



# BANK OF FINLAND

## MONTHLY BULLETIN

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DECEMBER

1965

### RECENT DEVELOPMENTS

#### BUILDING ACTIVITY

During 1961—1964 building activity was on the whole rather unfavourable. It displayed a mere 5 per cent increase over the whole period. The highest growth rate of the period was 3 per cent in 1963, and the lowest less than 1 per cent in 1962.

Overall development was influenced by totally opposing trends in residential building and industrial building. The rate of growth of residential building slackened from 1961 until last year. In 1962 the growth rate was as high as 12 per cent, but in the following year it fell to 3 per cent, the decline being quite substantial towards the end of 1963. Thus the volume of residential building in 1964 remained at a level 9 per cent lower than in 1963, and the fall in the number of dwellings completed was as much as 20 per cent.

On the other hand, during the same period the trend in industrial building was quite the opposite. Investment in industrial and commercial construction reached the trough in 1962, although by the end of the year a marked acceleration was once again noticeable. In 1963 the rise in industrial building was nevertheless no more than a few percentage points above the low level of 1962, but in 1964 it was higher than 20 per cent.

It is difficult to analyse the reasons underlying the two distinctly divergent trends in building activity. One reason, however, appears to be that at the same time that a cyclical slackening in industrial building was in evidence, the Government was supporting residential building by the so-called Tax Concession Acts. This resulted in a marked, though brief, upswing in residential building, stimulated to some extent by the attraction of speculative funds. With the end of the period during which the commencement of building activity was entitled to these concessions, speculative capital was no longer attracted to residential building and the construction of dwellings soon fell to almost the same level as before the upswing. The decline in residential building in turn eased the financial situation in the industrial sector, where favourable business expectations had already encouraged industrial building. Importance must also be attached to the fact that the substantial industrial building in 1964 was partly an outcome of the implementation of certain long-term plans for the expansion of capacity, in particular in the chemical and the metal industries.

In the course of the current year, however,

*On page 18 Private Consumption in Finland,  
1954—1964*

it appears that after the cyclical swings of the earlier years a new, more stable rate of growth is being established. The growth of residential building has been substantial throughout the year, and at the moment it must be regarded as the most expansionary component of total fixed investment. In the first few months of 1965 the number of building permits granted increased almost 20 per cent on the corresponding period last year. On the other hand, the deceleration in the growth rate of industrial building is already noticeable. Although this can to some extent be considered a reflection of the general business outlook, it is obvious that

the recent credit restrictions imposed to counteract the adverse balance of payments have affected industrial building. The growth in the number of building permits granted for industrial and commercial construction seems to be coming to a standstill. Industrial building is nevertheless at so high a level at present that the average growth rate for 1965 is likely to be around 12—13 per cent. It may also be estimated that the growth in the volume of residential building will be of about the same magnitude.

*November 25, 1965*

## BANK OF FINLAND

Mill. mk

	1964		1965			
	Dec. 31	Oct. 30	Oct. 30	Nov. 8	Nov. 15	Nov. 23
<b>BALANCE SHEET</b>						
<b>Assets</b>						
<i>Ordinary note cover</i> .....	1 049.7	966.2	849.5	851.5	851.1	848.0
Gold .....	189.6	143.1	188.0	188.0	188.0	188.0
Foreign exchange .....	783.8	751.3	582.9	586.6	585.3	581.8
Foreign bills .....	29.7	26.9	48.6	47.9	48.8	49.2
Foreign bonds .....	46.6	44.9	30.0	29.0	29.0	29.0
<i>Supplementary note cover</i> .....	570.7	508.2	719.2	724.0	726.4	761.5
Inland bills discounted						
In foreign currency .....	55.2	58.9	48.2	48.2	48.2	48.2
In Finnish currency .....	67.1	41.6	29.8	29.7	30.2	32.1
Rediscounted bills .....	448.4	407.7	641.2	646.1	648.0	681.2
<i>Other assets</i> .....	97.4	110.1	131.6	115.9	107.5	140.4
Finnish bonds .....	35.8	28.9	43.9	18.7	10.7	34.7
Cheque accounts .....	2.5	9.6	2.8	2.3	1.4	12.9
Finnish coin .....	3.8	7.2	6.5	6.6	6.8	6.8
Other claims .....	55.3	64.4	78.4	88.3	88.6	86.0
Total	1 717.8	1 584.5	1 700.3	1 691.4	1 685.0	1 749.9
<b>Liabilities</b>						
<i>Notes in circulation</i> .....	1 002.7	964.0	980.2	974.2	957.0	965.1
<i>Liabilities payable on demand</i> .....	186.8	89.7	155.1	136.5	146.6	201.9
Foreign exchange accounts .....	84.7	20.8	85.5	90.5	96.2	102.1
Mark accounts of holders abroad .....	28.5	25.9	12.4	12.2	12.1	11.9
Cheque accounts						
Treasury .....	5.4	7.7	11.6	6.9	0.9	35.4
Post Office Savings Bank .....	49.6	33.5	21.8	4.6	7.0	30.3
Private banks .....	16.4	—	2.0	0.0	8.3	—
Other .....	0.7	0.4	1.9	1.4	1.2	1.3
Other sight liabilities .....	1.5	1.4	19.9	20.9	20.9	20.9
<i>Term liabilities</i> .....	55.4	58.0	60.0	60.0	60.0	60.0
Foreign .....	54.3	56.9	48.4	48.4	48.4	48.4
Finnish .....	1.1	1.1	11.6	11.6	11.6	11.6
<i>Equalization accounts</i> .....	261.8	267.0	282.1	297.5	297.4	298.6
<i>Bank's own funds</i> .....	211.1	205.8	222.9	223.2	224.0	224.3
Capital .....	100.0	100.0	100.0	100.0	100.0	100.0
Reserve fund .....	84.8	84.8	97.9	97.9	97.9	97.9
Profits undisposed .....	—	—	—	—	—	—
Earnings less expenses .....	26.3	21.0	25.0	25.3	26.1	26.4
Total	1 717.8	1 584.5	1 700.3	1 691.4	1 685.0	1 749.9
<b>STATEMENT OF NOTE ISSUE</b>						
<b>Right of note issue</b>						
<i>Ordinary cover</i> .....	1 049.7	966.2	849.5	851.5	851.1	848.0
<i>Supplementary cover</i> .....						
(Upper limit 500 mill. mk) .....	500.0	500.0	500.0	500.0	500.0	500.0
Total	1 549.7	1 466.2	1 349.5	1 351.5	1 351.1	1 348.0
<b>Note issue</b>						
<i>Notes in circulation</i> .....	1 002.7	964.0	980.2	974.2	957.0	965.1
<i>Liabilities payable on demand</i> .....	186.8	89.7	155.1	136.5	146.6	201.9
Undrawn on cheque credits .....	5.0	5.0	4.3	4.7	5.6	5.5
Unused right of note issue .....	355.2	407.5	209.9	236.1	241.9	175.5
Total	1 549.7	1 466.2	1 349.5	1 351.5	1 351.1	1 348.0

Rediscount rate since April 28, 1962, 7 per cent

## BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net claims on the Treasury (7+8-9)
	1	2	3	4	5	6	7	8	9	10
1957	384.3	45.7	338.6	176.5	201.9	313.2	160.2	- 39.7	51.4	69.1
1958	575.6	21.8	553.8	126.2	160.1	519.9	90.3	- 51.6	71.5	- 32.8
1959	730.7	21.2	709.5	92.5	158.4	643.6	103.3	37.6	64.2	76.7
1960	686.0	40.6	645.4	67.0	142.7	569.7	37.5	32.4	61.9	8.0
1961	691.5	13.4	678.1	87.5	128.4	637.2	27.7	5.9	1.1	32.5
1962	637.7	17.1	620.6	67.7	114.9	573.4	-	28.9	5.5	23.4
1963	752.2	18.2	734.0	65.6	100.5	699.1	-	18.9	0.2	18.7
1964	973.4	84.7	888.7	76.3	82.8	882.2	-	8.9	5.4	3.5
1964										
Sept.	879.1	19.2	859.9	66.9	85.5	841.3	-	18.9	4.3	14.6
Oct.	894.4	20.8	873.6	71.8	82.8	862.6	-	18.9	7.7	11.2
Nov.	913.0	40.1	872.9	77.6	85.7	864.8	-	8.9	4.7	4.2
Dec.	973.4	84.7	888.7	76.3	82.8	882.2	-	8.9	5.4	3.5
1965										
Jan.	991.6	94.7	896.9	75.1	70.8	901.2	-	8.9	2.5	6.4
Feb.	982.2	104.3	877.9	74.3	70.6	881.6	-	8.9	1.4	7.5
March	904.8	102.0	802.8	69.0	70.0	801.8	-	8.9	-	8.9
April	866.8	94.6	772.2	70.6	67.9	774.9	-	8.9	1.6	7.3
May	776.5	74.4	702.1	67.5	65.9	703.7	-	8.9	-	8.9
June	688.9	55.8	633.1	86.9	64.3	655.7	-	8.9	28.9	- 20.0
July	697.3	39.1	658.2	83.4	64.7	676.9	-	8.9	1.4	7.5
Aug.	710.2	70.9	639.3	82.2	64.0	657.5	-	8.9	6.1	2.8
Sept.	663.8	69.6	594.2	78.9	61.6	611.5	-	8.9	15.1	- 6.2
Oct.	770.9	85.5	685.4	78.6	60.8	703.2	-	8.9	11.6	- 2.7

