



# BANK OF FINLAND

## MONTHLY BULLETIN

Vol. 30 Nos. 3—4

MARCH — APRIL

1956

### RECENT DEVELOPMENTS

#### THE WAGE CRISIS

At the beginning of the current year a number of rises in prices and charges were effected, the most important ones being the increases in the rents of old houses and in the prices of dairy products. The cost of living index consequently rose from 101 in December to 104 in January, and to 107 in February.

The price increases created a stir among wage earners. The Confederation of Finnish Trade Unions (SAK) demanded that the price level of December should be restored or wages be raised by 12 marks per hour to compensate for the rise in prices.

The Cabinet could not guarantee the restoration of the December price level. Negotiations on wages carried on between employers and workers yielded no result. In consequence, SAK called a general strike, to begin March 1, unless agreement was reached before then. The Central Union of Agricultural Producers in Finland (MTK), reacting to the threat against the higher agricultural prices and demanding a new system for calculating agricultural income, announced their intention of stopping deliveries of agricultural products.

Both the general strike and the delivery strike began on March 1. After the new Cabinet, formed on March 3, had promised to arrange agricultural income in a way satisfactory to producers, MTK on the same

day called off the delivery strike. But the general strike continued, affecting some 500 000 workers in all.

After lengthy discussions, in which representatives of the Government took part, a compromise agreement was arrived at on March 19, and the strike ended on the following morning. — Wages were raised by 12 marks per hour, except those of workers under 18, and apprentices, for whom the rise was 8 marks. Further, the central labour market organisations recommended that their member organisations should include in the new collective agreements an additional wage increase averaging 3 per cent, the maximum increase to be 6 per cent, except in special cases. The index clause of November 1955 was to be so modified that the basic index would be 107 (index for February 1956) instead of 101 (December 1955). The Government also promised increases in civil service salaries. — The agreement implies an average wage increase of roughly 10 per cent.

To compensate employers for this additional expenditure, the Government granted them amongst other things, the following reliefs: their payments for child allowances and national pensions were reduced from 4 to 3 per cent of wages paid; the income tax of

*On page 18,  
The Index Clause in Finnish Banking*

companies was fixed at 32 per cent and property tax at 8 0/00; certain depreciation allowances were raised from 5 to 20 per cent.

#### FOREIGN PAYMENTS POSITION

The gold and foreign exchange reserves of the Bank of Finland amounted to 32 100 mill. marks, at the end of 1955, exceeding by a full thousand million the previous end-of-the-year record of 1951. The development of the reserve position during 1955 differed in two aspects from that observed during the preceding year. In the first place, the increase in the total reserve in 1955 was limited to 2 600 mill. marks, as against an increase of 10 300 million in 1954. Secondly, the composition of the reserve changed somewhat, as the growth of holdings of EPU currencies (which had been increasing steadily since the payments crisis of 1952) ceased; in fact, nearly all of the improvement during 1955 related to gold and dollars.

	1953	End of 1954	1955
Gold and US \$ .....	12.5	13.6	15.6
EPU .....	3.5	16.5	16.6
Eastern Bloc .....	3.7	2.1	2.4
Others .....	—0.5	—2.7	—2.5
<b>Total</b>	<b>19.2</b>	<b>29.5</b>	<b>32.1</b>

The relative strength of Finland's foreign exchange reserve increased, however, more than these figures indicate. A larger part of the foreign assets became available for multilateral operations. At the end of 1954, payments agreements with only the United Kingdom and Western Germany afforded possibilities for multilateral transfers of currencies within the Western European arbitrage group. At the end of 1955, similar agreements had been concluded with all the remaining members of this group with the exception of France and Italy. Furthermore, the clearing debt to Brazil was reduced by one-half, and it was possible by special measures to diminish slightly the balance with Turkey. As far as the currencies of the

Eastern Block were concerned, the clearing debt to China was fully settled, whereas by the end of 1955 the clearing surplus with the USSR had fallen lower than it had been during the past three years.

The slower growth of foreign reserves during 1955 reflected primarily the conscious policy of the Bank of Finland, which attempted to reinforce its tight monetary policy with more liberal exchange allocations for imports. The value of import licences granted was 196 000 mill. marks, or 27 per cent greater than it had been in 1954 (41 per cent greater for dollars and EPU currencies), while export earnings amounted to 182 000 million, or 12 per cent more than in 1954. Licensing increased most on the part of imports still under quantitative restrictions. For goods included in the free list (which was introduced on July 1, 1955, and extended twice towards the end of the year), the value of licences was slightly less than it had been during the second half of 1954.

Regarding actual foreign exchange disbursements, payments for imports amounted to 167 000 mill. marks, or 26 per cent more than in 1954, while prepayments for imports and the currencies earmarked for imports at the end of 1955 were estimated to exceed the 1954 amount by 8 000 mill. marks. The equivalent of 3 000 mill. marks in western currencies, chiefly dollars, was used for investments in foreign bonds, for the voluntary repurchase of the last tranche of "stand-by" credits obtained from the IMF in 1951—1952, and for anticipated repayment of credits from the IBRD. In addition, \$5.4 million (1 200 mill. marks) had been earmarked at the end of 1955 for an additional foreign exchange payment to the IMF, scheduled for January 1956 and arising from Finland's obligation to reduce the Fund's holdings of its currency.

April 5, 1956.

## BANK OF FINLAND

Mill. mk

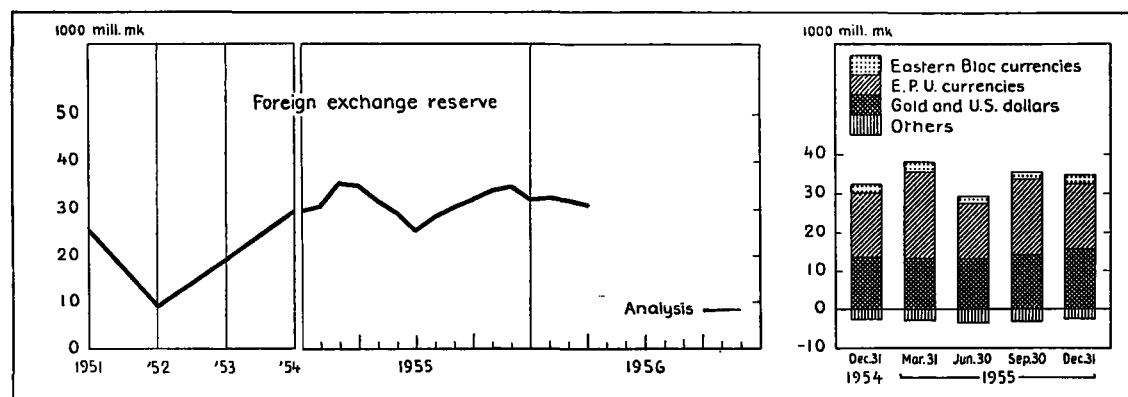
	1955		1956			
	March 31	Dec. 31	Feb. 15	Feb. 29	March 15	March 31
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Ordinary note cover .....	41 946	38 314	38 950	38 641	37 789	36 869
Gold .....	6 909	7 849	7 849	7 849	7 849	7 849
Foreign exchange .....	34 065	28 089	28 541	28 232	27 380	26 460
Foreign bills .....	115	115	115	115	115	115
Foreign bonds .....	857	2 261	2 445	2 445	2 445	2 445
Supplementary note cover .....	42 279	65 576	67 227	68 928	65 964	66 651
Inland bills discounted						
In foreign currency .....	6 825	8 511	8 724	8 751	8 799	8 823
In Finnish currency .....	12 380	14 437	16 075	16 626	17 395	18 992
Rediscounted bills .....	3 074	22 628	22 428	23 551	19 770	20 086
Treasury bond loan .....	20 000	20 000	20 000	20 000	20 000	18 750
Other assets .....	11 356	11 617	12 062	12 261	12 501	12 530
Finnish bonds .....	2 152	1 915	1 888	1 888	1 877	1 851
Cheque accounts .....	305	490	410	419	268	259
Finnish coin .....	349	196	309	330	338	341
Other claims .....	8 550	9 016	9 455	9 624	10 018	10 079
Total .....	95 581	115 507	118 239	119 830	116 254	116 050
<b>Liabilities</b>						
Notes in circulation .....	48 746	55 883	51 933	53 870	55 311	54 252
Short-term liabilities .....	27 989	33 310	39 186	38 565	34 077	34 373
Foreign exchange accounts .....	5 897	3 855	3 801	3 982	3 774	3 296
Mark accounts of holders abroad .....	2 761	3 898	4 339	4 324	4 314	4 310
Cheque account of the Treasury .....	18 320	9 816	15 707	14 292	10 455	11 521
Cheque accounts of banks .....	917	8 384	6 893	7 329	6 661	6 118
Other cheque accounts .....	27	6 733	7 908	8 082	8 372	8 419
Other short-term liabilities .....	67	624	538	556	501	709
Long-term liabilities .....	6 538	9 013	9 314	9 317	9 364	9 388
Foreign .....	6 538	7 719	8 020	8 023	8 070	8 094
Finnish .....	—	1 294	1 294	1 294	1 294	1 294
Equalisation accounts .....	2 465	5 689	5 926	6 123	6 311	6 751
Bank's own funds .....	9 843	11 612	11 880	11 955	11 191	11 286
Capital .....	5 000	10 000	10 000	10 000	10 000	10 000
Reserve fund .....	4 479	—	806	806	806	806
Profits undisposed .....	—	—	806	806	6	6
Earnings less expenses .....	364	1 612	268	343	379	474
Total .....	95 581	115 507	118 239	119 830	116 254	116 050
<b>STATEMENT OF NOTE ISSUE</b>						
<b>Right of note issue</b>						
Ordinary cover .....	41 946	38 314	38 950	38 641	37 789	36 869
Supplementary cover						
(Upper limit 58 000 mill. mk) .....	42 279	58 000	58 000	58 000	58 000	58 000
Total .....	84 225	96 314	96 950	96 641	95 789	94 869
<b>Note issue</b>						
Notes in circulation .....	48 746	55 883	51 933	53 870	55 311	54 252
Short-term liabilities .....	27 989	33 310	39 186	38 565	34 077	34 373
Undrawn on cheque credits .....	702	494	564	555	706	785
Unused right of note reserve .....	6 788	6 627	5 267	3 651	5 695	5 459
Total .....	84 225	96 314	96 950	96 641	95 789	94 869

