



BANK OF FINLAND

MONTHLY BULLETIN

Vol. 34 Nos. 11—12

NOVEMBER—DECEMBER

1960

RECENT DEVELOPMENTS

THE MONEY MARKET

During this year the Finnish money market has shown a tendency towards increasing stringency, the natural consequence of a decrease in the supply of central bank money together with a strong expansion of bank lending.

The following Table shows the most important changes in the accounts of the Bank of Finland for the first ten months of 1960. It indicates whether the changes increased (+) or reduced (—) the amount of notes in circulation and the liquidity of the banks in relation to the Bank of Finland.

NET CHANGES IN THE STATEMENT OF THE BANK OF FINLAND FROM DECEMBER 31, 1959 TO OCTOBER 31, 1960

	1000 mill. mk
Gold and foreign exchange reserve, reduction	— 8.8
Pre-1958 advances on exports, reduction	— 3.7
Stand-by stocks credit to the Treasury, reduction	— 1.4
IMF and IBRD Treasury Bill, reduction	— 1.8
1953 Treasury Bond Loan, reduction	— 2.5
Cheque account of the Treasury, increase	— 5.0
Loans from export levy funds, drawn ..	+ 2.5
Bills in Finnish currency, increase	+ 1.5
Treasury Cash Bonds, increase	+ 3.1
Other Finnish Bonds, reduction	— 0.7
Other items	— 0.5
Net change	— 17.3
Rediscounted bills, increase	— 13.9
Cheque accounts of banks, reduction	— 3.9
Notes in circulation, increase	+ 0.5
Net change	— 17.3

From the Table, it can be observed that the decline in the gold and foreign exchange reserve was the most important contractive factor. The change in the reserves reflects to a minor extent the deficit in the balance of trade during the current year, its main component being the increase in the other banks' holdings of foreign exchange (see No. 8 of this Bulletin, p. 1.). Nevertheless, this increase in the banks' currency holdings has also reduced the supply of central bank money. It should here be stressed that the decrease in the old advances on exports by 3 700 million marks merely meant a corresponding increase in foreign exchange.

The State's cash position has greatly eased during the current year. State revenue has increased far more rapidly than expenditure, an automatic result of the expansion in economic activity. Moreover, the State has also strengthened its cash position by raising new bond loans to a considerable amount.

This improvement in the State finance also appears from the above Table. The increase in the Treasury's balance on cheque account constitutes another heavy contractive factor; furthermore, the reduc-

**On page 18, The Effect of the New
Customs Tariff on the Level of Duties**

tion of the credit for stand-by stocks, of both the Treasury Bond Loan and the IMF and IBRD bill, reduced the supply of central bank money. All these items decreased the supply of money by 10 700 million marks.

The contraction in the supply of central bank money has not been reflected in a decline in notes in circulation. Of the total net decline of 17 300 million marks, 17 800 million represented an increase in the banks' net debt to the Bank of Finland, whereas notes in circulation increased by 500 million marks. By way of contrast, in the corresponding period of 1959 the central bank money increased by 17 600 million marks, while the banks reduced their debt to the Bank of Finland by 18 100 million marks. The weaker position of the banks towards the Bank of Finland is also apparent in the fact that the banks have had to sell cash bonds to the Bank of Finland to an amount of 3 100 million marks. At the end of October, rediscounted bills totalled 18 700 million marks against 500 million one year before.

This year, the rate of growth in bank deposits has slowed down. This development relates to cheque accounts only, which decreased by 100 million marks during the first ten months, the corresponding change one year previously having been an increase of 13 200 million marks. In October alone, the cheque accounts diminished by 2 400 million marks. On the whole, the decrease of the cheque accounts stems directly from the increased demand for money brought about by the expansion, and particularly in investment activity. On the other hand, the

term deposits have grown heavily; by the end of October, these had increased by 52 900 million marks, the corresponding increase last year being 42 900 million.

The structural changes in deposits by the public noticed last year has not continued at the same speed during 1960. Index-tied deposits, which had been 28 100 million marks at the turn of the year, dropped to 16 100 million marks by the end of October. During the same period, the twelve-month high-interest deposits increased from 24 100 million marks to 32 800 million.

The high rate of growth of the banks' advances to the public is related to the increased need of finance which has occasioned the reduction in cheque accounts. It not only reflects the need for financing the expansion of production and investment, but it also implies considerable payments for imports. In January—October, bank advances to the public increased by 94 900 million marks, against 57 100 million marks during the same period of 1959. The growth in advances made by the commercial banks has been particularly heavy, 28 per cent over one year, whereas the corresponding figure for other credit institutions averaged 22 per cent. This strong credit expansion has definitely weakened the liquidity of the banks, because the growth in deposits by the public has not been of the same magnitude.

Not only has the liquidity of the banks declined, but so has also the liquidity outside the banking system, which is evident from the money supply calculation.

November 22, 1960

BANK OF FINLAND

Mill. mk

	1959		1960			
	Oct. 30	Dec. 31	Oct. 8	Oct. 15	Oct. 22	Oct. 31
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	73 913	76 694	74 334	74 090	74 257	73 423
Gold	8 473	8 454	9 119	9 119	9 119	9 119
Foreign exchange	62 069	64 611	57 782	57 529	57 603	56 819
Foreign bills	454	366	525	534	627	577
Foreign bonds	2 917	3 263	6 908	6 908	6 908	6 908
<i>Supplementary note cover</i>	23 062	27 016	38 130	35 773	39 786	39 100
Inland bills discounted						
In foreign currency	11 740	11 535	10 842	10 751	10 712	10 712
In Finnish currency	3 961	3 888	5 704	5 409	5 408	5 353
Rediscounted bills	486	4 718	17 209	15 238	19 291	18 660
Treasury bond loan	6 875	6 875	4 375	4 375	4 375	4 375
<i>Other assets</i>	20 027	18 096	11 202	11 448	12 848	13 983
Finnish bonds	3 556	2 620	2 168	2 414	3 874	5 094
Cheque accounts	117	267	352	319	354	343
Finnish coin	751	654	763	774	759	762
Other claims	15 603	14 555	7 919	7 941	7 861	7 784
Total	117 002	121 806	123 666	121 311	126 891	126 506
Liabilities						
<i>Notes in circulation</i>	64 583	69 435	69 907	69 634	70 691	69 990
<i>Short-term liabilities</i>	16 726	17 814	17 170	15 145	20 588	19 845
Foreign exchange accounts	2 141	2 116	3 910	3 880	3 814	3 789
Mark accounts of holders abroad	4 636	4 780	3 842	3 848	3 902	3 934
Cheque account of the Treasury	7 643	6 418	8 226	6 011	11 884	11 414
Cheque accounts of banks	1 387	3 856	436	667	394	—
Other cheque accounts	378	233	326	316	216	341
Other short-term liabilities	541	411	430	423	378	367
<i>Long-term liabilities</i>	14 465	14 089	11 394	11 205	10 855	10 782
Foreign	11 091	11 060	10 375	10 246	10 246	10 246
Finnish	3 374	3 029	1 019	959	609	536
<i>Equalisation accounts</i>	6 380	5 482	8 964	9 071	9 073	10 174
<i>Bank's own funds</i>	14 848	14 986	16 231	16 256	15 684	15 715
Capital	10 000	10 000	10 000	10 000	10 000	10 000
Reserve fund	3 739	3 739	4 362	4 362	4 362	4 362
Profits undisposed	—	—	624	624	—	—
Earnings less expenses	1 109	1 247	1 245	1 270	1 322	1 353
Total	117 002	121 806	123 666	121 311	126 891	126 506
STATEMENT OF NOTE ISSUE						
Right of note issue						
<i>Ordinary cover</i>	73 913	76 694	74 334	74 090	74 257	73 423
<i>Supplementary cover</i> (Upper limit 50 000 mill. mk)	23 062	27 016	38 130	35 773	39 786	39 100
Total	96 975	103 710	112 464	109 863	114 043	112 523
Note issue						
<i>Notes in circulation</i>	64 583	69 435	69 907	69 634	70 691	69 990
<i>Short-term liabilities</i>	16 726	17 814	17 170	15 145	20 588	19 845
<i>Undrawn on cheque credits</i>	1 079	929	844	877	842	879
<i>Unused right of note issue</i>	14 587	15 532	24 543	24 207	21 922	21 809
Total	96 975	103 710	112 464	109 863	114 043	112 523

