



BANK OF FINLAND

MONTHLY BULLETIN

Vol. 40 No. 12

DECEMBER

1966

RECENT DEVELOPMENTS

PRICES

Despite the average 3 per cent wage increase in the first months of this year and another 2—3 per cent increase in June—July, which together resulted in an increase of about 6 per cent in hourly earnings, prices have risen at a slower rate than last year, when there was altogether only a 3.8 per cent increase in wage rates which took place at the beginning of 1965. In the first three quarters of 1966 the growth in prices, measured by the cost of living index, was 3.7 per cent against 5.2 per cent in the corresponding period one year earlier. Wholesale prices have risen at a slower rate than the cost of living index this year; for the first three quarters the rise was only 1.9 per cent.

The rise in prices during this year has primarily been caused by cost factors. In contrast, factors operating on the demand side have tended to slow down price increases, for according to forecasts the rate of growth of national income in 1966 will be noticeably less than last year. However, it can be mentioned that some additional factors, which can be regarded as exceptional, have also had an accelerating effect on the increase in prices. The weakening in the cash position of the Treasury necessitated a rise in certain taxes and charges, which were effected at the beginning of July.

Among these increases the tax on passenger cars was raised by 50 per cent, the price of petrol by 8 per cent, and the prices of alcoholic beverages by 5 per cent on an average. The adjustment of agricultural prices this autumn alone raised the cost of living index by 0.7—0.8 per cent. The prices of imported goods have risen at a slower rate than those of domestic goods, so that the former have slowed down slightly the rise in the price level.

The following table gives percentage changes in the cost of living index and the wholesale price index divided into the most important items and compares the averages of the first three quarters of the years 1964 to 1966.

	Change, per cent	
	I—III quart. 1965/I—III quart. 1964	I—III quart. 1966/I—III quart. 1965
<i>Cost of living index</i>		
Total index	+ 5.1	+ 3.7
Food	+ 6.7	+ 3.5
Rent	+ 3.2	+ 4.1
Heating and lighting	+ 0.6	+ 2.8
Clothing	+ 2.6	+ 1.5
Other	+ 5.2	+ 4.8
<i>Wholesale price index</i>		
Total index	+ 5.2	+ 1.9
Producers' goods	+ 6.9	+ 1.8
Machinery	+ 5.2	+ 2.4
Consumers' goods	+ 2.9	+ 2.0
Domestic goods	+ 5.8	+ 2.2
Imported goods	+ 2.6	+ 0.8

On page 18, Productivity in Finnish Agriculture 1956—57 to 1965—66

From the above table it may be stated that the rise in wholesale prices has been significantly slower than that in the cost of living index this year. One year earlier, however, these two indexes developed in a very similar way. In all items of the cost of living index, excluding "Rent" and "Heating and lighting", price increases have slackened on the previous year.

There was fairly uniform development in the sub-groups of the wholesale price index. An above-average rise occurred both in "Machinery" and "Consumers' goods". The below-average rise in the prices of producers' goods lowers the rise of the total index. In all sub-groups, however, the rise in prices has slackened on last year.

In order to balance the budget for 1967 as well as to curb and change the structure of demand some tax increases will be effected; the progressive rates of income and property taxes are steepened and the sales tax percentage will be increased by one percentage unit. In addition, as the monetary policy will continue to be restrictive, it is forecast that there will be no demand pressure in 1967.

From the above it can be said that although wage increases in 1967 will, according to the collective agreements concluded in 1966, be of the same amount as during this year, the rate of growth of prices may be slower than this year.

