



BANK OF FINLAND

MONTHLY BULLETIN

Vol. 40 No. 1

JANUARY

1966

RECENT DEVELOPMENTS

COMMENTS ON THE CLOSING OF THE 1965 ACCOUNTS OF THE BANK OF FINLAND

During 1965 the upswing in economic activity slowed down, although total output was 5 per cent higher than in the previous year. One of the positive developments was the marked levelling-off of prices and costs. On the other hand, the external liquidity position continued to weaken because of the persistent growth of imports. The balance of payments deficit on current account exceeded that of 1964. Since borrowing abroad was possible only on a limited scale due to the tightening of the international money market, the deficit was financed mainly through the foreign exchange reserves. This was reflected both in a decline in the foreign assets of the Bank of Finland and in an increase in the foreign liabilities of the banking institutions.

According to the Balance Sheet, the foreign exchange assets of the Bank of Finland, consisting almost entirely of convertible currencies, decreased by 236 million marks in 1965. The net decline in the foreign exchange reserves of the Bank of Finland, however, was no more than 196 million marks, since the short-term liabilities, mainly in bilateral currencies, fell by 40 million marks. The gold holdings of the Bank amounted to 268 million marks, or, according to the Balance Sheet, 78 million marks

more than in 1964. Nevertheless, the rise was only nominal, resulting from the revision in the Regulations for the Bank of Finland in accordance with the Act issued on December 30, 1965, by which the book value of the gold holdings of the Bank was raised to the par value of the mark. The adjustment of 83.5 million was effected at the closing of the books. At the new book value, the gold holdings of the Bank at the end of 1964 amount to 273 million marks; thus, in fact, the gold holdings decreased by 5 million marks in the course of 1965. A new item in the foreign assets of the Balance Sheet is the gold tranche of 46 million marks in the International Monetary Fund, which on a Parliamentary decision, was transferred from the Treasury to the Bank of Finland at the end of the year.

The marked decrease in the foreign exchange reserves was matched by a weakening in the liquidity position of the banking institutions. To curb the growth in bank lending, and thus the increase in the demand for imports, from the beginning of May the Bank of Finland set a ceiling on the increase in advances: this ceiling permitted a rate of growth of a little less than 6 per cent per annum. As a result of the decline in the for-

**On page 18, Long-term Budgetary
Planning**

ign exchange reserves and the slackening in the growth of deposits, however, the liabilities of the banks to the Bank of Finland remained very high throughout the latter part of the year. The weekly average of rediscounts, which amounted to 346 million marks in 1964, rose to 572 million marks. At the end of the year the rediscounts were 641 million marks, or 192 million marks more than at the end of the previous year.

The Treasury's cash difficulties persisted into 1965, and in spite of the increased long-term borrowing, it was compelled to resort to continuous short-term borrowing from the public, business enterprises and the Post Office Savings Bank. Thus, only small balances were held on the cheque account of the Treasury at the Bank of Finland, the balance at the end of the year being 1 million marks.

Inland bills denominated in Finnish currency decreased by 41 million marks, or to 26 million marks during the year. The reduction was primarily the outcome of a decline in temporary loans for financing grain purchases. The medium-term suppliers' credit granted to the engineering industry, entered in the Balance Sheet under "Other claims", was raised by 39 million marks, amounting to 50 million marks at the end of the year.

The mark accounts of holders abroad decreased by 18 million marks, or to 11 million marks during the year. With the redemption of pre-1956 credits from the World Bank, foreign term liabilities fell by 9 million marks. On the assets side, there was a corresponding reduction in inland bills in foreign currency. Finnish term liabilities include the export levy account, which remained unchanged, i.e. 1.1 million marks, as well as a new item, the investment deposits of the mining industry, totalling 10.5 million marks.

Note circulation increased by 26 million marks and amounted to 1 029 million marks at the end of 1965. During the year the

notes denominated in the old monetary unit were transferred from the account of "notes in circulation" to "other sight liabilities". According to the Balance Sheet, the old notes in circulation amounted to 19.2 million marks at the end of the year.

The official discount rates applied by the Bank of Finland remained unchanged throughout the year, with a minimum rate of 6 per cent and a maximum of 7 1/2 per cent. The basic rate for rediscounts was 7 per cent. From November 1, however, a rate of 6 per cent was applied to the banks that had restricted their lending to the limits set by the Bank of Finland. These banks were also repaid the penalty rates on rediscounts collected in the period January—October. The maximum amounts of rediscounting permitted remained unchanged only till April 30, when the instructions of the Bank of Finland, referred to above, came into force.

In accordance with the revised regulations, the Bank of Finland raised the capital of the Bank from 100 million to 300 million marks, utilizing the funds of the equalization accounts, at the closing of the books. As a result of this increase, the capital of the Bank, excluding the annual profit of 1965, totalled 398 million marks.

The profits of the Bank amounted to 29.3 million marks, or 3 million marks more than in 1964. The rise was primarily a result of the increased interest earnings on domestic credit. In contrast, the income from foreign correspondents decreased.

By another amendment to the regulations governing the Bank of Finland, at least one-half of the annual profit is to be transferred to the reserve fund until the capital and the reserve fund total 500 million marks; the limit was formerly 200 million marks. Accordingly, one-half of the annual profit of 1965 was transferred to the reserve fund. The disposal of the other half will be decided by Parliament.

January 10, 1966

BANK OF FINLAND

Mill. mk

	1964	1965				
	Dec. 31	Nov. 30	Dec. 8	Dec. 15	Dec. 23	Dec. 31
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	1 049.7	834.7	821.2	823.8	800.7	944.7
Gold	189.6	188.0	188.0	187.7	187.7	267.5
IMF gold tranche	—	—	—	—	—	45.6
Foreign exchange	783.8	568.4	556.3	555.0	529.7	547.8
Foreign bills	29.7	49.3	47.9	52.1	54.3	54.7
Foreign bonds	46.6	29.0	29.0	29.0	29.0	29.1
<i>Supplementary note cover</i>	570.7	740.4	727.6	781.7	856.5	712.1
Inland bills discounted						
In foreign currency	55.2	48.2	45.4	45.4	45.4	45.5
In Finnish currency	67.1	34.5	34.6	35.0	40.6	26.0
Rediscounted bills	448.4	657.7	647.6	701.3	770.5	640.6
<i>Other assets</i>	97.4	129.5	130.2	139.9	153.5	119.5
Finnish bonds	35.8	35.6	22.1	46.4	42.3	36.9
Cheque accounts	2.5	1.4	1.2	1.3	18.2	1.9
Finnish coin	3.8	6.8	6.9	6.5	5.4	6.2
Other claims	55.3	85.7	100.0	85.7	87.6	74.5
Total	1 717.8	1 704.6	1 679.0	1 745.4	1 810.7	1 776.3
Liabilities						
<i>Notes in circulation</i>	1 002.7	1 001.8	1 031.5	1 022.4	1 100.4	1 028.5
<i>Liabilities payable on demand</i>	186.8	141.6	130.6	185.7	132.0	98.3
Foreign exchange accounts	84.7	97.2	82.9	83.7	92.9	44.8
Mark accounts of holders abroad	28.5	11.7	11.6	11.6	11.3	10.9
Cheque accounts						
Treasury	5.4	1.2	0.1	15.4	0.2	1.1
Post Office Savings Bank	49.6	5.9	0.1	39.1	6.0	8.3
Private banks	16.4	3.6	13.7	13.9	—	11.9
Other	0.7	1.3	1.3	1.2	1.4	1.2
Other sight liabilities	1.5	20.7	20.9	20.8	20.2	20.1
<i>Term liabilities</i>	55.4	60.0	57.2	57.2	57.2	57.2
Foreign	54.3	48.4	45.6	45.6	45.6	45.6
Finnish	1.1	11.6	11.6	11.6	11.6	11.6
<i>Equalization accounts</i>	261.8	276.6	234.5	254.4	294.6	165.1
<i>Bank's own funds</i>	211.1	224.6	225.2	225.7	226.5	427.2
Capital	100.0	100.0	100.0	100.0	100.0	300.0
Reserve fund	84.8	97.9	97.9	97.9	97.9	97.9
Profits undisposed	—	—	—	—	—	—
Earnings less expenses	26.3	26.7	27.3	27.8	28.6	29.3
Total	1 717.8	1 704.6	1 679.0	1 745.4	1 810.7	1 776.3
STATEMENT OF NOTE ISSUE						
Right of note issue						
<i>Ordinary cover</i>	1 049.7	834.7	821.2	823.8	800.7	944.7
<i>Supplementary cover</i> (Upper limit 500 mill. mk)	500.0	500.0	500.0	500.0	500.0	500.0
Total	1 549.7	1 334.7	1 321.2	1 323.8	1 300.7	1 444.7
Note issue						
<i>Notes in circulation</i>	1 002.7	1 001.8	1 031.5	1 022.4	1 100.4	1 028.5
<i>Liabilities payable on demand</i>	186.8	141.6	130.6	185.7	132.0	98.3
Undrawn on cheque credits	5.0	5.6	5.8	5.7	5.7	5.1
Unused right of note issue	355.2	185.7	153.3	110.0	62.6	312.8
Total	1 549.7	1 334.7	1 321.2	1 323.8	1 300.7	1 444.7