Lowest discount rate since December 1, 1954, 5 per cent

## BANK OF FINLAND

Mill. mk

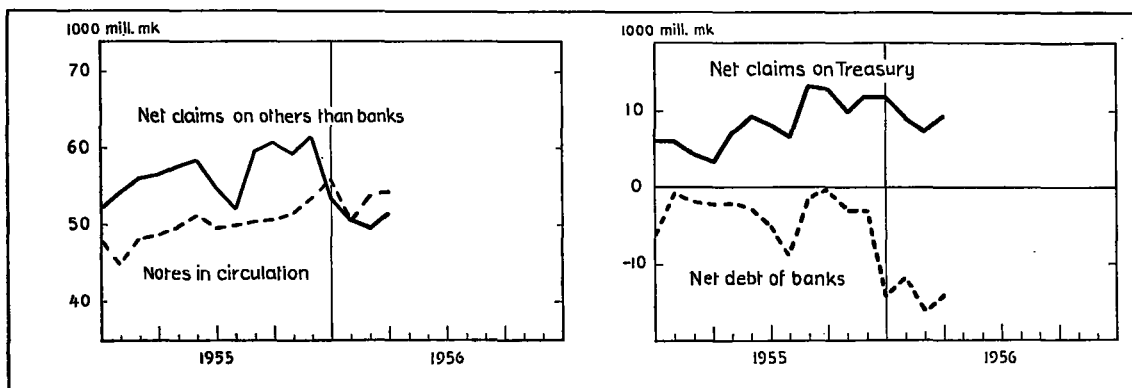
End of year and month	Gold and foreign accounts						Finnish credit institutions			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1—2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4—5)	Rediscounted bills	Cash reserve accounts	Cheque accounts proper	Net claims on the banks (7—8—9)
	1	2	3	4	5	6	7	8	9	10
1948	3 329	3 211	118	—	1 379	—1 261	1 697	—	473	1 224
1949	5 196	6 930	—1 734	—	2 561	—4 295	2 427	—	665	1 762
1950	10 959	8 170	2 789	—	4 807	—2 018	6 913	—	552	7 465
1951	34 317	3 594	30 723	—	3 693	27 030	16	—	189	205
1952	22 099	13 141	8 958	—	5 524	3 434	17 217	—	2 088	15 129
1953	27 898	8 737	19 161	209	9 237	10 133	8 268	—	2 157	6 111
1954	36 573	7 017	29 556	972	10 102	20 426	8 465	—	2 187	6 278
1955	35 938	3 855	32 083	2 376	11 617	22 842	22 628	6 677	1 707	14 244
1954										
Nov.	36 452	7 435	29 017	1 079	10 055	20 041	4 342	—	297	4 045
Dec.	36 573	7 017	29 556	972	10 102	20 426	8 465	—	2 187	6 278
1955										
Jan.	37 128	6 436	30 692	972	9 367	22 297	2 310	—	1 386	924
Feb.	41 506	6 144	35 362	972	9 275	27 059	2 388	—	584	1 804
March	40 974	5 897	35 077	972	9 299	26 750	3 074	662	255	2 157
April	38 836	7 000	31 836	2 468	9 744	24 560	5 386	2 325	969	2 092
May	36 044	6 814	29 230	2 468	9 999	21 699	6 112	2 743	486	2 883
June	33 610	7 870	25 740	2 468	10 069	18 139	9 020	2 987	817	5 216
July	34 635	6 280	28 355	2 468	10 586	20 237	13 239	4 227	662	8 350
Aug.	36 148	5 818	30 330	2 468	10 300	22 498	5 335	2 808	1 138	1 389
Sept.	37 700	5 470	32 230	2 468	10 794	23 904	6 751	5 441	930	380
Oct.	38 660	4 989	33 671	2 468	11 186	24 953	9 472	5 498	972	3 002
Nov.	38 899	4 166	34 733	2 468	11 528	25 673	10 007	6 176	748	3 083
Dec.	35 938	3 855	32 083	2 376	11 617	22 842	22 628	6 677	1 707	14 244
1956										
Jan.	36 957	4 464	32 493	2 561	12 312	22 742	19 096	6 689	486	11 921
Feb.	36 080	3 982	32 098	2 561	12 347	22 312	23 551	6 607	723	16 221
March	34 309	3 296	31 013	2 561	12 405	21 169	20 086	5 983	135	13 968



## BANK OF FINLAND

Mill. mk

End of year and month	Treasury			Trade and industry						Notes in circulation
	Bills and bonds	Cheque account	Net claims on the Treasury (1—2)	Inland bills in Finnish currency	Other advances	Total advances (4+5)	Deposits against import licences	Other liabilities	Net claims on the public (6—7—8)	
	1	2	3	4	5	6	7	8	9	10
1948	19 230	19	19 211	13 591	1 387	14 978	—	207	14 771	27 369
1949	22 030	80	21 950	15 351	1 965	17 316	—	625	16 691	29 606
1950	19 730	34	19 696	12 964	6 022	18 986	—	263	18 723	34 383
1951	8 685	—	8 685	11 567	6 222	17 789	—	301	17 488	44 774
1952	14 738	—	14 738	14 678	12 696	27 374	—	2 185	25 189	46 153
1953	21 662	7 281	14 381	13 812	15 525	29 337	—	2 314	27 023	45 019
1954	21 662	15 470	6 192	11 940	14 129	26 069	—	791	25 278	47 902
1955	21 660	9 816	11 844	14 437	16 357	30 794	6 578	779	23 437	55 883
1954										
Nov.	21 662	10 546	11 116	11 338	14 270	25 608	—	359	25 249	48 711
Dec.	21 662	15 470	6 192	11 940	14 129	26 069	—	791	25 278	47 902
1955										
Jan.	21 662	15 432	6 230	11 139	14 366	25 505	—	330	25 175	44 764
Feb.	21 662	17 216	4 446	11 393	13 160	24 553	—	409	24 144	48 151
March	21 660	18 320	3 340	12 380	14 020	26 400	—	94	26 306	48 746
April	21 660	14 488	7 172	13 252	14 833	28 085	—	91	27 994	49 713
May	21 660	12 382	9 278	14 553	16 633	31 186	—	365	30 821	51 344
June	21 660	13 458	8 202	15 120	17 327	32 447	—	228	32 219	49 584
July	21 660	15 044	6 616	14 395	17 230	31 625	739	1 549	29 337	49 903
Aug.	21 660	8 342	13 318	13 470	16 786	30 256	1 600	2 068	26 588	50 376
Sept.	21 660	8 803	12 857	13 780	17 836	31 616	2 931	1 594	27 091	50 634
Oct.	21 660	11 854	9 806	14 339	17 832	32 171	3 922	1 180	27 069	51 433
Nov.	21 660	9 627	12 033	13 563	17 748	31 311	5 105	872	25 334	53 493
Dec.	21 660	9 816	11 844	14 437	16 357	30 794	6 578	779	23 437	55 883
1956										
Jan.	21 660	12 905	8 755	15 204	16 846	32 050	7 476	844	23 730	50 539
Feb.	21 660	14 292	7 368	16 626	17 134	33 760	7 929	709	25 122	53 870
March	20 410	11 521	8 889	18 992	17 501	36 493	8 131	997	27 365	54 252



