



BANK OF FINLAND

MONTHLY BULLETIN

Vol. 41 No. 4

APRIL

1967

STATEMENT BY THE GOVERNOR OF THE BANK OF FINLAND ON THE STAND-BY CREDIT GRANTED BY THE INTERNATIONAL MONETARY FUND

Although over the last two years there has been a strong decline in the foreign exchange reserves, it is only now that Finland has wanted to draw on the credit facilities offered by the International Monetary Fund. This is primarily due to the fact that our financial and credit policy considerably lagged behind the demands made by developments in the balance of payments. For this reason it has taken much time before the necessary turning point of the balance of payments on current account was reached, and so the use of the rather short-term credit of the International Monetary Fund was in fact not previously justified. However, it appears today that the factors affecting monetary development are so well under control that our balance of payments deficit can be kept within reasonable limits and we may be confident of our ability to repay within three years the credit which is to be drawn on the International Monetary Fund.

In 1966, according to preliminary estimates, the balance of payments deficit on current account was nearly Fmk 650 million which was partly due to a deterioration in our terms of trade. This figure, however, gives too unfavourable a picture of the situation. As far as our liquidity is concerned, it should be remembered that the balance of trade, and especially that with the multilateral

countries, is much more important than our global balance of payments on current account. In our trade with the western countries the deficit in the balance of trade was reduced by Fmk 145 million from 1965 to last year, whereas there was a temporary deterioration in the balance of trade within the framework of the bilateral agreements. This type of trade will reach equilibrium over a longer period of time.

An analysis of the composition of imports indicates that towards the end of 1966 there was an upsurge of imports due to certain exceptional factors; i.e. there was a large amount of stockbuilding which will correspondingly reduce the import requirements of the current year. However, this will involve an additional strain on the foreign exchange position, as the major portion of the excessive imports at the close of 1966 will not be paid for until this spring.

If in the course of the current year the trade gap could be narrowed by an amount equivalent to 2 per cent of our entire foreign trade turnover, this would correspond to an improvement of more than Fmk 200 million in our balance of trade. Such a result in 1967 would be very satisfactory. So far, only the

On page 18, The Finnish Economy in 1966

January trade figures are available. In comparison with the rather exceptional figures of January 1966 they indicate a considerable improvement; the exports show an increase of 18 per cent against one of 8 per cent in imports.

Since October 1966 there has been a certain easing in the international capital market. There is therefore some justification for the belief that in the current year our opportunities to obtain long-term foreign loans are somewhat better than they were in 1965 and 1966. It is not very likely, however, that the combined effect of the expected decrease in the current account deficit on the one hand and of the improved opportunities to obtain foreign loans on the other hand would entirely prevent a drain on the foreign exchange reserves. Especially in the coming spring months we must be prepared for a further fall in our foreign exchange reserves and we are able to replace the losses from the funds now made available by the International Monetary Fund. We thus anticipate that the major portion of this credit will be utilized by the beginning of next summer.

It should be noted that the Bank of Finland will use this credit exclusively to strengthen the foreign exchange reserves. Consequently, the utilization of these funds will neither cause nor justify any relaxation in monetary policy. On the contrary, the stand-by credit presupposes a careful trimming of bank advances so that a balance of

payments equilibrium can be gradually attained. As the balance of payments deficit automatically causes a weakening in the liquidity of the financial institutions, the growth rate of lending will clearly remain lower than it was last year.

However, although pursuing an austere general policy which is essentially based on i.a. the cash reserve system, the Bank of Finland can, on the other hand, both directly through its lending activities and in cooperation with other financial institutions, aim at improving the financing prospects of new industrial enterprises capable of growth, especially those engaged in exports. The banks' short-term foreign borrowing, which is under the control of the Bank of Finland, will continue to be kept within narrow limits.

Finally, it should be mentioned that the target of reducing the rediscounts to a maximum of Fmk 800 million in January 1967, which last autumn was set for those financial institutions using central bank credit, was achieved. In February last, the daily average of rediscounts was Fmk 628 million. Due to seasonal fluctuations, however, the rediscounts are expected to increase from this level during the next few months. In accordance with the cash reserve agreement, deposits totalling Fmk 90 million, including advance payments, have so far been made with the Bank of Finland.

March 6, 1967.

BANK OF FINLAND

Mill. mk

	1966		1967			
	Dec. 31	Feb. 28	Feb. 28	March 8	March 15	March 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	637.2	996.0	698.1	700.0	679.0	678.8
Gold	143.9	267.6	144.0	144.0	144.0	143.5
IMF gold tranche	100.0	45.6	100.0	100.0	100.0	—
Foreign exchange	312.0	601.0	375.5	375.9	356.0	456.1
Foreign bills	56.4	52.7	53.7	55.2	54.1	55.0
Foreign bonds	24.9	29.1	24.9	24.9	24.9	24.2
<i>Supplementary note cover</i>	1 063.7	571.7	765.4	823.4	807.0	905.6
Inland bills discounted						
In foreign currency	36.3	45.5	39.5	39.5	39.5	39.5
In Finnish currency	112.2	41.6	88.0	95.5	96.0	95.7
Rediscounted bills	915.2	484.6	637.9	688.4	671.5	770.4
<i>Other assets</i>	424.6	189.2	490.6	427.4	473.5	435.3
Finnish bonds	284.8	94.7	354.0	286.4	331.6	294.5
Cheque accounts	2.1	1.5	3.2	4.5	7.9	7.9
Finnish coin	11.7	8.7	15.3	15.2	15.5	14.7
Other claims	126.0	84.3	118.1	121.3	118.5	118.2
Total	2 125.5	1 756.9	1 954.1	1 950.8	1 959.5	2 019.7
Liabilities						
<i>Notes in circulation</i>	1 106.2	968.4	991.7	945.8	950.1	988.5
<i>Liabilities payable on demand</i>	179.6	87.5	85.7	96.0	84.7	109.7
Foreign exchange accounts	61.2	39.8	47.2	49.6	49.0	50.6
Mark accounts of holders abroad	16.2	7.2	13.4	13.2	13.2	13.2
Cheque accounts						
Treasury	39.8	2.5	0.3	0.0	0.5	17.1
Post Office Savings Bank	17.3	3.2	1.7	3.4	1.5	7.6
Private banks	13.8	7.7	2.2	6.6	—	—
Other	2.8	2.9	1.5	3.7	1.5	2.1
Other sight liabilities	28.5	24.2	19.4	19.5	19.0	19.1
<i>Term liabilities</i>	126.3	82.5	194.8	225.3	243.2	238.9
Foreign	84.6	45.6	84.6	84.6	84.6	84.6
Finnish	41.7	36.9	110.2	140.7	158.6	154.3
<i>Equalization accounts</i>	266.9	186.8	230.3	231.5	228.9	229.5
<i>Bank's own funds</i>	446.5	431.7	451.6	452.2	452.6	453.1
Capital	300.0	300.0	300.0	300.0	300.0	300.0
Reserve fund	112.6	112.6	129.5	129.5	129.5	129.5
Profits undisposed	—	14.7	16.9	16.9	16.9	16.9
Earnings less expenses	33.9	4.4	5.2	5.8	6.2	6.7
Total	2 125.5	1 756.9	1 954.1	1 950.8	1 959.5	2 019.7
STATEMENT OF NOTE ISSUE						
Right of note issue						
Ordinary cover	637.2	996.0	698.1	700.0	679.0	678.8
Supplementary cover						
(Upper limit 500 mill. mk; since Nov. 30, 1966, 700 mill. mk)	700.0	500.0	700.0	700.0	700.0	700.0
Total	1 337.2	1 496.0	1 398.1	1 400.0	1 679.0	1 378.8
Note issue						
Notes in circulation	1 106.2	968.4	991.7	945.8	950.1	988.5
Liabilities payable on demand	179.6	87.5	85.7	96.0	84.7	109.7
Undrawn on cheque credits	4.9	5.6	3.9	2.5	3.1	2.8
Unused right of note issue	46.5	434.5	316.8	355.7	34.21	277.8
Total	1 337.2	1 496.0	1 398.1	1 400.0	1 379.0	1 378.8