Rediscount rate since April 28, 1962, 7 per cent

BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net claims on the Treasury (7+8-9)
	1	2	3	4	5	6	7	8	9	10
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
1965	860.9 ¹⁾	44.8	816.1	83.8	56.5	843.4	—	— 1.1	1.1	— 2.2
1964										
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
June	688.9	55.8	633.1	86.9	64.3	655.7	—	8.9	28.9	— 20.0
July	697.3	39.1	658.2	83.4	64.7	676.9	—	8.9	1.4	7.5
Aug.	710.2	70.9	639.3	82.2	64.0	657.5	—	8.9	6.1	2.8
Sept.	663.8	69.6	594.2	78.9	61.6	611.5	—	8.9	15.1	— 6.2
Oct.	770.9	85.5	685.4	78.6	60.8	703.2	—	8.9	11.6	— 2.7
Nov.	756.4	97.2	659.2	78.3	60.1	677.4	—	— 1.1	1.2	— 2.3
Dec.	860.9 ¹⁾	44.8	816.1	83.8	56.5	843.4	—	— 1.1	1.1	— 2.2

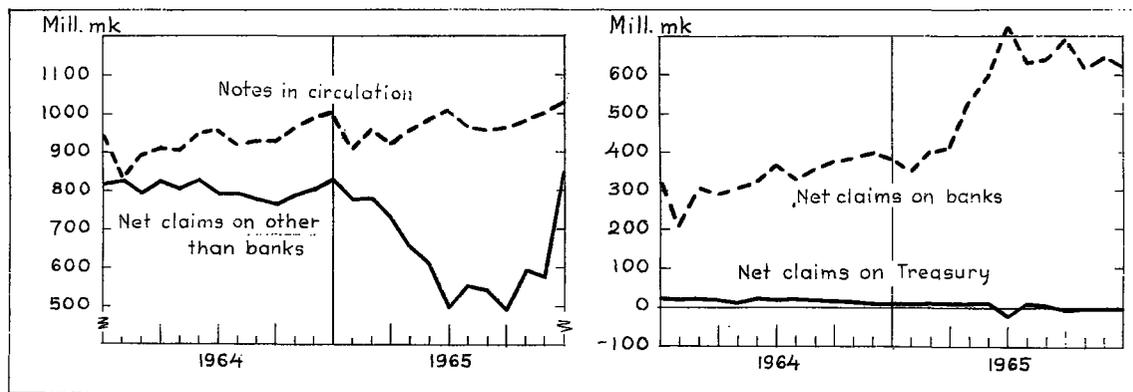
¹⁾ See Recent Developments.

	Foreign exchange situation, mill. mk							
	Net holdings, Dec. 31, 1964			Net holdings, Nov. 30, 1965			Change in	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	October	Nov.-Oct.
	Gold	273	—	273	271	—	271	—
Convertible currencies	708	—74	634	501	—152	349	—16	—285
Other currencies	—9	1	—8	—30	2	—28	—6	—20
Gold and foreign exchange	972	—73	899	742	—150	592	—22	—307
IMF gold tranche			46			46	—	—
Total			945			638	—22	—307

BANK OF FINLAND

Mill. mk

End of year and month	Finnish credit institutions					Other				Notes in circulation
	Redis-counted bills	Liabilities, Cheque accounts			Net claims on the banks (1-2-3-4)	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the rest of economy (6+7-8)	
		Private banks	Post Office Savings Bank	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
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
1965	640.6	11.9	8.3	0.2	620.2	26.0	121.9	31.6	116.3	1 028.5
1964										
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
June	776.8	10.0	41.6	2.1	723.1	7.6	134.6	32.6	109.6	1 010.3
July	646.1	4.4	10.7	2.2	628.8	9.5	138.5	32.6	115.4	965.5
Aug.	644.7	1.2	7.0	2.7	633.8	7.0	137.3	31.5	112.8	957.5
Sept.	700.7	0.2	8.3	2.1	690.1	16.6	137.0	34.0	119.6	962.9
Oct.	641.2	2.0	21.8	0.1	617.3	29.8	119.4	32.2	117.0	980.2
Nov.	657.7	3.6	5.9	0.0	648.2	34.5	135.3	32.5	137.3	1 001.8
Dec.	640.6	11.9	8.3	0.2	620.2	26.0	121.9	31.6	116.3	1 028.5

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	683.3	855.4	296.5	2 816.7	2 614.7	1 681.4	713.8	331.4	8 158.2	9 310.1
1964 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
1964 Dec.	683.3	855.4	296.5	2 816.7	2 614.7	1 681.4	713.8	331.4	8 158.2	9 310.1
1965*										
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
1965* 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
1965* 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
1965* 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
1965* 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
1965* June	661.7	823.9	279.2	2 954.1	2 733.2	1 811.8	726.4	339.1	8 564.8	9 667.9
1965* July	646.7	803.4	247.5	2 979.8	2 750.6	1 803.2	731.1	338.5	8 620.9	9 671.8
1965* Aug.	695.1	866.7	239.6	2 980.9	2 767.5	1 832.6	728.5	337.9	8 647.4	9 753.7
1965* Sept.	688.3	866.7	248.9	2 987.9	2 790.6	1 852.5	732.7	343.4	8 707.2	9 822.8
1965* Oct.	598.7	766.8	232.8	2 992.2	2 809.2	1 860.0	735.4	347.7	8 744.5	9 744.1
1965* Nov.	674.2	852.0	266.6	3 017.2	2 858.6	1 887.2	743.4	351.3	8 857.8	9 976.4

End of month	Index-tied deposits		High-interest deposits
	100 % clause	50 % clause	
1965*			
1965* Jan.	1 312.9	113.3	592.5
1965* Feb.	1 386.5	99.1	591.0
1965* March	1 462.8	82.4	603.3
1965* April	1 506.3	75.3	611.6
1965* May	1 484.1	73.5	628.8
1965* June	1 454.9	73.8	654.4
1965* July	1 473.8	72.3	664.8
1965* Aug.	1 492.4	70.1	674.5
1965* Sept.	1 489.1	77.9	690.2
1965* Oct.	1 506.4	78.5	700.8
1965* Nov.	1 535.1	78.4	703.1