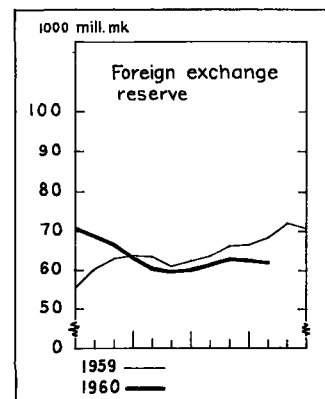
BANK OF FINLAND

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)	Redis-counted bills	Liabilities		Net claims on the banks (7—8—9)
								Cheque accounts of banks	Account of the Mortgage Bank of Finland Oy	
	1	2	3	4	5	6	7	8	9	10
1951	34 317	3 594	30 723	1 644	3 693	28 674	16	— 218	—	234
1952	22 099	13 141	8 958	7 024	5 524	10 458	17 217	2 088	—	15 129
1953	27 898	8 737	19 161	8 329	9 237	18 253	8 268	2 157	—	6 111
1954	36 573	7 017	29 556	8 206	10 102	27 660	8 465	2 187	—	6 278
1955	35 938	3 855	32 083	9 427	11 617	29 893	22 628	8 383 ¹⁾	—	14 245
1956	29 410	4 601	24 809	11 271	15 337	20 743	33 665	1 167	280	32 218
1957	38 429	4 569	33 860	17 642	20 185	31 317	24 912	2 405	— 42	22 549
1958	57 558	2 178	55 380	12 619	16 013	51 986	18 707	1 474	2 080	15 153
1959	73 065	2 116	70 949	9 249	15 840	64 358	4 718	3 856	252	610
1959										
Sept.	68 751	1 905	66 846	10 761	15 859	61 748	400	644	— 101	— 143
Oct.	70 542	2 141	68 401	9 985	15 727	62 659	486	1 387	419	— 1 320
Nov.	74 191	2 133	72 058	9 715	15 672	66 101	315	1 556	285	— 1 526
Dec.	73 065	2 116	70 949	9 249	15 840	64 358	4 718	3 856	252	610
1960										
Jan.	71 164	2 228	68 936	9 035	15 796	62 175	2 428	— 164	309	2 283
Feb.	69 135	2 329	66 806	8 410	15 179	60 037	3 054	85	52	2 917
March	66 821	3 658	63 163	7 982	15 153	55 992	4 620	749	179	3 692
April	64 550	3 854	60 696	9 710	14 978	55 428	13 072	56	237	12 779
May	63 921	4 085	59 836	9 495	14 487	54 844	13 811	951	71	12 789
June	63 865	3 865	60 000	9 167	14 351	54 816	18 493	691	179	17 623
July	65 468	3 904	61 564	9 659	14 330	56 893	16 046	294	83	15 669
Aug.	66 894	3 993	62 901	9 187	14 106	57 982	16 028	332	169	15 527
Sept.	66 270	3 870	62 400	10 304	14 251	58 453	17 699	105	309	17 285
Oct.	65 938	3 789	62 149	9 459	14 180	57 428	18 660	— 26	267	18 419

¹⁾ Including cash reserve accounts 6 677

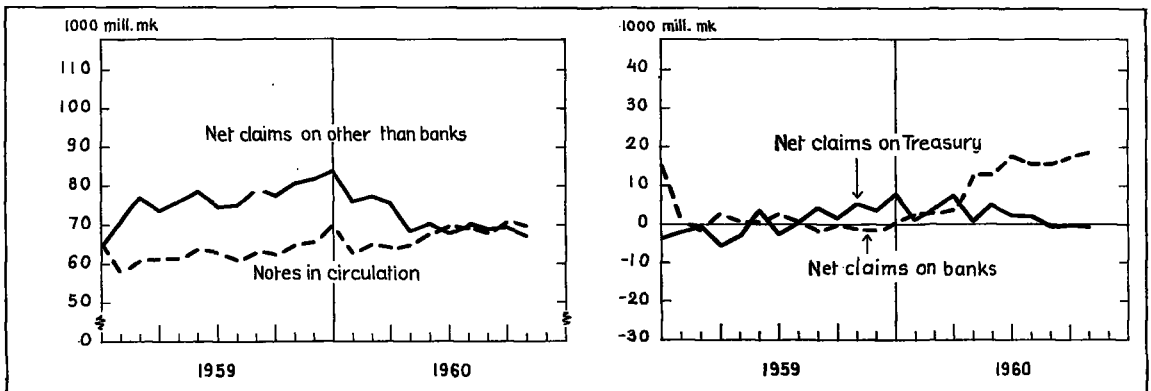
Category of currency	Foreign exchange reserve (col. 3 above) 1 000 mill. mk				
	1958		1960		
	Dec. 31	Dec. 31	Aug. 31	Sept. 30	Oct. 31
Gold	7.8	8.4	8.4	8.4	9.1
Convertible currencies ..	31.2	49.7	39.4	39.6	39.5
Non-transferable OEEC *	7.7	4.7	3.8	3.8	3.6
Eastern Block currencies.	8.2	4.4	4.9	4.0	3.4
Other currencies	0.5	3.7	6.4	6.6	6.5
Total	55.4	70.9	62.9	62.4	62.1



BANK OF FINLAND

Mill. mk

End of year and month	Treasury					Trade and industry				Notes in circulation
	Bills and bonds	Advances for stand-by stocks	Liabilities		Net claims on the Treasury 1+2-3-4	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the public (6 + 7-8)	
			Cheque account	Long-term						
	1	2	3	4	5	6	7	8	9	10
1951	8 685	—	—	—	8 685	11 567	4 549	301	15 815	44 774
1952	14 738	—	—	—	14 738	14 678	5 672	2 185	18 165	46 153
1953	21 662	—	7 281	—	14 381	13 812	7 405	2 314	18 903	45 019
1954	21 662	—	15 470	—	6 192	11 940	6 895	791	18 044	47 902
1955	21 660	—	9 816	1 294	10 550	14 437	9 306	7 357	16 386	55 883
1956	19 160	—	10 550	2 310	6 300	14 922	10 547	5 205	20 264	60 735
1957	16 021	—	5 145	3 965	6 911	12 909	14 425	561	26 773	60 640
1958	9 033	4 335	7 146	9 502	— 3 280	8 823	14 296	525	22 594	65 075
1959	10 326	6 786	6 418	3 029	7 665	3 888	10 500	392	13 996	69 435
1959										
Sept.	10 326	5 617	11 028	3 447	1 468	3 769	13 177	671	16 275	62 467
Oct.	10 326	6 116	7 643	3 374	5 425	3 961	11 279	500	14 740	64 583
Nov.	10 326	6 664	10 201	3 308	3 481	4 250	10 662	496	14 416	65 427
Dec.	10 326	6 786	6 418	3 029	7 665	3 888	10 500	392	13 996	69 435
1960										
Jan.	10 326	5 431	11 625	2 955	1 177	4 002	10 553	605	13 950	62 949
Feb.	10 014	4 024	7 238	2 678	4 122	5 120	10 367	560	14 927	64 854
March	8 764	4 035	3 388	2 041	7 370	5 694	10 422	323	15 793	64 013
April	7 244	4 134	9 251	1 734	393	6 078	10 376	251	16 203	65 815
May	7 244	4 265	4 808	1 565	5 136	6 832	10 245	446	16 631	67 376
June	7 244	4 597	8 129	1 344	2 368	7 000	10 051	497	16 554	69 698
July	7 244	5 037	9 107	1 224	1 950	6 498	10 248	409	16 337	69 463
Aug.	7 244	5 158	11 851	1 120	— 569	6 042	9 983	541	15 484	67 967
Sept.	5 994	5 269	10 254	1 019	— 10	5 897	10 052	585	15 364	70 391
Oct.	5 994	5 365	11 414	536	— 591	5 353	9 855	441	14 767	69 990



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
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	36 588	44 281	11 795	97 794	108 541	61 139	33 073	15 255	315 842	371 918
1956	38 614	45 963	15 265	96 807	112 402	63 531	34 162	16 013	322 953	384 181
1957	37 708	46 138	14 912	103 223	117 859	67 111	33 960	16 823	339 009	400 059
1958	39 568	49 575	18 277	122 256	131 260	74 272	38 167	19 191	385 175	453 027
1959	55 749	67 809	15 667	150 548	152 546	86 033	43 120	21 913	454 189	537 665
1959										
Sept.	49 915	62 451	20 646	138 873	141 980	80 302	41 038	20 673	422 895	505 992
Oct.	50 061	62 757	12 527	140 531	144 298	81 167	41 180	20 891	428 096	503 380
Nov.	52 776	64 676	12 319	142 703	146 558	82 608	41 442	21 172	434 512	511 507
Dec.	55 749	67 809	15 667	150 548	152 546	86 033	43 120	21 913	454 189	537 665
1960*										
Jan.	50 344	60 407	10 424	152 020	154 071	87 069	43 474	22 303	458 966	529 797
Feb.	51 520	61 375	14 471	155 066	156 103	88 975	44 261	22 710	467 137	542 983
March	51 761	62 736	14 481	158 941	159 110	91 527	44 716	23 093	477 410	554 627
April	49 694	60 447	11 985	160 943	160 117	92 599	44 681	23 219	481 583	554 015
May	53 991	65 801	13 195	163 190	161 794	93 929	44 750	23 278	486 965	565 961
June	54 253	65 426	13 784	163 976	161 612	93 361	44 773	23 205	486 956	566 166
July	53 943	65 041	12 673	165 457	162 867	93 882	45 098	23 324	490 655	568 369
Aug.	54 126	67 424	13 284	166 963	165 110	94 973	45 513	23 464	496 050	576 758
Sept.	57 022	70 090	14 342	167 902	166 663	96 568	45 628	23 951	500 741	585 173
Oct.	55 268	67 740	12 430	169 665	168 997	97 918	46 278	24 229	507 119	587 289