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
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	44.8	816.1	83.8	56.5	843.4	—	1.1	1.1	2.2
1966	555.9	61.2	494.7	81.3	100.8	475.2	11.5	1.1	39.8	29.4
1966										
Jan.	861.5	42.3	819.2	82.6	56.3	845.5	—	1.1	1.6	2.7
Feb.	914.2	39.8	874.4	81.8	52.8	903.4	—	1.1	2.5	3.6
March	819.9	41.4	778.5	83.7	70.6	791.6	16.5	1.1	0.5	14.9
April	767.5	39.0	728.5	89.2	68.4	749.3	16.5	1.1	6.6	8.8
May	760.6	40.6	720.0	86.5	65.3	741.2	16.5	1.1	0.7	14.7
June	698.0	41.4	656.6	87.7	58.4	685.9	16.5	1.1	0.2	15.2
July	703.9	43.1	660.8	85.8	58.4	688.2	11.5	1.1	0.9	9.5
Aug.	657.9	38.6	619.3	84.4	58.2	645.5	11.5	1.1	3.1	7.3
Sept.	649.4	37.4	612.0	87.4	57.4	642.0	11.5	1.1	3.0	7.4
Oct.	617.5	35.7	581.8	87.8	55.1	614.5	11.5	1.1	3.5	6.9
Nov.	560.7	43.3	517.4	88.3	55.4	550.3	11.5	1.1	4.3	6.1
Dec.	555.9	61.2	494.7	81.3	100.8	475.2	11.5	1.1	39.8	29.4
1967										
Jan.	602.7	46.1	556.6	82.5	97.8	541.3	8.3	1.1	1.1	6.1
Feb.	619.5	47.2	572.3	78.6	98.0	552.9	8.3	1.1	0.3	6.9

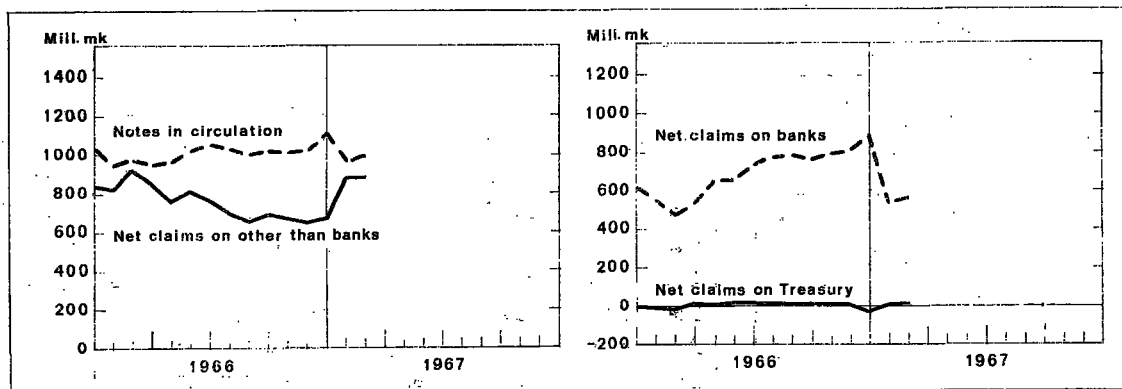
	Foreign exchange situation, mill. mk							
	Net holdings, Dec. 31, 1966			Net holdings, Feb. 28, 1967			Change in	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Feb.	Jan.-Feb.
Gold	144	—	144	144	—	144	—	—
Convertible currencies	274	—189	85	251	—225	26	—22	— 59
Other currencies	— 23	1	— 22	77	3	80	+15	+102
IMF gold tranche	100	—	100	100	—	100	—	—
Total	495	—188	307	572	—222	350	— 7	+ 43

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 ¹⁾	Post Office Savings Bank ¹⁾	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
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	4.4	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
1966	915.2	13.8	17.3	— 1.3	885.4	112.2	152.9	73.2	191.9	1 106.2
1966										
Jan.	569.7	12.1	3.9	1.2	552.5	24.8	136.5	59.4	101.9	943.1
Feb.	484.6	7.7	3.2	1.5	472.2	41.6	131.3	61.4	111.5	968.4
March	554.6	21.5	1.1	1.2	530.8	40.9	137.1	56.9	121.1	946.8
April	640.1	—12.6	5.2	2.7	644.8	44.3	122.4	55.2	111.5	962.4
May	664.8	10.8	0.9	1.8	651.3	43.3	116.7	53.1	106.9	1 019.1
June	766.3	29.5	4.7	2.3	729.8	41.2	156.5	52.7	145.0	1 046.7
July	781.7	10.6	1.5	2.4	767.2	42.2	146.7	52.4	136.5	1 031.8
Aug.	811.5	29.4	4.2	0.8	777.1	40.1	143.1	52.0	131.2	1 005.2
Sept.	781.5	10.4	8.4	0.8	761.9	53.7	164.0	52.7	165.0	1 017.2
Oct.	807.5	— 1.0	21.5	0.5	786.5	61.9	169.2	47.6	183.5	1 011.7
Nov.	848.7	— 0.5	44.4	0.3	804.5	62.0	175.1	44.6	192.5	1 016.5
Dec.	915.2	13.8	17.3	— 1.3	885.4	112.2	152.9	73.2	191.9	1 106.2
1967										
Jan.	611.1	73.4	5.3	— 1.2	533.6	106.8	157.0	57.7	206.1	968.7
Feb.	637.9	64.5	14.7	— 0.7	559.4	88.0	152.5	55.4	185.1	991.7

¹⁾ Including cash reserve accounts in 1961 and from February 1967.



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	Commercial banks	Savings banks	Co-op. credit societies & their central bank	Post Office Savings Bank	Savings departments of co-op. stores	All credit institutions	
	Commercial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
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	1 768.6	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
1965	665.7	843.7	309.4	3 160.1	2 954.4	1 953.5	773.2	357.2	9 198.6	10 351.7
1966*	625.5	850.2	318.0	3 637.2	3 338.3	2 224.9	863.6	380.7	10 444.9	11 613.1
1966*										
Jan.	652.2	813.8	305.1	3 181.5	2 990.0	1 989.7	787.7	360.2	9 309.3	10 428.2
Feb.	642.8	800.9	356.6	3 144.3	3 039.3	2 038.7	798.4	364.8	9 485.7	10 643.2
March	597.5	765.1	271.1	3 273.5	3 073.2	2 067.9	808.1	368.3	9 591.1	10 627.3
April	584.7	745.3	285.2	3 264.2	3 068.7	2 066.8	799.3	368.0	9 567.2	10 597.7
May	650.9	826.8	303.4	3 307.3	3 099.8	2 089.1	799.4	368.4	9 664.2	10 794.4
June	624.8	800.8	291.4	3 325.0	3 075.9	2 063.0	801.0	362.6	9 627.7	10 719.9
July	610.3	780.3	272.3	3 351.9	3 090.3	2 065.7	807.0	361.7	9 676.7	10 729.3
Aug.	628.6	818.0	268.2	3 373.5	3 122.8	2 085.9	813.3	360.8	9 756.5	10 842.7
Sept.	609.0	803.2	252.6	3 408.1	3 149.5	2 106.9	820.4	366.8	9 852.0	10 907.8
Oct.	558.5	737.1	280.0	3 428.0	3 179.6	2 109.0	831.3	370.7	9 918.7	10 935.8
Nov.	594.0	796.4	279.1	3 458.3	3 219.4	2 141.7	835.2	373.5	10 028.3	11 103.8
Dec.	625.5	850.2	318.0	3 637.2	3 338.3	2 224.9	863.6	380.7	10 444.9	11 613.1
1967*										
Jan.	655.4	832.5	325.4	3 671.0	3 372.9	2 250.3	883.8	384.8	10 563.1	11 721.0
Feb.	649.8	823.8	381.9	3 700.9	3 413.2	2 275.9	897.9	389.1	10 677.2	11 882.9

End of month	Index-tied deposits		High-interest deposits
	100 % clause	50 % clause	
1966*			
April	1 725.8	65.5	793.2
May	1 732.7	63.7	820.1
June	1 785.1	60.8	824.6
July	1 833.3	59.0	828.7
Aug.	1 884.2	57.1	831.4
Sept.	1 930.6	54.7	832.9
Oct.	2 000.1	44.8	831.4
Nov.	2 060.4	41.1	838.6
Dec.	2 184.4	31.9	836.7
1967*			
Jan.	2 340.9	25.9	834.5
Feb.	2 426.3	19.0	816.1