## DEPOSITS BY THE PUBLIC — FOREIGN EXCHANGE RATES

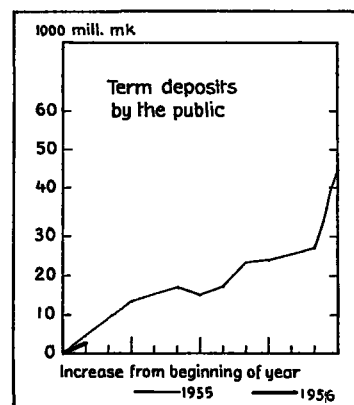
Mill. mk

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
1949	23 276	26 908	8 984	31 079	35 014	16 675	12 237	4 649	99 660	135 552
1950	24 460	28 248	10 537	36 579	39 366	20 175	13 892	5 356	115 373	154 158
1951	42 768	48 063	11 203	46 678	51 790	29 710	18 243	8 443	154 870	214 136
1952	28 020	33 410	10 765	59 742	65 344	37 223	23 562	10 798	196 706	240 881
1953	32 112	37 907	11 048	70 455	76 709	42 537	27 074	11 951	228 762	277 717
1954	34 913	42 108	13 451	83 444	92 174	52 050	30 079	13 415	271 195	326 754
1955	36 587	44 247*	11 795	97 794	108 543*	61 158*	33 073	15 255	315 863*	371 905*
1954										
Aug.	34 176	41 298	7 592	77 249	83 602	47 505	29 087	12 621	250 099	298 989
Sept.	32 891	40 155	13 796	76 909	84 066	47 843	28 540	12 591	249 986	303 937
Oct.	34 832	42 305	8 470	77 107	85 340	48 325	28 644	12 644	252 096	302 871
Nov.	34 008	41 375	7 874	77 933	86 750	49 080	28 921	12 809	255 529	304 778
Dec.	34 913	42 108	13 451	83 444	92 174	52 050	30 079	13 415	271 195	326 754
1955										
Jan.	36 908	44 248	7 661	84 806	93 679	53 131	30 120	13 785	275 554	327 463
Feb.	34 937	42 045	8 109	86 430	94 915	54 119	30 784	14 048	280 328	330 482
March	36 572	44 019	10 676	88 113	95 948	54 949	30 968	14 335	284 347	339 042
April	36 289	43 521	9 294	88 742	96 910	55 540	30 822	14 464	286 510	339 325
May	36 037	43 279	8 462	89 001	97 668	56 135	30 671	14 585	288 094	339 835
June	40 007	47 426	10 920	88 173	97 285	55 766	30 640	14 349	286 260	344 606
July	34 979	42 488	8 825	88 776	98 210	56 221	30 927	14 308	288 491	339 804
Aug.	37 788	45 175	8 797	90 961	99 791	57 621	31 715	14 406	294 543	348 515
Sept.	37 399	44 979	10 715	90 823	100 548	57 581	31 777	14 458	295 236	350 930
Oct.	37 908	45 561	9 709	91 287	101 316	57 674	31 890	14 534	296 751	352 021
Nov.	38 521	45 887	8 718	91 516	102 211	57 927	32 074	14 608	298 384	352 989
Dec.	36 587	44 247*	11 795	97 794	108 543*	61 158*	33 073	15 255	315 863*	371 905*
1956*										
Jan.	35 193	42 006	8 710	98 543	109 552	61 507	33 598	15 563	318 802	369 518

## Selling rates for foreign exchange

April 5, 1956

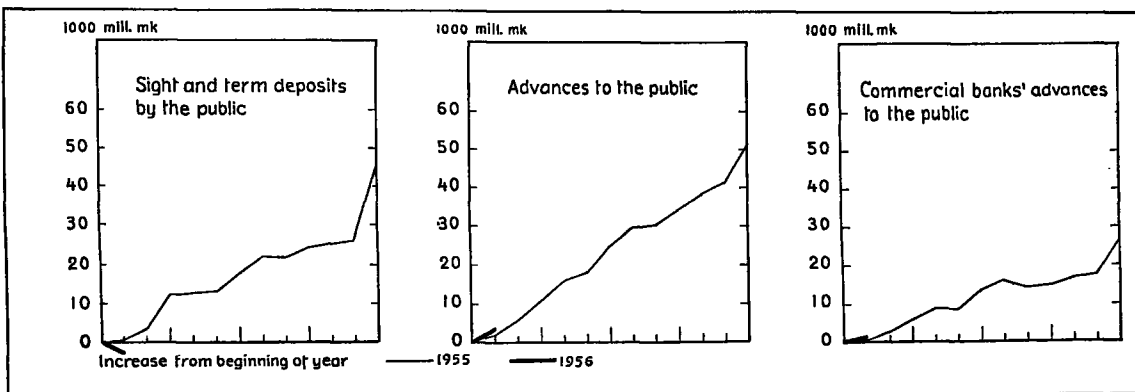
		mk			mk
New York .....	1 \$	231	Zürich .....	1 Fr	52.70
London .....	1 £	646	Frankfurt a/M ..	1 DM	55.07
Stockholm .....	1 Kr	44.46	Prague .....	1 Kz	32.08
Copenhagen .....	1 Kr	33.36	Vienna .....	1 Sch	8.90
Oslo .....	1 Kr	32.28	Lisbon .....	1 Es	8.04
Paris .....	1 Fr	0.66	Montreal .....	1 \$	231
Brussels .....	1 Fr	4.626	Moscow, clear. ..	1 Rbl.	57.75
Amsterdam .....	1 G	60.63			



## ADVANCES TO THE PUBLIC

Mill. mk

End of year and month	Granted by					Types of advances			Total (1 to 5) (6 to 8)
	Commercial banks	Savings banks	Post Office Savings Bank	Co-op. credit societies & their central bank	Mortgage banks	Loans	Bills	Cheque credits	
	1	2	3	4	5	6	7	8	9
1949	57 160	29 065	3 472	30 925	3 382	81 667	33 429	8 908	124 004
1950	67 438	35 511	4 507	35 048	3 830	97 375	37 934	11 025	146 334
1951	85 578	45 554	8 508	41 849	4 425	117 358	54 645	13 911	185 914
1952	104 881	59 824	13 402	50 694	5 379	147 035	70 106	17 039	234 180
1953	105 659	70 511	18 782	56 765	9 847	177 703	67 572	16 289	261 564
1954	128 955	82 447	22 123	64 697	12 773	212 306	79 200	19 489	310 995
1955	155 436	96 374	24 866	71 914	13 599	244 704	94 121	23 364	362 189
1954									
Aug.	119 815	78 694	20 610	61 195	11 222	198 020	75 279	18 237	291 536
Sept.	121 744	79 968	21 271	62 441	11 582	202 411	75 576	19 019	297 006
Oct.	123 992	81 038	21 648	63 502	11 581	205 597	76 789	19 375	301 761
Nov.	124 677	81 767	21 446	63 875	11 723	207 896	76 494	19 098	303 488
Dec.	128 955	82 447	22 123	64 697	12 773	212 306	79 200	19 489	310 995
1955									
Jan.	129 474	83 547	22 581	64 430	12 868	214 300	79 174	19 426	312 900
Feb.	131 673	84 328	23 147	64 936	12 940	216 614	80 134	20 276	317 024
March	134 881	85 204	22 990	65 700	12 982	218 163	82 590	21 004	321 757
April	137 728	86 211	23 183	66 675	12 945	220 561	85 841	20 340	326 742
May	137 630	87 394	23 474	67 600	12 979	223 275	85 401	20 401	329 077
June	142 305	88 533	23 691	67 962	13 042	226 137	87 218	22 178	335 533
July	144 995	90 087	23 817	68 461	13 170	229 737	88 513	22 280	340 530
Aug.	143 149	91 262	24 005	69 484	13 406	233 471	87 744	20 091	341 306
Sept.	143 785	93 062	24 141	70 476	13 517	236 197	87 237	21 547	344 981
Oct.	145 683	94 363	24 518	71 050	13 648	239 583	88 291	21 388	349 262
Nov.	146 531	95 477	24 804	71 454	13 766	242 132	88 476	21 424	352 032
Dec.	155 436	96 374	24 866	71 914	13 599	244 704	94 121	23 364	362 189
1956*									
Jan.	157 132	97 784	24 893	72 824	13 607	246 784	95 688	23 768	366 240