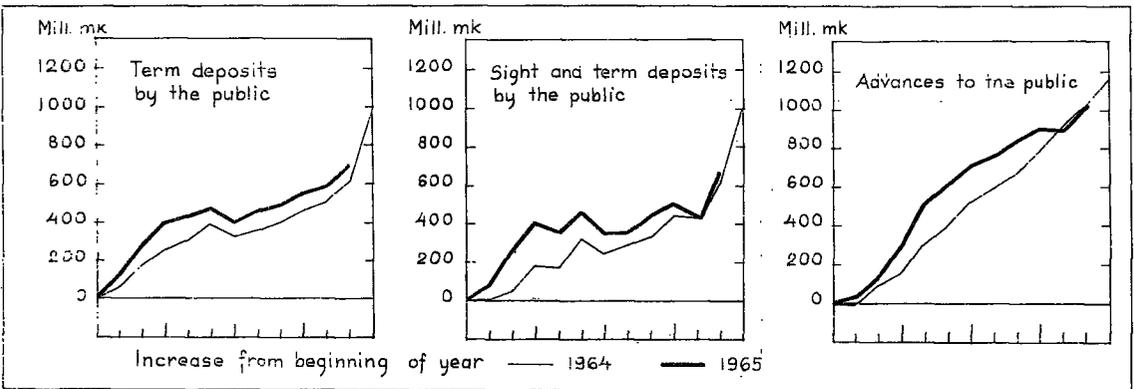
Selling rates for foreign exchange					
Dec. 31, 1965					
		mk	mk		
New York ...	1 \$	3.224	Zurich 100 Fr	74.70	
Montreal	1 \$	2.998	Paris 100 FF	65.80	
London	1 £	9.035	Rome 100 Lit	0.5163	
Stockholm ...	100 Kr	62.34	Vienna 100 S	12.48	
Oslo	100 Kr	45.14	Lisbon 100 Esc	11.27	
Copenhagen ..	100 Kr	46.83	Reykjavik 100 Kr	7.50	
Frankfurt o.M.	100DM	80.60	Madrid 100 Pta	5.42	
Amsterdam...	100 Fl	89.42	Moscow, clear. ¹⁾	1 Rbl	3.5667
Brussels	100 Fr	6.497	Clearing dollars ²⁾	1 Cl \$	3.21

¹⁾ Bucharest, Peking.²⁾ 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	2 318.0	607.7	2 057.5	829.4	9 320.5	408.5	9 729.0	2 042.5
1964									
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	2 318.0	607.7	2 057.5	829.4	9 320.5	408.5	9 729.0	2 042.5
1965*									
Jan.	3 900.7	2 337.6	614.6	2 078.1	827.5	9 342.4	416.1	9 758.5	1 939.8
Feb.	3 944.4	2 357.1	623.6	2 100.4	830.1	9 437.5	418.1	9 855.6	2 009.2
March	4 049.1	2 379.6	633.0	2 128.6	838.0	9 594.4	433.9	10 028.3	1 996.6
April	4 187.6	2 396.9	637.0	2 170.2	843.0	9 786.3	448.4	10 234.7	1 947.9
May	4 196.4	2 433.6	647.6	2 208.7	850.4	9 917.8	418.9	10 336.7	2 039.1
June	4 234.0	2 448.2	655.5	2 240.9	862.8	9 994.7	446.7	10 441.4	2 023.9
July	4 202.3	2 473.6	681.0	2 270.7	868.0	10 066.1	429.5	10 495.6	1 946.9
Aug.	4 210.8	2 492.5	689.2	2 302.2	871.7	10 120.3	446.1	10 566.4	1 990.0
Sept.	4 184.9	2 547.9	697.3	2 323.4	876.2	10 186.7	443.0	10 629.7	1 999.5
Oct.	4 160.1	2 584.3	713.8	2 261.7	893.2	10 140.8	472.3	10 613.1	1 909.0
Nov.	4 215.5	2 608.6	714.0	2 304.1	913.3	10 334.0	421.5	10 755.5	2 043.8

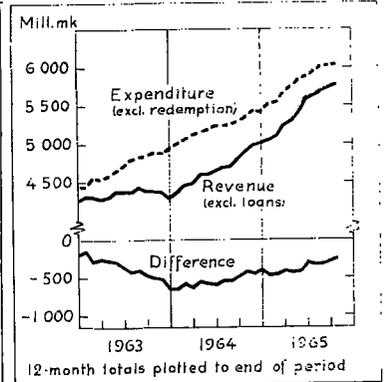


STATE FINANCES

Mill. mk

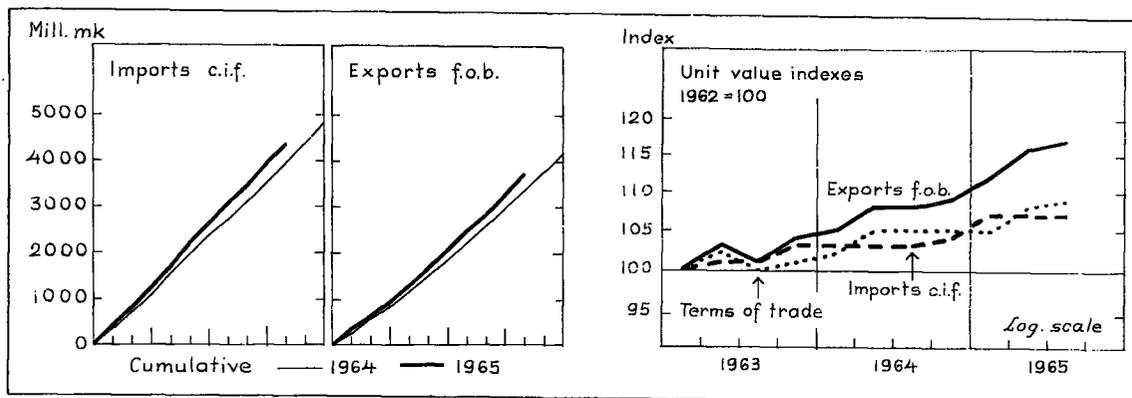
Revenue	Jan. - Oct.		Expenditure	Jan. - Oct.	
	1964	1965		1964	1965
Income and property tax (net)	I 262	I 389	Interest on State debt	105	134
Gross receipts	(2 633)	3 018	Child allowances	228	228
Refunds and communal income tax	(-I 371)	(-I 629)	The State's share in national pensions	191	207
Other direct taxes	19	19	Compensations to war-disabled	111	115
Sales tax	813	I 146	Subsidies	488	485
Import duties	401	429	Net payments on price equalization by extra-budgetary funds	13	I
Revenue from Alcohol Monopoly	321	359	State aid to agriculture	54	54
Excise duty on tobacco	241	256	State aid to communal and private schools	365	411
Excise duty on liquid fuel	171	284	Net loss of State enterprises	22	32
Other excise duties	79	71	Maintenance of roads	114	133
Tax on automobiles and motor cycles	123	150	Other current expenditure	I 539	I 818
Purchase tax on motor vehicles	—	38	Current expenditure	3 230	3 618
Stamp duties	209	137	Real investments	861	985
Employers' payments for child allow- ances	290	337	Other capital expenditure	384	481
Net receipts of price equalization by extra-budgetary funds	—	—	Capital expenditure	I 245	I 466
Other revenue similar to taxes	57	70	Total expenditure	4 475	5 084
Total taxes	3 986	4 685	Redemption of external loans	37	81
Interest and dividends	69	81	Redemption of internal loans	167	254
Other current revenue	140	185	Redemption of indemnity bonds etc.	4	4
Current revenue	4 195	4 951	Index premiums	12	22
Capital revenue proper	105	134	Redemptions	220	361
Decrease in inventories	72	58			
Capital revenue	177	192			
Total revenue	4 372	5 143	Total expenditure	4 475	5 084
External loans	181	62	Redemption of external loans	37	81
Internal loans	229	373	Redemption of internal loans	167	254
Loans	410	435	Redemption of indemnity bonds etc.	4	4
Short-term credit (increase + ..	+44	+19	Index premiums	12	22
Deficit (+) or surplus (—)	-131	-152	Redemptions	220	361
Total	4 695	5 445	Total	4 695	5 445

Debt	1962	1963	1964	1965			
	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.*
External debt ...	803	963	I 184	I 130	I 122	I 168	I 172
Ordinary loans ...	936	I 109	I 205	I 261	I 292	I 323	I 310
Indemnity bonds etc.	18	11	7	204	203	203	203
Short-term credit ..	61	160	325	359	356	343	315
Cash debt (net) ...	-125	78	23	73	55	-119	..
Internal debt ...	890	I 358	I 560	I 897	I 906	I 750	..
Total debt	I 693	2 321	2 744	3 027	3 028	2 918	..
Total debt, mill. \$	525.4	720.8	852.8	938.8	939.0	905.2	..