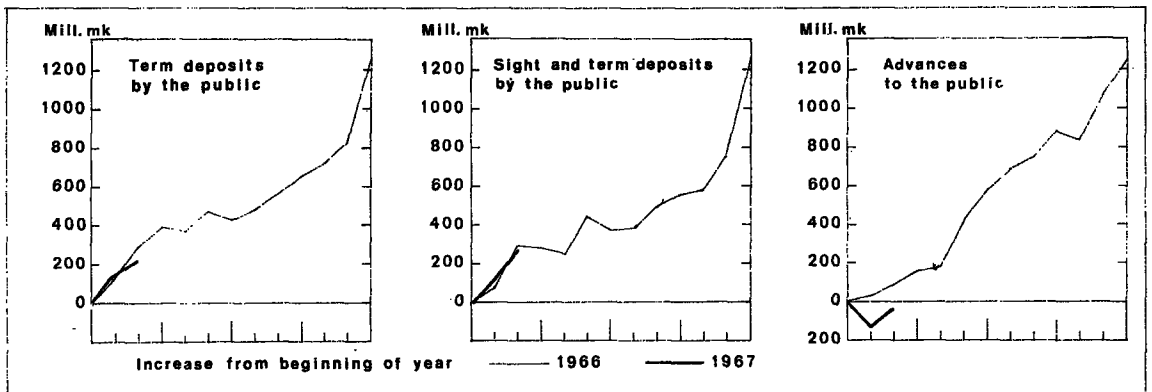
Selling rates for foreign exchange			
March 30, 1967			
		mk	mk
New York	1 \$	3.224	Zurich 100 Fr 74.44
Montreal	1 \$	2.980	Paris 100 FF 65.15
London	1 £	9.020	Rome 100 Lit 0.5160
Stockholm	100 Kr	62.51	Vienna 100 S 12.48
Oslo	100 Kr	45.10	Lisbon 100 Esc 11.25
Copenhagen	100 Kr	46.72	Reykjavik 100 Kr 7.50
Frankfurt o. M.	100 DM	81.15	Madrid 100 Pta 5.39
Amsterdam	100 Fl	89.25	Moscow, clear. ¹⁾ 1 Rbl 3.5667
Brussels	100 Fr	6.490	Clearing dollars ²⁾ 1 Cl \$ 3.21

¹⁾ Bucharest, Peking.²⁾ 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
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
1965	4 279.6	2 609.2	716.5	2 348.4	899.4	10 439.6	413.5	10 853.1	2 085.0
1966*	4 867.7	2 950.9	783.9	2 589.6	908.8	11 615.9	485.0	12 100.9	2 213.7
1966*									
Jan.	4 293.6	2 613.2	715.3	2 361.7	903.3	10 462.9	424.2	10 887.1	2 003.1
Feb.	4 310.7	2 630.2	721.9	2 376.4	900.3	10 486.8	452.7	10 939.5	2 079.8
March	4 345.7	2 643.8	731.0	2 389.9	897.5	10 541.0	466.9	11 007.9	1 935.4
April	4 373.1	2 666.5	737.6	2 363.8	892.9	10 539.0	494.9	11 033.9	1 949.9
May	4 490.5	2 699.3	735.7	2 441.5	899.1	10 781.9	484.2	11 266.1	2 102.4
June	4 575.7	2 716.4	751.5	2 473.9	905.2	10 924.2	498.5	11 422.7	2 074.4
July	4 641.9	2 745.9	756.3	2 486.0	908.6	11 033.0	505.7	11 538.7	2 067.6
Aug.	4 625.4	2 783.5	771.0	2 508.2	910.8	11 123.3	475.6	11 598.9	2 054.1
Sept.	4 683.7	2 831.3	781.1	2 521.5	914.8	11 247.7	484.7	11 732.4	2 030.8
Oct.	4 604.8	2 880.6	786.0	2 502.1	918.8	11 207.9	484.4	11 692.3	1 973.3
Nov.	4 745.0	2 919.3	787.0	2 554.6	918.7	11 448.4	476.2	11 924.6	2 047.2
Dec.	4 867.7	2 950.9	783.9	2 589.6	908.8	11 615.9	485.0	12 100.9	2 213.7
1965*									
Jan.	4 716.4	2 955.7	793.9	2 593.2	905.6	11 494.2	470.6	11 964.8	..
Feb.	4 793.3	2 969.8	804.6	2 590.2	901.2	11 570.9	488.2	12 059.1	..

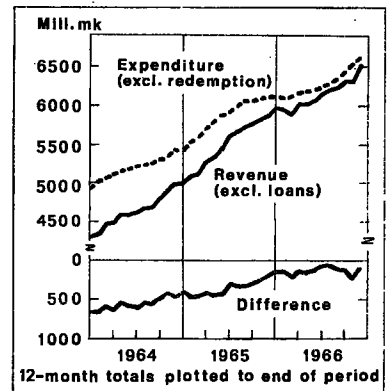


STATE FINANCES

Mill. mk

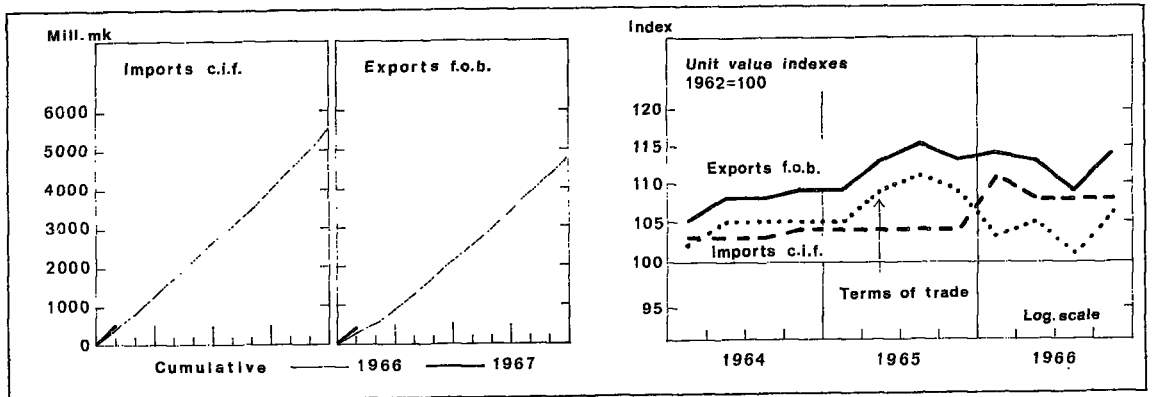
Revenue	Jan.—Nov.		Expenditure	Jan.—Nov.	
	1965	1966		1965	1966
Income and property tax (net)	1 386	1 632	Interest on State debt	141	161
Gross receipts	(3 262)	(3 812)	Child allowances	302	299
Refunds and communal income tax	(-1 876)	(-2 180)	The State's share in national pensions	228	251
Other direct taxes	22	31	The State's share in national health insurance .....	..	57
Sales tax	1 257	1 278	Compensations to war-disabled	124	135
Import duties	477	466	Subsidies	553	546
Revenue from Alcohol Monopoly ..	394	434	Net payments of price equalization	0	54
Excise duty on tobacco	284	339	State aid to agriculture	62	53
Excise duty on liquid fuel	313	407	State aid to communal and private schools	458	499
Other excise duties	78	96	Net loss of State enterprises	35	67
Tax on automobiles and motor cycles	160	157	Maintenance of roads	145	154
Tax on motor vehicles	39	47	Other current expenditure	2 001	2 153
Stamp duties	151	156	Current expenditure	4 049	4 429
Employers' payments for child allowances	372	402	Real investments	1 076	1 117
Net receipts of price equalization by extra-budgetary funds	—	—	Other capital expenditure	453	536
Other revenue similar to taxes	73	81	Capital expenditure	1 529	1 653
Total taxes	5 006	5 526	Total expenditure	5 578	6 082
Interest and dividends	85	90	Redemption of external loans	84	81
Other current revenue	196	242	Redemption of internal loans	273	287
Current revenue	5 287	5 858	Redemption of indemnity bonds etc.	4	1
Capital revenue proper	142	144	Index premiums	22	15
Decrease in inventories	44	39	Redemptions	383	384
Capital revenue	186	183	Total	5 961	6 466
Total revenue	5 473	6 041			
External loans	70	70			
Internal loans	377	607			
Loans	447	677			
Short-term credit (increase +) ..	- 10	-314			
Deficit (+) or surplus (-)	+ 51	+ 62			
Total	5 961	6 466			

Debt	1964	1965	1966		1967	
	Dec.	Dec.	Nov.	Dec.*	Jan.*	Feb.*
External debt	1 184	1 175	1 328	1 340	1 380	1 392
Ordinary loans	1 205	1 431	1 750	2 079	1 999	2 018
Indemnity bonds etc.	7	203	102	92	82	72
Short-term credit ..	325	393	80	92	88	70
Cash debt (net)	23	-101	-29	..	..	..
Internal debt	1 560	1 926	1 903	..	..	..
Total debt	2 744	3 101	3 231	..	..	..
Total debt, mill. \$	852.8	961.8	1002.3	..	..	..