November 30, 1966

BANK OF FINLAND

Mill. mk

	1965		1966			
	Dec. 31	Oct. 30	Oct. 31	Nov. 8	Nov. 15	Nov. 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	944.7	849.5	705.3	698.9	680.0	670.8
Gold	267.5	188.0	173.2	173.2	173.2	173.2
IMF gold tranche	45.6	—	100.0	100.0	100.0	100.0
Foreign exchange	547.8	582.9	344.3	338.9	320.9	311.5
Foreign bills	54.7	48.6	60.1	59.9	59.0	59.2
Foreign bonds	29.1	30.0	27.7	26.9	26.9	26.9
<i>Supplementary note cover</i>	712.1	719.2	908.5	941.5	927.1	980.0
Inland bills discounted						
In foreign currency	45.5	48.2	39.1	39.1	39.1	39.1
In Finnish currency	26.0	29.8	61.9	61.3	60.7	60.8
Rediscounted bills	640.6	641.2	807.5	841.1	827.3	880.1
<i>Other assets</i>	119.5	131.6	276.7	235.4	267.9	272.0
Finnish bonds	36.9	43.9	121.2	77.9	109.4	108.7
Cheque accounts	1.9	2.8	5.0	8.2	4.2	7.1
Finnish coin	6.2	6.5	12.9	12.3	12.9	12.8
Other claims	74.5	78.4	137.6	137.0	141.4	143.4
Total	1 776.3	1 700.3	1 890.5	1 875.8	1 875.0	1 922.8
Liabilities						
<i>Notes in circulation</i>	1 028.5	980.2	1 011.7	1 012.7	997.8	1 005.7
<i>Liabilities payable on demand</i>	98.3	155.1	98.0	80.9	88.8	129.8
Foreign exchange accounts	44.8	85.5	35.7	39.8	40.1	40.4
Mark accounts of holders abroad	10.9	12.4	15.9	16.5	16.3	16.2
Cheque accounts						
Treasury	1.1	11.6	3.5	1.0	0.5	11.0
Post Office Savings Bank	8.3	21.8	21.5	1.4	3.6	40.3
Private banks	11.9	2.0	—	—	6.1	—
Other	1.2	1.9	1.4	1.7	2.2	1.9
Other sight liabilities	20.1	19.9	20.0	20.5	20.0	20.0
<i>Term liabilities</i>	57.2	60.0	67.0	64.7	64.7	64.7
Foreign	45.6	48.4	39.2	39.2	39.2	39.2
Finnish	11.6	11.6	27.8	25.5	25.5	25.5
<i>Equalization accounts</i>	165.1	282.1	273.8	277.0	283.0	281.5
<i>Bank's own funds</i>	427.2	222.9	440.0	440.5	440.7	441.1
Capital	300.0	100.0	300.0	300.0	300.0	300.0
Reserve fund	97.9	97.9	112.6	112.6	112.6	112.6
Profits undisposed	—	—	—	—	—	—
Earnings less expenses	29.3	25.0	27.4	27.9	28.1	28.5
Total	1 776.3	1 700.3	1 890.5	1 875.8	1 875.0	1 922.8
STATEMENT OF NOTE ISSUE						
Right of note issue						
<i>Ordinary cover</i>	944.7	849.5	705.3	698.9	680.0	670.8
<i>Supplementary cover</i> (Upper limit 500 mill. mk)	500.0	500.0	500.0	500.0	500.0	500.0
Total	1 444.7	1 349.5	1 205.3	1 198.9	1 180.0	1 170.8
Note issue						
<i>Notes in circulation</i>	1028.5	980.2	1 011.7	1 012.7	997.8	1 005.7
<i>Liabilities payable on demand</i>	98.3	155.1	98.0	80.9	88.8	129.8
<i>Undrawn on cheque credits</i>	5.1	4.3	3.0	2.7	2.9	3.0
<i>Unused right of note issue</i>	312.8	209.9	92.6	102.6	90.5	32.3
Total	1 444.7	1 349.5	1 205.3	1 198.9	1 180.0	1 170.8

Rediscount rate since April 28, 1962, 7 per cent.

BANK OF FINLAND

Mill. mk

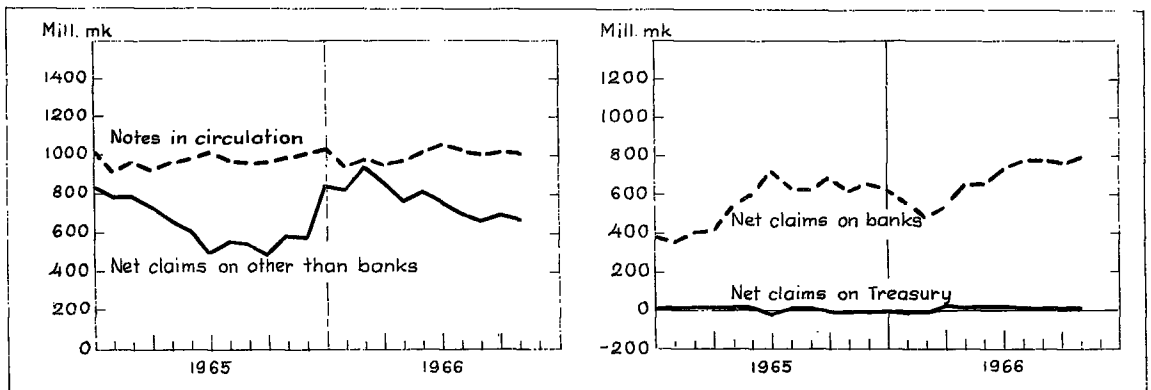
End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3 + 4 - 5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net claims on the Treasury (7 + 8 - 9)
	1	2	3	4	5	6	7	8	9	10
1958	575.6	21.8	553.8	126.2	160.1	519.9	90.3	- 51.6	71.5	- 32.8
1959	730.7	21.2	709.5	92.5	158.4	643.6	103.3	37.6	64.2	76.7
1960	686.0	40.6	645.4	67.0	142.7	569.7	37.5	32.4	61.9	8.0
1961	691.5	13.4	678.1	87.5	128.4	637.2	27.7	5.9	1.1	32.5
1962	637.7	17.1	620.6	67.7	114.9	573.4	-	28.9	5.5	23.4
1963	752.2	18.2	734.0	65.6	100.5	699.1	-	18.9	0.2	18.7
1964	973.4	84.7	888.7	76.3	82.8	882.2	-	8.9	5.4	3.5
1965	860.9	44.8	816.1	83.8	56.5	843.4	-	- 1.1	1.1	- 2.2
1965										
Oct.	770.9	85.5	685.4	78.6	60.8	703.2	-	8.9	11.6	- 2.7
Nov.	756.4	97.2	659.2	78.3	60.1	677.4	-	- 1.1	1.2	- 2.3
Dec.	860.9	44.8	816.1	83.8	56.5	843.4	-	- 1.1	1.1	- 2.2
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

	Foreign exchange situation, mill. mk							
	Net holdings, Dec. 31, 1965			Net holdings, Oct. 31, 1966			Change in	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Oct.	Jan.-Oct.
	Gold	267	-	267	173	-	173	- 4	- 94
Convertible currencies	483	-155	328	235	-172	63	-19	-265
Other currencies	20	1	21	74	2	76	+11	+ 55
IMF gold tranche	46	-	46	100	-	100	-	+ 54
Total	816	-154	662	582	-170	412	-12	-250