FOREIGN TRADE

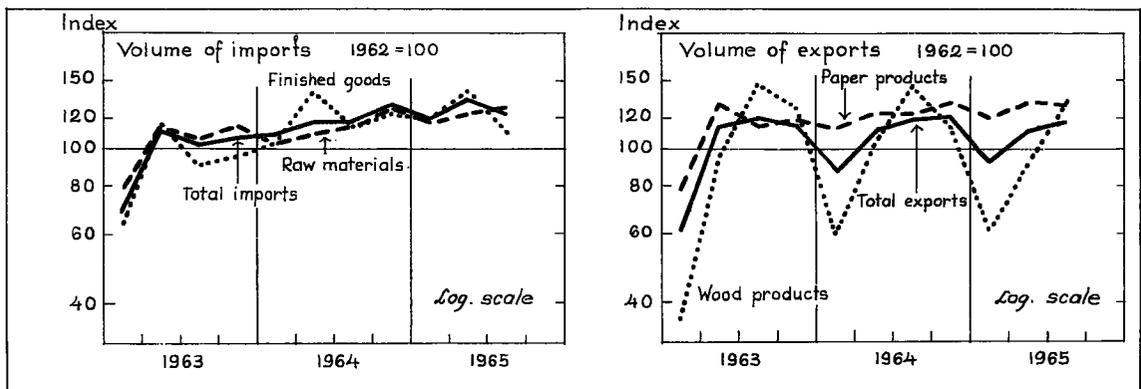
Period	Value mill. mk			Unit value indexes 1962 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering 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.-Oct.										
1963	3 166.8	3 007.3	-159.5							
1964	3 934.8	3 380.8	-554.0							
1965*	4 351.3	3 706.6	-644.7							
1964										
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							
Nov.	432.8	367.2	- 65.6	109	116	115	105	112	104	105
Dec.	448.8	383.9	- 64.9							
1965*										
Jan.	383.9	317.3	- 66.6	112	114	118	105	119	107	105
Feb.	405.2	267.8	-137.4							
March	455.1	337.5	-117.6							
April	434.8	341.3	- 93.5	116	119	123	106	136	107	108
May	530.0	395.2	-134.8							
June	434.0	404.8	- 29.2							
July	428.6	398.2	- 30.4							
Aug.	387.2	386.8	- 0.4	117	121	125	107	135	107	109
Sept.	463.7	425.3	- 38.4							
Oct.	428.8	432.4	+ 3.6							



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

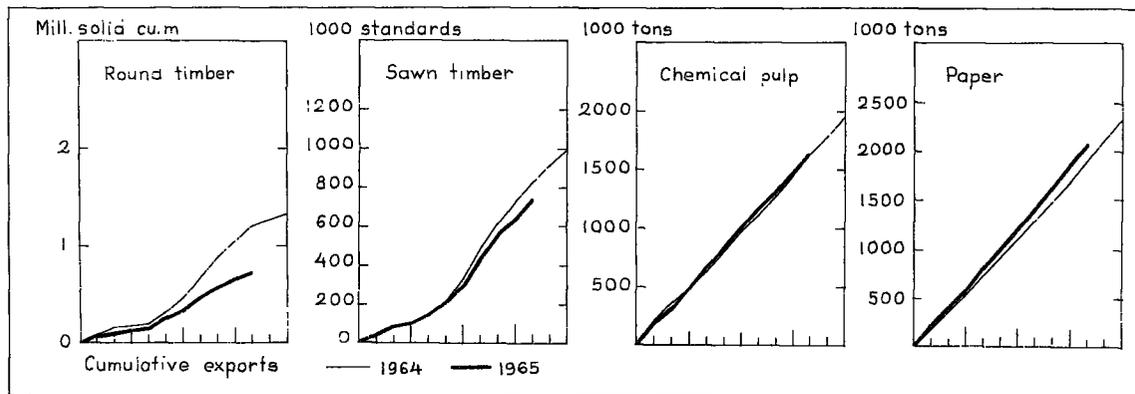
Period	Imports, c. i. f.				Exports, f. o. b.					
	Raw materials and producer goods	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods
			Investment goods	Consumer goods						
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.-Oct.										
1963	1 499.3	306.3	821.2	540.0	129.1	99.2	647.6	1 451.3	503.3	176.8
1964	1 704.0	402.2	1 168.9	659.7	190.3	78.2	734.5	1 666.1	487.2	224.5
1965*	1 949.9	418.3	1 266.0	717.1	198.4	53.1	766.6	1 792.7	601.5	294.3
1964										
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
May	209.1	34.4	188.1	98.4	29.2	6.2	69.9	173.4	84.5	32.0
June	195.1	48.7	124.1	66.1	18.4	6.1	89.2	185.0	73.1	33.0
July	203.8	35.2	128.3	61.3	16.0	9.4	116.5	170.6	58.6	27.1
Aug.	179.6	51.3	96.9	59.4	14.4	7.9	104.3	182.7	46.5	31.0
Sept.	223.2	47.6	112.8	80.1	21.5	6.2	96.3	195.8	67.0	38.5
Oct.	205.2	42.7	112.4	68.5	18.1	6.4	96.9	187.8	79.6	43.6



March 1963 figures are affected by strikes.

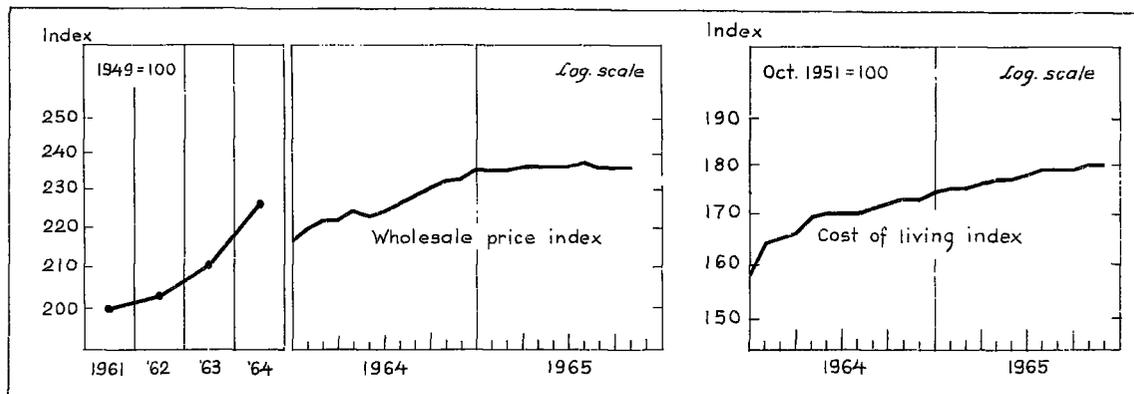
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber	Sawn timber	Veneers and plywood	Mechanical pulp	Sulphite pulp	Sulphate pulp	Board	Fibre building board	Newsprint	Paper, all kinds
	1 000 solid cu. m	1 000 stds	1 000 cu. m	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons	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.-Oct.										
1963	1 905	798	319	144	714	757	145	130	724	1 755
1964	1 185	823	355	145	815	813	146	135	799	1 898
1965*	730	733	379	126	774	851	146	122	890	2 066
1964										
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	14	14	75	190
March	26	22	37	15	92	82	15	10	81	209
April	31	41	41	16	78	91	16	16	101	225
May	109	63	40	11	68	100	15	12	80	198
June	79	91	39	14	74	94	14	13	93	203
July	131	137	24	9	75	81	14	8	79	193
Aug.	102	114	32	11	77	90	14	11	94	213
Sept.	77	94	42	11	80	79	17	8	104	231
Oct.	78	94	43	11	79	85	14	16	100	215