FOREIGN TRADE

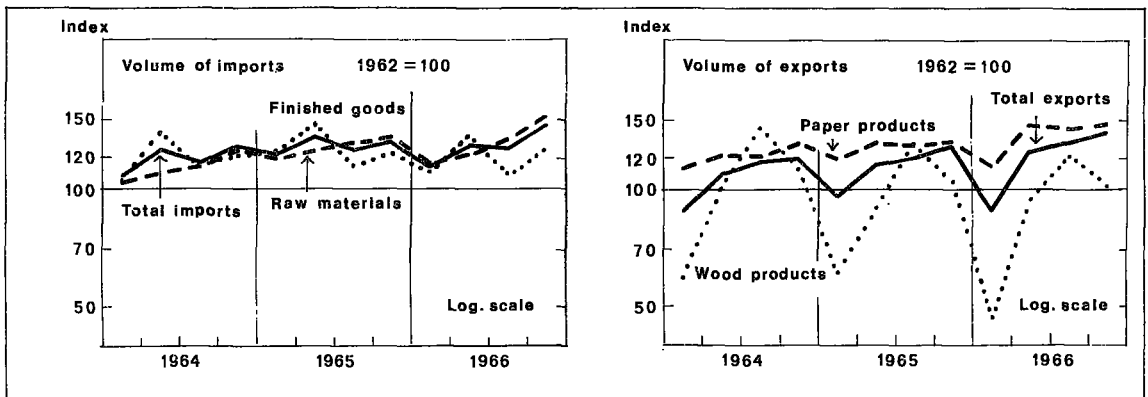
Period	Value mill. mk			Unit value indexes 1962 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
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	4 816.5	4 131.9	-684.6	108	109	111	104	113	103	105
1965	5 266.1	4 566.0	-700.1	113	115	123	106	119	104	109
1966*	5 524.3	4 818.5	-705.8	113	111	122	105	124	107	106
1965										
Oct.	428.8	432.4	+ 3.6	113	113	124	107	120	104	109
Nov.	446.9	387.5	- 59.4							
Dec.	467.8	471.7	+ 3.9							
1966*										
Jan.	429.2	308.4	-120.8	114	127	126	105	118	111	103
Feb.	368.0	230.3	-137.7							
March	446.4	340.2	-106.2							
April	441.9	372.8	- 69.1	113	103	122	104	127	108	105
May	487.8	450.2	- 37.6							
June	459.9	424.3	- 35.6							
July	411.6	404.8	- 6.8	109	112	122	105	105	108	101
Aug.	437.5	419.8	- 17.7							
Sept.	504.9	450.9	- 54.0							
Oct.	489.0	460.6	- 28.4	114	116	121	105	131	108	106
Nov.	491.2	437.5	- 53.7							
Dec.	556.9	518.7	- 38.2							
1967*										
Jan.	467.7	365.5	-102.2							



FOREIGN TRADE BY MAIN GROUPS

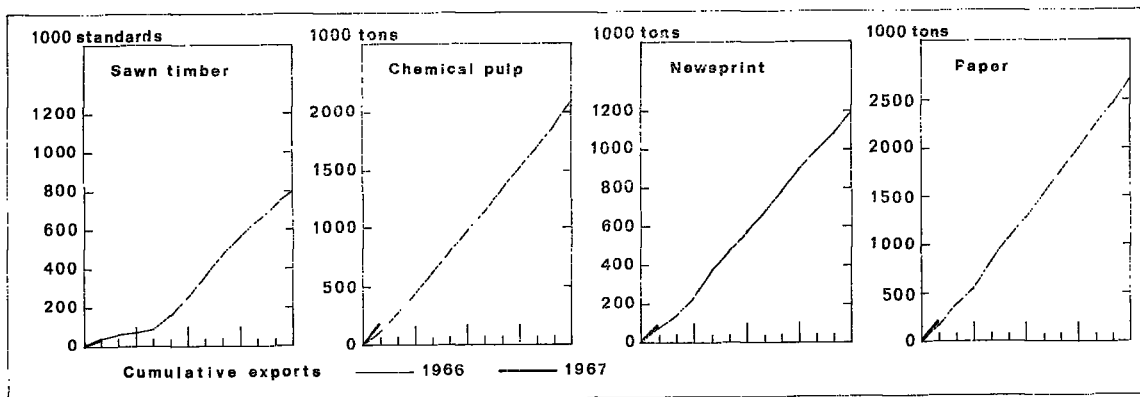
Mill. mk

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						
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	1 396.2	801.2	230.4	89.8	895.8	2 019.5	610.3	286.1
1965	2 362.4	514.7	1 511.4	877.6	251.8	60.3	919.8	2 165.6	800.3	368.2
1966*	2 450.4	589.8	1 448.5	1 035.6	264.0	59.0	863.5	2 297.0	877.5	457.5
1965										
July	203.8	35.2	128.4	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
Nov.	200.0	44.3	124.8	77.8	13.8	3.4	75.3	181.0	76.8	37.2
Dec.	212.5	52.1	120.5	82.7	39.6	3.8	77.9	191.9	122.0	36.5
1966*										
Jan.	204.0	41.1	103.8	80.3	34.2	3.6	57.5	152.6	35.0	25.5
Feb.	158.1	38.7	100.7	70.5	16.1	1.0	27.8	133.7	31.8	19.9
March	181.9	37.5	129.2	97.8	33.4	0.6	29.4	189.6	55.4	31.8
April	188.5	38.2	128.3	86.9	14.7	2.5	45.8	217.2	63.0	29.6
May	203.9	40.2	150.7	93.0	26.0	5.0	84.9	192.5	107.4	34.4
June	177.6	54.1	151.0	77.2	19.1	9.0	91.9	197.5	61.1	45.7
July	199.6	36.2	99.9	75.9	14.0	6.8	102.6	186.1	63.0	32.3
Aug.	213.2	62.0	90.0	72.3	17.9	6.9	96.3	207.3	49.8	41.6
Sept.	221.8	67.9	120.8	94.4	20.0	7.9	88.8	205.1	80.5	48.6
Oct.	229.6	60.0	108.3	91.1	17.6	5.3	85.1	203.1	99.8	49.7
Nov.	225.8	54.6	112.3	98.5	17.5	5.1	73.8	196.2	93.2	51.7
Dec.	246.4	59.3	153.5	97.7	33.5	5.3	79.6	216.1	137.5	46.7
1967*										
Jan.	203.0	62.4	114.5	87.8	30.5	2.2	52.5	188.6	58.7	33.0



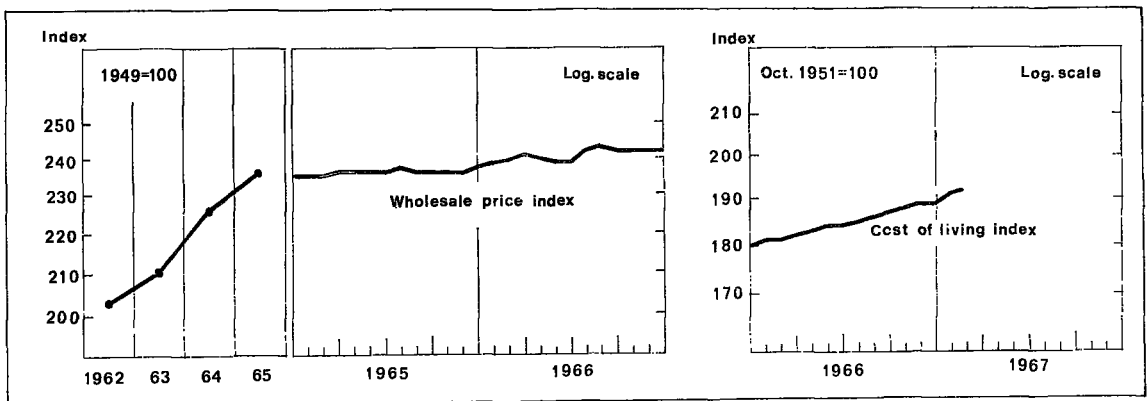
EXPORTS OF SOME IMPORTANT ARTICLES

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
1962	3 681	1 010	357	150	828	731	153	152	870	1 980
1963	2 108	977	384	172	861	893	171	161	882	2 126
1964	1 320	990	440	175	971	980	194	165	989	2 309
1965	781	870	461	149	931	1 037	174	144	1 101	2 500
1966*	675	799	460	130	909	1 179	190	131	1 192	2 712
1965										
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
Nov.	29	72	37	11	74	88	11	12	107	204
Dec.	22	65	45	12	83	98	17	10	104	230
1966*										
Jan.	18	44	42	9	76	76	12	11	78	182
Feb.	8	15	28	11	69	47	11	7	63	147
March	3	6	40	13	73	102	18	9	85	211
April	23	21	50	18	73	103	18	15	143	282
May	42	75	51	10	73	92	15	14	100	236
June	146	92	41	11	83	112	17	13	106	225
July	88	120	26	10	72	86	16	9	103	232
Aug.	83	106	36	10	79	112	18	9	107	244
Sept.	91	88	39	11	79	105	17	12	110	241
Oct.	59	87	31	10	78	104	16	12	96	239
Nov.	50	78	25	9	71	108	15	9	89	227
Dec.	64	67	51	8	83	132	17	11	112	246
1967*										
Jan.	21	39	40	8	74	104	15	12	90	219