BANK OF FINLAND

Mill. mk

End of year and month	Finnish credit institutions				Net claims on the banks (1-2-3-4)	Other				Notes in circulation
	Redis-counted bills	Liabilities, Cheque accounts				Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the rest of economy (6+7-8)	
		Private banks	Post Office Savings Bank	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
1958	187.1	14.7	—	20.8	151.6	88.2	143.0	5.3	225.9	650.8
1959	47.2	38.6	—	2.5	6.1	38.9	105.0	3.9	140.0	694.4
1960	205.1	16.8	—	1.6	186.7	72.3	109.5	3.5	178.3	727.4
1961	294.6	44.7 ¹⁾	4.4 ¹⁾	12.5	233.0	70.8	107.3	2.9	175.2	837.1
1962	401.2	— 4.0	53.3	0.8	351.1	33.5	99.6	4.1	129.0	774.4
1963	325.3	1.3	3.0	1.2	319.8	57.2	94.4	1.7	149.9	943.7
1964	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1965	640.6	11.9	8.3	0.2	620.2	26.0	121.9	31.6	116.3	1 028.5
1965										
Oct.	641.2	2.0	21.8	0.1	617.3	29.8	119.4	32.2	117.0	980.2
Nov.	657.7	3.6	5.9	0.0	648.2	34.5	135.3	32.5	137.3	1 001.8
Dec.	640.6	11.9	8.3	0.2	620.2	26.0	121.9	31.6	116.3	1 028.5
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

¹⁾ Including cash reserve accounts

DEPOSITS BY THE PUBLIC - FOREIGN EXCHANGE RATES

Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. credit societies & their cen- tral bank	Post Office Savings Bank	Savings depart- ments of co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
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
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
1965										
Oct.	598.7	766.8	232.8	2 992.2	2 809.2	1 860.0	735.4	347.7	8 744.5	9 744.1
Nov.	674.2	852.0	266.6	3 017.2	2 858.6	1 887.2	743.4	351.3	8 857.8	9 976.4
Dec.	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*										
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

End of month	Index-tied deposits		High-interest deposits
	100 % clause	50 % clause	
1966*			
Jan.	1 648.9	68.5	729.8
Feb.	1 677.7	69.3	755.9
March	1 696.3	67.0	785.2
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

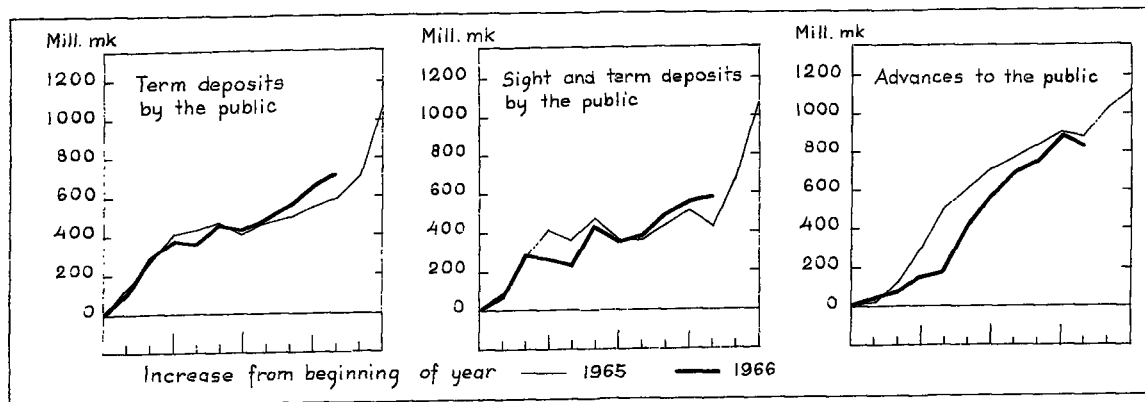
Selling rates for foreign exchange					
Oct. 30, 1966					
		mk	mk		
New York ...	1 \$	3.224	Zurich 100 Fr	74.74	
Montreal	1 \$	2.980	Paris 100 FF	65.25	
London	1 £	8.995	Rome 100 Lit	0.5160	
Stockholm ...	100 Kr	62.40	Vienna 100 S	12.47	
Oslo	100 Kr	45.14	Lisbon 100 Esc	11.22	
Copenhagen ..	100 Kr	46.70	Reykjavik 100 Kr	7.50	
Frankfurt o.M.	100 DM	81.16	Madrid 100 Pta	5.40	
Amsterdam ...	100 Fl	89.11	Moscow, clear. ¹⁾	1 Rbl	3.5667
Brussels	100 80	6.455	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
	Commer- cial 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
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
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
1965									
Oct.	4 160.1	2 584.3	713.8	2 261.7	893.2	10 140.8	472.3	10 613.1	1 909.0
Nov.	4 215.5	2 608.6	714.0	2 304.1	913.3	10 334.0	421.5	10 755.5	2 043.8
Dec.	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*									
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	..

