during the period of sickness, receives wages or salary from his employer, the part of the daily allowance corresponding to the wages or salary is paid to the employer.

Maternity insurance

The object of maternity insurance is to make it possible for a woman in confinement to be absent from work for three weeks be-

fore and six weeks after childbirth. To this end, a maternity allowance is payable for 54 weekdays to every woman in confinement. The size of the maternity benefit is determined on the same basis as the amount of the daily allowance. The amount of the maternity allowance thus varies from 4 to 22.50 marks a day, exclusive of the provider's supplement.

Prevention of diseases, rehabilitation of insured persons and support of medical services at places of work

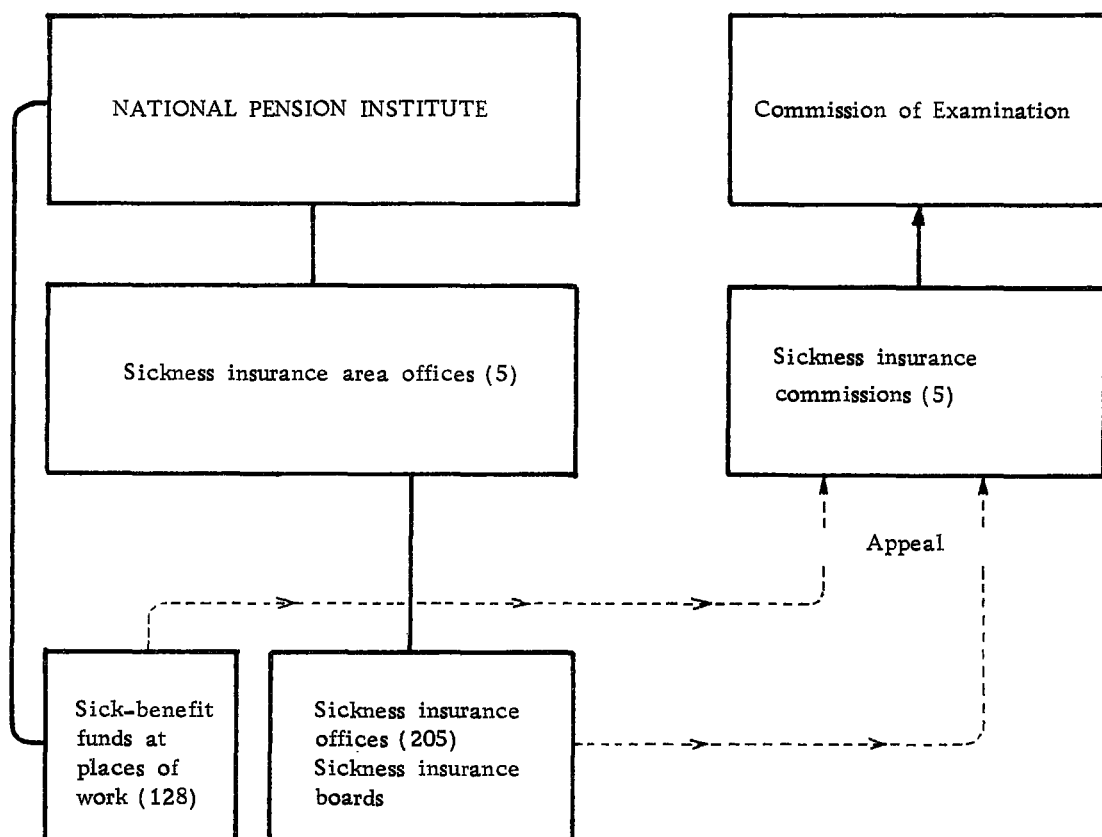
From the point of view of sickness insurance it is important to support efforts that promote the prevention of diseases and the rehabilitation of the insured persons. Under an express provision in the Sickness Insurance Act an amount from the Sickness Insurance Fund, corresponding to 2 per cent of the amount accrued in the form of insured persons' contributions, shall be used yearly for activity which is aimed at preventing diseases and which can be considered to be of general importance with respect to the whole country or the population of a certain region, and for activity which reduces the costs of sickness insurance and is directed toward rehabilitation of insured persons.

The system also aims at supporting employers' plans to develop medical services at places of work. If an employer has given his employees access to medical care at the employer's expense, the employer can be paid a reasonable compensation for these expenditures.