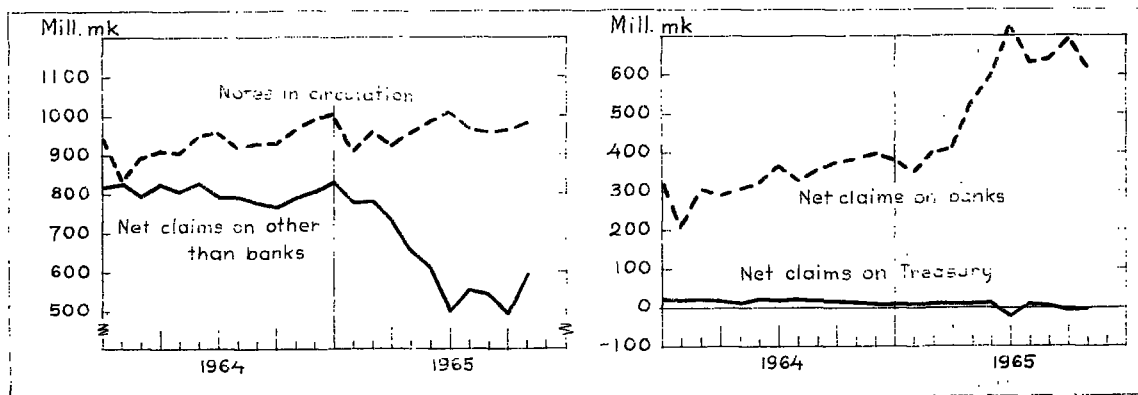
## Foreign exchange situation, mill. mk

	Net holdings, Dec. 31, 1964			Net holdings, Oct. 30, 1965			Change in	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	October	Jan.-Oct.
Gold .....	273	-	273	271	-	271	-	-2
Convertible currencies .....	708	-74	634	521	-156	365	+7	-269
Other currencies .....	-9	1	-8	-24	2	-22	-12	-14
Gold and foreign exchange .....	972	-73	899	768	-154	614	-5	-285
Gold tranche position in IMF ..			46			46	-	-
Total .....			945			660	-5	-285

## BANK OF FINLAND

Mill. mk

End of year and month	Finnish credit institutions				Other					Notes in circulation
	Redis-counted bills	Liabilities, Cheque accounts			Net claims on the banks (1-2-3-4)	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the rest of economy (6+7-8)	
		Private banks	Post Office Savings Bank	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
1957	249.1	24.1	—	-0.4	225.4	129.1	144.2	5.6	267.7	606.4
1958	187.1	14.7	—	20.8	151.6	88.2	143.0	5.3	225.9	650.8
1959	47.2	38.6	—	2.5	6.1	38.9	105.0	3.9	140.0	694.4
1960	205.1	16.8	—	1.6	186.7	72.3	109.5	3.5	178.3	727.4
1961	294.6	44.7 <sup>1)</sup>	4.4 <sup>1)</sup>	12.5	233.0	70.8	107.3	2.9	175.2	837.1
1962	401.2	-4.0	53.3	0.8	351.1	33.5	99.6	4.1	129.0	774.4
1963	325.3	1.3	3.0	1.2	319.8	57.2	94.4	1.7	149.9	943.7
1964	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1964										
Sept.	388.2	-1.6	14.2	1.3	374.3	24.3	103.9	3.4	124.8	927.3
Oct.	407.7	-7.1	33.5	0.9	380.4	41.6	105.8	0.9	146.5	964.0
Nov.	394.2	-6.8	5.4	1.0	394.6	55.6	111.2	3.1	163.7	989.9
Dec.	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1965										
Jan.	357.3	5.9	2.5	1.2	347.7	48.3	118.8	32.9	134.2	910.2
Feb.	416.6	18.1	1.6	1.1	395.8	48.4	114.1	34.2	128.3	959.2
March	431.7	19.5	0.6	2.0	409.6	40.0	134.2	32.3	141.9	921.3
April	548.5	0.8	19.3	1.4	527.0	23.6	125.0	31.9	116.7	958.1
May	596.8	-0.8	0.8	1.1	595.7	11.8	141.6	32.2	121.2	983.7
June	776.8	10.0	41.6	2.1	723.1	7.6	134.6	32.6	109.6	1 010.3
July	646.1	4.4	10.7	2.2	628.8	9.5	138.5	32.6	115.4	965.5
Aug.	644.7	1.2	7.0	2.7	633.8	7.0	137.3	31.5	112.8	957.5
Sept.	700.7	0.2	8.3	2.1	690.1	16.6	137.0	34.0	119.6	962.9
Oct.	641.2	2.0	21.8	0.1	617.3	29.8	119.4	32.2	117.0	980.2

<sup>1)</sup> Including cash reserve accounts

## DEPOSITS BY THE PUBLIC - FOREIGN EXCHANGE RATES

Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. credit societies & their cen- tral bank	Post Office Savings Bank	Savings depart- ments of co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
1	2	3	4	5	6	7	8	9	10	
1954	349.1	421.1	132.2	834.4	921.7	520.5	300.8	134.2	2 712.0	3 265.3
1955	365.9	442.8	118.5	977.9	1 085.4	611.4	330.7	152.6	3 158.4	3 719.7
1956	386.1	459.6	138.4	968.1	1 124.0	635.3	341.6	160.1	3 229.5	3 827.5
1957	377.1	461.4	139.3	1 032.2	1 178.6	671.1	339.6	168.2	3 390.1	3 990.8
1958	395.7	495.8	167.7	1 222.6	1 312.6	742.7	381.7	191.9	3 851.8	4 515.3
1959	557.5	678.1	140.9	1 505.5	1 525.5	860.3	431.2	219.1	4 541.9	5 360.9
1960	550.8	680.7	135.9	1 813.6	1 798.6	1 052.5	485.2	254.3	5 404.5	6 221.1
1961	577.9	720.8	143.8	2 105.9	2 079.6	1 241.0	558.2	285.3	6 270.3	7 134.9
1962	649.0	800.8	168.5	2 270.4	2 210.8	1 325.5	606.6	293.2	6 706.7	7 676.0
1963	715.3	876.0	250.3	2 441.0	2 336.6	1 448.0	648.5	310.7	7 185.0	8 311.3
1964	683.3	855.4	296.5	2 816.7	2 614.7	1 681.4	713.8	331.4	8 158.2	9 310.1
1964										
Oct.	643.6	791.4	256.2	2 630.2	2 483.0	1 591.5	673.1	320.5	7 698.5	8 746.1
Nov.	668.8	833.3	284.8	2 662.7	2 515.4	1 621.2	676.7	323.4	7 800.0	8 918.1
Dec.	683.3	855.4	296.5	2 816.7	2 614.7	1 681.4	713.8	331.4	8 158.2	9 310.1
1965*										
Jan.	669.9	822.1	285.0	2 849.8	2 666.0	1 711.1	723.5	334.6	8 285.2	9 392.3
Feb.	632.2	775.8	367.3	2 885.6	2 715.3	1 760.2	734.6	339.9	8 435.8	9 578.9
March	680.4	837.5	320.1	2 917.3	2 756.0	1 800.1	744.5	344.9	8 562.9	9 720.5
April	629.5	783.0	294.8	2 936.0	2 760.1	1 815.0	739.6	343.5	8 594.4	9 672.2
May	678.6	853.8	296.0	2 959.6	2 765.6	1 831.7	732.2	341.9	8 631.2	9 781.0
June	661.7	823.9	279.2	2 954.1	2 733.2	1 811.8	726.4	339.1	8 564.8	9 667.9
July	646.7	803.4	247.5	2 979.8	2 750.6	1 803.2	731.1	338.5	8 620.9	9 671.8
Aug.	695.1	866.7	239.6	2 980.9	2 767.5	1 832.6	728.5	337.9	8 647.4	9 753.7
Sept.	688.3	866.7	248.9	2 987.9	2 790.6	1 852.5	732.7	343.4	8 707.2	9 822.8
Oct.	598.7	766.8	232.8	2 992.2	2 809.2	1 860.0	735.4	347.7	8 744.5	9 744.1