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c. i. f.					Exports, f. o. b.				
	Whole year		Jan. - Oct.			Whole year		Jan. - Oct.		
	1963	1964	1964	1965*		1963	1964	1964	1965*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	15.8	15.3	15.4	15.6	677.7	23.6	25.3	25.7	23.5	871.3
United Kingdom	15.3	14.8	14.9	15.1	656.2	21.5	23.0	23.4	21.3	791.0
Other OECD countries										
in Europe	53.0	52.7	52.3	55.4	2 411.2	43.9	45.9	45.6	44.7	1 655.7
Austria	0.7	0.7	0.7	0.8	33.1	0.3	0.4	0.4	0.3	9.0
Belgium-Luxembourg	2.2	2.0	2.0	2.3	98.1	3.3	3.5	3.4	3.3	123.5
Denmark	3.3	3.0	3.0	2.9	127.8	3.5	3.7	3.7	4.0	147.2
France	4.3	5.5	5.5	4.3	187.2	5.0	5.8	6.0	4.4	163.5
Western Germany	18.0	17.3	17.4	19.4	844.9	12.0	11.6	11.3	11.2	414.1
Italy	2.0	1.8	1.9	1.9	82.7	3.2	3.0	2.9	3.0	111.8
Netherlands	4.7	4.0	3.8	4.3	185.7	6.3	6.8	6.8	6.1	227.1
Norway	1.6	1.5	1.5	1.7	75.8	0.8	0.9	0.9	1.1	41.8
Portugal	0.2	0.2	0.2	0.2	10.2	0.1	0.1	0.1	0.2	7.1
Spain	0.4	0.5	0.5	0.5	21.3	0.9	0.9	0.9	1.0	37.8
Sweden	11.9	12.7	12.5	13.7	596.5	5.7	6.4	6.4	7.2	265.7
Switzerland	2.9	2.8	2.7	2.7	116.6	0.7	0.8	0.8	0.6	23.9
Eastern Bloc	21.7	22.4	22.4	19.0	828.3	20.8	17.5	17.1	20.3	752.0
China	0.2	0.4	0.5	0.4	16.2	0.5	0.5	0.5	0.6	23.4
Czechoslovakia	0.7	0.6	0.7	0.7	31.0	0.9	0.4	0.5	0.5	20.3
Eastern Germany	1.1	1.0	1.0	0.9	40.4	1.0	1.0	1.0	0.9	31.9
Poland	2.0	2.0	1.9	1.9	81.1	1.7	2.0	1.8	2.4	89.0
Soviet Union	16.9	17.6	17.5	14.5	633.0	16.0	12.1	11.8	14.9	552.0
U.S. and Canada	5.3	5.0	5.1	5.2	227.6	5.4	5.9	6.1	6.3	233.6
United States	4.9	4.8	4.9	5.0	219.0	5.2	5.7	5.9	6.1	225.9
Latin America	2.9	3.0	3.2	2.6	111.1	2.9	2.7	2.7	2.8	102.3
Argentina	0.5	0.3	0.4	0.3	14.6	0.6	0.8	0.7	1.0	35.8
Brazil	1.6	1.6	1.7	1.2	52.7	0.7	0.5	0.5	0.3	12.7
Colombia	0.5	0.6	0.6	0.6	23.3	0.6	0.5	0.6	0.7	25.2
Other	1.3	1.6	1.6	2.2	95.4	3.4	2.7	2.8	2.4	91.7
Grand total	100.0	100.0	100.0	100.0	4 351.3	100.0	100.0	100.0	100.0	3 706.6
of which										
EFTA countries	36.0	35.8	35.6	37.1	1 616.2	32.6	35.4	35.7	34.7	1 285.6
EEC countries	31.2	30.5	30.5	32.1	1 398.5	29.8	30.6	30.4	28.1	1 040.0



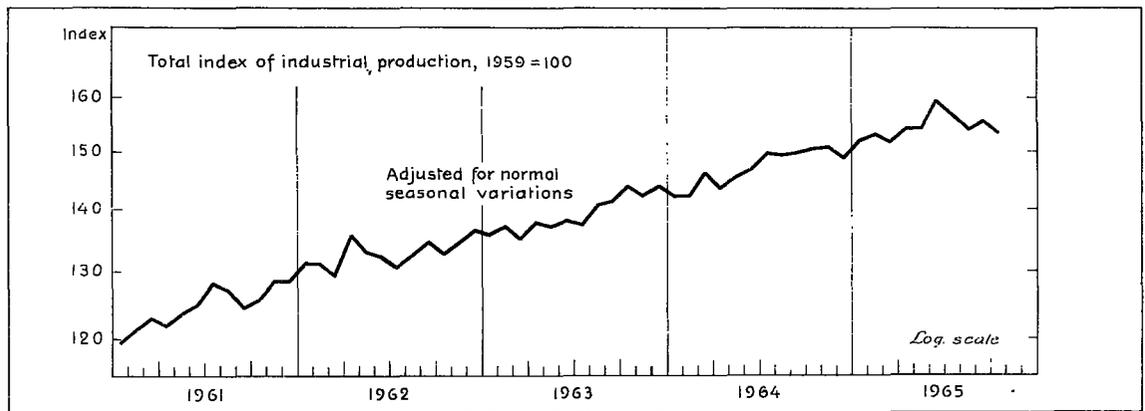
PRICE INDEXES

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												
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
June	236	242	213	242	223	231	266	229	222	159	125	212
July	237	243	213	242	224	233	269	228	223	159	125	209
Aug.	236	242	214	242	224	232	267	228	223	159	125	212
Sept.	236	241	213	241	224	231	265	228	223	159	125	209
Oct.	236	242	213	242	224	231	266	228	223	159	125	210
Nov.	236	242	213	242	224	231	266	228	223	158	125	206

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												
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
June	178	197	373	114	109	172	140	145	138	111	135	140
July	179	199	375	115	109	173	141	146	139	111	135	141
Aug.	179	199	375	115	109	173	141	146	139	111	135	141
Sept.	179	197	375	115	110	174	140	145	139	111	136	142
Oct.	180	198	387	115	110	174	142	146	143	111	136	142
Nov.	180	197	387	115	110	176	142	145	143	112	136	144

PRODUCTION - INTERNAL TRADE

Period	Index of industrial production 1959 = 100									Commercial timber fellings 1 000 piled cu. m	Wholesale trade volume index 1954 = 100
	Total	Investment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					Wood industry	Paper industry	Metal industry	Other			
1962	133	151	133	127	114	141	144	126	133	47 499	160
1963	138	144	141	131	121	155	140	133	139	47 780	169
1964*	148	149	154	135	128	170	148	142	147	53 200	156
1964*											
Feb.	146	153	150	133	132	164	151	135	142	6 031	143
March	144	147	150	131	125	163	147	136	146	6 500	142
April	156	159	159	147	155	171	158	151	144	5 469	161
May	142	141	147	133	131	165	139	136	146	11 353	154
June	142	149	144	135	141	144	145	140	147	1 863	150
July	115	81	127	100	122	169	85	108	150	1 327	145
Aug.	149	142	152	144	103	175	140	152	149	1 846	170
Sept.	161	167	166	147	125	183	167	154	150	2 335	173
Oct.	165	163	173	147	129	192	165	158	150	2 926	169
Nov.	161	166	170	142	125	184	164	155	151	3 462	164
Dec.	149	162	157	129	127	162	160	138	149	4 536	183
1965*											
Jan.	150	155	159	129	127	176	154	136	152	4 822	120
Feb.	152	163	158	134	136	174	161	139	153	6 095	147
March	168	177	176	149	157	197	174	156	152	6 342	168
April	152	155	157	140	144	168	154	145	154	5 674	188
May	158	156	166	143	147	186	158	148	154	11 698	181
June	147	159	149	140	133	150	158	144	159	2 162	164
July	120	97	131	103	118	174	96	110	157	1 408	155
Aug.	155	140	161	147	112	187	144	154	154	2 154	173
Sept.	167	173	174	152	130	193	172	159	156	2 802	186
Oct.	169	176	177	150	133	193	176	160	153	2 993	184