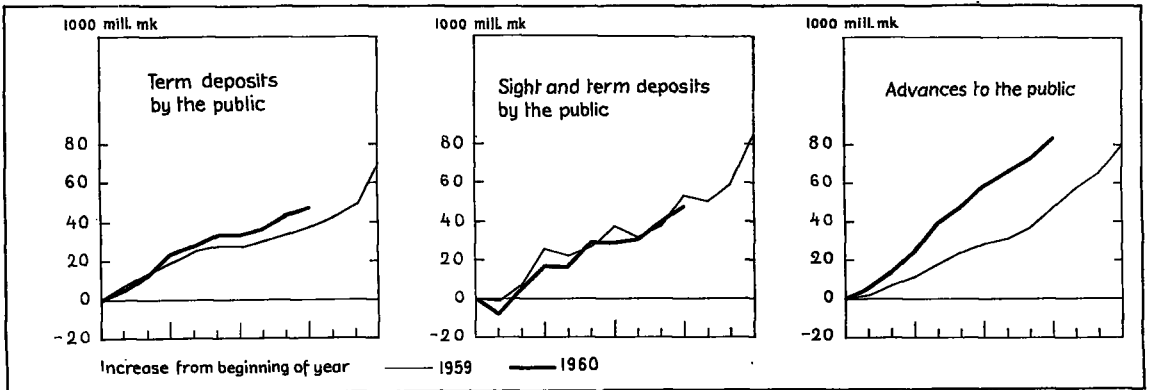
End of month	Index-tied deposits		
	1958	1959	1960
Jan.	85 733	79 991	24 350
Feb.	87 884	76 797	21 413
March	89 735	72 012	19 079
April	89 777	65 620	18 100
May	90 611	61 022	17 718
June	91 041	56 605	17 429
July	91 386	52 298	17 143
Aug.	91 543	48 628	16 979
Sept.	87 640	41 179	16 395
Oct.	85 954	34 207	16 054
Nov.	84 711	30 560	
Dec.	83 290	28 057	

Selling rates for foreign exchange			
Oct. 31, 1960			
		mk	mk
New York ...	1 \$	320: 60	Brussels 100 Fr 645: 50
Montreal	1 \$	328: —	Zurich 100 Fr 7 453: —
London	1 £	902: 50	Paris 100 NF 6 546: —
Stockholm ...	100 Kr	6 215: —	Rome 100 Lit 51: 68
Oslo	100 Kr	4 504: —	Vienna 100 Sch 1 236: —
Copenhagen ..	100 Kr	4 660: —	Lisbon 100 Esc 1 126: —
Frankfurt a/M	100 DM	7 692: —	Reykjavik 100 Kr 847: —
Amsterdam ...	100 G	8 511: —	Prague, clear... 100 Kc 4 458: —
			Moscow, clear. 100 Rbl 8 025: —

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
1950	67 438	35 511	4 507	35 048	3 830	135 309	11 025	146 334	67 640
1951	85 578	45 554	8 508	41 849	4 425	172 003	13 911	185 914	95 038
1952	104 881	59 824	13 402	50 694	5 379	217 141	17 039	234 180	84 113
1953	105 659	70 511	18 782	56 765	9 847	245 275	16 289	261 564	87 294
1954	128 955	82 447	22 123	64 697	12 773	291 506	19 489	310 995	95 935
1955	155 436	96 454	24 866	72 868	13 599	339 797	23 426	363 223	102 032
1956	162 663	102 830	26 232	76 761	14 690	357 802	25 374	383 176	109 559
1957	160 379	106 639	26 047	78 064	15 717	363 000	23 846	386 846	112 398
1958	174 542	115 481	29 027	83 511	21 931	401 155	23 337	424 492	124 527
1959	209 686	132 725	33 138	96 730	32 578	477 264	27 593	504 857	142 998
1959									
Sept.	190 749	127 980	32 369	91 957	28 771	446 076	25 750	471 826	139 508
Oct.	196 254	129 702	32 566	93 800	29 229	455 552	25 999	481 551	134 288
Nov.	200 782	131 592	32 626	94 833	30 241	463 309	26 765	490 074	137 583
Dec.	209 686	132 725	33 138	96 730	32 578	477 264	27 593	504 857	142 998
1960*									
Jan.	211 026	134 342	33 510	97 496	33 337	480 821	28 890	509 711	129 455
Feb.	217 135	135 681	33 884	98 116	34 089	488 705	30 200	518 905	131 320
March	222 749	137 133	33 984	100 212	35 225	499 743	29 560	529 303	133 702
April	230 904	139 152	34 484	102 531	37 049	513 265	30 855	544 120	131 300
May	232 510	141 062	35 356	104 208	38 826	522 430	29 532	551 962	137 962
June	239 831	142 505	36 316	104 888	39 657	531 162	32 035	563 197	139 625
July	241 923	144 324	35 974	106 948	40 506	538 136	31 539	569 675	141 264
Aug.	243 093	146 999	37 447	108 866	41 315	546 517	31 203	577 720	141 298
Sept.	246 811	149 369	38 110	111 436	42 166	556 602	31 290	587 892	147 945
Oct.	251 340	151 323	39 610	114 280	43 178	567 483	32 248	599 731	..

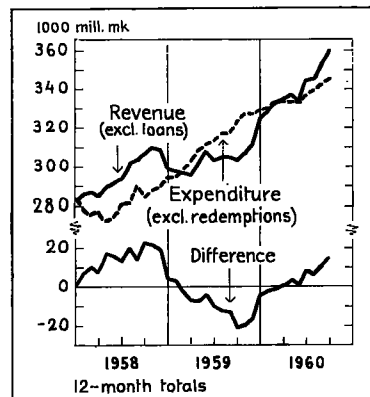


STATE FINANCES

1000 mill. mk

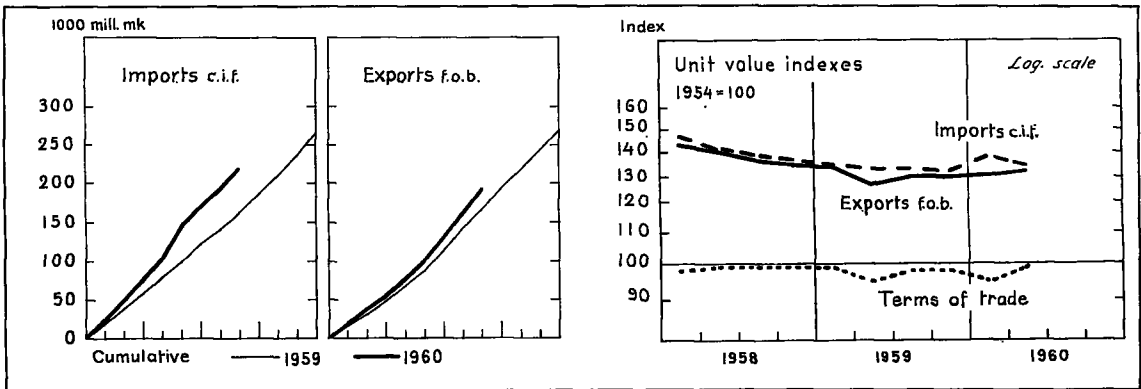
Revenue	Jan. — Sept.		Expenditure	Jan. — Sept.	
	1959	1960		1959	1960
Income and property tax (net)	45.4	51.9	Interest on State debt	5.4	5.0
Gross receipts	(102.0)	(131.3)	Child allowances	15.4	15.5
Refunds and communal income tax	(-56.6)	(-79.4)	The State's share in national pensions	6.5	6.3
Other direct taxes	1.0	1.0	Compensations to war-disabled	5.5	5.5
Purchase tax	52.7	62.9	Transfer of employers' payments for national pensions to the National Pensions Institution	6.3	4.8
Import duties	29.2	33.9	Subsidies	24.8	26.3
Revenue from Alcohol Monopoly	16.9	18.2	Net payments on price equalisation by extra-budgetary funds	0.5	2.5
Excise duty on tobacco	14.2	14.9	State aid to agriculture	4.5	4.0
Excise duty on liquid fuel	7.5	9.4	State aid to communal and private schools	16.8	18.5
Other excise duties	3.8	4.0	Net loss of State enterprises	—	—
Tax on automobiles and motor cycles	1.3	1.6	Maintenance of roads	5.5	6.8
Stamp duties	10.5	12.4	Other current expenditure	72.8	81.6
Employers' payments for child allowances and national pensions	19.0	21.5	Current expenditure	164.0	176.8
Net receipts of price equalisation by extra-budgetary funds	—	—	Real investments	47.3	50.7
Other revenue similar to taxes	3.3	3.5	Other capital expenditure	25.9	25.4
Total taxes	204.8	235.2	Capital expenditure	73.2	76.1
Interest and dividends	4.2	3.9	Total expenditure	237.2	252.9
Net profit of State enterprises	1.9	4.7	Redemption of external loans	5.9	2.8
Other current revenue	7.6	7.4	Redemption of internal loans	8.3	11.8
Current revenue	218.5	251.2	Redemption of indemnity bonds etc.	0.9	1.8
Capital revenue proper	9.2	6.1	Index premiums	0.7	0.7
Decrease in inventories	0.7	5.8	Redemptions	15.8	17.1
Capital revenue	9.9	11.9	Total	253.0	270.0
Total revenue	228.4	263.1			
External loans	—	—			
Internal loans	16.9	14.3			
Loans	16.9	14.3			
Short-term credit (increase +) ..	+0.2	-3.9			
Deficit (+) or surplus (-)	+7.5	-3.5			
Total	253.0	270.0			

Debt	1956	1957	1958	1959	1960		
	Dec.	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.*
External debt	61.5	81.8	79.0	76.6	75.2	74.5	74.4
Ordinary loans	50.7	52.9	61.5	72.2	72.8	74.5	74.1
Indemnity bonds etc. ...	7.1	7.4	7.3	6.5	4.8	4.7	4.6
Short-term credit	—	—	1.2	4.1	0.4	0.2	1.2
Cash debt (net)	8.8	9.6	-1.7	-5.8	-8.6	-8.9	..
Internal debt	66.6	69.9	68.3	77.0	69.4	70.5	..
Total debt	128.1	151.7	147.3	153.6	144.6	145.0	..
Total debt, mill. \$	554.5	472.7	459.8	479.7	450.1	451.9	..