ORGANIZATION

The sickness insurance scheme is administered by the National Pension Institute through sickness insurance area offices and local sickness insurance offices and sick-benefit funds operating at places of work. For the local implementation of sickness in-

ORGANIZATION



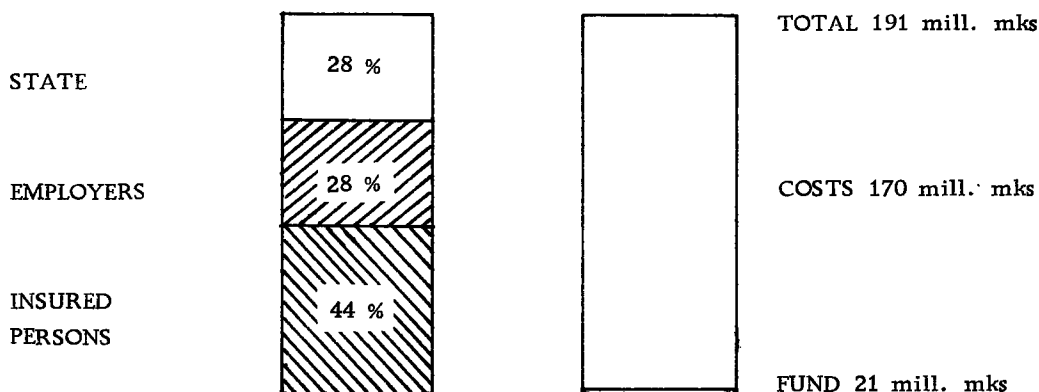
insurance the country is divided into 205 sickness insurance districts. Each district has a sickness insurance office, which may have sub-offices. Every office has a sickness insurance board with five members, presided over by the manager of the sickness insurance office and consisting of a physician and three persons familiar with the situation of different groups of insured persons. The sickness insurance boards mainly deal with daily allowances, while other reimbursements are settled at the sickness insurance office.

Besides the sickness insurance offices, the local sickness insurance organization comprises 128 sick-benefit funds operating at

places of work. Persons employed by the same employer can establish a sick-benefit fund, through which they receive their reimbursements under the Sickness Insurance Act. In addition, the fund may grant supplementary benefits on the basis of contributions from the employer and the employees. The expenditures of a sick-benefit fund under the Sickness Insurance Act are met in full by the Sickness Insurance Fund administered by the National Pension Institute.

For the implementation of sickness insurance on an area level the country is divided into five sickness insurance areas. Each area has an area office with expert physicians and area inspectors. It is incumbent upon an

ESTIMATED DIVISION OF COSTS IN 1965



area office to guide and supervise the activities of the sickness insurance boards and offices. Each area office has an appellate court of first instance, the sickness insurance commission, before which decisions of the sickness insurance boards and offices may be brought for review.

The general direction and supervision of the sickness insurance scheme rests with the National Pension Institute, which in addition to sickness insurance administers the general invalidity and old-age insurance. The sickness insurance offices and area offices are also organs of the National Pension Institute. The final appellate court is the Commission of Examination, which is appointed by the Council of State and before which decisions of the sickness insurance commissions are brought for review.

FINANCING

Insured persons, employers and the state participate in the financing of sickness insurance. The contributions collected for sickness insurance are transferred to a special extraparlimentary fund, the Sickness Insurance Fund, which is administered by the

National Pension Institute and out of which all costs arising from the sickness insurance scheme are covered. Sickness insurance contributions are collected at the same time as communal taxes. In 1965 the contribution is 0.75 pennies per taxation unit¹⁾, that for 1966 0.50 pennies and as from the beginning of 1967 one penny. All persons for whom no taxable income has been established in communal taxation are thus exempt from the liability to pay insurance contributions. Likewise, persons having attained the age of 65 years are not liable for contributions. It is estimated that this year 84 million marks will accrue in the form of insured persons' contributions. This corresponds to about 45 per cent of the total costs.

The employer's sickness insurance contribution is included in the employer's social security contribution which is collected from employers. At present, the employer's social security contribution is 5.5 per cent of the payroll. It includes the employer's contribution for child allowance, 3.5 per cent, the national pension insurance contribution, 1.5 per cent, and the sickness insurance contribution, 0.5 per cent. As of January 1, 1967 the employer's sickness insurance con-

¹⁾ 1 taxation unit = 1 mark of taxable income.

tribution will rise to one per cent and the total social security contribution to 6 per cent. It is estimated that this year the employer's contributions will bring in about 53 million marks representing about 30 per cent of the total costs.