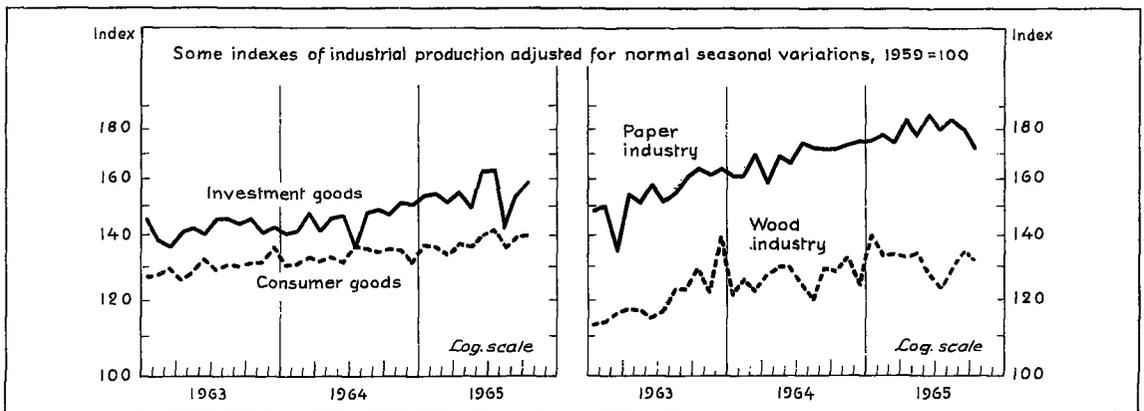


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

BUILDING - WAGES - TRANSPORT - EMPLOYMENT

Period	Buildings completed, mill. cu. m					Buildings under construction at end of period mill. cu. m	Index of salary and wage earners' earnings 1957 = 100			
	Total	Dwelling houses	Farm buildings	Commercial and industrial premises	Official buildings		All salary and wage earners	Wage earners in		
								Agriculture	Forestry	Manufacturing
1962	23.18	10.61	2.15	7.11	2.31	25.53	132	120	128	134
1963	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	172	162
1964										
Apr.-June	4.93	1.83	0.31	1.91	0.66	29.45	164	154	177	162
July-Sept.	6.57	2.47	0.85	1.74	1.05	30.74	165	149	180	163
Oct.-Dec.	8.68	3.97	1.04	2.60	0.69	28.55	169	165	164	167
1965*										
Jan.-Mar.	4.56	1.93	0.23	1.77	0.50	28.08	176	176	180	174
Apr.-June	5.57	2.03	0.40	1.72	1.18	32.67	178	173	181	177
July-Sept.	7.15	2.57	0.97	2.27	0.87	34.84

Period	Railways		Foreign shipping				Labour input		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed		1 000 man-months		% of total labour force	
	1964	1965	1964	1965*	1964	1965*	1964	1965*	1964	1965*
Jan.	125	118	576	690	526	549	1 854	1 877	2.7	2.0
Feb.	124	124	544	549	457	451	1 851	1 860	2.3	1.6
March	122	144	533	679	388	493	1 839	1 839	1.8	1.7
April	138	138	588	721	488	601	1 882	1 884	1.5	1.7
May	125	132	755	969	707	772	1 920	1 940	1.1	1.1
June	128	129	994	1 188	963	1 109	1 906	1 955	1.2	1.0
July	128	134	1 156	1 387	1 252	1 313	1 772	1 797	1.1	1.2
Aug.	132	138	1 072	1 357	1 109	1 255	1 862	1 893	1.0	1.2
Sept.	138	143	861	1 124	873	956	1 924	1 948	1.0	0.9
Oct.	140	139	843	1 090	760	867	1 928		1.3	
Nov.	135	131	909	1 017	682	852	1 905		1.5	
Dec.	116		822		683		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. *Debts*: 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. Beginning June 1964 an additional series has been collected by a new sample method. As the compilation of old series has been ended, the figures since July 1965 have been calculated by extrapolating the level of old series with the percentage changes of the new series. These calculations have been made by the Bank of Finland Institute for Economic Research. *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 %, municipalities and parishes 1.7 %.

POPULATION

NUMBER OF INHABITANTS (1964): 4.6 million. Sweden 7.6, Switzerland 5.8, Denmark 4.7 and Norway 3.7 million.

DENSITY OF POPULATION (1964): In South Finland 25.6, in North Finland 4.2 and in the whole country an average of 15.1 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1964): 57 % of the population inhabit the rural areas, 43 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 497 000 inhabitants, Tampere (Tammerfors) 139 200, Turku (Åbo) 138 300.

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

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

EDUCATION (1964): 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 (1964): births 17.6 ‰, deaths 9.3 ‰, increase 7.8 ‰. Deaths in France 10.7 ‰ and Great Britain 11.3 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1964, in million marks) Gross domestic product at factor cost by industrial origin: agriculture 2 051 (10 %), forestry and fishing 1 953 (9 %), manufacturing 6 160 (29 %), construction 1 969 (9 %), transportation and communication 1 492 (7 %), commerce, banking and insurance 2 739 (13 %), public administration 2 336 (11 %), other services 2 453 (12 %), total 21 153. Index of real domestic product 142 (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 ezel. 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 130 for 1964 (1954 = 100). Measure of self-sufficiency in bread cereals 69 % in the crop year 1963/64.

INDUSTRY (1963): Gross value of industrial production 15 500 mill. marks, number of workers 347 000, salaried employees 73 200, motive power (1963) 4.4 mill. HP. Index of industrial production 138 for 1963 (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 (Dec. 31, 1965): Steamers 141 (241 522 gross reg. tons), motor vessels 390 (746 989 gross reg. tons), sailing vessels with auxiliary engines 31 (4 103 gross reg. tons). Total 562 (992 614 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1964): Cars 376 200, lorries and vans 83 000, buses 7 100, others 3 100. Total 469 400.

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, the 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 marka). 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, 1965). Bank of Finland discount rates 6—7 1/8 %. Other credit institutions: term deposits 4 1/8 %, 12 months' deposits 6 %, 100 per cent index-tied deposits 2 1/2 %, 50 per cent index-tied deposits 4 %; highest lending rate 10 %.

LONG-TERM BUDGETARY PLANNING

BY

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In Finland, as in many other free-market economies, the scope for fiscal policy has expanded considerably during the last two decades. The Government is now to a much greater extent expected to facilitate the attainment of overall economic goals by means of fiscal and monetary policies. One of the goals that has gained increasing importance in recent years, is the achievement of long-term growth. If the Government is to contribute towards this end, fiscal policy needs to be planned for periods longer than one financial year. In several countries such planning is in fact being undertaken as part of a comprehensive programme encompassing the whole economy, or sectorally, although in most cases, in close conjunction with a general plan.

The Division for Economic Affairs of the Ministry of Finance has carried out preliminary financial planning since mid-1963. Base budgets for 1967, 1968 and 1969 have been presented in the Economic Surveys for 1963, 1964 and 1965 respectively, which are published as supplements to the budget proposals. In addition, in the autumn of 1965 a "Long-term budget"¹, containing budgetary surveys for 1960—1965 and the prospects for 1966—1969, was issued.

1. "Pitkän ajan budjetti. Valtion tulot ja menot vuosina 1960—1969". Valtiovarainministeriö, Helsinki 1965. Also published in Swedish: "Långtidsbudget".

The long-term budget was drawn up on the basis of cash transactions. Revenue and expenditure for 1960—1964 were adjusted for shifts between budgetary and extra-budgetary items so as to make them correspond to conditions prevailing in 1965. Moreover, the figures for those years were revalued at 1965 prices, mainly using the price indices computed in connection with the national income statistics.

The estimates of the base budgets for 1966—1969 are based on the assumption of a steady rise in total production. In 1954—1962 the volume of gross domestic product increased by an average of 4.3 per cent per annum; for 1961—1965 the preliminary estimate of the increase has been put at over 5 per cent. As the Economic Council², among others, anticipate a slight decline in the growth rate in the latter half of the decade, the estimates for 1966—1969 are based on an annual 4 per cent increase in gross domestic product. With respect to prices, alternative calculations have been made: firstly, assuming a stable price level with wage earnings rising by 3 per cent and national expenditure by an annual average of 0.8 per cent; and secondly, assuming inflationary conditions, under which, between 1965 and 1969, the average level of earnings

2. "Report on Growth Policy in Finland", Helsinki 1965.

in the whole economy is expected to rise by 40 per cent and national expenditure by 26 per cent. The main emphasis is placed on the volume of expenditure, as calculated according to 1965 prices and wages. The alternative price assumptions are taken into account in the financial calculations only.

The figures of expenditure in 1966—1969 are based on estimates made by the individual offices and departments of the Government, on the assumption that there will be no changes in the relevant laws, rules and practices prevailing in early spring 1965. Thus, in principle, it has been presumed that the standard of Government services will remain unchanged, insofar as current legislation does not provide otherwise. The estimates are based on forecasts of the demand for Government services, or on the actual trend of the volume of expenditure in the past. Separate calculations have been made for the influence on expenditure of certain legislative revisions now under discussion or at the planning stage. Thus the resulting estimates of expenditure mainly represent the views of the offices and departments as to how their respective spheres of activity should be developed within the framework of current legislation.