FOREIGN TRADE

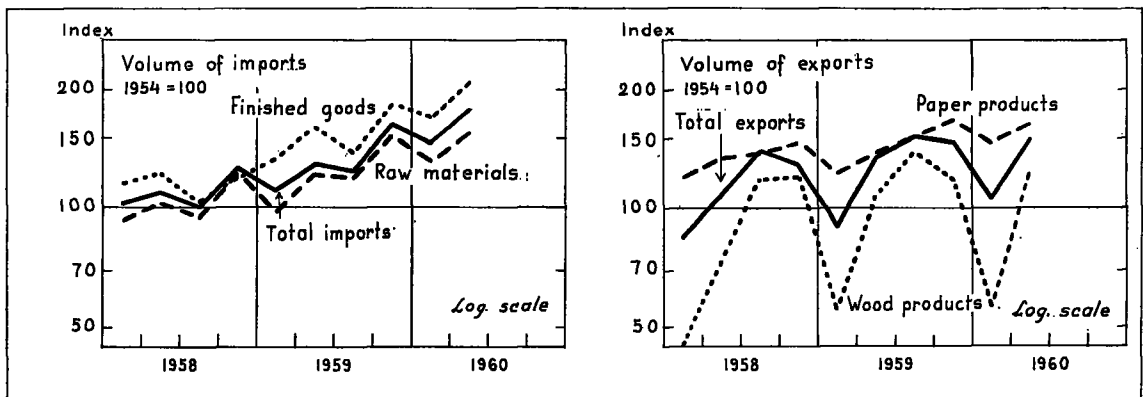
Period	Value, mill. mk			Unit value indexes 1954 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
1952	182 186	156 829	-25 357	130	165	99	147	118	121	107
1953	121 860	131 555	+ 9 695	98	111	95	91	109	106	92
1954	152 137	156 618	+ 4 481	100	100	100	100	100	100	100
1955	176 960	181 259	+ 4 299	106	110	105	105	115	100	106
1956	203 558	177 987	-25 571	106	110	104	109	106	105	101
1957	227 927	212 385	-15 542	116	118	113	119	120	122	95
1958	233 302	247 934	+14 632	138	139	133	139	153	140	99
1959*	266 789	267 241	+ 452	130	120	121	131	152	133	98
Jan. — Aug. 1958	148 311	153 393	+ 5 082	130	116	123	130	151	132	98
1959*	161 941	165 254	+ 3 313							
1960*	218 918	191 929	-26 989							
1959* Oct. Nov. Dec.	23 997 26 993 30 403	25 686 24 882 24 591	+ 1 689 - 2 111 - 5 812	131	114	124	130	159	138	95
1960* Jan. Feb. March	24 687 24 704 26 504	18 395 18 641 17 552	- 6 292 - 6 063 - 8 952							
April May June July Aug.	29 031 40 796 20 863 26 794 25 539	21 937 24 458 30 889 30 427 29 630	- 7 094 -16 338 +10 026 + 3 633 + 4 091							



FOREIGN TRADE BY MAIN GROUPS

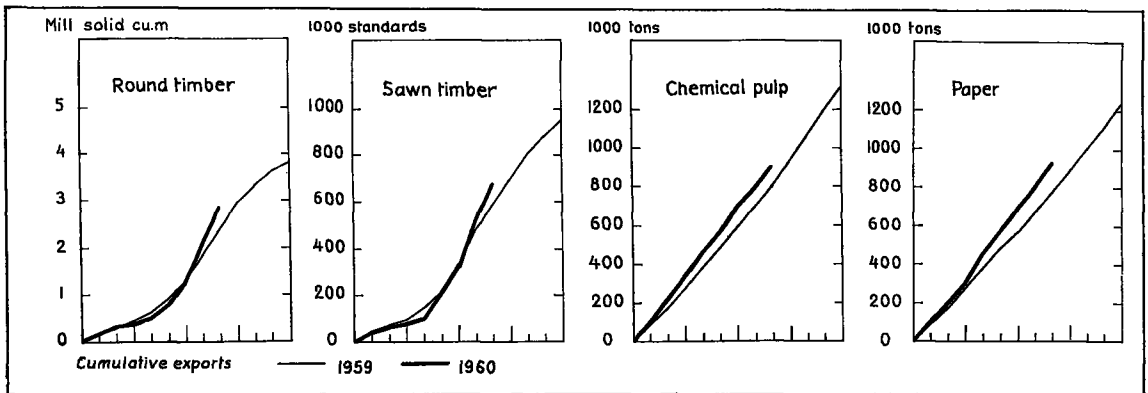
Mill. mk

Period	Imports, c. i. f.				Exports, f. o. b.					
	Raw materials and accessories	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods
			Producer goods	Consumer goods						
1952	97 500	21 952	35 664	27 072	5 185	28 441	42 891	65 350	11 094	3 868
1953	65 148	15 879	24 029	16 804	4 719	10 251	43 671	47 926	20 936	4 052
1954	86 420	17 337	28 797	19 581	5 152	13 582	49 730	61 662	20 988	5 504
1955	94 919	21 540	34 225	26 276	3 880	19 905	51 321	75 793	24 803	5 557
1956	104 284	27 464	43 357	28 453	6 206	17 243	40 485	81 780	25 125	7 148
1957	117 424	40 238	41 353	28 912	10 169	17 095	48 287	97 638	30 433	8 763
1958	119 502	32 658	48 797	32 345	10 651	19 346	57 818	115 173	34 036	10 910
1959*	133 808	28 118	67 043	37 820	14 853	16 290	63 662	117 003	44 068	11 365
Jan. — Aug.										
1958	75 218	19 447	32 379	21 267	7 128	12 434	34 022	73 993	19 141	6 675
1959*	80 056	16 325	42 409	23 151	9 663	10 206	38 658	72 125	27 932	6 670
1960*	105 544	19 275	63 272	30 827	10 224	12 326	49 977	85 143	25 385	8 874
1959*										
Oct.	12 207	2 699	5 865	3 226	1 121	1 613	7 272	11 101	3 347	1 232
Nov.	14 265	2 894	6 280	3 554	922	1 210	5 570	10 846	5 194	1 140
Dec.	14 711	3 915	6 802	4 975	2 065	995	5 408	11 650	3 334	1 139
1960*										
Jan.	13 226	2 149	5 967	3 345	1 364	662	3 203	8 797	3 556	813
Feb.	12 025	2 890	6 459	3 330	1 616	615	2 876	9 703	3 161	670
March	12 569	2 089	7 903	3 943	1 093	303	2 633	10 770	1 809	944
April	13 648	1 993	8 719	4 671	1 225	607	3 451	12 950	2 756	948
May	18 965	2 939	13 875	5 017	1 447	1 383	7 209	10 161	3 064	1 194
June	9 952	1 779	5 457	3 675	1 272	2 307	9 125	11 331	5 346	1 508
July	12 679	2 733	8 049	3 333	1 399	3 147	11 033	10 194	3 209	1 445
Aug.	12 480	2 703	6 843	3 513	808	3 302	10 447	11 237	2 484	1 352



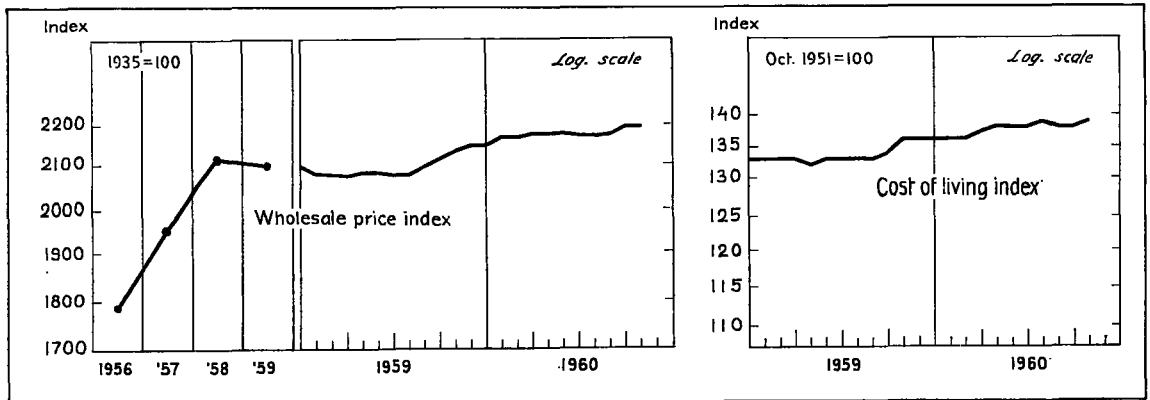
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber 1 000 solid cu. m	Sawn timber 1 000 stds	Veneers and plywood 1 000 cu. m	Mechanical pulp 1 000 tons	Sulphite pulp 1 000 tons	Sulphate pulp 1 000 tons	Board 1 000 tons	Fibre building board 1 000 tons	Newsprint 1 000 tons	Paper, all kinds 1 000 tons
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
1956	4 424	648	230	186	679	452	106	49	537	997
1957	4 063	719	260	165	697	474	134	60	551	1 108
1958	3 861	762	239	143	725	476	145	83	585	1 147
1959*	3 812	950	296	139	770	549	142	110	576	1 244
Jan. — Aug.										
1958	2 467	407	149	88	468	291	96	52	374	641
1959*	2 411	584	180	89	454	341	88	67	353	775
1960*	2 838	676	225	117	592	311	99	83	445	930
1959*										
Oct.	364	110	32	13	73	51	14	12	54	118
Nov.	294	80	25	12	80	50	13	11	56	111
Dec.	208	69	31	16	82	50	14	11	61	126
1960*										
Jan.	160	36	24	10	67	35	10	9	43	95
Feb.	152	25	28	14	67	40	12	10	56	105
March	65	17	31	13	81	45	14	12	49	106
April	134	24	36	16	83	43	16	12	75	155
May	301	99	29	20	65	37	12	12	55	112
June	502	134	33	20	85	40	12	10	50	118
July	752	176	23	9	69	33	12	11	58	111
Aug.	772	165	21	15	75	38	11	7	59	128