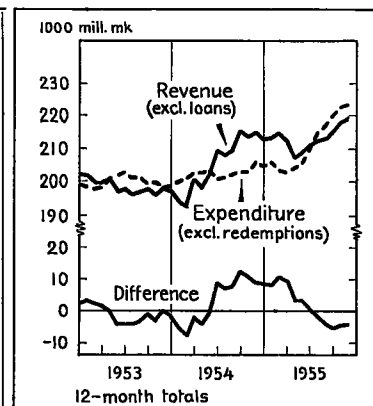


## STATE FINANCES

1000 mill. mk

Revenue	Jan.—Nov.		Expenditure	Jan.—Nov.	
	1954	1955		1954	1955
Income and property tax (net) .....	41.1	46.9	Interest on State debt .....	4.7	4.7
Gross receipts .....	(74.4)	(80.5)	Child allowances .....	19.4	19.5
Refunds and communal income tax .....	(-33.3)	(-33.6)	Old age allowances .....	2.6	2.3
Other direct taxes .....	0.8	0.9	Compensations to war-disabled .....	5.2	5.8
Purchase tax .....	50.3	43.5	Transfer of employers' payments for national pensions to National Pen- sions Fund .....	3.4	3.0
Import duties .....	16.9	23.4	Subsidies .....	9.7	21.6
Revenue from Alcohol Monopoly ...	14.8	16.6	Payments by Price Equalisation Fund	2.9	3.0
Excise duty on tobacco .....	9.6	10.1	Reimbursement of 1951 export tax ..	4.1	0.1
Other excise duties .....	3.6	3.7	State aid to agriculture .....	4.6	4.5
Stamp duties .....	6.0	7.4	State aid to communal and private schools .....	12.5	12.4
Employers' payments for child allow- ances and national pensions .....	16.4	18.3	Maintenance of roads .....	4.2	4.9
Receipts of Price Equalisation Fund	6.5	9.1	Other current expenditure .....	54.1	57.5
Other revenue similar to taxes .....	3.8	3.2	<b>Current expenditure</b> .....	127.4	139.3
<b>Total taxes</b> .....	169.8	183.1	Real investments .....	26.5	27.8
Interest and dividends .....	2.3	2.5	(of which: unemployment grants) ..	(14.4)	(12.5)
Net profits of State enterprises ....	0.9	0.0	Other capital expenditure .....	21.5	26.4
Other current revenue .....	5.0	5.6	<b>Capital expenditure</b> .....	48.0	54.2
<b>Current revenue</b> .....	178.0	191.2	<b>Total expenditure</b> .....	175.4	193.5
Capital revenue proper .....	4.1	4.0	Redemption of external loans .....	2.8	2.1
Decrease in inventories .....	8.9	2.0	Redemption of internal loans .....	6.2	3.8
<b>Capital revenue</b> .....	13.0	6.0	Redemption of Indemnity Bonds etc.	2.1	2.6
<b>Total revenue</b> .....	191.0	197.2	Index premiums .....	8.5	8.5
External loans .....	0.0	2.6	<b>Redemptions</b> .....	19.6	17.0
Internal loans .....	10.3	8.9	<b>Total</b> .....	195.0	210.5
<b>Loans</b> .....	10.3	11.5			
Bills (increase +) .....	-2.4	-0.5			
<b>Deficit (+) or surplus (-)</b> .....	-3.9	+2.3			
<b>Total</b> .....	195.0	210.5			

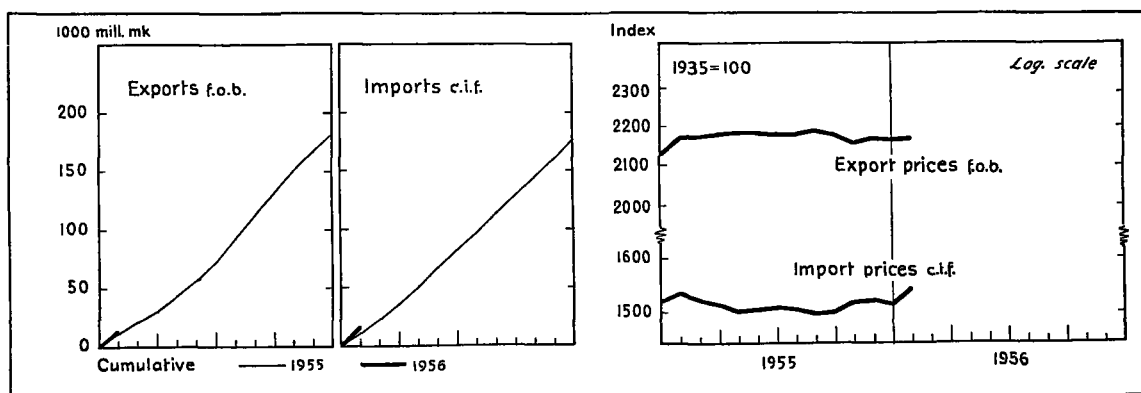
Debt	1952	1953	1954	1955		1956
	Dec.	Dec.	Dec.	Nov.	Dec.	Jan.*
<b>External debt</b> .....	67.7	65.0	62.1	63.0	61.6	62.0
Ordinary loans .....	30.3	31.3	36.1	41.2	43.0	43.7
Indemnity bonds etc. ....	11.5	10.2	8.8	6.7	6.8	6.8
Bills .....	—	3.4	0.5	—	—	—
Cash debt (net) .....	11.5	11.3	4.3	8.5	..	..
<b>Internal debt</b> .....	53.3	56.2	49.7	56.4	..	..
<b>Total debt</b> .....	121.0	121.2	111.8	119.4	..	..
<b>Total debt, mill. \$</b>	523.9	524.7	484.0	517.0	..	..





## FOREIGN TRADE

Period	Value, mill. mk			Imports by main groups, mill. mk				Price indices 1935 = 100	
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (—) or ex- ports (+)	Raw materials	Machinery	Foodstuffs	Other consumer goods	Articles of import c. i. f.	Articles of export f. o. b.
1948	66 369	56 505	— 9 864	32 245	12 641	13 198	8 285	996	1 278
1949	66 278	65 606	— 672	30 248	15 191	9 370	11 469	1 063	1 201
1950	89 148	81 479	— 7 669	38 214	19 218	16 786	14 930	1 366	1 420
1951	155 464	186 883	+31 419	75 568	32 358	24 402	23 136	1 878	2 955
1952	182 186	156 829	—25 357	75 493	49 006	32 600	25 087	1 801	2 410
1953	121 860	131 555	+ 9 695	48 898	31 760	26 791	14 411	1 590	1 944
1954	152 137	156 618	+ 4 481	67 103	39 412	27 082	18 540	1 550	2 074
1955*	176 960	181 259	+ 4 299	76 120	46 902	30 912	23 025	1 510	2 175
1954									
Aug.	12 032	14 788	+ 2 756	5 599	3 316	1 703	1 414	1 545	2 102
Sept.	14 322	15 855	+ 1 533	6 764	3 610	2 340	1 608	1 521	2 093
Oct.	14 067	15 792	+ 1 725	6 931	3 571	1 931	1 634	1 531	2 118
Nov.	14 505	15 927	+ 1 422	5 878	4 200	2 624	1 803	1 515	2 116
Dec.	18 329	13 878	— 4 451	8 222	4 494	3 479	2 134	1 519	2 129
1955*									
Jan.	10 805	11 483	+ 678	5 236	1 964	2 172	1 433	1 533	2 167
Feb.	11 962	10 926	— 1 036	5 226	2 711	2 453	1 572	1 519	2 173
March	12 088	7 572	— 4 516	5 581	2 836	2 265	1 406	1 514	2 176
April	15 395	13 821	— 1 574	5 731	4 359	2 975	2 330	1 500	2 181
May	16 525	12 683	— 3 842	7 122	4 620	2 781	2 002	1 504	2 184
June	15 252	16 273	+ 1 021	6 861	4 147	2 262	1 982	1 507	2 178
July	14 276	19 632	+ 5 356	6 126	4 467	2 053	1 630	1 503	2 180
Aug.	16 759	20 242	+ 3 483	7 114	4 929	2 712	2 004	1 497	2 189
Sept.	14 426	18 379	+ 3 953	6 250	3 944	2 342	1 890	1 498	2 180
Oct.	16 082	19 211	+ 3 129	7 119	4 170	2 718	2 075	1 516	2 159
Nov.	14 972	15 431	+ 459	6 502	3 826	2 650	1 994	1 519	2 170
Dec.	18 418	15 606	— 2 812	7 252	4 929	3 529	2 707	1 513	2 164
1956*									
Jan.	16 079	11 881	— 4 198	6 494	5 162	2 449	1 974	1 540	2 169