The state acts as guarantor of the sickness insurance system. To the extent that the annual sickness insurance expenditures are not covered by contributions from the insured persons and the employers, they are met by the state's budgetary funds. The payment by the state must at least correspond to $\frac{1}{3}$ of the total annual sickness insurance

costs. If, however, the amount in the fund at the end of a calendar year, the above-mentioned payment by the state ($\frac{1}{3}$) included, exceeds $\frac{1}{8}$ of the total annual sickness insurance costs, the state pays only such a sum as will raise the amount of the fund to the said $\frac{1}{8}$ of the total sickness insurance costs. In 1965, it is estimated that the state's contribution to the sickness insurance scheme will reach 54 million marks. During the current year, the total sickness insurance costs are expected to amount to 170 million.

ITEMS

World Bank loan to Industrialization Fund. On June 30, the World Bank has approved a loan equivalent to \$14 million to the Industrialization Fund (Teollistamiss-rahasto Oy) which provides financial assistance to small and medium-sized private enterprises in Finland. The loan will replenish the resources of the Industrialization Fund and enable it to meet nearly half its expected requirements for additional funds until mid-1967.

In addition to the Bank loan of \$14 million, the Fund has also arranged to raise during the next year Fmk. 25 million (\$7.8 million) from Finnish sources. These additions to its resources will be on terms that will enable the Fund to continue operations on a sound financial basis.

The Bank loan will bear interest at the rate of 5 ½ per cent per annum. The schedule of the Fund's repayments to the Bank will be subject to adjustment from time to time so that they will correspond approximately to borrowers' repayments to the Fund. The schedule will provide for full repayment to the World Bank by June 1, 1982. The loan is guaranteed by the Republic of Finland.

*

Supplementary budget. The second supplementary budget for 1965 providing for additional expenditure of 271 million marks and additional revenue of 289 million, was presented in early June. It brings the total budgeted expenditure for 1965 up to 6 820

million marks, revenue falling short of this level by 264 million.

On the expenditure side of the supplementary budget the main item is 236 million marks in transfers, which were necessitated by the agreed rise of 218 million marks in the Finnish quota to the IMF, and a corresponding increase in the Finnish quota to the IBRD, for which 18 million marks are now appropriated. Further, some 11 million are provided for university and school buildings, 5 million for the Export Guarantee Fund and 3 million for the Finnish contingent of the UN forces.

On the revenue side, 178 million marks of the increases in the IMF and IBRD quotas have been entered in capital revenue. In addition, 100 million marks are marked as countervalue of the gold tranche in the IMF. Further, 3 million will be raised in new excise taxes.

*

Reindeer agreement between Finland and the Soviet Union. On June 4, 1965, Finland and the Soviet Union concluded an agreement which is of great importance to Finnish reindeer owners, for it allows them to cross the frontier in order to bring back their reindeer which have strayed.

Despite the existence of a reindeer fence, more than 600 kilometres in length, on the Finnish side, and despite efforts to keep it in good repair and to control the movements of the reindeer in the border districts, about 500—600 animals wander across the border each year. Previously, the frontier

authorities alone were responsible for returning the animals, and since they were not familiar with reindeer farming, the annual loss of animals was about 10 per cent.

The agreement is broadly similar to that between Finland and Norway, while the detailed provisions are based on the Frontier Convention between Finland and the Soviet Union. Thus, the technical supervision falls within the established framework of the Convention, but the actual search for the straying animals is entrusted to the reindeer tenders, who are also permitted to employ reindeer dogs and use the necessary means of retrieval transport, such as motor sledges and draught-reindeer.

The opposite party, in this case usually the Soviet Union, will receive compensation for actual costs arising from the straying of the reindeer, and is, in addition, entitled to charge the reindeer owners a maximum of 5 per cent of the domestic value of the animals.

*

Trade agreement between Finland and Greece. On June 16, 1965, a supplement was signed to the trade agreement of March 24, 1949. The supplement includes quotas of the traditional goods in the trade between the two countries, and will be in force until May 31, 1966.

*

New indexes of imports and exports. The Board of Customs has adopted new volume and value indexes of imports and exports. The principal difference compared with the old indexes is that the basis year is now 1962. The commodity composition of the index calculations is slightly wider thus providing a better coverage. Another difference occurs in the quarterly indexes, which are calculated according to the Laspeyres formula. At the end of the year the arithmetic mean of the Laspeyres indexes corresponds to the annual level of the Fisher index formula. See this issue page 9.

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