FOREIGN TRADE BY COUNTRIES

Area and country	Imports c.i.f.					Exports f.o.b.				
	Whole year		Jan. — Aug.			Whole year		Jan. — Aug.		
	1958	1959*	1959*	1960*		1958	1959*	1959*	1960*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	17.9	16.3	16.9	16.8	36 868	25.6	26.7	27.0	28.7	55 087
United Kingdom	17.2	15.7	16.3	16.2	35 452	22.1	23.3	23.7	25.2	48 406
Other OEEC countries ..	45.2	49.4	50.1	52.5	114 850	37.5	36.5	36.4	40.2	77 179
Austria	0.5	0.6	0.6	0.7	1 486	0.2	0.2	0.2	0.2	340
Belgium-Luxembourg	2.8	2.5	2.6	3.0	6 694	3.6	3.7	3.8	3.8	7 401
Denmark	2.4	2.3	2.4	2.5	5 418	3.0	3.3	3.3	3.7	7 017
France	4.7	5.1	5.4	6.4	13 948	6.2	4.7	4.7	4.4	8 554
Western Germany	16.5	17.9	17.9	19.0	41 564	10.8	10.9	10.6	11.6	22 213
Italy	1.5	1.8	1.8	1.8	3 969	1.8	1.8	1.7	2.0	3 827
Netherlands	4.3	4.5	4.8	4.0	8 861	4.4	5.4	5.5	6.1	11 724
Norway	1.2	1.6	1.6	1.4	2 997	0.7	0.7	0.7	1.2	2 338
Portugal	0.1	0.2	0.2	0.2	375	0.1	0.1	0.1	0.1	150
Spain	0.6	0.5	0.4	0.6	1 345	1.1	0.2	0.3	0.2	385
Sweden	8.3	9.2	9.6	10.1	22 153	3.6	3.2	3.2	5.2	9 911
Switzerland	1.7	2.3	2.3	2.3	5 024	0.7	0.4	0.5	0.4	821
Eastern Bloc	25.6	24.5	23.5	20.6	45 144	24.8	23.5	22.9	17.8	34 072
China	0.5	0.5	0.7	0.3	541	1.1	2.0	2.3	0.6	1 146
Czechoslovakia	1.2	1.4	1.6	1.4	3 125	1.2	0.7	0.6	0.8	1 502
Eastern Germany	1.7	1.6	1.6	1.5	3 295	1.7	1.3	1.1	1.3	2 589
Poland	3.1	2.4	2.5	2.1	4 667	2.6	2.1	2.2	1.9	3 614
Soviet Union	18.0	17.9	16.4	14.6	32 032	17.3	16.7	16.1	12.5	23 947
U.S. and Canada	5.5	5.4	4.6	6.5	14 135	4.7	5.9	5.8	5.6	10 784
United States	5.3	5.1	4.5	6.2	13 455	4.6	5.8	5.7	5.5	10 524
Latin America	4.4	3.5	3.7	2.6	5 745	4.5	4.9	5.4	5.7	11 036
Argentina	0.3	0.5	0.6	0.6	1 360	1.0	0.9	1.1	1.2	2 379
Brazil	3.7	2.5	2.6	1.6	3 514	2.4	2.8	3.1	3.3	6 344
Others	1.4	0.9	1.2	1.0	2 176	2.9	2.5	2.5	2.0	3 771
Grand total	100.0	100.0	100.0	100.0	218 918	100.0	100.0	100.0	100.0	191 929
of which										
BFTA countries	31.3	31.8	33.0	33.3	72 904	30.3	31.3	31.6	35.9	68 983
EEC countries	29.8	31.8	32.5	34.3	75 035	26.9	26.5	26.3	28.0	53 719



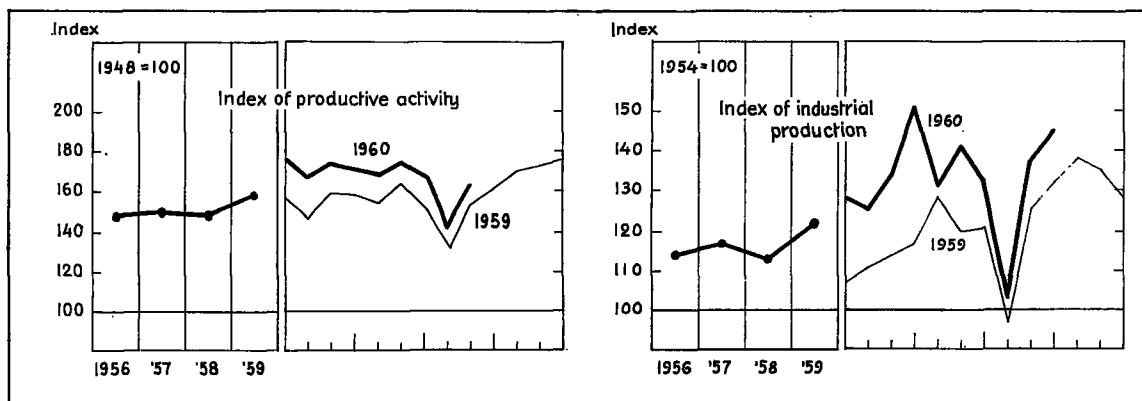
PRICE INDEXES

Period	Wholesale prices 1935 = 100						Building costs 1951 = 100		
	Total index	Finnish goods				Imported goods	Total	Building material	Workers' average hourly earnings
		Total	Products of agriculture	Products of forestry	Products of industry				
1957	1 954	1 980	2 103	2 947	1 615	1 897	113	105	127
1958	2 113	2 125	2 193	3 106	1 773	2 085	117	112	124
1959	2 096	2 134	2 198	3 060	1 801	2 016	118	110	128
1959									
Oct.	2 134	2 187	2 251	3 198	1 825	2 020	119	111	130
Nov.	2 141	2 201	2 278	3 203	1 838	2 014	119	111	130
Dec.	2 144	2 203	2 284	3 202	1 840	2 017	119	112	130
1960									
Jan.	2 161	2 221	2 352	3 200	1 849	2 033	119	112	128
Feb.	2 163	2 228	2 351	3 199	1 862	2 022	120	112	130
March	2 166	2 231	2 367	3 196	1 861	2 029	120	114	129
April	2 168	2 234	2 373	3 205	1 863	2 026	120	113	129
May	2 171	2 238	2 356	3 230	1 865	2 028	121	113	132
June	2 168	2 239	2 338	3 242	1 868	2 017	122	114	134
July	2 170	2 246	2 360	3 243	1 873	2 010	123	114	136
Aug.	2 173	2 247	2 294	3 307	1 875	2 014	123	115	135
Sept.	2 191	2 275	2 285	3 452	1 875	2 011	124	114	140
Oct.	2 192	2 283	2 281	3 495	1 875	1 998	126	114	145

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
1957	124	132	260	99	80	117						
1958	132	140	277	102	83	129	103	103	102	99	103	105
1959	134	141	280	98	85	134	105	103	104	95	105	109
1959												
Oct.	136	144	292	96	85	135	107	106	108	93	106	110
Nov.	136	144	292	96	85	135	107	106	108	93	106	110
Dec.	136	143	292	96	85	135	107	105	108	93	106	110
1960												
Jan.	136	144	295	98	85	135	107	106	109	95	106	110
Feb.	136	144	295	98	85	135	107	105	109	95	106	110
March	137	144	295	97	86	136	108	106	109	95	106	111
April	138	146	295	97	86	136	108	107	109	95	106	111
May	138	146	295	97	86	136	108	108	109	94	106	111
June	138	148	295	97	86	136	108	109	109	94	106	111
July	139	149	295	97	86	136	109	110	109	94	107	111
Aug.	138	148	295	97	86	136	109	109	109	94	107	111
Sept.	138	148	295	97	87	136	109	109	109	95	108	111
Oct.	139	146	306	98	87	136	109	107	113	95	108	111