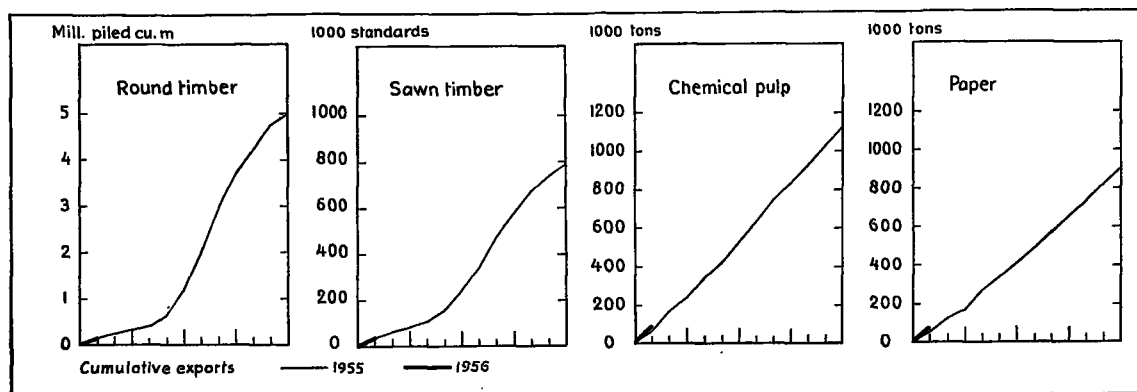
## FOREIGN TRADE BY CLASSES OF GOODS

Mill. mk

Classes of goods	Imports c. i. f.				Exports f. o. b.			
	Whole year		January		Whole year		January	
	1954	1955*	1955*	1956*	1954	1955*	1955*	1956*
Dairy produce, eggs, honey .....	40	1 988	106	111	2 933	2 380	195	165
Other animal products, live animals ..	621	1 068	60	60	1 036	341	60	14
Vegetables .....	76	423	28	20	1	0	—	—
Edible fruit .....	3 173	3 915	158	501	29	16	—	1
Coffee, tea, spices .....	10 299	8 247	604	441	0	—	—	0
Cereals, milling products .....	7 079	10 570	820	1 299	493	1	1	—
Certain seeds and fruit, plants for industrial purposes .....	1 205	1 565	117	60	125	110	25	79
Raw materials for tanning and dyeing	120	108	7	7	3	2	0	—
Animal and vegetable fats .....	2 310	2 191	89	171	370	118	0	0
Meat and fish products .....	344	549	40	92	0	0	0	—
Sugar, sweets .....	2 673	3 812	239	224	17	20	1	1
Beverages, vinegars .....	820	654	17	122	400	141	7	0
Fodder .....	1 267	2 357	204	628	21	—	—	—
Tobacco .....	1 635	1 598	137	143	0	0	0	—
Minerals, ore .....	1 855	2 250	234	128	1 244	1 776	41	34
Mineral fuel and oils .....	18 118	22 321	1 881	1 469	25	13	1	0
Chemical and pharmaceutical products	6 592	7 210	531	720	254	332	13	34
Tanning and dyeing extracts, varnishes	1 925	2 041	109	162	6	3	0	7
Casein, albumen, glues .....	538	643	40	83	13	0	0	0
Fertilizers .....	3 312	3 129	217	211	0	0	—	—
Hides, skins, leather and furs; manufactures thereof .....	1 892	2 148	133	155	477	872	159	64
Rubber and rubber articles .....	2 247	3 100	304	281	18	23	2	0
Wood and wood products .....	306	587	30	53	62 191	69 917	3 132	3 383
Woodpulp .....	7	31	2	—	29 880	36 778	2 332	3 039
Board, paper, manufactures therefrom	212	238	9	20	32 909	40 329	2 447	3 135
Textile materials, textile goods .....	20 077	21 209	1 222	2 020	1 726	1 996	138	158
Footwear .....	55	57	1	3	101	45	25	0
Articles of stone and of other mineral material, glass .....	1 360	1 413	80	107	556	642	34	56
Base metals; manufactures therefrom	20 828	23 561	1 382	1 556	2 317	2 768	154	239
Machinery, apparatus .....	12 579	16 211	770	1 460	5 559	6 452	266	402
Electric machinery and apparatus ...	6 047	6 847	286	708	793	743	47	121
Transport material .....	15 761	17 706	586	2 508	12 066	14 589	2 371	902
Instruments, clocks and watches, musical instruments .....	1 634	2 181	133	174	94	72	2	10
All others .....	5 130	5 032	228	382	961	780	29	37
Total	152 137	176 960	10 804	16 079	156 618	181 259	11 483	11 881

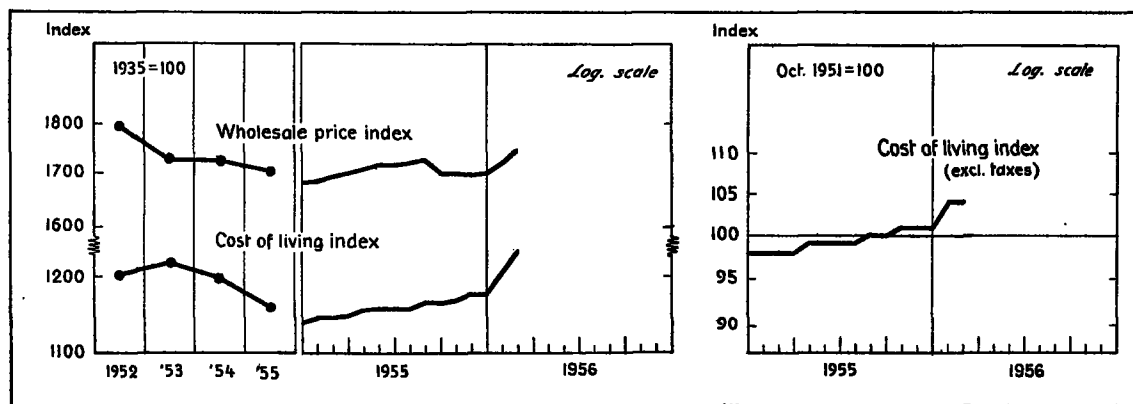
## EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round and hewn timber 1 000 cu. m	Sawn timber 1 000 stds	Veneers and plywood 1 000 cu. m	Mechanical pulp 1 000 tons	Sulphite pulp 1 000 tons	Sulphate pulp 1 000 tons	Board 1 000 tons	Fibre building board 1 000 tons	Newsprint 1 000 tons	Paper, all kinds 1 000 tons
1948	1 996	470	175	97	373	330	81	27	289	416
1949	2 251	607	208	160	449	311	61	31	348	455
1950	3 266	683	195	177	513	365	89	50	379	506
1951	5 305	875	279	210	594	388	97	68	382	605
1952	5 112	611	222	143	477	245	65	44	392	569
1953	2 388	688	216	204	464	323	76	45	402	677
1954	3 620	733	298	193	580	375	101	59	392	751
1955*	4 977	786	321	183	682	447	110	61	470	905
1954										
July	623	113	26	18	48	32	9	5	31	63
Aug.	558	102	15	10	45	26	8	3	33	61
Sept.	468	89	30	17	48	34	9	4	34	65
Oct.	397	85	21	14	55	30	10	6	40	79
Nov.	274	77	30	17	53	39	9	6	24	56
Dec.	180	61	36	16	60	39	10	7	37	74
1955*										
Jan.	134	38	26	17	41	31	7	5	33	57
Feb.	117	29	31	12	63	36	11	6	34	69
March	70	17	17	11	43	26	6	3	21	45
April	96	27	40	14	63	41	13	6	50	96
May	226	49	31	15	50	23	10	6	34	74
June	541	80	21	20	60	54	9	5	36	72
July	789	106	24	19	62	43	9	4	41	75
Aug.	967	128	26	19	72	45	9	4	43	82
Sept.	771	101	26	9	53	30	10	5	42	81
Oct.	633	96	27	17	55	37	9	6	48	88
Nov.	418	64	28	16	60	40	9	6	48	88
Dec.	215	51	24	14	60	41	8	5	40	78
1956*										
Jan.	139	40	21	14	57	37	9	5	35	69



## FOREIGN TRADE BY COUNTRIES

Area and country	Imports c. i. f.					Exports f. o. b.				
	Whole year		January			Whole year		January		
	1954	1955*	1955*	1956*		1954	1955*	1955*	1956*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
<b>Sterling area</b> .....	19.8	20.9	19.5	20.8	3 345	25.8	27.3	31.0	25.9	3 083
United Kingdom .....	18.8	20.3	19.3	19.9	3 195	22.5	24.0	28.4	22.3	2 652
<b>Other OEEC countries</b> ..	35.3	36.4	35.2	44.3	7 130	31.7	32.4	23.0	26.7	3 175
Belgium-Luxembourg ....	3.0	3.0	3.1	3.1	496	2.9	3.5	2.3	2.3	270
Denmark .....	2.4	3.6	3.7	4.2	681	3.4	2.9	2.4	2.1	251
France .....	6.2	5.9	7.4	7.0	1 126	4.7	4.7	3.8	5.2	617
Western Germany .....	6.7	9.0	6.6	11.0	1 776	7.4	9.1	5.0	7.5	894
Italy .....	1.2	1.1	1.2	1.2	187	1.4	1.2	1.7	1.0	119
Netherlands .....	6.5	3.6	3.8	3.0	487	4.5	4.4	2.8	2.9	342
Norway .....	1.9	2.2	1.7	5.3	844	1.3	1.3	1.7	0.7	78
Sweden .....	4.6	4.9	4.8	4.7	763	2.7	1.9	1.2	2.3	274
Switzerland .....	1.2	1.3	0.9	3.1	498	0.7	0.9	0.3	0.1	14
Turkey .....	0.7	0.5	1.0	0.4	66	1.5	1.0	0.6	1.3	158
<b>Eastern Bloc</b> .....	28.7	27.1	30.3	20.5	3 303	27.9	25.8	32.2	27.8	3 297
China .....	0.4	0.5	0.9	0.0	3	1.0	1.6	1.0	0.8	96
Czechoslovakia .....	2.7	2.7	2.4	1.1	171	0.7	1.0	0.7	0.9	107
Eastern Germany .....	2.6	2.7	3.0	2.1	339	1.7	2.2	1.1	2.4	280
Poland .....	4.2	4.8	6.1	3.3	534	2.1	2.0	2.3	1.3	155
Soviet Union .....	17.8	14.7	16.2	11.6	1 868	21.5	17.5	25.1	20.6	2 452
<b>U.S. and Canada</b> .....	4.7	5.4	4.1	6.1	973	5.9	5.7	5.7	6.0	713
United States .....	4.6	5.3	3.6	6.1	969	5.8	5.7	5.7	6.0	712
<b>Latin America</b> .....	7.8	7.4	8.7	5.6	892	4.8	5.5	5.5	8.1	956
Argentina .....	2.0	2.9	3.3	2.8	453	1.7	2.1	2.4	1.5	173
Brazil .....	5.5	4.1	5.3	2.4	377	2.1	2.6	2.4	3.9	466
<b>Others</b> .....	3.7	2.8	2.2	2.7	436	3.9	3.3	2.6	5.5	657
<b>Grand total</b>	100.0	100.0	100.0	100.0	16 079	100.0	100.0	100.0	100.0	11 881