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c. i. f.					Exports, f. o. b.				
	Whole year		January			Whole year		January		
	1965	1966*	1966*	1967*		1965	1966*	1966*	1967*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	15.8	16.6	13.5	14.4	67.4	22.8	22.6	26.6	23.5	85.8
United Kingdom	15.3	16.1	13.1	14.0	65.6	20.7	20.5	24.9	21.9	79.9
Other OECD countries										
in Europe	55.5	53.7	53.4	52.6	246.0	44.8	46.7	48.8	49.5	180.9
Austria	0.8	0.9	0.8	0.8	3.7	0.3	0.4	0.4	0.4	1.6
Belgium-Luxembourg	2.2	1.9	2.1	2.1	9.8	3.3	3.1	3.6	2.3	8.2
Denmark	3.1	3.5	2.9	3.0	13.8	3.9	3.5	3.2	4.1	14.9
France	4.2	4.3	4.2	7.4	34.4	4.4	4.5	5.1	4.7	17.2
Western Germany	18.9	17.0	19.3	15.8	73.8	11.2	11.1	11.4	10.4	37.8
Italy	1.9	2.0	2.7	2.1	9.8	3.0	3.0	4.6	3.7	13.6
Netherlands	4.2	3.6	4.3	4.0	19.0	6.0	5.8	5.9	6.9	25.0
Norway	1.9	2.1	1.9	1.6	7.7	1.1	1.8	2.0	2.3	8.2
Portugal	0.2	0.3	0.3	0.4	1.7	0.2	0.4	0.3	0.2	0.9
Spain	0.5	0.4	0.6	0.7	3.2	1.1	1.2	0.9	1.3	4.8
Sweden	14.0	14.1	10.1	11.3	52.8	7.5	8.8	8.4	10.3	37.8
Switzerland	2.9	3.1	3.1	2.9	13.7	0.7	0.9	1.4	1.1	4.2
Eastern Bloc	18.9	19.8	22.0	24.1	212.6	21.0	18.7	11.0	14.6	53.5
China	0.3	0.5	0.9	0.6	2.6	0.6	0.6	0.3	0.2	0.8
Czechoslovakia	0.7	0.6	0.5	0.5	2.5	0.6	0.8	0.5	0.6	2.3
Eastern Germany	0.9	0.9	0.8	0.7	3.4	0.8	1.0	0.7	0.6	2.0
Poland	1.9	1.6	2.0	1.3	6.0	2.3	1.4	1.3	0.7	2.7
Soviet Union	14.4	15.5	17.0	20.5	95.6	15.8	14.2	6.4	11.6	42.4
U.S. and Canada	5.2	4.9	6.8	5.1	23.9	6.2	6.6	7.7	7.3	26.8
United States	5.0	4.6	6.5	4.4	20.5	6.0	6.4	7.5	7.2	26.2
Latin America	1.6	2.8	1.8	1.8	8.6	3.8	2.9	2.6	2.4	8.8
Argentina	0.3	0.3	0.1	0.1	0.3	0.9	1.0	1.2	1.0	3.7
Brazil	0.3	1.3	1.0	0.9	4.2	1.4	0.4	0.4	0.6	2.2
Colombia	0.6	0.7	0.6	0.6	2.7	0.7	0.6	0.6	0.2	0.8
Other	3.0	2.2	2.5	2.0	9.2	1.4	2.5	3.3	2.7	9.7
Grand total	100.0	100.0	100.0	100.0	467.7	100.0	100.0	100.0	100.0	365.5
of which										
BFTA countries	38.2	40.0	32.2	34.0	156.0	34.3	36.4	40.6	40.4	147.5
EEC countries	31.4	28.8	32.6	31.4	146.9	28.0	27.5	30.5	27.9	101.8



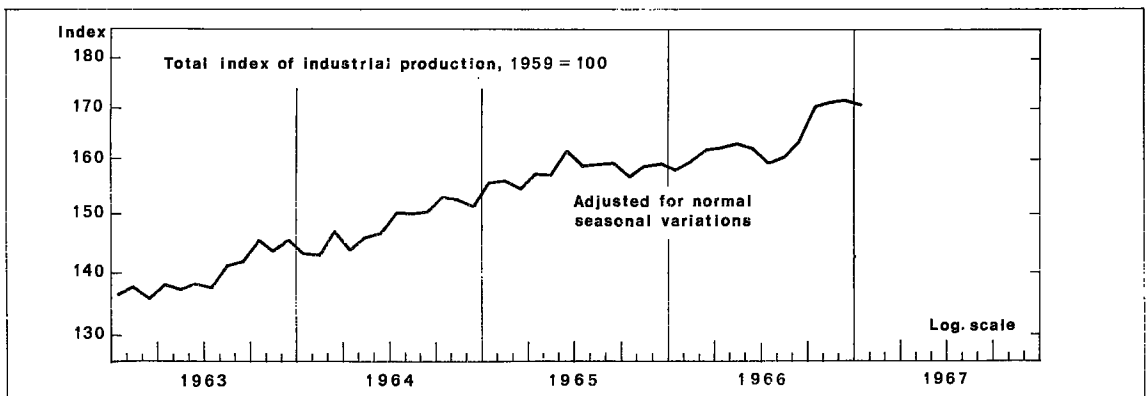
PRICE INDEXES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply processed goods	More elab- orately processed goods			
1964	226	231	210	228	214	227	250	218	218	100	100	100
1965	236	242	214	241	224	232	266	228	223	105	106	104
1966	..	..	..	..	..	..	..	..	..	108	112	104
1966												
Feb.	240	246	214	245	227	235	273	232	224	105	107	103
March	241	248	215	246	228	237	276	232	225	105	107	103
April	240	247	216	247	229	235	272	233	225	105	107	103
May	239	245	216	246	228	233	268	233	226	109	115	104
June	239	245	216	245	229	233	266	233	226	109	115	104
July	242	249	217	247	229	240	270	235	231	109	115	104
Aug.	243	250	218	246	229	243	274	234	231	109	115	104
Sept.	242	248	217	244	228	242	270	233	230	109	115	104
Oct.	242	248	215	244	229	242	270	233	230	109	115	104
Nov.	242	249	216	244	229	243	272	232	231	109	115	104
Dec.	242	249	216	244	229	243	273	232	231	109	115	104
1967												
Jan.	..	..	..	..	..	..	..	..	..	112	119	105
Feb.	..	..	..	..	..	..	..	..	..	112	119	106

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
1964	170	184	364	114	107	164	133	135	135	110	132	134
1965	178	195	377	115	109	173	140	144	140	111	135	141
1966	185	202	392	119	111	182	145	149	145	116	138	148
1966												
Feb.	181	198	387	117	110	178	142	145	143	113	136	145
March	182	199	387	117	110	178	143	146	143	114	136	145
April	183	200	388	117	110	179	144	147	144	114	137	146
May	184	204	388	117	110	179	145	150	144	114	137	146
June	184	204	388	118	110	180	145	150	144	114	137	146
July	185	204	392	118	111	181	145	150	145	115	137	148
Aug.	186	204	392	118	112	183	146	150	145	114	139	149
Sept.	187	204	392	120	113	185	147	150	145	117	140	151
Oct.	188	203	401	124	113	186	147	149	149	120	140	152
Nov.	189	204	401	125	113	187	148	150	149	122	140	153
Dec.	189	205	401	126	113	189	149	150	149	122	140	154
1967												
Jan.	191	205	403	127	114	193	150	151	149	123	141	157
Feb.	192	206	403	128	114	193	151	151	149	124	142	158