The Division for Economic Affairs has prepared estimates of State receipts according to the rates of taxes and other charges applied on June 5, 1965.

The budgetary expenditure of the Treasury increased on an average by 12 per cent per annum between 1960 and 1965, or 2 per cent more than the increase in gross domestic product at market prices. Hence, the proportion of expenditure to gross domestic product at market prices rose from 22 per cent in 1960 to 24 per cent in 1965.³ At the same time, revenue increased by an an-

1. CHANGES IN THE VOLUME OF BUDGETARY CASH EXPENDITURE

	Average annual change 1964/60 Per cent	1965 ^p Mill. mk	Average annual change 1969 ^b /65 Per cent
Consumption expenditure	7	1 715	6
Current transfers	8	2 789	4
Other current expenditure ¹	7	363	1
Capital formation	5	1 003	10
Lending and other financial investment ..	—4	303	6
Total expenditure ² ..	6.3	6 173	5.7
Volume of gross domestic product	5.3	27 600 ^p	4.0 ^b

1. Interest on government debt is formally calculated on the assumption that long-term loans of 500 million marks annually will be raised during 1966—1969.

2. Excluding redemption of the long-term debt.
p = preliminary
b = base budget

2. CHANGES IN THE VOLUME OF BUDGETARY AND EXTRA-BUDGETARY EXPENDITURE IN THE MAJOR SPHERES OF ACTIVITY

	Average annual change 1964/60 Per cent	1965 ^p Mill. mk	Average annual change 1969 ^b /65 Per cent
Medical and health services	6	414	10
Defence	11	449	7
Education and research universities and research institutions	7	1 087	6
other educational institutions	15	162	7
Agriculture and forestry settlement	4	1 088	3
agriculture	—4	124	7
forestry	5	772	1
Transport	12	78	9
roads and waterways	5	1 162	9
railways	3	711	9
Social welfare	12	295	4
	10	874	4

p = preliminary
b = base budget

nual average of 10 per cent, or approximately as much as gross domestic product. As a result of the difference in the trends of revenue and expenditure, the budget, which was in equilibrium at the beginning of the 1960's, has shown — before financial operations — a deficit since 1963.

3. Calculated on the basis of GDP, exclusive of repairs and maintenance, the corresponding figures for 1960 and 1965 are 23 per cent and 25 per cent respectively.

3. CHANGES IN BUDGETARY REVENUE, AT
STABLE PRICES

	Average annual change 1964/60 Per cent	1965 ^p Mill. mk	Average annual change 1969 ^b /65 Per cent
Income and property tax	13	1 329	5
Sales tax	5	1 400	5
Import duties and levies	2	510	-2
Other taxes	13	1 538	6
Other current receipts ..	10	834	4
Capital revenue ¹	6	209	8
Total revenue	9.3	5 820	4.7
Value of gross domestic product	10.3	27 600 ^p	4.8 ^b

1. Excluding long-term borrowing.

p = preliminary

b = base budget

4. BUDGETARY (INCL. EXTRA-BUDGETARY) FI-
NANCING REQUIREMENTS 1960, 1965 AND 1969,
MILLIONS OF MARKS

	1960	1965 ^p	1969 ^b
REVENUE excl. long-term borrowing and amortiza- tion of loans granted ..	3 537	5 743	6 750
EXPENDITURE excl. lend- ing, other financial in- vestment and amortiza- tion of long-term debt	3 132	5 847	7 650
DEFICIT (—) before fi- nancial operations	+405	-104	-900
Lending and other finan- cial investment (net in- crease —)	-258	-258	-320
FINANCING REQUIRE- MENTS (—) financed by foreign and domestic loans and other domestic financing (net)	+147	-362	-1 220

p = preliminary

b = base budget

The increase in expenditure was largely caused by wage and price rises. During 1961—1964 the annual growth in the volume of expenditure was more than 6 per cent, that is, about half the nominal increase. It exceeded the corresponding rate of increase in gross domestic product by 1 percentage point.

During the latter half of the 1950's and in the current decade, a number of legislative reforms, which have increased State expenditure considerably and will automatically continue to do so, have been introduced.

Among the most important are the changes in the National Pensions Scheme, the Sickness Insurance Act, and the Acts providing for the extension of medical and health services, in particular that relating to the central hospital system which, among other improvements, means an additional supply of 12 500 hospital beds by 1970. Similarly, in the sphere of education and research, reforms relating, for example, to secondary schools and vocational training have increased the State's consumption expenditure and particularly current transfers. Part of the reforms entail an extended use of index clauses by the State. Of these, the most noteworthy as to its effects is the so-called Procedural Act, which links the development of civil service salaries, and in consequence some current transfers, to the movement of the general level of earnings.

Thus, present legislation implies the automatic increase of State expenditure during the remaining years of the current decade. According to the estimates prepared by the offices and departments, i.e. the base budget, expenditure at constant prices will rise by an average of 5.7 per cent per annum between 1965 and 1969, or by one half of one per cent less than the rise between 1960 and 1964 (see Table 1). The increase in consumption expenditure, current transfers and other current expenditure will fall short of the growth recorded in 1961—1964. On the other hand, capital formation and financial investment will rise considerably more than during the first half of this decade. The former will in particular be affected by the growth of investment in transport facilities, which is estimated to account for 80 per cent of the total growth in capital formation. The share of expenditure on the transportation network, which has been remarkably high in Finland in comparison with many other countries, will therefore increase in 1965 from 18.7 per cent

of total expenditure, excluding loan redemptions, to over 20 per cent in 1969. Expenditure on medical and health services is also expected to increase more than the average.

With unchanged rates of taxes and other charges, State revenue will grow by an average of 5 per cent per annum during 1966—1969, or slightly more than gross domestic product, provided the general commodity price level remains stable. However, since in 1968 and 1969 the yield of income and property tax will be reduced due to the refund of the supplementary tax imposed on personal income in 1964, the annual increase in revenue is estimated to remain at 4.7 per cent (see Table 3).

In estimating the State's financing requirements at a stable price level, the effect of rises in the general wage level upon the wage bill and some current transfers should be taken into account. It appears that this effect is likely to cause an increase of over 1 per cent in annual expenditure. Thus, with a stable price level, the difference between the growth rates of revenue and expenditure will be 2 per cent, which means that the need for loans will be greater than it is now (see Table 4). The net financing requirements, according to the base budget for 1969, will exceed 1 200 million marks, whereas in 1965 it was less than 400 million, and in 1960 there was a surplus of more than 100 million marks. Covering the estimated deficits by means of increased borrowing does not seem feasible. The balance must be achieved by cutting the estimated expenditure in the base budget; in other words, the estimates made by the offices and departments must be reduced and/or the rates of taxes and other charges be altered.

The long-term budget also contains an analysis of the possibilities of balancing the budgets for the coming years. In the long-term budget — on which, however, neither

5. LONG-TERM BUDGET FOR 1969, AT STABLE PRICES, COMPARED WITH 1960 AND 1965. MILLIONS OF MARKS

	1960	1965 ^p	1969
1. Current revenue	3 502	5 640	6 766
2. Current expenditure .	2 495	4 789	5 834
anticipated increase in wages and salaries ¹	—	—	330
3. Surplus on current accounts (1—2)	+1 007	+851	+932
4. Administrative real investment	449	757	943
5. Capital revenue	35	103	90
6. Financial surplus (3—4+5)	+ 593	+197	+ 79
7. Real investment in business enterprises .	188	301	347
8. Deficit (6—7)	+ 405	—104	—268
9. Lending and other financial investment (net increase —)	— 258	—258	—300
10. Financing requirements (—)	+ 147	—362	—568

1. Increase in civil service salaries and some current transfers corresponding to a 3 per cent annual increase in wage earnings.

p = preliminary

the Government nor Parliament has taken a stand — capital formation seems to be an item which could be reduced. Similarly consumption expenditure could probably be curtailed, particularly the wage bill and purchases of goods and services. Nevertheless, even if the growth in expenditure could be restricted so as to correspond to the growth in gross domestic product, that is, approximately to the same amount as the increase in revenue, there will still be a substantial need for new loans during the latter half of the decade because of the disparity between revenue and expenditure, which became evident in 1965, and because of the marked expansion in government debt during the last few years. According to the analysis, 1 000 to 1 100 million marks annually will be required to cover the need for capital and the redemption of government debt. Thus, the debt will increase by 500—600 million marks per annum, or one and a half times as much as the increase in

the State's revenue-producing real assets. The current transactions budget, in which neither capital formation nor financial investments is included among expenditure, will show a surplus of more than 900 million marks in 1969, almost 100 million more than in 1965 (see Table 5).