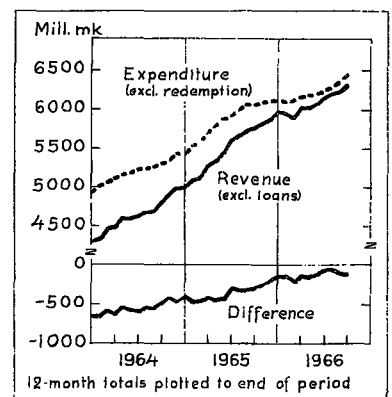


STATE FINANCES

Mill. mk

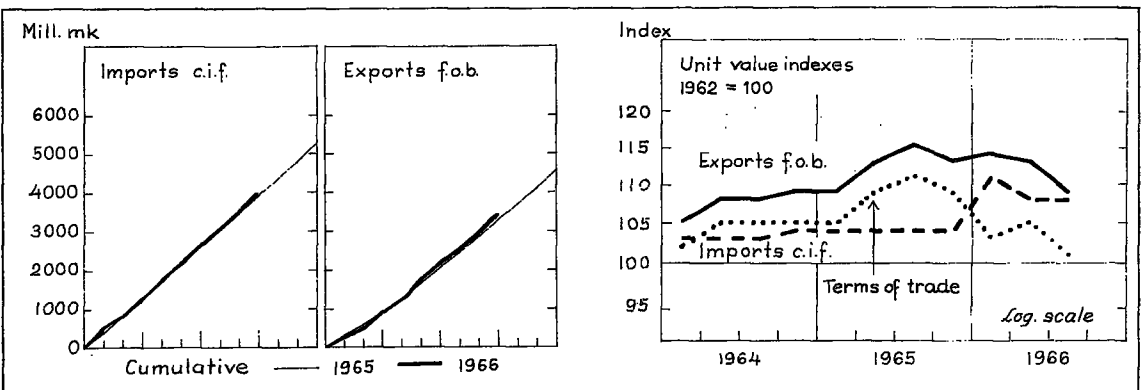
Revenue	Jan.—Sept.		Expenditure	Jan.—Sept.	
	1965	1966		1965	1966
Income and property tax (net)	1 156	1 284	Interest on State debt	130	153
Gross receipts	(2 656)	(3 083)	Child allowances	228	223
Refunds and communal income tax	(-1 500)	(-1 799)	The State's share in national pensions	186	202
Other direct taxes	15	21	The State's share in national health insurance .....	..	46
Sales tax	1 019	1 025	Compensations to war-disabled	100	104
Import duties	391	379	Subsidies	420	448
Revenue from Alcohol Monopoly	322	357	Net payments of price equalization	4	46
Excise duty on tobacco	229	285	State aid to agriculture	46	41
Excise duty on liquid fuel	250	328	State aid to communal and private schools	377	396
Other excise duties	63	77	Net loss of State enterprises	30	43
Tax on automobiles and motor cycles	145	136	Maintenance of roads	118	124
Tax on motor vehicles	33	43	Other current expenditure	1 633	1 725
Stamp duties	123	127	Current expenditure	3 272	3 551
Employers' payments for child allowances	303	323	Real investments	902	914
Net receipts of price equalization by extra-budgetary funds	—	—	Other capital expenditure	408	452
Other revenue similar to taxes	63	69	Capital expenditure	1 310	1 366
Total taxes	4 112	4 454	Total expenditure	4 582	4 917
Interest and dividends	76	82	Redemption of external loans	78	59
Other current revenue	168	209	Redemption of internal loans	247	250
Current revenue	4 356	4 745	Redemption of indemnity bonds etc.	4	1
Capital revenue proper	117	113	Index premiums	22	14
Decrease in inventories	59	42	Redemptions	351	324
Capital revenue	176	155	Total	4 933	5 241
Total revenue	4 532	4 900			
External loans	13	54			
Internal loans	334	551			
Loans	347	605			
Short-term credit increase +	+31	-323			
Deficit (+) or surplus (—)	+23	+ 59			
Total	4 933	5 241			

Debt	1963	1964	1965	1966		
	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.*
External debt ...	963	1 184	1 175	1 339	1 335	1 344
Ordinary loans ...	1 109	1 205	1 431	1 714	1 731	1 727
Indemnity bonds etc.	11	7	203	133	123	113
Short-term credit ..	160	325	393	82	70	59
Cash debt (net) ...	78	23	-101	-38	-32	..
Internal debt	1 358	1 560	1 926	1 891	1 892	..
Total debt	2 321	2 744	3 101	3 230	3 227	..
Total debt, mill. \$	720.8	852.8	961.8	1 001.7	1 000.8	..



FOREIGN TRADE

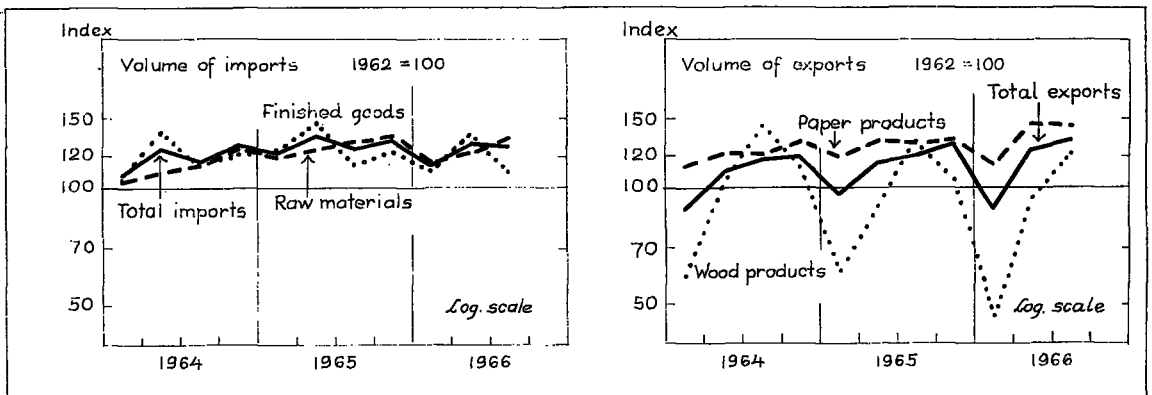
Period	Value mill. mk			Unit value indexes 1962 = 100						
	Imports c.i.f.	Exports f.o.b.	Surplus of imports (-) or exports (+)	Articles of export f.o.b.					Articles of import c.i.f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry 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	4 816.5	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
Jan.-Sept.										
1964	3 516.0	2 979.9	-536.1							
1965	3 921.5	3 274.2	-647.3							
1966*	3 987.3	3 401.5	-585.8							
1965										
July	428.7	398.2	- 30.5	115	120	126	107	123	104	111
Aug.	387.2	386.8	- 0.4							
Sept.	463.7	425.3	- 38.4							
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	446.5	340.2	-106.3							
April	441.9	372.8	- 69.1	113	103	122	104	127	108	105
May	487.8	450.2	- 37.6							
June	459.9	424.1	- 35.8							
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							