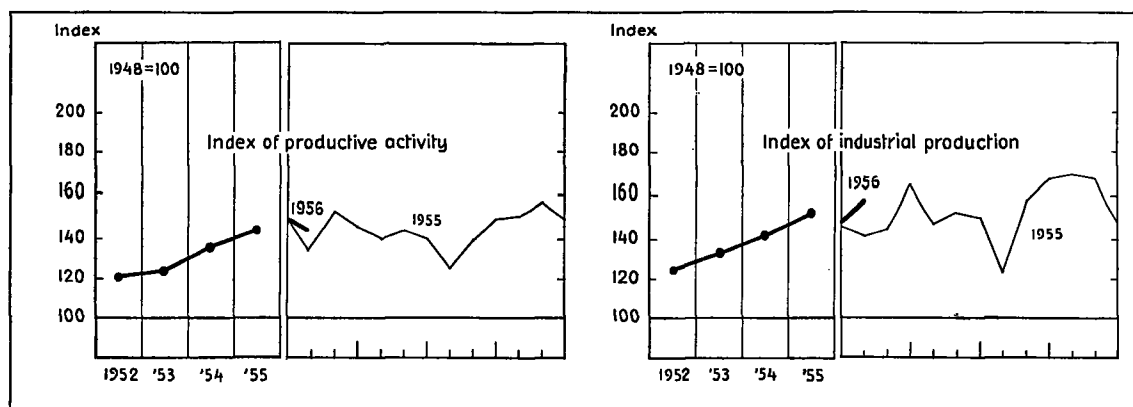
## PRICE INDICES

Period	Wholesale prices 1935=100						Cost of living 1935=100		
	Total index	Finnish goods				Imported goods	Total	Rent	Taxes
		Total	Products of agriculture	Products of forestry	Products of industry				
1938	114	118	117	145	110	104	108	111	90
1949	1 098	1 099	1 136	1 431	980	1 092	871	201	1 875
1950	1 265	1 287	1 378	1 664	1 131	1 222	992	248	1 987
1951	1 809	1 886	1 617	3 103	1 561	1 646	1 156	360	2 270
1952	1 793	1 892	1 752	3 056	1 545	1 581	1 203	438	2 509
1953	1 727	1 840	1 730	2 857	1 532	1 486	1 219	569	2 395
1954	1 724	1 841	1 728	2 941	1 506	1 475	1 199	703	2 051
1955	1 707	1 822	1 773	3 040	1 426	1 462	1 158	761	1 970
1955									
Aug.	1 727	1 850	1 847	3 109	1 425	1 467	1 163	747	2 014
Sept.	1 704	1 810	1 749	2 996	1 430	1 477	1 163	747	2 014
Oct.	1 703	1 804	1 703	2 996	1 434	1 488	1 168	799	1 836
Nov.	1 700	1 801	1 704	2 980	1 435	1 483	1 175	803	1 836
Dec.	1 701	1 801	1 707	2 980	1 434	1 487	1 175	803	1 836
1956									
Jan.	1 721	1 821	1 787	2 998	1 435	1 506	1 204	898	1 790
Feb.	1 751	1 858	1 937	3 025	1 438	1 522	1 240	898	1 790

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

## PRODUCTION — INTERNAL TRADE — WORK CESSATIONS

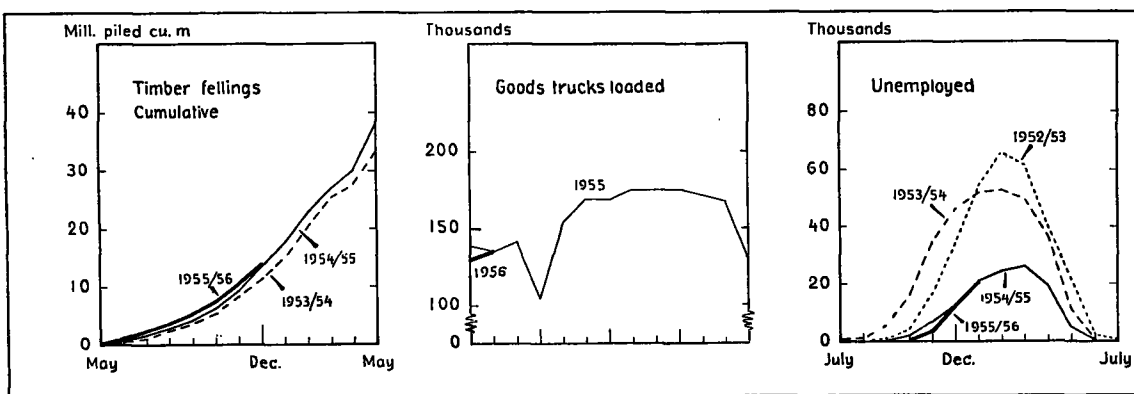
Period	Index of industrial production <sup>1)</sup> 1948 = 100						Commercial timber fellings  1 000 piled cu. m	Milk received by dairies  1 000 tons	Wholesale trade volume index <sup>2)</sup>  1954 = 100	Working- days lost in work cessations  Thousands
	Total	Home market industry		Export industry						
		Total	Metal industry	Total	Paper industry	Wood industry				
1949	105	109	106	96	93	101	23 010	1 021	70	1 195
1950	113	115	96	107	111	102	25 770	1 245	81	4 644
1951	131	133	122	126	130	120	36 070	1 447	85	324
1952	125	133	121	108	112	102	35 079	1 560	92	54
1953	133	140	120	116	121	108	29 170	1 657	93	64
1954	142	144	119	140	154	119	35 370	1 703	100	116
1955	153	153	129	152	178	114	38 600	1 704*	116	345
1954										
Sept.	156	159	134	148	166	122	1 390	146	110	2
Oct.	159	159	135	159	175	134	2 207	117	102	8
Nov.	157	161	135	149	170	118	3 000	111	113	0
Dec.	146	149	126	139	155	117	4 030	119	117	—
1955										
Jan.	142	143	125	140	165	105	4 453	122	85	4
Feb.	145	145	127	146	164	120	5 075	113	95	9
March	164	163	141	166	184	139	4 254	131	107	251
April	148	150	128	142	157	121	2 961	150	119	25
May	153	154	129	150	175	114	7 970	166	118	16
June	151	154	128	146	166	116	1 014	174	118	10
July	123	112	79	148	173	111	1 220	178	107	4
Aug.	158	159	128	156	188	109	1 287	156	122	2
Sept.	166	169	137	161	192	117	1 589	137	130	12
Oct.	168	169	145	167	201	119	2 237	123	128	8
Nov.	166	171	143	157	196	101	3 000	121*	128	2
Dec.	149	153	134	140	172	94	3 540	133*	128	2
1956										
Jan.	158	157	138	159	196	107	4 275	145*	93	5

<sup>1)</sup> Preliminary figures since 1954.<sup>2)</sup> Converted from 1948=100.

## BUILDING - WAGES - EMPLOYMENT - TRANSPORT

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

Period	Railways		Foreign shipping				Unemployed at end of month			
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons				Registered		On relief work, %	
	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956
Jan.	136	136	331	284	317	299	21 165	20 583	76.5	78.7
Feb.	142		253		254		24 305		86.5	
March	105		226		201		26 053		91.1	
April	154		314		308		19 434		92.0	
May	169		445		410		5 008		92.2	
June	168		442		586		—		—	
July	175		423		688		—		—	
Aug.	175		413		724		—		—	
Sept.	175		386		617		—		—	
Oct.	172		361		597		164		47.0	
Nov.	165		384		483		3 337		51.9	
Dec.	131		376		401		12 259		64.2	



# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

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

Page 4. *Other foreign assets* = Foreign bills + Foreign bonds. *Other foreign liabilities* = Mark accounts of holders abroad + Long-term foreign liabilities. *Cash reserve accounts* + *Cheque accounts proper* = Cheque accounts of banks. The cash reserve accounts consist of deposits made by the banks and tied by special conditions.

Page 5. *Treasury bills and bonds*: up to August 1953, bills, and thereafter Treasury bond loan + Treasury bill covering certain IMF and IBRD accounts (included in Other claims). *Trade and industry, other advances* = Inland bills in foreign currency + Cheque accounts (assets) + Other claims excl. Treasury's IMF and IBRD bill. *Deposits against import licences* = importers' obligatory deposits of 10% of the value of the goods for which they have received import licences. Included in Other cheque accounts (liabs). *Other liabilities* = Other short-term liabilities + Other cheque accounts excl. deposits against import licences. — *Diagrams*. Left: *Net claims on others than banks* = Net foreign assets + Net claims on the Treasury + Net claims on the public + Finnish bonds + Finnish coin — Long-term Finnish liabilities — Equalisation accounts. Right: *Net debt of banks* = net claims on banks, plotted as negative figures in order that their dependence on Net claims on others than banks might be more clearly evident.

## DEPOSITS BY THE PUBLIC — ADVANCES TO THE PUBLIC

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

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

## STATE FINANCES

Page 8. Official monthly figures adjusted by the Bank of Finland Institute for Economic Research. *Revenue and expenditure*: All extra-budgetary funds are included, and figures are reported on a payment basis. — Annual figures will be published in separate articles. *Debt*: Index-tied bond loans are given at their nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to the Post Office Savings Bank minus cash holdings of State departments. The change in this item = surplus (deficit) in the table on revenue and expenditure. *Diagram*. The 12-month totals are plotted to the last month of the respective periods.