PRODUCTION — INTERNAL TRADE

Period	Index of industrial production 1959 = 100									Commer- cial timber fellings 1 000 piled cu. m	Wholesale trade volume index 1954 = 100
	Total	Invest- ment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					Wood industry	Paper industry	Metal industry	Other			
1964	148	149	154	136	129	170	148	143	148	53 200	156
1965*	157	161	164	143	130	180	161	150	158	51 905	170
1966*	164	157	170	153	120	188	159	163	163	46 507	..
1965*											
Aug.	159	144	165	151	112	189	148	158	159	2 082	173
Sept.	171	178	176	156	128	196	177	164	159	2 844	186
Oct.	170	181	176	152	131	195	181	164	157	2 856	184
Nov.	168	173	174	153	119	182	172	166	159	3 317	181
Dec.	156	167	160	142	120	160	169	148	159	3 842	196
1966*											
Jan.	155	162	162	141	116	170	165	145	158	4 219	131
Feb.	157	162	163	144	125	175	166	149	160	4 742	148
March	179	184	186	164	151	204	185	171	162	4 198	175
April	160	157	162	155	139	170	157	161	162	3 177	174
May	166	161	172	156	136	188	161	165	163	12 681	180
June	157	155	157	156	125	171	154	161	162	2 305	174
July	119	73	131	106	98	184	79	117	159	910	157
Aug.	165	147	168	163	102	194	146	173	160	1 793	178
Sept.	176	171	180	167	124	203	172	175	164	2 630	199
Oct.	184	174	193	170	114	213	178	188	170	3 116	188
Nov.	181	174	188	167	106	205	178	185	171	3 048	188
Dec.	166	166	173	152	109	183	166	167	171	3 688	200
1967*											
Jan.	173	163	181	159	113	201	166	170	171	3 835	..

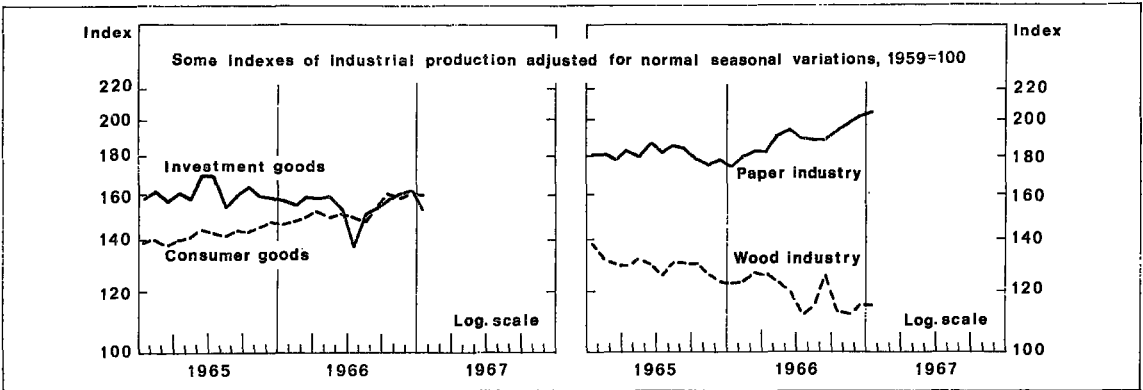


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

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
1964	24.59	10.57	2.43	7.61	2.80	28.75	164	154	172	162
1965	27.04	10.96	2.58	9.20	3.12	31.31	180	177	192	176
1966*	26.54	11.26	2.80	8.19	3.00	35.40	191	196	190	190
1965										
July-Sept.	7.15	2.57	0.97	2.27	0.87	35.65	180	177	195	176
Oct.-Dec.	9.76	4.43	0.98	3.44	0.57	31.31	180	180	180	177
1966*										
Jan.-Mar.	4.92	2.30	0.24	1.85	0.42	29.60	184	187	184	181
Apr.-June	4.55	1.99	0.41	1.34	0.55	35.78	188	200	187	188
July-Sept.	7.15	2.36	0.99	2.09	1.20	38.83	194	196	193	195
Oct.-Dec.	9.92	4.61	1.16	2.91	0.83	35.40	194	196	193	195

Period	Railways		Foreign shipping				Labour input		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed 1 000 net reg. tons		1 000 man-months		% of total labour force	
	1966*	1967*	1966*	1967*	1966*	1967*	1965	1966*	1965	1966*
Jan.	118	123	724	840	560	692	1 877	1 896	2.0	2.2
Feb.	118	125	434	615	270	502	1 860	1 869	1.6	2.4
March	140		519		344		1 839	1 877	1.7	2.1
April	134		624		557		1 884	1 905	1.7	2.0
May	136		1 092		884		1 940	1 953	1.1	1.3
June	131		1 364		1 217		1 960	1 905	1.0	1.0
July	121		1 587		1 400		1 797	1 728	1.2	0.9
Aug.	138		1 366		1 287		1 893	1 833	1.2	1.1
Sept.	139		1 214		1 079		1 948	1 969	0.9	1.0
Oct.	140		1 091		867		1 946	1 955	1.2	1.2
Nov.	133		1 084		837		1 933	1 955	1.4	1.2
Dec.	120		995		815		1 888	1 912	2.1	1.5



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. Since Dec. 31, 1965 *Gold and foreign exchange* = Gold (valued on basis of the par value of the mark) + IMF gold tranche + Foreign exchange. *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. — Cash reserve accounts. — *Diagrams*. Left: *Net claims on other than banks* = Net foreign assets + Net claims on the Treasury + Net claims on the rest of economy + Finnish bonds + Finnish coin — Equalization accounts = Notes in circulation + Bank's own funds — Net claims on the banks.

DEPOSITS BY THE PUBLIC —
ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

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

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

STATE FINANCES

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

FOREIGN TRADE

Pages 9—12. Figures supplied by the Board of Customs. *The unit value indexes* (p. 9): The indexes are calculated according to the Laspeyres formula. At the end of the year the arithmetic mean of the Laspeyres indexes corresponds to the annual level of the Fisher index formula. Seasonal variations are not eliminated. Terms of trade: the ratio of export indexes to import indexes. *Foreign trade by countries* (p. 12): imports by countries of purchase, exports by countries of sale.

PRICE INDEXES

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

PRODUCTION — INTERNAL TRADE

Page 14. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the international nomenclature (ISIC). The weight of each group represents the ratio of its value added to the total value added of industrial production in the base year. The seasonally adjusted series is calculated by the Bank of Finland Institute for Economic Research on the basis of the index of industrial production per working day; for the method of calculation of series adjusted for normal and specific seasonal variations see Bulletin No. 8, 1961, p. 18. Other seasonally adjusted series are calculated according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: investment goods weight 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indexes: wood industry ISIC no. 25, weight 6.6, paper industry no. 27, weight 13.1, metal industry nos. 34—38, weight 23.5, and other manufactures nos. 20—24, 26, 28—33, 39, weight 44.0. *Commercial timber fellings* calculated by the Ministry of Communications and Public Works. 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 . 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 1966 were as follows: Social Democrats 55, Centre Party 49, People's Democrats 41, Conservatives 26, Swedish Party 12, Liberal Party 9, Social Democratic League 7 and Finnish Farmers' Party 1. After a change of parties by one member, the Centre Party now holds 50 seats and the Liberal Party 8 seats.

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 (1965): 4.6 million. Sweden 7.7, Switzerland 5.9, Denmark 4.8 and Norway 3.7 million.

DENSITY OF POPULATION (1965): In South Finland 25.7, in North Finland 4.2 and in the whole country an average of 15.1 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1965): 56% of the population inhabit the rural areas, 44% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 505 900 inhabitants, Tampere (Tammerfors) 142 000, Turku (Åbo) 140 400.

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 (1965): 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 teacher training colleges, besides teacher training departments in two of the universities.

INCREASE OF POPULATION (1965): births 16.9 ‰, deaths 9.6 ‰, increase 6.1 ‰. Deaths in France 11.1 ‰, and Great Britain 11.5 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1965, in million marks) Gross domestic product at factor cost by industrial origin: agriculture 2 174 (9%), forestry and fishing 2 087 (9%), manufacturing 6 709 (29%), construction 2 259 (10%), transport and communication 1 672 (7%), commerce, banking and insurance 3 036 (13%), public administration 946 (4%), other services 4 396 (19%), total 23 279. Index of real domestic product 168 (1954 = 100).

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

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

AGRICULTURE (1960): Cultivated land 2.6 million hectares of which holdings of less than 5 ha. amount to 17%, 5 to 15 ha. 48%, 15 to 50 ha. 30% and more than 50 ha. 5%. Number of holdings 388 000, of which 184 000 are of more than 5 ha. Index of agricultural production 137 for 1965 (1954 = 100). Measure of self-sufficiency in bread cereals 91% in the crop year 1964/65.

INDUSTRY (1964): Gross value of industrial production 17 450 mill. marks, number of workers 349 000, salaried employees 76 400, motive power (1964) 4.6 mill. HP. Index of industrial production 148 for 1964 (1959 = 100).