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

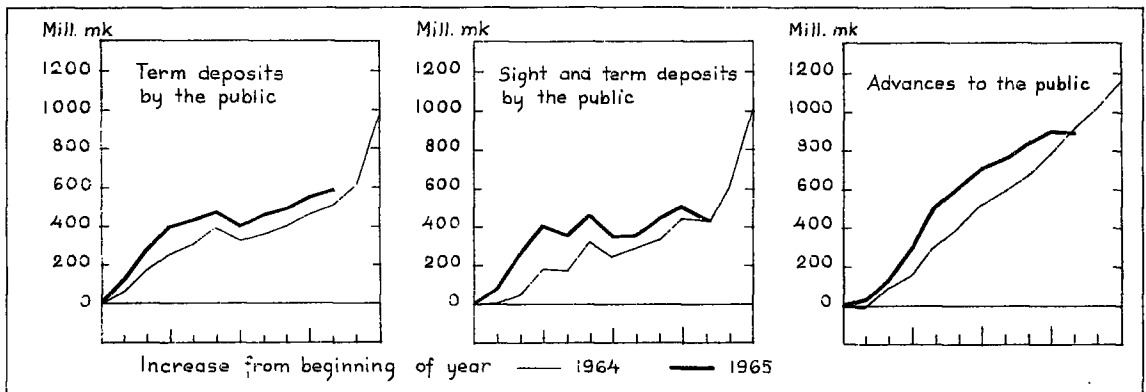
Selling rates for foreign exchange					
Nov. 25, 1965					
		mk	mk		
New York ...	1 \$	3.224	Zurich ..... 100 Fr	74.64	
Montreal .....	1 \$	3.000	Paris .....	100 FF	65.80
London .....	1 £	9.040	Rome .....	100 Lit	0.5163
Stockholm ...	100 Kr	62.34	Vienna ...	100 S	12.49
Oslo .....	100 Kr	45.14	Lisbon .....	100 Esc	11.28
Copenhagen ..	100 Kr	46.79	Reykjavik ....	100 Kr	7.50
Frankfurt o.M.	100DM	80.60	Madrid .....	100 Pta	5.42
Amsterdam ...	100 Fl	89.49	Moscow, clear. <sup>1)</sup>	1 Rbl	3.5667
Brussels .....	100 Fr	6.497	Clearing dollars <sup>2)</sup>	1 Cl \$	3.21

<sup>1)</sup> Bucharest, Peking.<sup>2)</sup> Ankara, Athens, Berlin, Bogota, Budapest, Prague, Sofia, Warsaw.

ADVANCES TO THE PUBLIC - MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Post Office Savings Bank	Co-op. credit societies & their central bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1954	1 289.6	824.5	221.2	647.0	127.7	2 915.1	194.9	3 110.0	995.6
1955	1 554.4	964.5	248.7	728.7	136.0	3 398.0	234.3	3 632.3	1 043.0
1956	1 626.6	1 028.3	262.3	767.6	146.9	3 578.0	253.7	3 831.7	1 160.0
1957	1 603.8	1 066.4	260.5	780.6	157.2	3 630.0	238.5	3 868.5	1 170.7
1958	1 745.4	1 154.8	290.3	835.1	219.3	4 011.5	233.4	4 244.9	1 302.3
1959	2 096.9	1 327.2	331.4	967.3	325.8	4 772.7	275.9	5 048.6	1 448.4
1960	2 604.6	1 549.3	395.0	1 176.0	452.2	5 861.9	315.2	6 177.1	1 494.6
1961	3 048.0	1 817.6	436.8	1 462.7	515.2	6 928.2	352.1	7 280.3	1 646.1
1962	3 299.9	2 018.5	508.7	1 600.6	614.7	7 680.8	361.6	8 042.4	1 722.5
1963	3 472.5	2 134.5	544.0	1 757.7	664.3	8 226.2	346.8	8 573.0	1 986.5
1964	3 916.4	2 318.0	607.7	2 057.5	829.4	9 320.5	408.5	9 729.0	2 042.5
1964									
Oct.	3 791.0	2 296.0	611.6	1 983.7	810.2	9 067.4	425.1	9 492.5	1 933.0
Nov.	3 819.3	2 322.2	607.8	2 028.0	824.7	9 203.3	398.7	9 602.0	2 012.2
Dec.	3 916.4	2 318.0	607.7	2 057.5	829.4	9 320.5	408.5	9 729.0	2 042.5
1965*									
Jan.	3 900.7	2 337.6	614.6	2 078.1	827.5	9 342.4	416.1	9 758.5	1 939.8
Feb.	3 944.4	2 357.1	623.6	2 100.4	830.1	9 437.5	418.1	9 855.6	2 009.2
March	4 049.1	2 379.6	633.0	2 128.6	838.0	9 594.4	433.9	10 028.3	1 996.6
April	4 187.6	2 396.9	637.0	2 170.2	843.0	9 786.3	448.4	10 234.7	1 947.9
May	4 196.4	2 433.6	647.6	2 208.7	850.4	9 917.8	418.9	10 336.7	2 039.1
June	4 234.0	2 448.2	655.5	2 240.9	862.8	9 994.7	446.7	10 441.4	2 023.9
July	4 202.3	2 473.6	681.0	2 270.7	868.0	10 066.1	429.5	10 495.6	1 946.9
Aug.	4 210.8	2 492.5	689.2	2 302.2	871.7	10 120.3	446.1	10 566.4	1 990.0
Sept.	4 184.9	2 547.9	697.3	2 323.4	876.2	10 186.7	443.0	10 629.7	1 999.5
Oct.	4 160.1	2 584.3	713.8	2 261.7	893.2	10 140.8	472.3	10 613.1	..

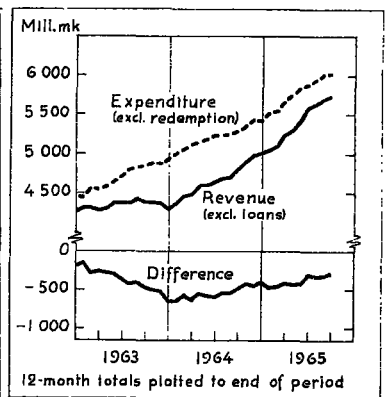


STATE FINANCES

Mill. mk

Revenue	Jan. - Sept.		Expenditure	Jan. - Sept.	
	1964	1965		1964	1965
Income and property tax (net) .....	1 068	1 191	Interest on State debt .....	98	130
Gross receipts .....	(2 300)	(2 656)	Child allowances .....	228	228
Refunds and communal income tax .....	(-1 232)	(-1 465)	The State's share in national pensions .....	172	186
Other direct taxes .....	15	15	Compensations to war-disabled .....	95	100
Sales tax .....	694	1 019	Subsidies .....	416	420
Import duties .....	363	391	Net payments on price equalization by extra-budgetary funds .....	8	4
Revenue from Alcohol Monopoly .....	280	322	State aid to agriculture .....	46	46
Excise duty on tobacco .....	216	229	State aid to communal and private schools .....	330	377
Excise duty on liquid fuel .....	151	250	Net loss of State enterprises .....	23	30
Other excise duties .....	69	63	Maintenance of roads .....	99	118
Tax on automobiles and motor cycles .....	116	145	Other current expenditure .....	1 368	1 633
Purchase tax on motor vehicles .....	—	33	<b>Current expenditure</b> .....	2 883	3 272
Stamp duties .....	184	123	Real investments .....	789	902
Employers' payments for child allow- ances .....	259	303	Other capital expenditure .....	353	444
Net receipts of price equalization by extra-budgetary funds .....	—	—	<b>Capital expenditure</b> .....	1 142	1 346
Other revenue similar to taxes .....	52	63	<b>Total expenditure</b> .....	4 025	4 618
<b>Total taxes</b> .....	3 467	4 147	Redemption of external loans .....	35	78
Interest and dividends .....	65	76	Redemption of internal loans .....	160	247
Other current revenue .....	126	169	Redemption of indemnity bonds etc .....	4	4
<b>Current revenue</b> .....	3 658	4 392	Index premiums .....	12	22
Capital revenue proper .....	95	117	<b>Redemptions</b> .....	211	351
Decrease in inventories .....	81	59	<b>Total</b> .....	4 236	4 969
<b>Capital revenue</b> .....	176	176			
<b>Total revenue</b> .....	3 834	4 568			
External loans .....	181	13			
Internal loans .....	217	334			
<b>Loans</b> .....	398	347			
Short-term credit (increase + ..	+ 32	+ 31			
<b>Deficit (+) or surplus (-)</b> .....	-28	+23			
<b>Total</b> .....	4 236	4 969			

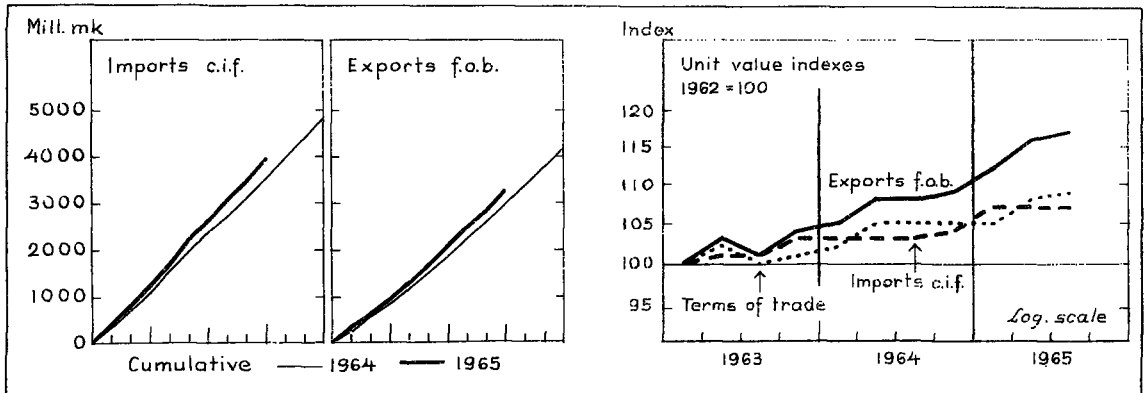
Debt	1962		1963		1964		1965	
	Dec.	Dec.	Dec.	Dec.	July	Aug.	Sept.	Oct.*
<b>External debt</b> ...	803	963	1 184	1 140	1 130	1 122	1 168	
Ordinary loans ...	936	1 109	1 205	1 226	1 261	1 292	1 313	
Indemnity bonds etc.	18	11	7	204	204	203	203	
Short-term credit ..	61	160	325	362	359	356	343	
Cash debt (net) ...	-125	78	23	74	73	55	..	
<b>Internal debt</b> ...	890	1 358	1 560	1 866	1 897	1 906	..	
<b>Total debt</b> .....	1 693	2 321	2 744	3 006	3 027	3 028	..	
Total debt, mill. \$	525.4	720.8	852.8	932.4	938.8	939.0	..	