PRODUCTION - INTERNAL TRADE

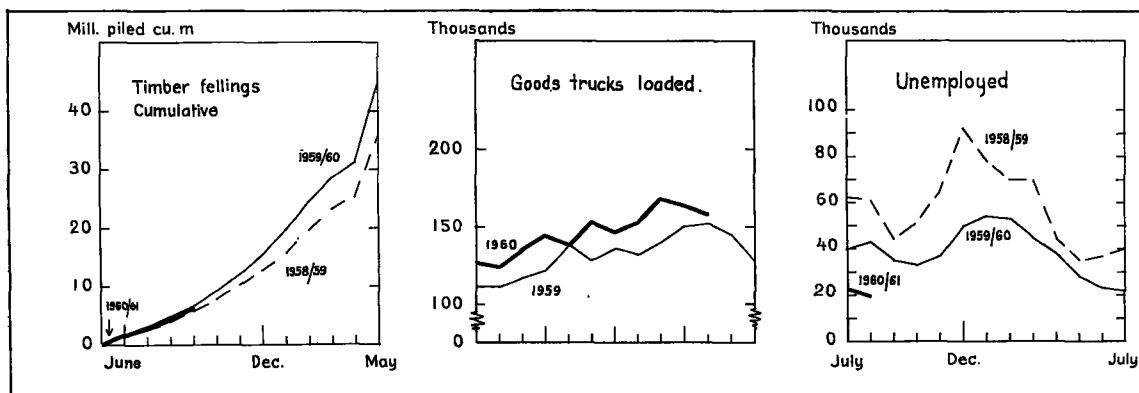
Period	Index of industrial production 1954 = 100								Commercial timber fellings 1 000 piled cu. m	Milk received by dairies 1 000 litres	Wholesale trade volume index 1954 = 100
	Total	Investment goods	Other producer goods	Consumer goods	Special indexes of manufacturing						
					Wood industry	Paper industry	Metal industry	Other			
1951									36 070	1 405	85
1952									35 079	1 515	92
1953									29 170	1 609	93
1954	100	100	100	100	100	100	100	100	35 370	1 653	100
1955	111	116	109	113	99	115	111	111	38 600	1 659	116
1956	114	117	110	120	76	122	113	118	36 623	1 977	121
1957	117	119	116	118	82	134	115	117	40 919	2 085	114
1958	113	111	114	112	87	134	106	110	37 981	2 109	109
1959*	122	116	125	121	98	143	118	120	38 100	2 317	121
1959*											
June	121	117	118	126	111	129	117	122	1 782	252	118
July	97	75	105	94	90	135	80	95	1 323	228	117
Aug.	125	117	125	129	94	145	119	128	1 671	201	132
Sept.	132	130	134	129	99	162	132	128	1 768	182	135
Oct.	138	129	144	133	102	164	135	136	2 640	166	130
Nov.	135	129	143	125	95	169	131	132	2 809	165	127
Dec.	128	129	132	121	106	147	131	120	3 636	176	136
1960*											
Jan.	125	120	129	120	101	157	122	114	4 094	179	101
Feb.	134	133	137	130	125	162	133	125	4 680	175	119
March	151	152	153	146	145	178	152	141	4 084	196	134
April	132	125	133	134	132	148	127	129	2 597	228	139
May	142	136	145	141	139	171	139	135	13 081	251	144
June	132	127	133	133	139	144	131	127	1 646	261	132
July	103	84	116	90	115	157	86	89	997	239	124
Aug.	137	126	138	138	110	174	126	135	1 684	235	150
Sept.	145	144	149	139	120	179	145	137	1 870	210	147



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
1957	20.81	9.56	3.20	4.14	2.68	20.86	100	100	100	100
1958	19.29	8.46	3.08	3.57	2.93	20.38	105	103	103	105
1959	19.85	8.36	3.42	4.50	2.39	20.46	110	106	104	111
1960*										
Jan. - Mar.	3.22	1.38	0.32	0.89	0.50	18.16	108	106	99	109
Apr. - June	3.10	1.33	0.42	0.72	0.39	21.74	110	107	105	111
July - Sept.	6.23	2.50	1.25	1.12	0.92	22.93	111	106	105	111
Oct. - Dec.	7.33	3.15	1.43	1.82	0.58	20.46	111	104	105	112
1960*										
Jan. - Mar.	4.01	1.61	0.33	1.39	0.54	20.66	113	113	107	114
Apr. - June	4.10	1.53	0.52	1.24	0.59	24.77	115	111	108	117

Period	Railways		Foreign shipping				Employment		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed		1 000 persons		% of total labour force	
	1959	1960*	1959	1960*	1959	1960*	1959	1960*	1959	1960*
Jan.	112	124	307	431	359	345	1 717	1 749	3.8	2.6
Feb.	117	135	232	284	271	319	1 728	1 774	3.4	2.5
March	122	144	281	266	333	288	1 729	1 773	3.4	2.1
April	138	138	289	350	365	366	1 735	1 772	2.1	2.1
May	128	153	402	554	461	564	1 754	1 826	1.7	1.8
June	136	147	544	675	686	849	1 729	1 793	1.7	1.1
July	132	153	545	759	775	1 053	1 608	1 688	1.8	1.0
Aug.	140	168	513	736	692	1 006	1 660	1 756	2.0	0.9
Sept.	150	163	436	576	671	812	1 783		1.7	
Oct.	152	158	462	562	602	683	1 775		1.6	
Nov.	146		465		530		1 762		1.8	
Dec.	127		463		483		1 719		2.4	



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 + Prepayments for exports. *Other foreign liabilities* = Mark accounts of holders abroad + Long-term foreign liabilities.

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, Prepayments for exports and Advances for stand-by stocks. *Liabilities* = Other short-term liabilities + Other cheque accounts + Deposits against import licences (in 1955—56) — 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 public + Finnish bonds + Finnish coin — Equalisation accounts = Notes in circulation + Bank's own funds — Net claims on the banks.

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. *Indexed deposits* are included in term deposits.

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

STATE FINANCES

Page 8. Official monthly figures adjusted by the Bank of Finland Institute for Economic Research. *Revenue and expenditure*: All extra-budgetary funds are included, and figures are reported on a payment basis. — Annual figures will be published in separate articles. *Debt*: Index-tied bond loans are given at their nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to the Post Office Savings Bank minus cash holdings (net) of State departments. In principle, the change in this item = surplus (deficit) in the table on revenue and expenditure. The small divergence is due to the fact that the adjustment the of monthly figures is not as accurate as that of the annual (December) figures. *Diagram*. The 12-month totals are plotted to the last month of the respective periods.

FOREIGN TRADE

Pages 9—12. Figures supplied by the Board of Customs. *The unit value indexes* (p. 9): The indexes are calculated first according to the Laspeyres formula but at the end of each

year adjustments are made according to the Fisher formula, and the level of the quarterly indexes is corrected so that their arithmetic mean equals the annual index. 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 —
WORK CESSATIONS

Page 14. *Index of industrial production* calculated by the General 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 1954. Monthly figures are unadjusted for seasonal variations. Commodities according to use: investment goods weight 12.7, other producer goods weight 54.6 and consumer goods weight 32.7. Special manufacturing indexes: wood industry ISIC no. 25, weight 8.6, paper industry no. 27, weight 8.6, metal industry nos. 34—38, weight 25.4, and other manufactures nos. 20—24, 26, 28—33, 39, weight 44.9. *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 revised wholesale price index. *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. *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. *Employment 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. Employment represents the estimated number of days worked. (See article in No. 10 of this Bulletin.) *Diagram*. Number of persons unemployed for at least one week during each month.

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 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 Kekkonen.

The Diet, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in the Diet elected in 1958 are as follows: People's Democrats 50, Agrarians 47, Social Democrats 37, Conservatives 29, Swedish Party 14, Social Democrat Opposition 14, Finnish People's Party (liberal) 8 and Finnish Small Farmers' Party 1.

LAND

THE ARBA 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 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 (1959): 4.4 million. Sweden 7.4, Switzerland 5.2, Denmark 4.5 and Norway 3.6 million.

DENSITY OF POPULATION (1959): In South Finland 24.7, in North Finland 4.0 and in the whole country an average of 14.5 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1959): 62.4 % of the population inhabit the rural areas, 37.6 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital, 454 192 inhabitants, Tampere (Tammerfors) 123 686, Turku (Åbo) 122 240.

OCCUPATIONS (1950): Agriculture and forestry 42 %, industry 29 %, commerce 7 %, transport and communications 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 (1960): Practically all persons over 15 years of age are literate. There are 5 universities (the oldest founded in 1640), 7 colleges of university standard, and 2 teachers' training colleges, besides teacher-training departments in two of the universities.

INCREASE OF POPULATION (1959): births 18.9 ‰, deaths 8.8 ‰, increase 9.4 ‰. Deaths in France 11.2 ‰ and in Great Britain 11.7 ‰.

TRADE AND COMMUNICATIONS

NATIONAL INCOME (1959, in thousand million marks): Gross domestic product at market prices 1 260 (excl. repairs and maintenance). Net domestic product at factor cost, by industrial origin: agriculture 121 (12 %), forestry and fishing 87 (9 %), manufacturing 312 (31 %), construction 103 (10 %), transport and communications 81 (8 %), commerce, banking and insurance 127 (12 %), general government 124 (12 %), other services 65 (6 %), total 1 020. Index of real domestic product 106 (1957 = 100).