According to special studies, the overall financial development during 1966—1969 will not change significantly even if, instead of a stable price level, inflationary conditions are assumed.

The long-term budget described is an effort to analyse State finances and to explain the structure of revenue and expenditure in

the current decade. Such an analysis is necessary for the management of State finances, for the co-ordination of development programmes for different sectors and for the determination of priorities between them. Since the Government has not taken an official stand on the long-term budget for 1966—1969, it does not as such represent a Government programme. Nevertheless, the long-term budget constitutes a foundation for future financial planning. To some extent, the budget proposal for 1966 was in fact based upon the information contained in the long-term study.

ITEMS

Revised Regulations for the Bank of Finland. On the initiative of the Bank, a Bill relating to a revision of the Regulations for the Bank of Finland was placed before Parliament on May 14, 1965. The Act incorporating the amendments was issued on December 30, 1965. It provides for an increase in the capital of the Bank from 100 million to 300 million marks. Another amendment relates to the transfer of the annual profit to the reserve fund. By the former Act, at least one half of the annual profit was to be transferred to the reserve fund until the capital and the reserve fund totalled 200 million marks; this limit is now 500 million marks.

The provision relating to the book valuation of the gold reserve has also changed. Thus, the book value of the gold reserve, previously at a maximum value of 2 500 marks per kilogramme of fine gold, is now to be equivalent to the international par value of the mark. In addition, the upper limit to the credit that the Bank may grant, other than bill credit, has been raised to equal the funds of the Bank, whereas previously it equalled one half of the Bank's funds.

In accordance with the revision in the regulations, the Bank of Finland raised its capital to 300 million marks, utilizing the funds of the equalization accounts for this purpose, and increased the book value of the gold reserve to 3 600,88 marks per kilogramme. These amendments are shown in

the latest statement of the Bank of Finland on page 3.

*

IMF Gold Tranche. From the Balance Sheet of December 31, 1965, Finland's gold tranche in the International Monetary Fund, equal to 25 per cent of Finland's quota, is shown in the foreign exchange assets and ordinary note cover of the Bank of Finland. This has been made possible since, according to the present practice of the Fund, the utilization of the gold tranche for purchases of foreign exchange from the Fund is *de facto* automatic; the gold tranche is thus comparable to other foreign exchange holdings of the Bank. Under an arrangement approved by Parliament in the Second Supplementary Budget of 1965, the Bank of Finland reimbursed the Government with the payments previously made by the Treasury in connection with the present gold tranche.

Finland's present gold tranche in the Fund amounts to Fmks 45.6 million (\$14.25 million). As part of the contemplated general and special increases in Fund quotas, Finland has already given the Fund its consent to a proposed increase in Finland's quota from the present \$57 million to \$125 million. When this increase becomes effective, Finland's gold tranche will rise to \$31.25 million, equivalent to Fmks 100 million.

*

Special deposits of banks at the Bank of Finland. Parliament has passed the Special Deposits Act. The Bill relating to this Act, prepared jointly by the Government and the Bank, was placed before Parliament on July 26, 1963. (See the article in Bulletin No. 2, 1964). The final Act, issued on December 30, 1965, to some extent deviates from the original proposal.

According to the Act, the Cabinet may, having consulted the Bank, require the banks to place a proportion of their funds in special deposits at the Bank of Finland. The Cabinet may exercise this right when the banks' lending is considered to be too expansive from the viewpoint of internal and external stability and when the Bank of Finland has not reached an agreement with all the banks on arrangements for special deposits.

The Act specifies three limitations on the extent to which a bank will be obliged to hold special deposits with the Bank:

1) special deposits are limited to a maximum of 6 per cent of the bank's total deposits on a specifically determined date;

2) special deposits are limited to 70 per cent of the cumulative increase in the bank's total deposits on that date; and

3) monthly additions to the special deposits are limited to 0.5 per cent of the bank's total deposits on that date.

Total deposits of a bank here include domestic term deposits from the public and foreign term deposits. The Bank of Finland is to credit the special deposits with interest at a rate at least 0.5 percentage points higher than the average rate of interest paid by each bank on its deposits.

The Act, which is permanent, came into force on January 1, 1966.

*

Supplementary budgets. The third supplementary budget for 1965 was approved by Parliament in October. The only item of expenditure is the appropriation of 3.6 million marks for the Finnish U.N. forces in Cyprus, to be covered by a corresponding compensation from the U.N.

The fourth supplementary budget, allocating an additional expenditure of 306 million marks, was approved in December. Of this amount, 75 million marks is ear-marked for maintaining the level of employment. Other items of expenditure include additional grants totalling 28 million marks for education and health, 25 million for the support of domestic sugar production, 21 million for interest on government debt, an additional 11 million marks for house-building loans, and 7 million for military expenditure. Loans-in-aid to be granted from the U.S.S.R. commodity credit are increased by 7 million marks. Moreover, an amount of 54 million marks is appropriated to cover the deficit of the State Railways. The revenue side is increased by 340 million marks, of which 152 million represent new borrowing. In addition, revenue includes unutilized amounts of earlier appropriations to the extent of 83 million marks.

The fifth and last supplementary budget was also approved in December. The only item of expenditure is 3.7 million marks, again, for the maintenance of the Finnish U.N. forces.

Total budgeted expenditure for 1965, including the supplementary budgets, amounted to 7 132 million marks (5 953 million in the initial budget) and total revenue to 6 902 million marks (5 954 million in the initial budget).

*

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

The People's Republic of China, on November 23, 1965. Period: 1966. Finland's exports include, for example, chemical pulp, paper and rayon, and she is to import soya, various metals, industrial chemicals and textiles.

Czechoslovakia, on December 13, 1965. Period: 1966. The Finnish export list includes chemical pulp, board, paper, various machines and textiles, and her import list consists of machines and implements, cars, various chemicals and textiles.

The Democratic Republic of Germany, on December 20, 1965. Period: 1966. By the agreement Finland will export paper, board, chemical pulp, machines and agricultural products. Finland's import list includes chemicals, cars and other motor vehicles, machines and textiles.

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Domestic bond issues. In December the Government decided on the following bond issues.

Second 1965 issue of bonds for subscription by insurance companies, totalling 40 million marks and issued in two groups. Group I (17.5 million) will run for 16 years, and group II (22.5 million) for 25 years. The bonds are dated December 20, 1965. The rate of interest is 7 per cent and payable semi-annually. The loan is tied to the cost of living index to the extent of 50 per cent. Group I was issued at a price

of 95.18, and group II at a price of 93.82.

1966 8¾ per cent bonds of 15 million. The bonds are dated January 3, 1966, and will mature in 4 years. The loan is issued at par.

1966 bonds with a variable rate of interest totalling 40 million marks. The bonds carry interest as from January 3, 1966, at a rate 2½ percentage points above the general rate on six-month deposits in the two largest commercial banks (currently 4½ per cent). The loan will be redeemed by annual instalments in 10 years. It carries a 50 per cent index clause.

In December, Suomen Kiinteistöpankki Oy (Real Estate Bank in Finland Ltd.) was authorized to make a private bond issue of 5 million marks. The loan is current for a period of 10 years starting from March 1, 1966, and the interest rate is 2½ percentage points above the general rate on six-month deposits in savings banks (currently 4½ per cent). The bonds will be redeemed by annual instalments of 12½ per cent of the original nominal value of each bond. Amortization and interest are tied to the cost of living index to the extent of 50 per cent.

*

Finland's population. According to the preliminary census data, the population of Finland on January 1, 1966 was 4 627 000, showing an increase of 29 300 persons.

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

K. IGNATIUS

JORMA ARANKO

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Personnel

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*Foreign exchange
(trade)*

P. BLOMQUIST,
Central Accounting

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

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Internal Audit

HELGE LINDSTRÖM,
Credits

ARTHUR ASPELUND,
Cash

A. NENONEN,
Foreign correspondence

K. EIROLA,
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