FOREIGN TRADE BY MAIN GROUPS

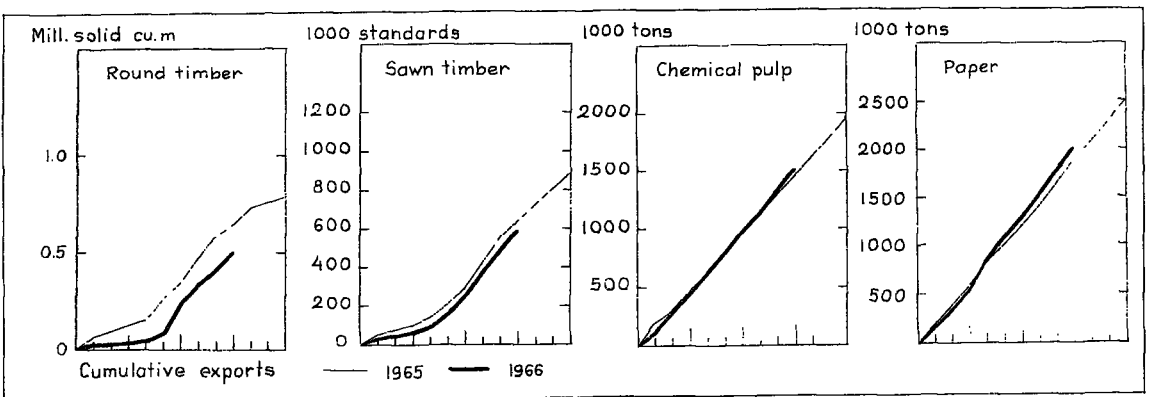
Mill. mk

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	1 396.2	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
Jan.-Sept.										
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	1 743.7	375.6	1 153.6	648.6	180.3	46.7	669.7	1 604.9	521.9	250.7
1966*	1 748.7	415.9	1 074.4	748.3	195.4	42.7	625.6	1 681.6	547.0	309.2
1965										
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	182.0	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	45.5
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	6.3	96.9	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



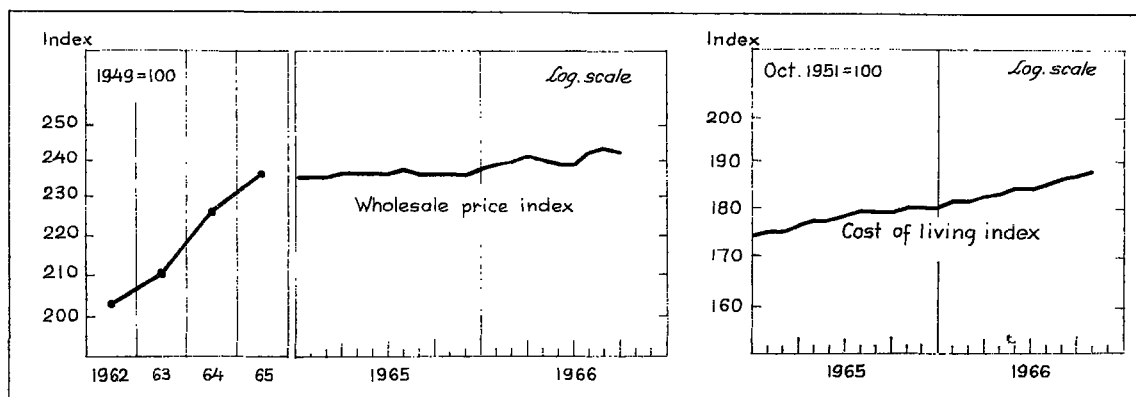
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber 1 000 solid cu. m	Sawn timber 1 000 stds	Veneers and plywood 1 000 cu. m	Mechanical pulp 1 000 tons	Sulphite pulp 1 000 tons	Sulphate pulp 1 000 tons	Board 1 000 tons	Fibre building board 1 000 tons	Newsprint 1 000 tons	Paper, all kinds 1 000 tons
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	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
Jan.-Sept.										
1964	1 045	727	314	128	729	716	129	120	699	1 679
1965	655	639	336	115	695	766	132	110	790	1 851
1966*	502	567	353	103	677	835	142	99	895	2 000
1965										
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