RAILWAYS (Jan. 1, 1967): Length 5 556 km, of which 5 545 km are State and 11 km private railways. The gauge of State railways 1.524 m.

MERCHANT FLEET (March. 31, 1967): Steamers 117 (202 278 gross reg. tons), motor vessels 396 (814 597 gross reg. tons), sailing vessels with auxiliary engines 24 (3 065 gross reg. tons). Total 537 (1 019 940 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1965): Passenger cars 454 300, lorries and vans 81 100, buses 7 000, others 3 600. Total 546 000.

SCHEDULED AIR TRAFFIC OF FINNISH COMPANIES (1966): Kilometres flown 14.5 million, passengers carried 768 757, passenger-kilometres 409.7 million, and ton kilometres of freight and mail 7.9 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 markka). On Jan. 1, 1963, the value of the mark was raised to one hundred times its former value. The official par value of the new unit is 3.20 marks to the U.S. dollar. Finland has been a member of the International Monetary Fund since 1948.

MUNICIPAL FINANCES. In the finance accounts for 1964 expenditure amounted to 3 179 mill. marks. Total revenue was 3 165 million, of which income from taxation 1 575 million. The municipal income tax (non-progressive) averaged 12.00% 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, 1966). There are two big and four small commercial banks with in all 783 offices, 356 savings banks, 483 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-four private insurance companies also grant credits.

RATES OF INTEREST (June 1, 1966). Bank of Finland discount rates 6—7 ½%. Other credit institutions: term deposits 4 ½%, 12 months' deposits 6%, 100 per cent index-tied deposits 3%, 50 per cent index-tied deposits 4%; highest lending rate 10%.

THE FINNISH ECONOMY IN 1966

BY

LAURI KORPELAINEN, D.Pol.Sc.

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

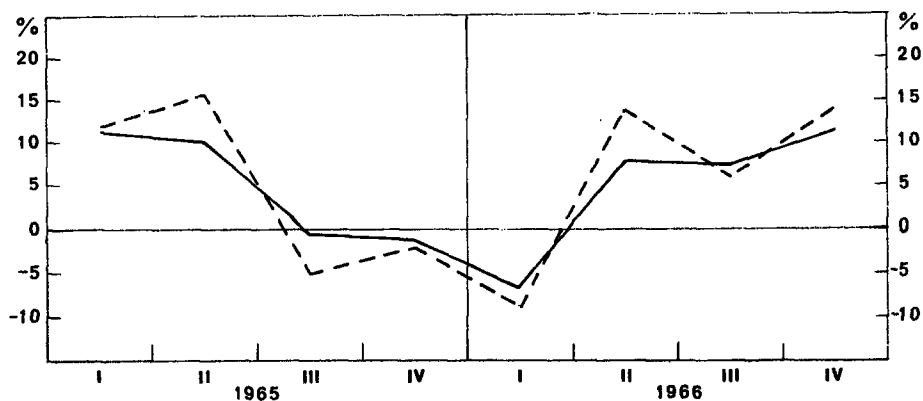
The expansion that started in the middle of 1963 did not last very long in comparison with previous upswings. The growth in total production ceased already in the third quarter of 1965 and towards the end of that year there was actually a slight downward trend in productive activity, which became more pronounced during the first quarter of 1966. This development was partly attributable to the exceptionally hard winter, the effects of which were felt particularly in forestry and the building sector. The downward trend in total production, however, was quite short; an upswing began in the second quarter of 1966, and the growth rate accelerated towards the end of the year (see chart). However, due to the downswing in the early part of the year, the increase in the volume of domestic product amounted to no more than 2 per cent compared to the previous year's growth rate of 5 per cent.

The cessation of growth in the latter half of 1965 was caused by many factors, both internal and external. Extensive liberalization of imports starting in 1957 and participation in European integration since 1961 as an associate member of EFTA revealed the necessity of a thorough adjustment of the Finnish economy to new circumstances. Capital imports since the beginning of the 1960's were aimed at facilitating the adjustment of production to the international division of labour. As a result of a substantial decrease in the opportunities

available to raise foreign long-term capital and of a slackening in the growth of exports due to a weaker growth in economic activity in our Western export countries the rising deficit in the balance of payments on current account started to act as a strong restraint on economic growth. The room for manoeuvre in growth policy became limited, and in order to prevent a decline in the foreign exchange reserves it was necessary to resort to restrictive measures aimed at restraining the growth of imports either directly or indirectly by curbing the growth in total demand. As the deficit in the balance of payments continued to grow in 1966, new fiscal and monetary policy measures had to be introduced.

Apart from balance of payments difficulties, there were some special factors affecting the development of the economy in 1966 which resulted especially in exceptional seasonal fluctuations in production and employment. During the first quarter of the year one of these was the hard winter referred to above. Moreover, partly due to a disagreement over stumpage prices and partly because of a decline in stocks of raw materials caused by a tight money market there was a sharp decrease in commercial fellings in the first part of the year, by almost 30 per cent in January—April on the corresponding period of the previous year; in May—December the corresponding figure was, however,

Seasonally adjusted quarterly changes in the volume of gross domestic product (————) and that excl. agriculture, general government and water & road construction (---), per cent per annum



only 2 per cent. The shorter working week of 5 days adopted in several sectors from June to August also affected developments in 1966 and contributed to the concentration of activity in the latter part of the year, especially in the manufacturing and building industries. The expiration of the so-called Tax Concession Act on December 31, 1966 also accounted for a considerable acceleration in residential building towards the end of the year (see Bulletin 11/1966 on building activity).

Despite the relatively slow rate of growth in total production the employment situation remained rather satisfactory throughout the year. This was due to the slowing down in the rate of growth of the working population, while the reduction of working hours in the summer months and the acceleration in economic activity later in the year considerably increased the demand for labour. The seasonally adjusted unemployment percentage was 1.6 per cent for the first half of the year and 1.3 in the latter half; that for the whole year, 1.5 per cent, was thus roughly the same as in the previous year.

The effects of the measures implemented in 1965 to curb the growth in demand were

still felt during the first part of 1966. They led to a slackening of the rate of growth of consumption demand, but it was private investment activity that was most affected, especially those productive investments in the building sector the volume of which already started to decline at the beginning of 1966. This downward trend continued, though less severely, throughout the year. The decline in the volume of productive building investments for the whole of 1966 was around 5—10 per cent, while in 1965 an increase of as much as one fifth was recorded. The development of investments in machinery and equipment in 1966 was largely affected by the large growth in productive building investments in 1965, for they continued to grow throughout the year although at a slower rate which, it seems, came to a stop at the end of the year. The demand for machinery and equipment was also upheld by the rationalization investments necessitated by the rise in the cost level and the EFTA tariff reductions. These factors account for the 3 per cent increase in the volume of investments in machinery and equipment in 1966, which was only two percentage points smaller than in 1965.

Residential building was affected, perhaps more than any other sector, by the special factors mentioned above. The unfavourable winter conditions, and the reduction of working hours, the application of which was most widespread in the building and manufacturing sectors, contributed to the concentration of activity in the latter part of the year. The expected expiration of the Tax Concession Act at the end of the year (dwellings started before the end of 1966 were entitled to a tax concession for the following six years) also raised the number of buildings started on a speculation basis later in the year. For these reasons the slackening in building activity that occurred in the winter months ceased by the middle of the year and activity increased more and more towards the end of the year. The extent of the speculative demand for dwellings is illustrated by the fact that the cubic capacity covered by building licences granted in the last quarter was 85 per cent more than in the corresponding period of 1965, while the figures for the second and third quarters roughly equalled those for the previous year. Due to the accelerated growth in the latter part of the year the increase in the volume of investments in residential building amounted to 5 per cent against slightly less than 10 per cent in 1965. Due to the decline in productive building investments the total volume of house construction, however, remained approximately the same as in the previous year. Owing to the slight increase in investments in machinery and equipment the volume of private investment was slightly larger than in the previous year, but, however, was the main factor which contributed to the slackening of productive activity in general.

Wages rose by 9 per cent in 1966. However, since there was a decline in incomes of the self-employed, especially in the forestry sector, the increase in consumer

disposable income was 6 per cent. Due to rises in consumer prices, consumer purchasing power rose even less or by 1—2 per cent. The rise of approximately 4 per cent in the volume of private consumption expenditure was thus a consequence of a substantial increase in the propensity to consume, which as such is a typical phenomenon during a slowing down in the rate of growth of consumer incomes. The acceleration in the rate of growth of consumption demand towards the end of the year was a result of the timing of wage increases (in most sectors 3 per cent at the beginning of February and 2.4 per cent at the beginning of June; also, some wage drift had taken place) and also of the expansion of purchases towards the end of 1966 owing to the expected increase in the purchase tax at the beginning of 1967.