**FOREIGN TRADE**

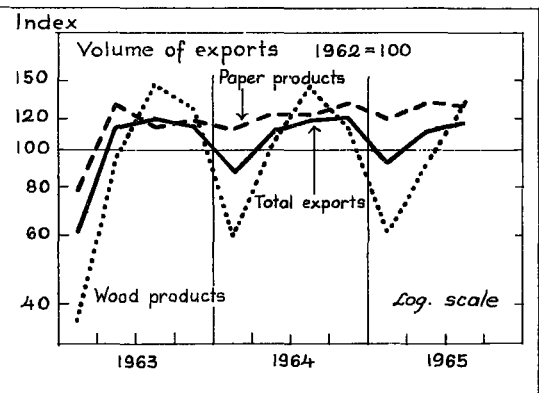
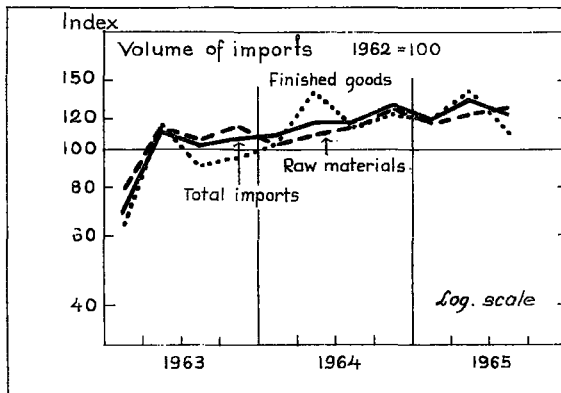
Period	Value mill. mk			Unit value indexes 1962 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
1961	3 690.2	3 374.0	-316.2	102	99	103	104	100	99	103
1962	3 928.7	3 533.1	-395.6	100	100	100	100	100	100	100
1963	3 866.9	3 678.0	-188.9	102	96	104	100	105	101	101
1964	4 816.1	4 132.0	-684.1	108	109	111	104	113	103	105
Jan.-Sept.										
1963	2 795.5	2 629.6	-165.9							
1964	3 516.0	2 979.9	-536.1							
1965*	3 922.2	3 274.2	-648.0							
1964										
July	362.9	368.6	+ 5.7	108	111	112	105	113	103	105
Aug.	390.2	349.3	- 40.9							
Sept.	422.3	408.4	- 13.9							
Oct.	418.8	400.8	- 18.0							
Nov.	432.8	367.2	- 65.6							
Dec.	448.8	383.9	- 64.9	109	116	115	105	112	104	105
1965*										
Jan.	383.9	317.3	- 66.6	112	114	118	105	119	107	105
Feb.	405.2	267.8	-137.4							
March	455.1	337.5	-117.6							
April	434.8	341.3	- 93.5							
May	530.0	395.2	-134.8							
June	434.0	404.8	- 29.2							
July	428.3	398.2	- 30.1							
Aug.	387.2	386.8	- 0.4	117	121	125	107	135	107	109
Sept.	463.7	425.3	- 38.4							



## FOREIGN TRADE BY MAIN GROUPS

Mill. mk

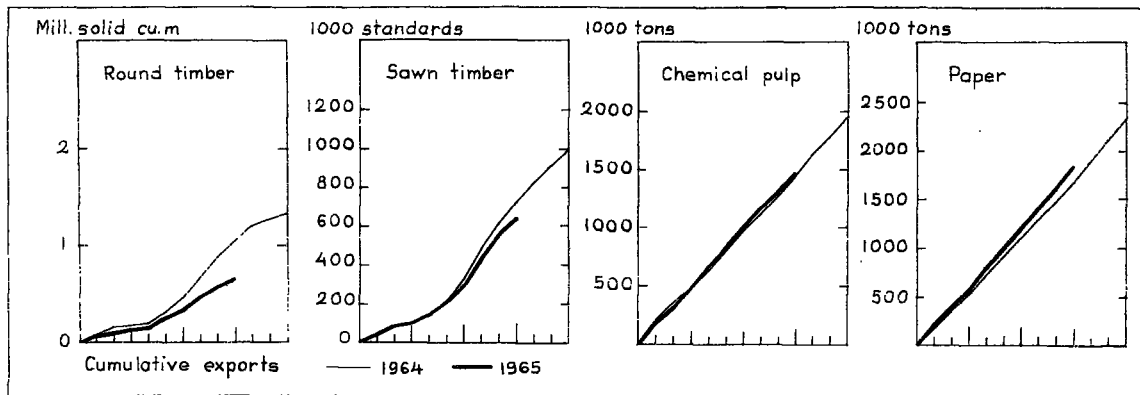
Period	Imports, c. i. f.				Exports, f. o. b.					
	Raw materials and producer goods	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal engineering industry products	Other goods
			Investment goods	Consumer goods						
1961	1 711.2	329.9	1 034.4	614.7	153.5	295.8	840.8	1 539.1	386.3	158.5
1962	1 762.6	371.2	1 144.9	650.0	144.5	189.5	770.3	1 588.8	662.6	177.4
1963	1 827.5	373.3	1 004.3	661.8	164.8	112.8	811.8	1 752.2	613.8	222.6
1964	2 110.7	508.4	1 395.8	801.2	230.4	89.8	895.8	2 019.5	610.5	286.0
Jan.-Sept.										
1963	1 315.1	261.0	739.2	480.2	113.2	87.3	555.9	1 278.3	443.0	151.9
1964	1 524.9	365.9	1 037.2	588.0	173.6	69.2	645.4	1 474.0	419.7	198.0
1965*	1 744.7	375.6	1 153.1	648.8	180.3	46.7	669.7	1 604.9	521.9	250.7
1964										
May	167.7	50.6	114.9	65.5	23.1	7.1	67.5	173.7	37.2	26.7
June	182.9	31.0	126.7	71.8	17.5	8.4	97.1	163.0	55.0	25.4
July	164.7	31.4	114.7	52.1	18.1	13.3	116.9	156.6	40.9	22.8
Aug.	182.4	48.0	109.6	50.2	19.9	14.9	95.7	166.8	28.1	23.9
Sept.	187.8	44.4	123.4	66.7	17.2	11.6	97.4	186.1	68.2	27.9
Oct.	179.1	36.4	131.7	71.6	16.7	9.0	89.0	192.1	67.5	26.5
Nov.	202.8	54.7	105.9	69.4	11.7	6.7	86.2	173.3	56.9	32.4
Dec.	203.9	51.5	121.3	72.1	28.4	4.9	75.2	180.1	66.2	29.1
1965*										
Jan.	184.9	33.2	110.4	55.4	24.3	3.7	60.3	169.0	39.9	20.1
Feb.	172.2	31.4	128.1	73.5	13.7	2.6	40.4	143.9	45.2	22.0
March	199.2	46.0	126.7	83.2	25.6	2.2	37.6	188.7	60.7	22.7
April	177.6	47.8	138.2	71.2	17.2	2.4	55.2	195.8	46.4	24.3
May	209.1	34.4	188.1	98.4	29.2	6.2	69.9	173.4	84.5	32.0
June	195.1	48.7	124.1	66.1	18.4	6.1	89.2	185.0	73.1	33.0
July	203.8	35.2	128.0	61.3	16.0	9.4	116.5	170.6	58.6	27.1
Aug.	179.6	51.3	96.7	59.6	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



March 1963 figures are affected by strikes.