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c. i. f.					Exports, f. o. b.				
	Whole year		Jan.-Sept.			Whole year		Jan.-Sept.		
	1964	1965	1965	1966*		1964	1965	1965	1966*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	15.2	15.8	15.5	16.9	673.2	25.3	22.8	23.9	24.0	817.6
United Kingdom	14.8	15.3	15.0	16.3	649.2	23.0	20.7	21.7	21.9	745.3
Other OECD countries										
in Europe	52.7	55.5	55.7	53.7	2 141.3	45.9	44.8	44.7	46.3	1 572.4
Austria	0.7	0.8	0.8	0.8	32.9	0.4	0.2	0.2	0.4	15.0
Belgium-Luxembourg	2.0	2.2	2.3	2.0	77.9	3.5	3.3	3.2	3.1	104.2
Denmark	3.0	3.1	3.0	3.3	133.3	3.7	3.9	4.0	3.5	118.8
France	5.5	4.2	4.3	4.6	182.6	5.8	4.5	4.4	4.6	155.0
Western Germany	17.3	18.9	19.6	17.4	695.4	11.5	11.2	11.3	10.8	367.5
Italy	1.9	1.9	1.9	2.1	82.6	3.0	3.0	3.1	2.9	100.1
Netherlands	4.0	4.2	4.3	3.6	143.2	6.8	6.0	6.1	5.8	196.2
Norway	1.5	1.9	1.8	2.1	82.1	0.9	1.1	1.1	1.9	65.4
Portugal	0.2	0.2	0.2	0.3	13.7	0.1	0.2	0.2	0.4	13.6
Spain	0.5	0.5	0.5	0.4	14.7	0.9	1.1	1.0	1.1	37.4
Sweden	12.7	14.0	13.6	13.7	547.9	5.5	7.5	7.1	8.6	292.3
Switzerland	2.8	2.9	2.7	2.9	114.8	0.8	0.7	0.7	0.9	30.5
Eastern Bloc	22.5	18.9	19.0	18.9	755.4	17.4	21.0	19.9	17.3	588.4
China	0.4	0.3	0.4	0.5	19.7	0.5	0.6	0.6	0.7	23.2
Czechoslovakia	0.7	0.7	0.7	0.7	27.3	0.4	0.5	0.5	0.7	23.5
Eastern Germany	1.0	0.9	0.9	0.8	33.0	1.0	0.8	0.8	0.9	31.5
Poland	2.0	1.9	1.8	1.5	61.0	2.0	2.3	2.5	1.4	47.4
Soviet Union	17.6	14.4	14.6	14.8	588.5	12.0	15.9	14.5	12.7	431.5
U.S. and Canada	5.0	5.2	5.2	4.9	195.6	6.0	6.2	6.3	6.8	231.6
United States	4.8	5.0	5.0	4.6	184.7	5.8	6.0	6.1	6.6	226.0
Latin America	3.0	2.9	2.4	3.0	119.9	2.7	2.9	2.7	3.1	106.3
Argentina	0.3	0.3	0.4	0.4	14.2	0.8	0.9	0.9	1.1	37.4
Brazil	1.6	1.2	1.1	1.2	49.1	0.5	0.3	0.3	0.4	13.6
Colombia	0.6	0.6	0.4	0.8	30.7	0.5	0.7	0.7	0.7	24.4
Other	1.6	1.7	2.2	2.6	101.9	2.7	2.3	2.5	2.5	85.2
Grand total	100.0	100.0	100.0	100.0	3 987.3	100.0	100.0	100.0	100.0	3 401.5
of which										
EFTA countries	35.8	38.2	37.0	39.5	1 573.8	35.4	34.3	35.0	37.7	1 280.9
EEC countries	30.5	31.4	32.5	29.6	1 181.7	30.6	28.0	28.2	27.1	923.0