FOREST RESOURCES (1951—1953): The growing stock comprised 1 493 million of solid cu. m incl. bark (52 660 million cu. ft), of which pine 43.7 % and spruce 35.7 %, the rest 20.6 % being leaf-trees, chiefly birch. Of the growing stock, 10 900 million cu. ft, 58.0 % of them pine, was up to the standard required for logs. The annual growth is 46 million solid cu. m green wood excl. bark (1 620 mill. cu. ft). The total removal in 1954 calculated according to the use of wood was 45 million cu. m (1 589 million cu. ft.)

AGRICULTURE (1950): Cultivated land 2.4 million hectares of which holdings of less than 5 ha amount to 17 %, 5 to 15 ha 46 %, 15 to 50 ha 32 % and more than 50 ha 5 %. Number of holdings 357 000, of which 162 000 are of more than 5 ha. Index of agricultural production 91 for 1957 (1954 = 100). Measure of self-sufficiency in the crop year 1957/58: bread cereals 42 %, animal products 121 %.

INDUSTRY (1957): Gross value of industrial production 912 000 mill. marks, number of workers 309 000, administrative employees 58 000, motive power (1957) 2.6 mill. HP. Index of industrial production 117 for 1957 (1954 = 100).

RAILWAYS (Jan. 1, 1960): Length 5 369 km, of which 5 295 km are State and 74 km private railways. The gauge of State railways 1.524 m.

MERCHANT FLEET (Sept. 30, 1960): Steamers 221 (316 391 gross reg. tons), motor vessels 206 (428 264 gross reg. tons), sailing vessels with auxiliary engines 91 (9 383 gross reg. tons). Total 518 (754 038 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1959): Private cars 163 000, lorries and delivery vans 57 900, buses 5 900, others 2 100. Total 228 900.

AIR TRAFFIC: (Dec. 1, 1959) Number of aircraft in scheduled traffic 21, other aircraft 71. In 1958, 424 000 passengers were carried by the two Finnish companies; over 177 million passenger kilometres and 2.3 million ton kilometres of freight and mail were transported.

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 320 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 1957 expenditure amounted to 159 411 mill. marks. Total revenue was 159 591 million, of which income from taxation 84 383 million. The municipal income tax (non-progressive) averaged 11.22 % 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 13 branch offices in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1959). There are two big and three small commercial banks with in all 564 offices, 395 savings banks, 548 cooperative credit societies and their central bank, six mortgage societies, and the Post Office Savings Bank. The savings departments of the cooperative stores accept deposits from the public.

RATES OF INTEREST (April 1, 1959). Bank of Finland discount rates 6—7 1/8 %. Other credit institutions: term deposits 4 1/8 % (12 months' deposits 5 %, index-tied deposits 3 1/8 %) and sight deposits in savings banks and cooperative credit societies 1/8 %; lending rate 7 % in general.

THE EFFECT OF THE NEW CUSTOMS TARIFF ON THE LEVEL OF DUTIES

BY

NIILO SAARNIO

DIRECTOR GENERAL OF THE BOARD OF CUSTOMS

The new Finnish customs tariff, which came into force on June 1, 1960, and was based on the Brussels nomenclature, included both increases and reductions of duties on a number of commodities. The purpose of the present article is to provide a picture of the effect these changes have on the general level of customs duties. Before giving a detailed description of the changes in tariff rates in various commodity groups, it may be appropriate briefly to survey the earlier development of customs duties, as well as the preparatory work on the new tariff.

their relative significance. The following figures indicate the movements in specific duties from 1939 to 1959 (1939 = 100).

	Level of specific duties		Level of specific duties
1939	100	1950	900
1940	100	1951	900
1941	150	1952	1 000
1942	200	1953	1 000
1943	200	1954	1 500
1944	200	1955	1 500
1945	300	1956	1 500
1946	400	1957	1 500
1947	400	1958 ... appr.	2 000
1948	600	1959 ... appr.	2 000
1949	900		

CHANGES IN THE TARIFF LEVEL IN 1939—1959

Initially, the Finnish customs tariff in use from January 1, 1939, to May 31, 1960, was chiefly based upon a system of specific duties. The continuous inflation during the war and the succeeding years reduced the significance of the duties fixed in terms of marks. Consequently, in order to counteract the decline in the value of money, specific duties had at times to be increased during the years 1941—1958. This was done by fixing a percentage by which the specific duties were to be raised above the 1939 level. The *ad valorem* duties, of course, retained

In addition to these general increases, structural shifts in the economy called for the making of changes in the duties on individual commodities, or groups of commodities. At the end of 1959, the Finnish customs duties were, with certain exceptions, at a level which corresponded approximately to the decline in the value of money and the changes in production which had taken place since 1939.

The following ratios of the revenue from import duties to the total value of imports will give an overall picture of the yield of these duties in Finland over the period 1939—1959.

Yield of duties per cent of import value		Yield of duties per cent of import value	
1939	21.1	1950	15.1
1940	10.3	1951	10.8
1941	13.6	1952	11.6
1942	14.2	1953	14.4
1943	8.3	1954	12.8
1944	7.7	1955	15.4
1945	6.1	1956	20.5
1946	10.2	1957	18.6
1947	9.8	1958	17.2
1948	14.0	1959	16.2
1949	19.2		

The figures show that in 1959 the ratio of the yield of import duties to the value of imports was 4.9 percentage units less than in 1939.

As mentioned above, there were commodities which had by and large remained outside the general tariff revision. Such commodities included agricultural products and those industrial products on which the duties had not been changed up to 1959. By the beginning of 1959, the preparation of the new customs tariff had progressed so far that its submission to the Diet in the autumn of the same year seemed a possibility. It was therefore considered appropriate to effect, if practicable, the changes in customs duties still under discussion, and have them included in the new tariff. Nevertheless, the chief purpose of the tariff revision was the introduction of a new nomenclature, with the tariff level remaining unchanged as far as possible.

INSTRUCTIONS FOR THE PREPARATION OF THE NEW CUSTOMS TARIFF

In accordance with the main objective of the tariff reform, the basic rule given by the Government to the committee responsible for the preparation of the new customs tariff was that the level of autonomous duties should be retained unaltered. The suggestion of changes was permissible only for items or commodity groups on which the duties had not been revised in connection with

previous general tariff increases, or whose treatment had not yet been concluded. Another rule was that specific duties should be replaced by *ad valorem* duties whenever possible, and that insofar as duties had to be imposed on commodities not previously protected by tariffs, use should be made of *ad valorem* duties. Exceptions to the *ad valorem* principle were permissible in duties on agricultural products, in certain important fiscal duties, and, provided that the exceptions were well founded, in certain other instances.

THE EXCEPTIONS TO THE GENERAL RULE OF UNCHANGED TARIFF LEVEL

Despite the general principle that the level of autonomous duties should not be changed, a number of tariff rates had to be altered, partly by reason of the above-mentioned revision of the duties on agricultural products and some industrial products. These changes served the ends of protection, and were in many cases effected by the reduction or abolition of duties on raw materials. However, the majority of the changes were not concerned with protective viewpoints; they were occasioned by the reclassification of commodities, as it proved impracticable to form a sufficient number of sub-items to maintain all the tariffs in status quo.

In what follows, an attempt will be made to explore the general effect of the changes upon the tariff level in the various commodity groups. The comparison will be based, not on the autonomous tariffs, but on those actually applied. This entails that the effect of the treaty duties, i. e. the tariffs fixed under GATT, is also taken into consideration. The customary Finnish classification of customs duties into fiscal duties, agricultural duties and industrial duties has been employed, and the last-mentioned group has been sub-divided.

FISCAL DUTIES

In Finland, fiscal duties have long been imposed on such items as coffee, tea, spices, cocoa, sugar confectionery, tobacco, spirituous beverages and certain canned foods; plants for ornamental use, bulbs and fruits except fresh apples; natural silk and fabrics made thereof, lace, lace fabrics and other finer products of the textile industry; articles of precious metals; motor cars, motor cycles and parts thereof; certain animal and vegetable fats; petrol, matches, perfumery and cosmetics; and various kinds of ornamental and luxury goods in general.

The list is not completely accurate in that the duties on a number of commodities are at one and the same time fiscal duties and agricultural or industrial duties. The duty on sugar, for example, is not a pure fiscal duty, as it can also be regarded as a combined agricultural and industrial duty protecting the domestic cultivation and refining of sugar beet, even though the fiscal element is to the fore.

In 1939, the ratio of fiscal duties to the total yield of duties was as high as 63 per cent, but it has declined since the war. A considerable fall in the yield of fiscal duties occurred when the refining of crude petroleum was commenced in Finland, resulting in a steep fall in the imports of petrol and the revenue from the duty on petrol. In 1958, the revenue from this duty amounted to 2 800 million marks, but in 1959 it was no more than 300 million. Neither has the duty on sugar been raised to the pre-war level.

The new customs tariff has brought about no great changes in the general level of fiscal duties; the rates of duty are the same as before for the principal commodities of this category. As an example, this applies to coffee, tea, sugar, tobacco and motor cars, on which in 1959 the duties yielded 45 per

cent of the total revenue from customs duties, and 84 per cent of the total of fiscal duties. The decline in the average level of duties in this category is chiefly due to reductions in respect of some types of fruit and spirituous beverages. The duty on bananas, which used to be 82 marks per kilogramme, is now 60 marks, which involves a reduction in revenue by about 160 million marks. The revenue from the duties on spirituous beverages has declined by about 110 million marks, if the quantities imported in 1959 constitute the basis of calculation.

In 1959, the total yield of all fiscal duties was 22 600 million marks. According to the new tariff rates, the calculated yield would decline to 22 200 million. The average level of fiscal duties has thus fallen by 1.8 per cent.