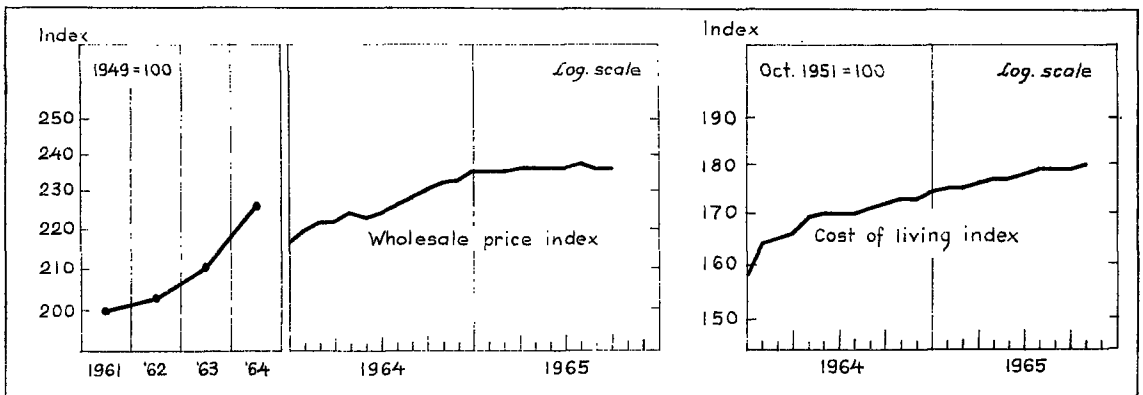
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber	Sawn timber	Veneers and plywood	Mechanical pulp	Sulphite pulp	Sulphate pulp	Board	Fibre building board	Newsprint	Paper, all kinds
	1 000 solid cu. m	1 000 stds	1 000 cu. m	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons
1961	5 955	1 106	329	160	872	569	154	146	846	1 806
1962	3 681	1 010	357	150	828	731	153	152	870	1 980
1963	2 108	977	384	173	861	893	171	161	882	2 126
1964	1 319	990	440	175	971	979	194	165	989	2 309
Jan.-Sept.										
1963	1 681	681	279	125	640	667	127	114	630	1 540
1964	1 045	727	314	128	729	716	129	120	699	1 679
1965*	652	639	336	115	695	766	132	106	790	1 851
1964										
May	122	69	43	13	82	97	14	15	81	195
June	143	122	31	20	87	84	15	12	83	182
July	218	156	31	11	69	67	13	10	76	195
Aug.	202	125	27	12	90	75	15	10	76	188
Sept.	169	116	39	14	82	91	15	13	96	201
Oct.	140	97	41	17	86	97	17	15	100	219
Nov.	76	93	41	13	77	73	20	15	97	219
Dec.	58	73	44	17	79	93	28	15	93	192
1965*										
Jan.	62	52	44	13	91	95	13	14	83	189
Feb.	35	25	37	15	60	54	14	14	75	190
March	26	22	37	15	92	82	15	10	81	209
April	31	41	41	16	78	91	16	16	101	225
May	109	63	40	11	68	100	15	12	80	198
June	79	91	39	14	74	94	14	13	93	203
July	131	137	24	9	75	81	14	8	79	193
Aug.	102	114	32	11	77	90	14	11	94	213
Sept.	77	94	42	11	80	79	17	8	104	231



## FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c.i.f.					Exports, f.o.b.				
	Whole year		Jan. - Sept.			Whole year		Jan. - Sept.		
	1963	1964	1964	1965*		1963	1964	1964	1965*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
<b>Sterling area</b> .....	15.8	15.3	15.6	15.5	608.0	23.6	25.3	25.9	23.9	782.6
United Kingdom .....	15.3	14.8	15.1	15.0	588.0	21.5	23.0	23.5	21.7	710.0
<b>Other OECD countries</b>										
<b>in Europe</b> .....	53.0	52.7	53.2	55.7	2 182.6	43.9	45.9	45.2	44.7	1 463.7
Austria .....	0.7	0.7	0.7	0.8	30.0	0.3	0.4	0.4	0.2	7.8
Belgium-Luxembourg .....	2.2	2.0	0.2	2.3	90.8	3.3	3.5	3.4	3.2	103.9
Denmark .....	3.3	3.0	2.9	3.0	116.0	3.5	3.7	3.7	4.0	130.7
France .....	4.3	5.5	5.7	4.3	171.0	5.0	5.8	5.7	4.4	145.2
Western Germany .....	18.0	17.3	17.5	19.6	769.1	12.0	11.6	11.3	11.3	370.9
Italy .....	2.0	1.8	1.9	1.9	75.4	3.2	3.0	2.9	3.1	100.9
Netherlands .....	4.7	4.0	3.8	4.3	167.4	6.3	6.8	6.7	6.1	200.8
Norway .....	1.6	1.5	1.6	1.8	68.7	0.8	0.9	0.8	1.1	36.6
Portugal .....	0.2	0.2	0.3	0.2	9.2	0.1	0.1	0.1	0.2	6.8
Spain .....	0.4	0.5	0.5	0.5	20.3	0.9	0.9	0.9	1.0	32.3
Sweden .....	11.9	12.7	12.4	13.6	532.9	5.7	6.4	6.6	7.1	231.0
Switzerland .....	2.9	2.8	2.8	2.7	104.6	0.7	0.8	0.8	0.7	21.7
<b>Eastern Bloc</b> .....	21.7	22.4	21.9	19.0	746.6	20.8	17.5	17.2	19.9	651.7
China .....	0.2	0.4	0.5	0.4	14.9	0.5	0.5	0.5	0.6	19.3
Czechoslovakia .....	0.7	0.6	0.7	0.7	28.2	0.9	0.4	0.5	0.5	17.9
Eastern Germany .....	1.1	1.0	1.0	0.9	35.9	1.0	1.0	1.0	0.8	27.8
Poland .....	2.0	2.0	1.9	1.8	70.0	1.7	2.0	1.8	2.5	81.5
Soviet Union .....	16.9	17.6	16.9	14.6	573.4	16.0	12.1	11.8	14.5	473.1
<b>U.S. and Canada</b> .....	5.3	5.0	5.1	5.2	204.9	5.4	5.9	6.0	6.3	206.7
United States .....	4.9	4.8	4.9	5.0	198.0	5.2	5.7	5.8	6.1	199.7
<b>Latin America</b> .....	2.9	3.0	3.1	2.4	92.8	2.9	2.7	2.8	2.7	89.0
Argentina .....	0.5	0.3	0.4	0.4	14.1	0.6	0.8	0.7	0.9	30.0
Brazil .....	1.6	1.6	1.6	1.1	42.5	0.7	0.5	0.5	0.3	10.5
Colombia .....	0.5	0.6	0.6	0.4	16.9	0.6	0.5	0.6	0.7	22.3
<b>Other</b> .....	1.3	1.6	1.1	2.2	87.3	3.4	2.7	2.9	2.5	80.5
<b>Grand total</b> .....	100.0	100.0	100.0	100.0	3 922.2	100.0	100.0	100.0	100.0	3 274.2
<b>of which</b>										
<b>EFTA countries</b> .....	36.0	35.8	35.7	37.0	1 449.5	32.6	35.4	35.9	35.0	1 144.6
<b>EEC countries</b> .....	31.2	30.5	32.5	32.5	1 273.7	29.8	30.6	30.0	28.2	921.7



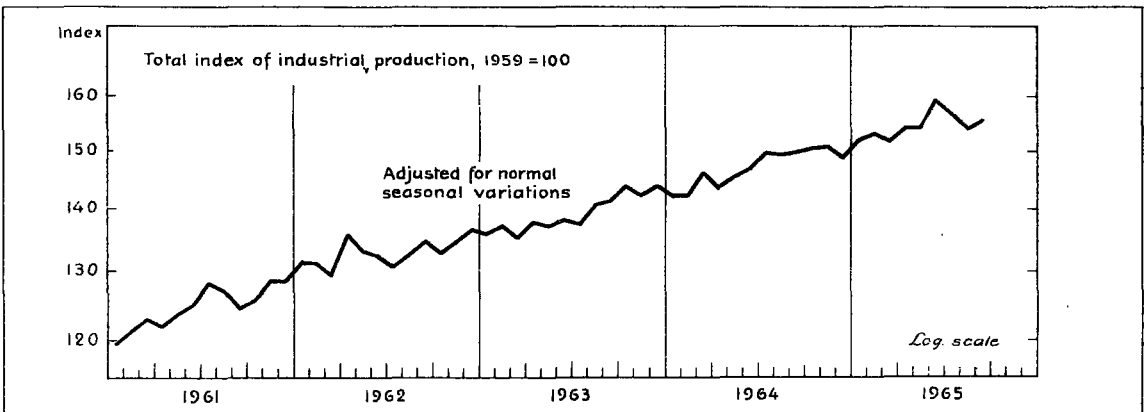
## PRICE INDEXES

Period	Wholesale prices 1949 = 100									Building costs 1951 = 100		
	Total index	Origin		Purpose			Stage of processing			Total	Building material	Workers' average hourly earnings
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply processed goods	More elab- orately processed goods			
1962	203	205	196	209	203	197	217	200	198	132	114	156
1963	210	212	201	214	211	205	226	203	205	140	118	171
1964	226	231	210	228	214	227	250	218	218	150	120	192
1964												
Oct.	232	237	212	236	217	230	260	223	220	153	122	200
Nov.	233	238	213	238	220	230	260	225	222	153	123	198
Dec.	235	240	213	238	222	233	263	225	224	154	123	199
1965												
Jan.	235	240	216	240	222	231	264	228	222	156	123	202
Feb.	235	240	216	240	222	232	264	228	222	156	123	204
March	236	242	216	240	222	235	266	229	223	157	125	207
April	236	242	213	240	222	234	268	222	222	158	125	210
May	236	242	213	242	223	231	268	229	222	159	125	212
June	236	242	213	242	223	231	266	229	222	159	125	212
July	237	243	213	242	224	233	269	228	223	159	125	209
Aug.	236	242	214	242	224	232	267	228	223	159	125	212
Sept.	236	241	213	241	224	231	265	228	223	159	125	209
Oct.	236	242	213	242	224	231	266	228	223	159	125	210