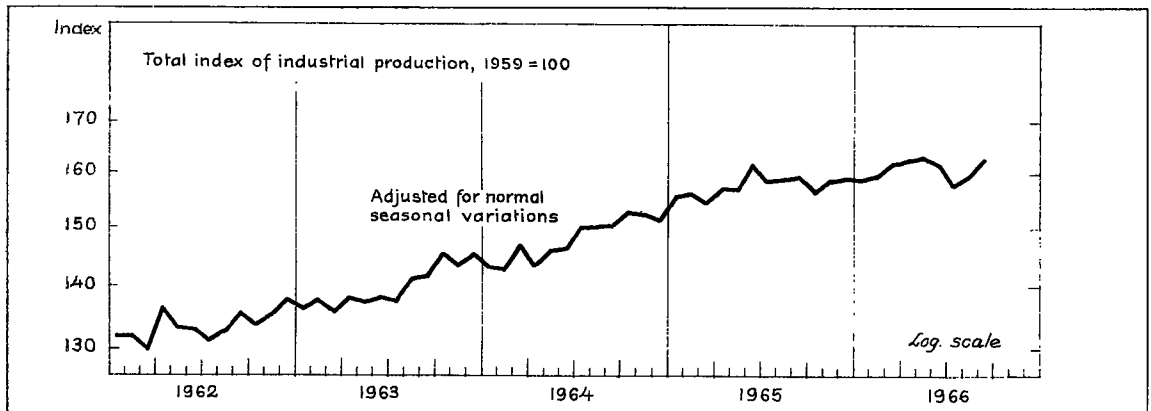
PRICE INDEXES

Period	Wholesale prices 1949 = 100									Building costs 1951 = 100		
	Total index	Origin		Purpose			Stage of processing			Total	Building material	Workers' average hourly earnings
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply processed goods	More elab- orately processed goods			
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
1965	236	242	214	241	224	232	266	228	223	158	125	208
1965												
Oct.	236	242	213	242	224	231	266	228	223	159	125	210
Nov.	236	242	213	242	224	231	266	228	223	158	125	206
Dec.	237	243	213	242	227	231	266	229	224	158	125	206
1966												
Jan.	238	244	213	243	227	234	269	230	224	159	125	207
Feb.	240	246	214	245	227	235	273	232	224	160	126	210
March	241	248	215	246	228	237	276	232	225	159	126	206
April	240	247	216	247	229	235	272	233	225	161	127	208
May	239	245	216	246	228	233	268	233	226	164	127	216
June	239	245	216	245	229	233	266	233	226	166	129	222
July	242	249	217	247	229	240	270	235	231	166	129	221
Aug.	243	250	218	246	229	243	274	234	231	168	129	226
Sept.	242	248	217	244	228	242	270	233	230	167	129	223
Oct.	..	..	..	..	..	..	..	..	..	168	129	226

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
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
1965	178	195	377	115	109	173	140	144	140	111	135	141
1965												
Oct.	180	198	387	115	110	174	142	146	143	111	136	142
Nov.	180	197	387	115	110	176	142	145	143	112	136	144
Dec.	180	197	387	115	110	176	142	145	143	112	136	144
1966												
Jan.	181	197	387	115	110	177	142	145	143	112	136	145
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

PRODUCTION - INTERNAL TRADE

Period	Index of industrial production 1959 = 100									Commercial timber fellings 1 000 piled cu. m	Wholesale trade volume index 1954 = 100
	Total	Investment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					Wood industry	Paper industry	Metal industry	Other			
1963	138	144	141	131	121	155	140	133	140	47 780	169
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
1965*											
Feb.	154	168	160	137	134	176	165	142	156	6 095	147
March	171	182	179	152	155	199	179	160	155	6 342	168
April	154	159	159	143	142	170	158	149	157	5 674	188
May	161	161	168	146	145	188	163	152	157	11 698	181
June	150	164	151	143	131	151	162	148	161	2 162	164
July	121	98	132	105	116	176	98	113	159	1 400	155
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.	157	162	163	142	116	170	165	148	159	4 219	131
Feb.	157	162	163	144	125	175	166	149	160	4 742	148
March	179	184	186	164	151	205	185	171	162	4 198	175
April	160	157	162	155	139	170	157	161	163	3 177	174
May	167	161	172	157	136	188	161	165	163	12 681	180
June	157	155	157	156	125	171	154	161	162	2 305	174
July	118	70	131	104	98	184	78	115	157	910	157
Aug.	164	147	167	163	102	194	146	172	160	1 793	178
Sept.	175	171	179	167	124	203	172	173	163	2 630	199

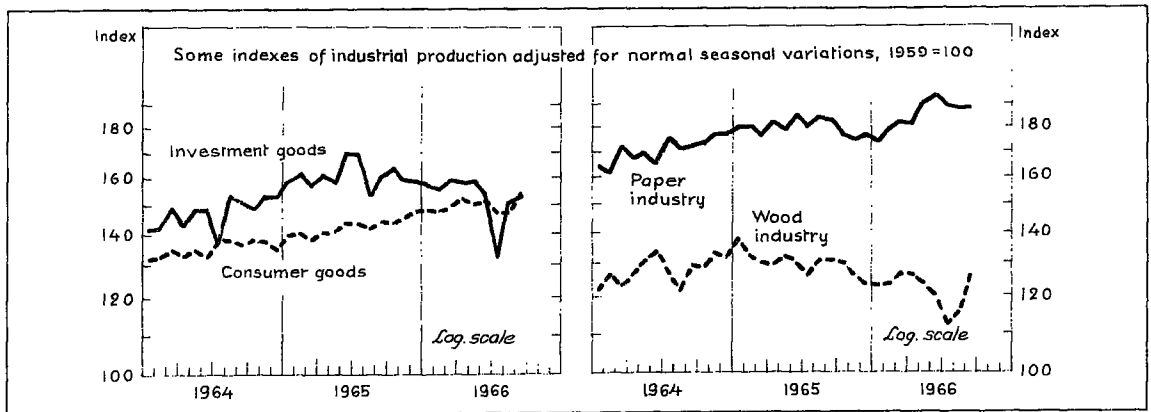


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

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		
								Agri-culture	Forestry	Manu-facturing
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	28.75	164	156	172	162
1965	27.04	10.96	2.58	9.20	3.12	31.31	179	177	188	176
1966										
Apr.- June	5.57	2.03	0.40	1.72	1.18	32.68	179	173	189	176
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	185

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	
	1965	1966*	1965	1966*	1965	1966*	1965	1966*	1965	1966*
Jan.	118	118	689	724	548	560	1 877	1 896	2.0	2.2
Feb.	124	118	549	434	452	270	1 860	1 869	1.6	2.4
March	144	140	678	519	494	344	1 839	1 877	1.7	2.1
April	138	134	721	624	601	557	1 884	1 905	1.7	2.0
May	132	136	969	1 092	773	884	1 940	1 953	1.1	1.3
June	129	131	1 192	1 364	1 111	1 217	1 960	1 905	1.0	1.0
July	134	121	1 388	1 587	1 312	1 400	1 797	1 728	1.2	0.9
Aug.	138	138	1 351	1 366	1 251	1 287	1 893	1 828	1.2	1.1
Sept.	143	139	1 123	1 214	956	1 079	1 948		0.9	
Oct.	139	140	1 090		868		1 946		1.2	
Nov.	131		1 021		855		1 933		1.4	
Dec.	115		905		769		1 888		2.1	



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. — *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 act 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 (1964): 4.6 million. Sweden 7.6, Switzerland 5.8, Denmark 4.7 and Norway 3.7 million.