AGRICULTURAL DUTIES

In Finland, this group comprises duties on live animals, meat and edible meat offal, dairy produce, eggs, natural honey, edible vegetables, roots and tubers, fresh apples, cereals and products of the milling industry, seeds, bristles, horse-hair, feathers, raw hides and skins, guts, bladders and stomachs of animals, live plants, lard, tallow, lardoil, prepared or preserved meat, meat extracts and meat juices, preparations of flour and starch, macaroni, bread, bran, beet-pulp, oil cake and forage.

As already stated, the majority of agricultural duties had not been revised after the war, as agriculture was otherwise subsidised. Now it was intended that this support be given, at least partly, through tariffs. However, this principle could not be followed consistently, for the revision of some tariffs was postponed in order to preclude too abrupt a rise in prices. Speaking generally, the intention was that of raising the agricultural tariffs to the level they would have

attained had no other support measures been employed.

In 1959, the yield of duties on the above-mentioned agricultural products was 4 300 million marks. If the yield be evaluated by employment of the new tariffs, it would have been but 3 500 million. The level of agricultural duties has consequently fallen considerably. The exemption of rye from duty had the strongest diminishing influence, the reduction, calculated on 1959 quantities, being nearly 800 million marks.

Thus, in spite of various increases, the general level of agricultural tariffs seems to be about 19 per cent lower than it was previously.

INDUSTRIAL DUTIES

Chemical and allied industries

The new customs tariff embodied considerable changes in the duties on the products of chemical industry. In 1959, the total revenue from the duties in this category was about 1 030 million marks. According to the new rates, it would have amounted to no more than 797 million. The reduction is 233 million marks or 23 per cent, and is mainly due to the exemption from duty of the raw materials for pharmaceutical products and perfumery. The replacement of specific duties on washing preparations by *ad valorem* duties has also tended to reduce revenue.

Despite an appreciable overall fall in the revenue from the duties imposed on chemical goods, the rates of duty on some products in this group were increased. For instance, the average tariff rate for soft plastic manufactures has risen from 20—25 per cent to 30 per cent, and the minimum duty on them from 75—95 marks to 450 marks. *Ad valorem* duties of 10 per cent were imposed on sulphuric acid, selenium sulphide and rat poisons, of 12 per cent on lecithins, and of

15 per cent on weed-killers based on derivatives of acetic acid; all of these products were formerly duty-free. However, the final result has been that in this group the tariff level is now 23 per cent lower than the previous one.

The Textile Industry

Many changes were made in the autonomous duties on textiles and textile articles, partly resulting from an attempt to reduce the difference between the autonomous tariff rates and the GATT rates in force. Autonomous quantitative duties were at the same time replaced by *ad valorem* duties, and here both upward and downward revisions proved necessary in order to attain round figures. As the major part, or 62 per cent, of the duties on textile articles are fixed under GATT, the changes made in these items have no appreciable effect upon duty revenue.

The yield of non-fiscal duties on textile articles amounted to 3 764 million marks in 1959. Had the new duties been applied, the yield would have been 64 million more, or 3 828 million marks. The increase is largely a result of the duty imposed on the formerly duty-free viscous fibres. An increase from 6 to 12 per cent of the duty on woven felts of cotton used in machinery has also contributed toward the increase in the yield of duties. In this group, the tariff level has consequently risen by about 2 per cent.

The Stone, Ceramics and Glass Industry

This group of industries covers the products which fall within Chapters 68—70. In most cases, the yield of the duties on these products is relatively low. In 1959, it amounted to 226 million marks. Had the new tariff rates been applied, the sum would have been 50 million more, or 276 million marks. A substantial portion of the increase

is ascribable to the 10 per cent duty imposed on grindstones, grinding wheels and similar items previously duty-free. In the chapter on glass and glassware, the increase in the duty on pressed or cast glassware from 62 to 100 marks per kilogramme tends to raise the tariff level. The yield of the duties on the commodities in this group appears to be increased by about 22 per cent.

The Metal and Engineering Industry

This group is covered by Chapters 73—89, with the exception of motor cars and motor cycles, on which the duties are of a fiscal nature. In 1959, the yield of the duties in this group amounted to 8 335 million marks. If account be taken of the most essential changes in tariffs, the yield would have been about 200 million higher. An increasing effect is exerted by *ad valorem* duties replacing the previous quantitative duties on such items as tubes and pipes of iron and steel, compressed gas containers, copper cloth of wire and large electrical motors. The abolition of the exemption¹⁾ from duty which was formerly possible as regards auxiliary plant for use with steam boilers, certain kinds of generators and office machines, and on parts of machinery and electrical equipment also tends to raise the tariff level. The replacement of the previous quantitative duties on rolling-mill products by *ad valorem* duties has resulted in a rise of the tariffs for relatively expensive products, but a fall of the tariffs for relatively cheap ones.

As for alleviations, mention should be made of the abolition of the duty on ferro-alloys, at one time 2 marks per kilogramme,

the exemption of sheets and plates of iron and steel from duty, the reductions in the duties on certain needles, and the exemption from duty of ball-bearings and parts thereof. The exemption of the last-mentioned article from duty is likely to lead to a reduction in revenue of about 70 million marks. The introduction of the new customs tariff appears to have conduced to a rise of about 2.4 per cent in the tariff level of this group.

If the above-mentioned industry groups are considered as a whole, the yield of industrial duties was about 16 500 million marks in 1959. Had the rates of the new customs tariff been applied, the yield would have been 16 581 million. The tariff level has consequently risen by about 0.5 per cent.

As stated above, the yield of fiscal and agricultural duties has diminished, by reason of the introduction of the new customs tariff, to the extent of about 1.8 per cent and about 19 per cent respectively, the latter reduction being principally due to the exemption of rye from duty. In contrast, the yield of industrial duties has risen by about 0.5 per cent. As the total revenue from customs duties was 43 400 million marks in 1959, and as it would have been 42 300 million had the new tariff rates been applied, the introduction of the new customs tariff entails a reduction of 1 100 million marks in the yield of duties, or a fall in the tariff level by 2—3 per cent. Data on the yield of import duties this year serve to confirm these conclusions. The ratio of revenue from import duties to the value of imports was 16.2 per cent in 1959, and 17.0 per cent in January—August 1959. The corresponding ratio in January—August 1960 was 14.7 per cent. The figures thus suggest that instead of the tariff level rising because of the numerous increases in various items, it has fallen to some degree.

1) The letter 'e' before a rate of duty in the Customs tariff indicates that a total or partial exemption from duty is possible if the importer proves that corresponding goods are not industrially manufactured in Finland.

ITEMS

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

Morocco, on September 9, 1960. The term of validity of the trade agreement signed on November 26, 1959 was extended retrospectively for six months from June 1, 1960.

Colombia, on September 27, 1960. The former agreement signed on November 18, 1959 was extended for the year 1961.

*

Imports of electric power from the USSR.

On September 30, an agreement was signed by which the Finnish company Enso-Gutzeit will import electric power from the USSR during ten years from the beginning of 1961. The capacity involved is 25 000 kw and the maximum consumption 200 mill. kwh per annum.

*

New bond loans. The Government has given authorization for issues of the following two bond loans.

On August 18, to the Maa- ja teollisuuskiinteistöpankki Oy (The Land and Industry Real Estate Bank) for an amount of 500 million marks. The bonds are dated September 1, 1960, and the period of the loan will be 10 years. The rate of interest will be $2\frac{1}{4}$ per cent above the general deposit rate of the co-operative credit societies.

On September 22, to the town of Turku for an amount of 500 million marks. The bonds will be dated December 30, 1960. The

loan will run for 15 years at a rate which is $2\frac{1}{2}$ per cent above the general deposit rate of the two largest commercial banks, the maximum being 10 per cent. It is tied to the cost of living index to the extent of 50 per cent.

*

Publications. The 40th annual volume of *The Bank of Finland Year Book* has been published in Finnish, Swedish and English. The first section of the text contains a review of the general economic development in 1959. The following, principal section and the statistical tables are concerned with the activities of the Bank of Finland. In addition, an account is given of Finland's relations with international financial institutions. The Year Book has been compiled by the Bank of Finland Institute for Economic Research.

*

Change in statistical table. Owing to the recent change in employment policy, the unemployment figures (p. 15) obtained from the official registers have lost their significance. These are now replaced by one series for employment, calculated on a labour-input basis, and one series for unemployment as a percentage of the total labour force (see also article in No. 10, 1960, of this Bulletin). Both series are based on the labour force sample survey undertaken by the Labour Research Bureau of the Ministry of Communications and Public Works.

BANK OF FINLAND

BOARD OF MANAGEMENT

KLAUS WARIS,
Governor

ESKO K. LEINONEN

A. SIMONEN

AHTI KARJALAINEN

REINO ROSSI

*(Absent as a member of
Government)*

SECRETARIES

U. A. VATANEN,
Credits

PERTTI TAMMIVUORI,
Administration

ERRO ASP,
Foreign affairs

JOUKO J. VOUTILAINEN,
Foreign affairs, Information

K. IGNATIUS,
Administration

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Personnel

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

P. BLOMQUIST,
Accounts

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

A. KAJANTIE,
*Documentary credits
and control*

HELGE LINDSTRÖM,
Credits

ARTHUR ASPELUND,
Cash

EINO JUSSILA,
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