Period	Cost of living Oct. 1951 = 100						Consumer prices Oct.—Dec. 1957 = 100					
	Total	Food- stuffs	Rent	Heating and lighting	Clothing	Other	Total	Food- stuffs	Rent	Heating and lighting	Clothing	Other
1962	147	156	327	103	90	143	115	115	121	100	112	117
1963	154	164	346	108	93	151	121	120	128	105	115	123
1964	170	184	364	114	107	164	133	135	135	110	132	134
1964												
Oct.	173	187	372	114	108	167	135	137	138	111	134	136
Nov.	173	188	372	114	108	167	136	138	138	111	134	136
Dec.	174	189	372	114	109	168	136	139	138	111	135	137
1965												
Jan.	175	189	372	114	109	170	137	139	138	111	135	139
Feb.	175	190	372	114	109	170	137	140	138	111	136	139
March	176	194	372	114	108	171	138	142	138	111	135	139
April	177	194	373	115	108	171	139	142	138	111	135	140
May	177	195	373	114	108	172	139	143	138	111	135	140
June	178	197	373	114	109	172	140	145	138	111	135	140
July	179	199	375	115	109	173	141	146	139	111	135	141
Aug.	179	199	375	115	109	173	141	146	139	111	135	141
Sept.	179	197	375	115	110	174	140	145	139	111	136	142
Oct.	180	198	387	115	110	174	142	146	143	111	136	142

## PRODUCTION - INTERNAL TRADE

Period	Index of industrial production 1959 = 100									Commercial timber fellings 1 000 piled cu. m	Wholesale trade volume index 1954 = 100
	Total	Investment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					W & d industry	Paper industry	Metal industry	Other			
1962	133	151	133	127	114	141	144	126	133	47 499	160
1963	138	144	141	131	121	155	140	133	139	47 780	169
1964*	148	149	154	135	128	170	148	142	147	53 200	156
1964*											
Jan.	147	155	152	132	121	164	153	136	142	5 552	114
Feb.	146	153	150	133	132	164	151	135	142	6 031	143
March	144	147	150	131	125	163	147	136	146	6 500	142
April	156	159	159	147	155	171	158	151	144	5 469	161
May	142	141	147	133	131	165	139	136	146	11 353	154
June	142	149	144	135	141	144	145	140	147	1 863	150
July	115	81	127	100	122	169	85	108	150	1 327	145
Aug.	149	142	152	144	103	175	140	152	149	1 846	170
Sept.	161	167	166	147	125	183	167	154	150	2 335	173
Oct.	165	163	173	147	129	192	165	158	150	2 926	169
Nov.	161	166	170	142	125	184	164	155	151	3 462	164
Dec.	149	162	157	129	127	162	160	138	149	4 536	183
1965*											
Jan.	150	155	159	129	127	176	154	136	152	4 822	120
Feb.	152	163	158	134	136	174	161	139	153	6 095	147
March	168	177	176	149	157	197	174	156	152	6 342	168
April	152	155	157	140	144	168	154	145	154	5 674	188
May	158	156	166	143	147	186	158	148	154	11 698	181
June	147	159	149	140	133	150	158	144	159	2 162	164
July	120	97	131	103	118	174	96	110	157	1 408	155
Aug.	155	140	161	147	112	187	144	154	154	2 122	173
Sept.	167	173	174	152	130	193	172	159	156	2 902	186

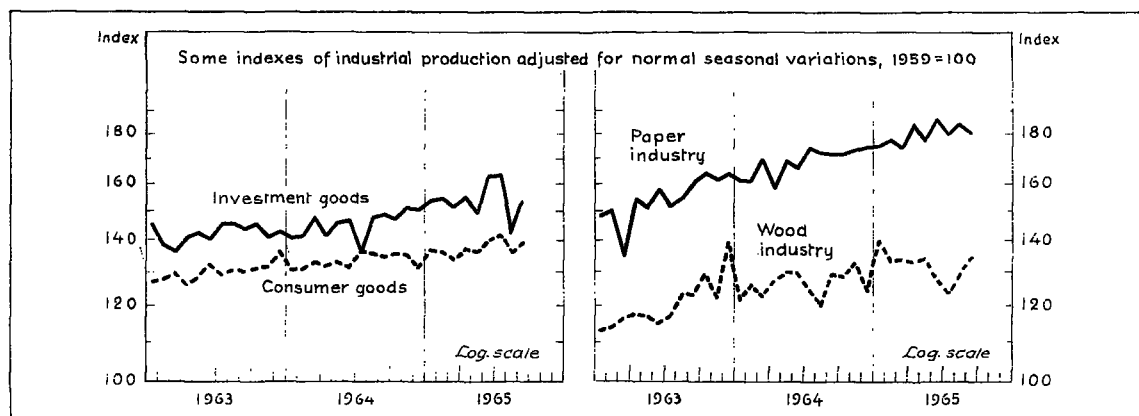


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects

### BUILDING - WAGES - TRANSPORT - EMPLOYMENT

Period	Buildings completed, mill. cu. m					Buildings under construction at end of period mill. cu. m	Index of salary and wage earners' earnings 1957 = 100			
	Total	Dwelling houses	Farm buildings	Commercial and industrial premises	Official buildings		All salary and wage earners	Wage earners in		
								Agriculture	Forestry	Manufacturing
1962	23.18	10.61	2.15	7.11	2.31	25.53	132	120	128	134
1963	25.16	12.81	2.29	6.62	2.44	26.28	145	136	144	143
1964	24.59	10.57	2.43	7.61	2.80	28.55	164	156	172	162
1964										
Apr.-June	4.93	1.83	0.31	1.91	0.66	29.45	164	154	177	162
July-Sept.	6.57	2.47	0.85	1.74	1.05	30.77	165	149	180	163
Oct.-Dec.	8.68	3.97	1.04	2.60	0.69	28.55	169	165	164	167
1965*										
Jan.-Mar.	4.56	1.93	0.23	1.77	0.50	28.08	176	176	180	174
Apr.-June	5.57	2.03	0.40	1.72	1.18	32.67	178	173	181	177

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	
	1964	1965	1964	1965*	1964	1965*	1964	1965*	1964	1965*
Jan.	125	118	576	690	526	549	1 854	1 877	2.7	2.0
Feb.	124	124	544	549	457	451	1 851	1 860	2.3	1.6
March	122	144	533	679	388	493	1 839	1 839	1.8	1.7
April	138	138	588	721	488	601	1 882	1 884	1.5	1.7
May	125	132	755	969	707	772	1 920	1 940	1.1	1.1
June	128	129	994	1 188	963	1 109	1 906	1 955	1.2	1.0
July	128	134	1 156	1 387	1 252	1 313	1 772	1 797	1.1	1.2
Aug.	132	138	1 072	1 357	1 109	1 255	1 862	1 893	1.0	1.2
Sept.	138	143	861	1 124	873	956	1 924	1 957	1.0	1.0
Oct.	140	139	843	1 090	760	867	1 928		1.3	
Nov.	135		909		682		1 905		1.5	
Dec.	116		822		683		1 866		1.7	



## EXPLANATIONS RELATING TO THE STATISTICAL SECTION

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

### BANK OF FINLAND

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

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

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

### DEPOSITS BY THE PUBLIC —

#### ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

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

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

### STATE FINANCES

Page 8. Official monthly figures adjusted by the Bank of Finland Institute for Economic Research. *Revenue and expenditure*: All extra-budgetary funds are included, and figures are reported on a payment basis. — Annual figures will be published in separate articles. *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    o Less than half the final digit shown    . Logically impossible    .. Not available    — Nil

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



## SOME PARTICULARS ABOUT FINLAND

### FORM OF GOVERNMENT

From 1154 to 1809 Finland formed a part of the kingdom of Sweden. It then became an autonomous Grand Duchy connected with Russia until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current period, March 1, 1962, to March 1, 1968, is Urho Kekkonen.

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1962 are as follows: Agrarians 53, People's Democrats 47, Social Democrats 38, Conservatives 32, Swedish Party 14, Finnish People's Party 13, Social Democratic League 2 and Liberal League 1.

### LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. On an average 15.8 % of the land in the South of Finland is cultivated (1960), 2.3 % in the North and 9.2 % of the land as a whole. Of the land area 21.8 mill. ha (\$3.9 mill. acres), or 71.3 %, are covered by forests.

OWNERSHIP OF LAND (1960): The total land area was distributed among different classes of owners approximately as follows: private 60.9 %, State 31.8 %, joint stock companies etc. 5.6 %, communes and parishes 1.7 %.

### POPULATION

NUMBER OF INHABITANTS (1964): 4.6 million. Sweden 7.0, Switzerland 5.8, Denmark 4.7 and Norway 3.7 million.

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

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

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

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

EDUCATION (1964): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 0 colleges of university standard, and 2 teachers' training colleges, besides teacher-training departments in two of the universities.