## SYMBOLS USED

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

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

## FOREIGN TRADE

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

## PRICE INDICES

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

## PRODUCTION — INTERNAL TRADE — WORK CESSATIONS

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

## BUILDING — WAGES — EMPLOYMENT — TRANSPORT

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

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



## SOME PARTICULARS ABOUT FINLAND

### FORM OF GOVERNMENT

From 1154 to 1809 Finland formed a part of the kingdom of Sweden. It then became an autonomous Grand Duchy connected with Russia until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in the Diet and the President. The highest executive power is held by the President, elected for a period of 6 years. The president for the current period, March 1, 1956, to March 1, 1962, is Urho Kaleva Kekkonen.

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

### LAND

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

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

### POPULATION

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

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

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

OCCUPATION (1950): Agriculture and forestry 42 %, industry 29 %, commerce 7 %, transport and communication 6 %, services 9 %, other economic activities 1 %, economically inactive persons 6 %.

LANGUAGE (1950): Finnish speaking 91.1 %, Swedish speaking 8.6 %, others 0.3 %.

EDUCATION (1953): Practically all persons over 15 years of age are literate. There are three universities (the oldest founded in 1640) and 12 colleges of university standard.

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

### TRADE AND COMMUNICATIONS

NATIONAL INCOME (1954, in thousand million marks): Gross national income at market price 890. Net national product at factor cost, by industrial origin: agriculture 83 (12 %), forestry and fishing 82 (12 %), manufacturing 221 (32 %), construction 65 (10 %), transport and communications 46 (7 %), commerce, banking and insurance 82 (12 %), public activities 63 (9 %), other services 41 (6 %), total 682. Volume index 134 (1948 = 100).

FOREST RESOURCES (1951—1953): The growing stock comprised 1 491 million of solid cu. m incl. bark (52 660 million cu. ft), of which pine 43.7 % and spruce 35.7 %, the rest 20.6 % being leaf-trees, chiefly birch. Of the growing stock, 10 900 million cu. ft, 58.0 % of them pine, was up to the standard required for logs. The annual growth is 46 million solid cu. m green wood excl. bark (1 620 mill. cu. ft). The total removal in 1954 calculated according to the use of wood was 45 million cu. m (1 589 million cu. ft).

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

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

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

MERCHANT FLEET (Jan. 1, 1956): Steamers 315 (434 072 gross reg. tons), motor vessels 161 (303 254 gross reg. tons), sailing vessels with auxiliary engines 117 (11 608 gross reg. tons). Total 593 (748 934 gross reg. tons).

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

### FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. Since 1931, the redemption of bank notes in gold has been suspended. The currency unit is the mark (Finnish markka). Its official par value is 230 marks per one U.S. dollar. Finland has been a member of the International Monetary Fund since 1948.

MUNICIPAL FINANCES. In the finance accounts for 1953 expenditure amounted to 106 000 mill. marks. Total revenue was 105 700 million, of which income from taxation 57 000 million. The municipal income tax (non-progressive averaged 11.34 % of the ratepayers' taxable income).

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

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

RATES OF INTEREST. (Jan. 1, 1956). Bank of Finland: discount rates 5—7 ½ %. Other credit institutions: term deposits 5 ¼ % and sight deposits 1—1 ½ %; lending rate 8 % in general.

## THE INDEX CLAUSE IN FINNISH BANKING

BY

LAURI LEVÄMÄKI

MANAGING DIRECTOR OF THE LEAGUE OF FINNISH SAVINGS BANKS

Since the war, the maintenance of full employment has been regarded in all countries as one of the main tasks of economic policy. It has also been aimed at for reasons of social and general policy. This aim has everywhere conflicted with another important task, the maintenance of the value of the currency. The preservation of peace in the community has often had to be bought at the expense of this value. In the struggle for the distribution of income, anti-inflationary policy has regularly suffered defeat. The pace of post-war inflation in Finland is indicated by the fact that the cost of living index, which was taken as 100 in 1939, stood at 201 in 1944, 584 in 1947 and 911 in 1950. In 1951 a period of stabilisation set in, during which time there was no open inflation; the cost of living index advanced from 1061 in 1951 to only 1063 in 1955.

The idea of linking cash balances to the index in order to safeguard their value was first mooted in 1944—1945, when the question arose as to the indemnity to be paid by the Finnish Government to the evacuees from Karelia, which had been ceded to the USSR, and the Porkkala district, which had been leased to it. Owing to the financial position of the State, and for reasons of anti-inflationary policy it was impossible to pay this indemnity once and for all. Instead, it was paid by means of bonds of the Second Indemnity Loan issued in 1945. The

nominal value of the loan amounted to 18 000 million marks, and the bonds were redeemed during the course of 10 years. As it was evident that the value of the currency would fall during these ten years, the bonds were, in accordance with the proposal of a financial commission appointed by the Ministry of Finance, made dependent on the wholesale price index for Finnish goods, in such a manner that, when the index rose above the figure for December 1944, matured bonds were redeemed at values raised correspondingly. The rise in the index for each year was established according to the index for March. The compensation was fixed at 100 per cent of the rise in the index. In December 1944 the wholesale price index for Finnish goods stood at 314 and in March 1955 at 1702. Altogether 61 200 million marks were paid in 1946—1955 in index premiums on the Second Indemnity Loan. Big companies were directed to participate in payment of the indemnity by granting free shares to the Holding Company, the certificates of which were issued to those entitled to the indemnity. The benefit of an increase in the capital of those certificates during the years 1947—1956 in reality corresponds to the gain from a 50 per cent index clause.

After the issue of the Second Indemnity Loan and the Holding Certificates, the application of the index clause began to be

extended to other loans. Since 1946, the National Pensions Fund, which is responsible for public age and disability insurance and which has granted loans, in particular for the construction of large power stations, has in general embodied an index clause in half of every loan. In 1955 the loans it had granted which were index-tied amounted to 22 200 million marks, representing 34.5 per cent of its total investments. Private insurance companies have also very generally applied a 50 per cent index clause to their new loans since 1947—1948. The total index-tied loans granted by the insurance companies amounted to 6 900 million marks in 1953, or 24.5 per cent of their total loans.

Some municipalities have also obtained part-index-tied loans in recent years. The loan of the Industrial Mortgage Bank of Finland in 1953, dependent on sterling to the extent of 50 per cent, is comparable with these.

In 1953 the Government issued a new index-tied loan, the bonds of which were offered to those entitled to redemption of the Second Indemnity Loan. A similar thing happened in 1954, but on that occasion the sale of bonds was not so restricted. Since 1955, the Government has to an increasing extent applied the index clause in its borrowing, on both 100 and 50 per cent terms. In 1955 new index-tied State loans were issued to the amount of 10 400 million marks, and in 1956 the Government has so far announced its intention of issuing loans, linked to the index, in addition to those made previously, to the extent of 5 000 million marks.

The years 1945, 1947 and 1950 were the worst post-war years of inflation in Finland. In 1950 the question was raised in the Joint Delegation of Financial Institutions, as to whether deposits in the banking institutions should not also be protected from inflation. The question was brought up by the Chair-

man of the Delegation, R. v. Fieandt, who was at that time the Chairman of the Board of Management of the large commercial bank Oy Pohjoismaiden Yhdyspankki — Ab Nordiska Föreningsbanken and who has been Governor of the Bank of Finland since March 1955. The matter was a subject of discussion in the Delegation more or less continuously during five years. Such a long period of preparation is understandable, seeing that the banking institutions had had no previous experience of the application of an index clause.

At first the Delegation planned to make all deposits dependent on the index. As an index clause had in addition to be correspondingly applied to credits, a rise in the index would have caused a proportionally equal increase in deposits and credits. This plan was, however, abandoned and it was decided to make a more cautious start. A new form of deposit account, an index-tied deposit account, was introduced, and was adopted, on the recommendation of the Joint Delegation of Financial Institutions, by almost all the banking institutions at the beginning of May 1955. The following are the principal conditions attached to this account:

1. Funds must be deposited for 12 months.
2. The minimum deposit is 30 000 marks.
3. The rate of interest in 1955 was  $4\frac{3}{4}$  per cent, or  $1-1\frac{1}{2}$  per cent lower than was the customary rate on savings accounts. From the beginning of 1956, however, the same rate has been paid on index-tied deposits as on other deposits, or  $5\frac{3}{4}$  per cent.
4. The index clause comes into operation when the cost of living index (October 1951 = 100) has risen 2 per cent above 104. As compensation for a rise in the index, the deposited capital is increased by as many full 2 per cents as the index has risen from the time of deposit to the time of withdrawal. Both index figures concerned are

the averages — rounded to the nearest full figure — of the index figures relating to the 2nd, 3rd and 4th months previous to the month of deposit or withdrawal.

5. The amount of the deposit is not reduced if the index is lower at the time of withdrawal than it was at the time of deposit.

The State has attempted to compete with the index-tied accounts of the banking institutions by offering the public index-tied bonds on a larger scale than has previously been the case. The law for tax relief for holders of deposits and bonds was amended in 1955: deposits and the interest on them were freed from taxation only if no index clause was attached to the deposit, but on the other hand freedom from taxation was extended to include index-tied State bonds and interest on them.