In contrast to the previous year private consumption demand concentrated more on non-durables and services. As far as durables are concerned, the volume of purchases of passenger cars declined by over 10 per cent against an increase of as much as 30 per cent in 1965. In the latter half of 1966 there was a heavy demand for imports of consumer goods. The increase in imports of certain foodstuffs was a result of the inadequacy of domestic supply as well as of the accumulation of stocks towards the end of the year.

Since the employment situation remained satisfactory throughout the year public investment expenditure did not have to be considerably increased. As the Treasury's cash situation was tight greater resort was made to unemployment benefits later in the year for dealing with the employment problem. There was also a modest increase in public consumption. In 1966 the volumes of public investment and consumption increased by 3 and 4 per cent respectively.

During the year under review the growth

in the economic activity of those Western countries important for Finnish exports showed a marked decrease. This affected Finland's export sector. The value of commodity exports rose by 5.5 per cent which was only approximately one half of the corresponding figure in 1965. The largest increases were recorded in the exports of metal and paper industry products and in the so-called new exports (clothing, footwear, china, furniture, household utensils etc.). On the other hand the value of exports of round timber and wood industry products decreased.

As there was a decline in economic activity and in the growth of income towards the end of 1965 and in the opening months of 1966, imports continued to decrease during the first half of 1966. By mid-year, a reversal in the trend of economic activity took place; this trend was also reflected in the development of imports and became more pronounced in the closing months of the year. The increase in imports occurred mainly in consumer goods, and fuels and lubricants; more were needed of the latter than usual for the replenishment of stocks. The value of imports of raw materials and investment goods increased only slightly. As a result of the marked increase in the latter part of the year, total imports grew by 5 per cent against about 9 per cent in 1965.

The following table gives a preliminary estimate of total demand and supply in 1966.

	Million marks	Change in real terms in 1966, per cent
Total demand		
Exports of goods and services	5 828	+ 5
Gross domestic fixed capital formation	6 945	+ 2
Private	5 367	+ 1
General government	1 578	+ 3
Consumption expenditure	20 551	+ 4
Private	16 376	+ 4
General government	4 175	+ 4
Increase in stocks and statistical discrepancy	671	- 38
Total	33 995	+ 2.5

	Million marks	Change in real terms in 1966, per cent
Total supply		
Gross domestic product at market prices	27 721	+ 2
Imports of goods and services	6 274	+ 3
Total	33 995	+ 2.5

As mentioned before, the most striking feature in cyclical development was a sharp decrease in the output of forestry, which fell by 10 per cent altogether in 1966. Excluding house building, the decline in the rate of growth of other industries was less pronounced. However, developments in the component sectors of the manufacturing industry were rather uneven. The downward trends in the investment goods and wood industries, which began in 1965, continued with a decline in production of 3 per cent and 7 per cent respectively. Those sectors in which there was the most expansion were the consumer goods and paper industries. The production of consumer goods rose by 7 per cent, partly due to accelerated domestic demand and partly to the improved opportunities for exports. An increase of slightly more than 4 per cent was recorded in production in the paper industry, where the rate of growth rose quickly from the low level at the beginning of the year. The following table shows the changes in the volume of output in different sectors of the economy during the last two years.

	1965	1966
	Per cent	
Agriculture	- 1	± 0
Forestry	+ 3	- 10
Manufacturing	+ 6	+ 4
House construction	+ 13	+ 1
Other construction	+ 2	+ 4
Transport	+ 5	+ 4
Commerce, banking, insurance	+ 7	+ 4
General government	+ 3	+ 4
Other services	+ 5	+ 5
Total	+ 5	+ 2

As a result of a large imbalance between imports and exports of goods and also of

the unfavourable development in the terms of trade, the deficit in the balance of trade rose to 728 million marks, or about the same as in the preceding year. Moreover, due to increased interest payments abroad, the surplus in the invisible items was considerably less than a year earlier. The deficit in the balance of payments on current account totalled 655 million marks against 607 million in 1965. Since net long-term capital imports amounted to 159 million marks, the deficit had to be financed mainly from the foreign exchange reserves. Thus the total net foreign exchange reserves of the country decreased by 355 million marks; of this, the share of the Bank of Finland gold and foreign exchange reserve was 321 million.

The reduced foreign exchange reserves led to a marked tightening in the financial markets. Despite the rather favourable development in deposits the liquidity position of the banks substantially weakened; the rediscounts amounted to 915 million marks at the end of the year or 275 million more than a year earlier. The rate of growth of bank lending was smaller than in the preceding year until the closing months of 1966, when it increased. The 11.5 per cent rise in advances was thus approximately the same as that in 1965. The total increase in deposits was 12.5 per cent in comparison with 11.4 per cent in 1965. The increase was entirely due to the growth in term deposits.

The share of index-tied deposits increased: this was 21 per cent of term deposits at the end of 1966 against 18 per cent a year earlier. The marked increase in index deposits is presumably due to structural changes caused by cyclical developments rather than to expectations of inflation, for the development of prices was slowing down in 1966. The percentage rise in wholesale prices of 2.0 per cent especially was clearly smaller than that of 4.4. per cent in 1965.

* * *

In conclusion it can be stated that the marked acceleration of economic activity towards the end of 1966 (see chart) cannot be interpreted as anticipating a strong upswing. The increase in the rate of growth of total production is largely attributable to the special factors mentioned above and it can be regarded primarily as a compensation for the slow growth in the first part of the year. The international economic outlook indicates that hardly any increase in the rate of growth of exports can be expected in the Western export markets in the coming months. Further, a consideration of the measures, necessitated by the balance of payments situation, which were taken in 1966 to curb the growth of demand and intensified at the beginning of 1967 leads to the forecast that the growth rate of total production will remain quite modest in 1967.

ITEMS

Stand-by Credit from the International Monetary Fund to Finland. At its meeting on March 6, the Board of Executive Directors of the International Monetary Fund has approved a stand-by arrangement of \$93.75 million, equivalent to Fmk 300 million, to Finland in order to strengthen the foreign exchange reserves and to support the efforts of the Finnish authorities to restore equilibrium in the country's balance of payments. The stand-by arrangement will provide a secondary line of reserves available to the Finnish authorities to help finance the current account deficit until the various economic measures take effect. The credit may be drawn upon during a period of 12 months. The drawings will take place in convertible currencies.

The stand-by credit covers the gold tranche, equivalent to Fmk 100 million, of Finland's quota, and two credit tranches, each amounting to Fmk 100 million. Finland's quota in the Fund was increased in March last year to \$125 million, equivalent to Fmk 400 million. The gold tranche of the quota is already included in the foreign exchange reserves of the Bank of Finland, and thus only the drawings on the credit tranches will serve to increase the reserves.

The utilization of the stand-by credit will not affect the cash position of the Treasury, as drawings are made by the Bank of Finland, which will credit the counterpart of each drawing in Finnish markkas to the account of the Fund at the Bank.

The stand-by credit must be repaid in convertible currencies within a maximum period of three years after each drawing. If the credit should be outstanding for the longest period allowed, the effective rate of interest for the two credit tranches will be 2.68 per cent per annum. The utilization of the gold tranche is interest-free, and only a service charge for it of one-half of 1 per cent will be payable to the Fund.

Finland joined the Fund in 1948 and has used the Fund's resources previously in 1952—1953. At that time Finland, partly under a similar stand-by arrangement, purchased a total of \$9.5 million, which drawing was repurchased in full by January 1955.

*

Bank of Finland Institute for Economic Research. Lauri Korpelainen, D.Pol.Sc. has been appointed Head of Department of the Institute from April 1.

BANK OF FINLAND

BOARD OF MANAGEMENT

KLAUS WARIS,
Governor

ESKO K. LEINONEN A. SIMONEN
*(Absent as a member of
Government)*

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

HEIKKI VALVANNE
ad int.

DIRECTORS

HEIKKI VALVANNE JOUKO J. VOUTILAINEN

SECRETARIES

U. A. VATANEN PERTTI TAMMIVUORI

K. IGNATIUS JORMA ARANKO
(On leave of absence)

HEADS OF DEPARTMENT

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

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

A. KAJANTIE,
Internal Audit HELGE LINDSTRÖM,
Credits

A. NENONEN,
Foreign correspondence K. EIROLA,
Accounts

EINO SUOMELA,
Office STIG TÖRNROTH,
Cash

INSTITUTE FOR ECONOMIC RESEARCH

TIMO HELELÄ,
Director LAURI Korpelainen,
Head of department