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

### TRADE AND TRANSPORT

NATIONAL INCOME (1964, in million marks) Gross domestic product at factor cost by industrial origin: agriculture 2 051 (10 %), forestry and fishing 1 953 (9 %), manufacturing 6 160 (29 %), construction 1 969 (9 %), transportation and communication 1 492 (7 %), commerce, banking and insurance 2 739 (13 %), public administration 2 336 (11 %), other services 2 453 (12 %), total 21 153. Index of real domestic product 142 (1957 = 100).

FOREST RESOURCES (1960—1963): The growing stock comprised 1 410 million of solid cu. m incl. bark (49 797 million cu. ft), of which pine 43 % and spruce 38 %, the rest 19 %

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

AGRICULTURE (1960): Cultivated land 2.6 million hectares of which holdings of less than 5 ha. amount to 17 %, 5 to 15 ha. 48 %, 15 to 50 ha. 30 % and more than 50 ha. 5 %. Number of holdings 388 000, of which 184 000 are of more than 5 ha. Index of agricultural production 130 for 1964 (1954 = 100). Measure of self-sufficiency in bread cereals 69 % in the crop year 1963/64.

INDUSTRY (1963): Gross value of industrial production 15 500 mill. marks, number of workers 347 000, salaried employees 73 200, motive power (1963) 4.4 mill. HP. Index of industrial production 138 for 1963 (1959 = 100).

RAILWAYS (Jan. 1, 1965): Length 5 463 km, of which 5 389 km are State and 74 km private railways. The gauge of State railways 1.524 m.

MERCHANT FLEET (Oct. 30, 1965): Steamers 146 (246 760 gross reg. tons), motor vessels 383 (736 551 gross reg. tons), sailing vessels with auxiliary engines 33 (4 258 gross reg. tons). Total 562 (987 569 gross reg. tons).

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

SCHEDULED AIR TRAFFIC OF FINNISH COMPANIES (1964): Kilometres flown 112.0 million, passengers carried 639 700, passenger kilometres 311.2 million, and ton kilometres of freight and mail 5.4 million.

### FINANCE AND BANKING

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

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

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

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

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

# PRIVATE CONSUMPTION IN FINLAND, 1954—1964

BY

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This article gives a survey of the trends in private consumption expenditure in Finland during the last decade. It is partly a direct continuation of the article published in No. 11, 1961 of this Bulletin. The figures given are based mainly on the revised statistics of the official national income accounts.

During 1955—1964, in general, economic development was characterized by a considerable decline in the first half of the period and a subsequent marked expansion. The recession of 1957 and 1958 was partly a reflection of cyclical changes abroad and partly a consequence of domestic stabilization measures implemented to check the strong inflationary pressures and to restore the country's competitive position abroad. The stabilization measures in particular influenced private consumer demand, mainly through a change in the distribution of income. Thus the volume of private consumption expenditure did not exceed the 1957 level until 1960. During the latter half of the period private consumption increased approximately at the same rate as total production. In 1964 private consumption expenditure was 59 per cent higher than in 1954, the per capita increase being 45 per cent (see diagram).

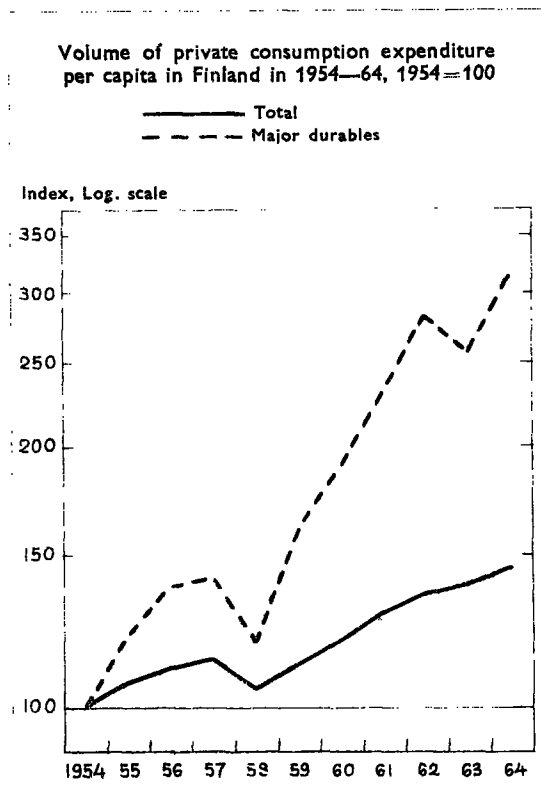
## TRENDS AND PATTERN OF PRIVATE CONSUMPTION

The overall development of private consumption depends in the first place on the

growth of national income or, more precisely, the disposable income of households. The households' propensity to consume, that is the ratio of total consumer goods purchases to disposable income, has on the average remained more or less unchanged if considered over longer periods, although it has shown quite considerable changes from one phase of a business cycle to another.

Although taking a long-term view, the propensity to consume of households has remained fairly stable, the pattern of consumers' expenditure has shown appreciable changes. When incomes rise consumer demand is as a rule increasingly directed towards goods previously considered luxuries. Durable consumer goods are a particularly interesting group, since a great demand for these goods arises only when a large proportion of households have reached a certain level of income enabling them to acquire durables which are expensive to buy or consume. This has been the trend in Finland during the latter half of the period under review. In the late 1950's the beginning of a boom in durables, stimulated by the rapid expansion of the hire-purchase system, was in evidence.

The diagram shows the changes in total private consumer demand and the demand for major durables. The latter group consists mainly of furniture, furnishings and household equipment, and passenger cars and other transport equipment. Housing appears in the national income accounts as capital



formation, only gross rents (actual or imputed) being included in private consumption expenditure.

As shown in the diagram, during 1955—1964 the demand for major durables grew substantially more than total demand for consumer goods. While the volume of minor durables, semi-durables and non-durables increased by 44 per cent and the volume of services by 64 per cent, the increase in the demand for major durables was as much as 240 per cent. The greater part of this increase related to household goods. However, after 1962, when the restrictions on the import of cars were almost completely relaxed, the purchases of passenger cars increased sharply. (Passenger cars are not manufactured in Finland.)

Table 1 gives data on the purchases or the stock of certain important household durables. The demand for TV sets has in

particular increased, mainly with the extension of the transmission network. At present this network is capable of serving 98 per cent of the population. To give some comparative figures, at the end of 1964 there was one TV set to every 7 persons in the country, one telephone to every 6 persons, and one passenger car to every 12 persons. The statistics on wireless licencing are not reliable for assessing the number of wireless sets, since licences are issued per household irrespective of the number of sets owned. (On the other hand, separate licences are required for portable radios and those installed in motor cars; moreover those owning only TV sets also require a radio licence.) As it has been estimated that there were almost 1.4 million households in the country at the end of 1964, it may be assumed that nearly all of them possessed either a wireless or a TV set, and that about half of them had both.

Table 2 shows a more detailed distribution of private consumption expenditure in 1954 and 1964. The breakdown into categories has been effected by grouping together the goods which on the whole satisfy similar wants. The percentages for 1964 have been computed not only at current prices but also at constant prices based on the 1954 price level; this has been done to facilitate arriving at conclusions concerning the effect of changes in relative prices on the pattern of consumption. Figures indicating changes in relative prices of the different categories in 1954—1964 are also separately shown in the last column of the table. These figures are calculated as percentage deviations of the price indexes for different categories from the price index for total private consumption. The price index for total private consumption (1954 = 100) was 158 in 1964. The changes in relative prices were partly a result of the introduction of the revised purchase tax system at the beginning of 1964

## I. DATA INDICATING CONSUMERS' USE OF DURABLES IN 1954 AND 1960—1964

<i>Purchases, in 1 000's</i>	1954	1960	1961	1962	1963	1964
Electrical mixers .....	0.9	13.8	31.9	34.2	43.5	59.8
— small mixers .....	..	..	22.7	29.5	38.8	53.5
Refrigerators .....	15.0	50.0	88.8	89.1	111.5	106.0
Washing machines .....	36.6	54.9	72.9	58.7	51.5	62.3
— automatic .....	..	..	..	2.7	3.7	5.7
Spin-dryers .....	..	10.6	16.9	16.0	16.9	21.5
Vacuum cleaners .....	12.0	56.7	56.6	61.9	66.9	71.4
<i>Stock at year end, in 1 000's</i>						
Radio licences .....	968	1 228	1 290	1 330	1 397	1 456
TV licences .....	—	93	190	336	476	622
Telephones <sup>1)</sup> .....	433	606	654	682	729	778
Passenger cars .....	71	183	217	259	303	376

<sup>1)</sup> The connections of the private branch exchanges (PBX), totalling about 26 000 in 1961, are not included in the total number in 1962—1964.

(see Bulletin No. 1, 1964). Table 2 also shows changes in real per capita consumption expenditure by groups of commodities.

The figures in Table 2 indicate a clear decrease in the share of expenditure on typical necessities — food and clothing — in the last ten years. Against this, the share of tobacco grew to a marked extent, although this was only because the price of tobacco, or more accurately the excise duty on tobacco, increased far more than the general price level. Similarly, the rise in the proportion of expenditure on housing is primarily the result of increases in rents; the volume of housing services grew slightly more than the volume of total consumption.