As index-tied deposits are not tax-free; as the interest on them, as demanded by the Government, was at first lower than on ordinary savings accounts; and as the index premium is not paid until the cost of living index exceeds 104 points by 2 per cent or rises to 107 (in 1955 the index only rose from 98 to 101), it was intelligible that at first index-tied deposits accumulated very slightly in the banking institutions. At the end of 1955 they amounted in total to 349.3 million marks in all the banking institutions, or only 0.1 per cent of the total deposits. However, as the danger of fresh inflation became threatening early in 1956, when price control of some important Finnish products was abandoned, and owing to the increase in prices and the wage disturbances, and as the cost of living index for January rose to 104 and for February to 107, depositors began to invest their funds to a larger extent in index-tied accounts.

A noteworthy phase in applying the index clause was reached, when the banking institutions operating in Helsinki passed a

resolution in December 1955 — in connection with a new agreement on rates of interest — according to which these institutions undertook, during the time the interest agreement remained in force, not to accept index-tied deposits from the public in the area of Greater Helsinki. The commercial banks decided at the same time to abstain from opening index-tied accounts throughout the country. Almost all the savings banks, co-operative credit societies and the Post Office Savings Bank, except those situated in Helsinki, and some savings departments of co-operative stores, on the contrary, continue to accept deposits on index-tied accounts which have since December 1955, under the threat of fresh inflation, shown that they fulfil their purpose.

In order that the banking institutions should be able to pay this compensation on the index to holders of index-tied deposits, they must collect the necessary funds from their borrowers. For this purpose, all loans can be tied to the index, or the index clause can be applied to certain loans only. The savings banks and co-operative credit societies have employed the former method. In accordance with the instructions approved by the Joint Delegation of Financial Institutions, a rise in the index is charged to borrowers only to the extent necessary for paying the compensation to holders of index-tied deposits. As one would expect that in any case only part of the total deposits will be invested in index-tied accounts, the amount to be collected from borrowers will be percentually smaller than the compensation due to depositors. Let us assume, for instance, that in a savings bank in which the index clause is applied to all long-term loans and advances on current account the index-tied deposits form 20 per cent of the total deposits, while the loans amount to 80 per cent of the total deposits. If the cost of living index rises 10 per cent during the

year, the capital of the index-tied deposits increases by 10 per cent, but that amount is covered by borrowers paying 2.5 per cent on their borrowed capital.

The system of applying the index clause is coupled with special difficulties with regard to organising and maintaining securities for loans. It also involves considerable additional work for the banking institutions. In addition, it is understandable that the introduction of the index clause should have caused some uneasiness among borrowers. However, except in a few cases, undertakings to pay for rises in the index have been obtained from them without difficulty.

When the Finnish banking institutions resorted to the index clause in order to safeguard the value of deposits, they embarked upon an experiment that attracted attention abroad. Various opinions have been expressed, and discussions have in some cases become heated as to whether the index clause achieves its object and whether it is possible to apply it. The representatives of Finnish banking have often been told, when

the matter has arisen at international conferences, that it is better to seek to preserve the value of the currency rather than to introduce an index clause. If the value of the currency can be maintained, an index-tied deposit account is, of course, unnecessary. But, bearing in mind the reverses suffered by anti-inflationary policy in all countries since the war, it has not been considered possible in Finland to remain inactive any longer in the face of the possibility of fresh inflation reducing the value of deposits and decreasing savings.

Little can yet be said of the significance and effects of the index clause system in Finnish banking. It is generally acknowledged that the principle of protecting the rights of depositors is correct. On the other hand, in estimating the consequences as regards anti-inflationary policy and national economy, opinions are divided: the opponents of the system consider the consequences dangerous, but its defenders are of the opinion that the system, as applied, will not cause upsets, but may, on the contrary, lead to healthier economic life.

## ITEMS

**Change of Government.** After Mr Kekkonen had been elected President of the Republic on February 15, Mr V. Kalliokoski acted as Prime Minister until March 3, when Mr K.-A. Fagerholm (Social Democrat) formed the new Cabinet. This consists of six Social Democrats, six Agrarians, one member of the Swedish Party and one of the Finnish People's Party. Mr R. Törngren (Swedish Party) is Minister for Foreign Affairs, Mr A. Simonen (Social Democrat) and Mr M. Jussila (Agrarian) are Ministers of Finance, Mr K. Kleemola (Agrarian) is Minister for Trade and Industry.

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**General strike.** A strike called by the Confederation of Finnish Trade Unions began on March 1. It lasted 19 days and affected some 500 000 workers, thus forming the most extensive labour conflict experienced in Finland. The principal fields of activity wholly or partly paralysed by the strike were industry and building, railways, road and air traffic, and shipping. (For details see Recent Developments.)

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**Act for stabilising the price level.** On March 2, the Diet granted to the Government powers to introduce measures of control necessary for eliminating the effects of the rise in prices and charges which occurred in January and February, and for preventing further increases. The act, therefore, implies the partial re-establishment of the powers contained in the Emergency Act, which was abolished in December 1955 (see

Bulletin No. 1, 1956). Its term of validity was first fixed to end on April 15, but towards the end of March the Government proposed its prolongation to the end of 1956. According to the new Act the prices of 38 Finnish products and of 9 charges were subjected to control on April 1, 1956.

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**Trade agreement.** On February 14, an agreement was signed with *Czechoslovakia* relating to the exchange of goods during 1956. Finnish exports will amount to about 94 million Cz. Crowns and imports to about 180 million Cz. Crowns, the difference to be settled by a trilateral agreement with the USSR as a party thereto, and by invisible transactions. Finland will export, amongst other things, cheese, wood and paper products, ilmenite concentrate, and woodworking machinery. Finnish imports will include sugar, machinery and equipment, steel, motor vehicles, textiles, and chemicals.

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**Board of Management of the Bank of Finland.** On March 28, Mr Esko K. Leinonen, Head of the Secretariat, was appointed member of the Board of Management to replace Mr Kekkonen. Since 1944, Mr Leinonen has frequently acted as member ad int. of the Board. The place of Mr Penna Tervo, who was appointed a Member of the Board in March 1955 and who was killed in a motor accident last February, is still vacant.

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**Bank of Finland Institute for Economic Research.** On February 18, Dr Reino Rossi was appointed Head of the Institute for Economic Research. Dr Rossi had acted ad int. from May 13, 1955, when Professor A. E. Tudeer retired.

\*

**Mortgage Bank of Finland.** In December 1955 the Government granted the Mortgage Bank of Finland Oy the right to commence business (see Item in Bulletin No. 1, 1956). The inaugural meeting was held on March 20, 1956. The share capital of the Bank is 200 mill. marks. Minister R. v. Fieandt is Chairman of the Board of Directors, Dr K. Waris is Vice Chairman, and Mr U. A. Vatanen General Manager.

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**Air traffic between Helsinki and Moscow.** On October 19, 1955, an agreement was signed between Finland and the USSR, according to which civil aeroplanes of both countries were granted the right to fly between Helsinki and Moscow. Previously, this traffic was maintained by the USSR company Aeroflot only. Traffic was started on February 18. The Finnish company Aero flies a 44-seater Convair twice weekly and the Aeroflot a 22-seater Iljushin 12 four times a week. The route, 1 080 kilometres, is made non-stop and takes three hours.

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**The publications of the Bank of Finland.** In the Series B of the Publications issued by the Bank of Finland Institute for Economic Research the following new publication has appeared:

17. Reino Rossi, Suomen luottojärjestelmä ja rahalaitosten luotonantokyky (The Finnish Credit System and the Lending Capacity of the Banks). Helsinki 1956, 191 p.

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**Motor vehicles in use.** The following table shows the number of motor vehicles registered at the end of 1954 and 1955.

	1954	1955
Passenger cars .....	70 795	85 448
Lorries .....	34 336	38 259
Delivery vans .....	9 958	11 852
Buses .....	4 061	4 338
Others .....	1 537	1 679
<b>Total</b>	<b>120 687</b>	<b>141 576</b>

The number of cars and commercial vehicles increased by 20 900 last year, as against 12 400 in 1954. Imports of passenger cars totalled 16 200 as compared with 12 300 in 1954 and those of commercial vehicles and chassis 10 100 as compared 2 200. Of the total imports of motor vehicles, the share of the Eastern Block was 46.6 per cent (53.8 per cent in 1954), that of Western Europe 46.2 per cent (36.8 per cent) and of the USA 5.7 per cent (5.5 per cent).

The number of motor cycles amounted to 57 200 at the end of the year, which marks an increase of 7 900 on 1954.

# BANK OF FINLAND

## BOARD OF MANAGEMENT

V. FIEANDT, R.,  
*Governor*

JUTILA, K. T.,

LEINONEN, ESKO K.,

WARIS, KLAUS,  
*Deputy Governor*

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

## HEADS OF DEPARTMENT

TAMMIVUORI, PERTTI,  
*ad int., Secretariat*

ASPELUND, ARTHUR,  
*Cash*

ROSSI, REINO,  
*Institute for  
Economic Research*

HELANDER, J.,  
*Foreign currency control*

ENGBERG, G.,  
*Personnel*

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

SUNDMAN, C. G.,  
*Foreign currency*

JUSSILA, EINO,  
*Office*

BLOMQUIST, P.,  
*Accounts and Personnel*

NENONEN, A.,  
*Foreign correspondence*

KAJANTIE, A.,  
*Documentary credits  
and Control*

LINDSTRÖM, HELGE,  
*Credits*