The share of furniture, furnishings and household equipment (group 7) shows an appreciable rise, and that of transport and communications (10) a very conspicuous increase. With regard to the former it should be noted that their prices increased far less than the average for all other consumer goods, which means that their real prices were considerably reduced.

The last group (13—15) in the table, "other items", indicates the greatest percentage increase. It is composed of the expenditure of residents abroad (13) less the expenditure of non-residents in Finland (14) less the value of gifts (net) sent abroad

(15). The marked increase in this group indicates that during the ten years reviewed travel and expenditure of Finns abroad increased significantly more than foreigners' travel and expenditure in Finland.

## HIRE-PURCHASE AND ITS REGULATION

The boom in durables which began towards the end of the 1950's was undoubtedly given an impetus by the rapid expansion of hire-purchase. A number of hire-purchase finance companies were formed, of which those established by the three largest commercial banks in 1959 are the most important.

Data on the value of hire-purchase sales and the volume of hire-purchase credit have been collected since 1960, partly from the finance companies, and partly regarding internal trade statistics from dealers. Nevertheless, there are still certain gaps in the information obtained which make the figures for the volume of total hire-purchase sales somewhat inaccurate and arbitrary. Given these factors, the following figures show the value of total hire-purchase sales.

	1961	1962	1963	1964
	Million marks			
Heavy motor vehicles .....	183	195	204	386
Other durables .....	154	164	147	177
Textiles .....	208	213	241	241
Total	545	572	592	804

## 2. DATA ON PRIVATE CONSUMPTION EXPENDITURE BY GROUPS OF COMMODITIES, 1954—1964

	Distribution by groups, per cent			Changes in 1954—1964, per cent	
	1954	1964 a	1964 b	Volume per capita	Relative prices
1. Food .....	36.3	31.1	30.4	+ 21	+ 2
2. Beverages .....	4.9	4.6	4.2	+ 24	+ 10
3. Tobacco .....	2.8	3.2	2.5	+ 29	+ 27
4. Clothing and other personal effects .....	16.0	9.7	11.9	+ 8	- 19
5. Rent, rates and water charges .....	6.9	11.2	7.1	+ 49	+ 58
6. Fuel and light .....	5.8	4.5	5.4	+ 35	- 17
7. Furniture, furnishings and household equipment .....	5.0	5.7	7.7	+ 125	- 27
8. Household operation .....	2.7	2.2	2.3	+ 24	- 5
9. Personal care and health expenses .....	3.2	3.5	4.1	+ 86	- 13
10. Transport and communication .....	7.5	13.5	13.4	+ 162	+ 1
11. Recreation and entertainment .....	6.0	6.4	5.9	+ 42	+ 8
12. Miscellaneous services .....	2.6	3.6	3.9	+ 117	- 7
13—15. Other items (net) .....	0.3	0.8	1.2	+ 389	- 32
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>+ 45</b>	

a = in current prices; b = in 1954 prices.

The first group primarily includes motor vehicles other than passenger cars, but in 1964 the proportion of the latter grew significantly. The other two groups mainly consist of consumer goods. Among "other durables", TV sets were by far the most important item. In terms of value, hire-purchase now represents 3—4 per cent of gross domestic product.

The increasing share of consumer durables in private consumption expenditure, and particularly the growth of hire-purchase, have created new problems for countercyclical policy and monetary policy. Consumer durables are not purchased at short regular intervals or at an evenly increasing rate like non-durables; they are usually purchased immediately after substantial increases in earnings. This particularly applies to consumer durables that have novel features (e.g. TV sets). This is also true, at the moment, of passenger cars, whose supply has been more or less restricted until 1962.

For the above reasons it has been necessary for the Government to assume powers to regulate hire-purchase terms. Towards the end of 1962 Parliament passed an act to this effect. This act authorized the Government to fix the minimum down-payments and the maximum repayment periods in hire-purchase contracts in case excessive ex-

pansion of such sales endangered the value of the currency or external liquidity. It was also specified that a decision by the Government to exercise these rights must be preceded by negotiations with the organizations concerned.

In autumn 1964, on the initiative of the Bank of Finland, negotiations for tightening the hire-purchase terms on passenger cars were started. As a result, importers and distributors of cars drew up an agreement according to which from November 15, 1964, the minimum down-payment would be 30 or 40 per cent and the maximum repayment period 22 or 15 months, depending on the terms previously applied in similar contracts.

In the spring of 1965 it was thought necessary, mainly from balance of payments considerations, to tighten the hire-purchase terms even further. These restrictions are now also applicable to automobiles other than passenger cars, as well as TV sets, refrigerators and washing machines. Thus, since April 24, the minimum down-payment on passenger cars has been 40 or 60 per cent and the maximum repayment period 18 or 9 months respectively. The corresponding figures for lorries, vans and tractors are 30 per cent and 18 months and for the above household durables 30 per cent and 12 months.

## ITEMS

**Trade agreement between Finland and the USSR.** On November 20, a trade agreement for 1966 was signed between Finland and the USSR. This is the first agreement within the framework of the fourth five-year pact covering the period 1966—70 signed in August 1964. In 1966 trade will increase by 10 per cent over the previous year and the total exchange of goods is estimated at 1 500 million marks.

Finland will export machinery for a sulphate pulp mill and machinery for a paper mill with an annual capacity of 220 000 tons of sack paper, machinery for a paper mill with an annual capacity of 216 000 tons of newsprint, and machinery for another sulphate pulp mill with an annual capacity of 290 000 tons of bleached sulphate pulp (deliveries will end in 1967 or 1968). The export list also includes other machinery and equipment. In addition 17 ships, 4 motor cargo vessels of 12 200 dwt, 3 timber transport vessels, 5 tankers of 4 000 dwt, 2 houseboats and 3 motor cargo vessels for inland waters will be exported. The group of raw materials includes 100 000 tons of pig iron, 8 000 tons of rayon wool and 500 tons of vanadium pentoxide, various cables etc. Among products of the woodworking industry to be exported are various kinds of paper 100 000 tons, boards 50 000 tons, kraft paper sacks 50—60 million pieces and furniture. Exports of textiles will double to 3 million roubles. Leather products and shoes (valuing 350 000 roubles) are new items on the list. There is another new

group, minks (value 100 000 roubles), also on the export list.

Among imports from the USSR, there will be a considerable increase in forestry products. Imports of saw logs will amount to 450—500 000 cu.m (430 000 cu.m in 1965), of pulp wood 840 000—1 000 000 cu.m (785 000 cu.m), and of other coniferous timber 300 000 cu.m (85 000 cu.m). There will also be a rise in the import of oil and coke; 2—2.2 million tons of raw oil (1.9 million tons in 1965) and 620 000 tons of coke (540 000 tons) will be imported. In the group of machinery and equipment imports there is a notable increase in some items. Imports of machine tools and pressing machines for workshops will double to 1.4 million roubles and mechanical handling equipment to 800 000 roubles. Moreover, 9 700 motor cars, or 2 700 more than in 1965, will be imported. Among the imports, various metals, raw materials, and fertilizers may be mentioned. In the import list there are two new groups, tyres (10 000 pieces) and feedstuffs for minks (value 100 000 roubles or more).

Frontier trade between Finland and Leningrad will be agreed upon separately.

\*

**Domestic bond issues.** In November, the third 1965 issue of 6½ per cent bonds to be subscribed by the banking institutions was made by the Government. The loan amounts to 23 million marks, and the bonds, dated December 1, 1965, will run for a period of ten years. Amortization and interest

are tied to the cost of living index to the extent of 50 per cent.

In November Maa- ja Teollisuuskiinteistöpankki Oy (the Land and Industry Real Estate Bank Ltd) was authorized to make two private bond issues of 20 million and 5 million marks. The interest rates are  $2\frac{3}{4}$

percentage points and 2 percentage points respectively above the general rate of six month deposits in co-operative credit societies (which is at present  $4\frac{1}{2}$  per cent). The period of both the loans is ten years and they are tied to the cost of living index to the extent of 50 per cent.

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# BANK OF FINLAND

## BOARD OF MANAGEMENT

KLAUS WARIS,  
*Governor*

ESKO K. LEINONEN

A. SIMONEN

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

REINO ROSSI

HEIKKI VALVANNE  
*ad int.*

## SECRETARIES

U. A. VATANEN

PERTTI TAMMIVUORI

JOUKO J. VOUTILAINEN

K. IGNATIUS

JORMA ARANKO

## HEADS OF DEPARTMENT

G. ENGBERG,  
*Personnel*

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

P. BLOMQUIST,  
*Central Accounting*

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

A. KAJANTIE,  
*Internal Audit*

HELGE LINDSTRÖM,  
*Credits*

ARTHUR ASPELUND,  
*Cash*

A. NENONEN,  
*Foreign correspondence*

K. EIROLA,  
*Accounts*

EINO SUOMELA  
*Office*

## INSTITUTE FOR ECONOMIC RESEARCH

HEIKKI VALVANNE,  
*Director*

J. J. PAUNIO,  
*Head of department*

TIMO HELELÄ,  
*Head of department*