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

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

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

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

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

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

TRADE AND TRANSPORT

NATIONAL INCOME (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 (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, 1966): Length 5 532 km, of which 5 458 km are State and 74 km private railways. The gauge of State railways 1,524 m.

MERCHANT FLEET (Oct. 31, 1966): Steamers 127 (214 780 gross reg. tons), motor vessels 395 (791 547 gross reg. tons), sailing vessels with auxiliary engines 25 (3 113 gross reg. tons). Total 547 (1 009 440 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 (1965): Kilometres flown 13.0 million, passengers carried 721 451, passenger kilometres 370.5 million, and ton kilometres of freight and mail 7.0 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, 1965) There are two big and four small commercial banks with in all 747 offices, 366 savings banks, 489 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 (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%.

PRODUCTIVITY IN FINNISH AGRICULTURE 1956—57 to 1965—66

BY

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Two central themes dominate the debate over agricultural policy in most European countries, those of production and income. Production is discussed in terms of available outlets, internal demand, import requirements and the technical capacity of agriculture to continue to produce at higher rates. Income is considered basically from a social point of view. Levels of income for farmers are compared with earnings or wages in other sectors of the economy.

Policy goals for agriculture with respect to production and income seem to be relatively easy to agree upon, when stated broadly and discussed separately. In those countries where agriculture is not competitive internationally most would agree that output of farm products should be related to domestic needs. On the income side, it is socially difficult to argue that agriculture should not participate equally in the rising standard of living shared by the rest of the nation's people.

Simultaneous achievement of these goals of agricultural policy, which separately seem so logical and reasonable, has however proved to be difficult. Naturally they are not in themselves contradictory. But policy measures to carry them out are not easy to establish. The production goal requires a mechanism to hold increases in output in line with expansion in domestic demand and to reduce apparent surpluses. At the same time there is the generally recognized need

for higher net incomes for the agricultural population which farmers themselves try to solve through increased efficiency. Both goals can be achieved, but only if some basic resources are withdrawn from agriculture.

In order to provide a firm basis for the evaluation of economic development within agriculture in Finland during the last 10 years and to consider changes that are needed during the next decade, a systematic consideration of the ways in which average farm income may be increased is discussed.

Farm income exclusive of direct payments from government rises or falls on the average because of changes in:

- (1) prices paid and received
- (2) labour productivity

The two are fundamentally different. Labour productivity reflects physical efficiency in the use of resources with primary emphasis placed on the human input. Changes in productivity must be generated within agriculture itself. It is here that farmers affect their own destiny. On the other hand, changes in relative prices result from causes primarily outside agriculture.

LABOUR PRODUCTIVITY

Labour productivity is commonly defined in the following manner:

$$P = \frac{O - I}{L}$$

where P=Labour productivity, O=Total value of output, I=Total value of all production inputs except labour and L=Labour input.

TABLE 1. AGRICULTURAL OUTPUT, FINLAND 1956—57 TO 1965—66

Year	Output of agriculture, current prices				Total output in 1961—62 prices
	Milk	Other livestock products	Crop sales	Total output	
	Million marks				
1956—57	863	371	178	1 412	1 675
1957—58	880	381	190	1 451	1 649
1958—59	987	388	230	1 605	1 746
1959—60	1 066	435	326	1 827	1 853
1960—61	1 121	463	344	1 928	1 932
1961—62	1 167	488	363	2 018	2 018
1962—63	1 208	534	284	2 026	1 967
1963—64	1 438	569	359	2 366	2 118
1964—65	1 522	644	453	2 619	2 141
1965—66	1 594	709	452	2 755	2 111

Thus, labour productivity indicates the net product of agriculture per unit of labour. In value terms it tells how much agriculture gets back on the average per man year or man hour. If constant prices are used, then labour productivity figures may be compared through time as physical productivity or efficiency measures.

Increases in labour productivity can be brought about in three ways:

- (1) Using additional quantities of inputs (I) which increase output (O) more than proportionally holding land and labour inputs constant.
- (2) Decreasing the labour input (L) at the margin either by replacing labour with capital or other inputs (I) or reducing labour without substituting other inputs even if output (O) may be reduced somewhat.
- (3) Decreasing labour, land, and other fixed resources at the margin so that the remained fixed resources in agriculture are those which are inherently most productive. In this case L would decrease proportionately more than I but both might be expected to decrease relative to O.

Each of these ways of increasing labour productivity is a type of intensification carried on within agriculture. All might go on

simultaneously in different subsectors of the industry.

AGRICULTURAL OUTPUT AND INCOME

Since 1956—57 the value of agricultural output has almost doubled. Milk production dominates the agricultural economy making up 55 to 65 per cent of the total each year. The value of other livestock products, largely pork and beef, and of crop sales have increased a little more rapidly than milk. There has been little change, however, in their relative importance (Table 1.).¹⁾

When the influence of rising prices is removed by standardizing on the basis of 1961—62 prices, the increase in output is less dramatic but still substantial. During the past three years agricultural output has been quite stable at a little more than 2 100 million marks (1961—62 prices). Most of the physical increase occurred in the 6 or 7 earlier years.

In summary, the total value of agricultural output has increased at an average annual rate of 7.7 per cent. When the influence of prices is removed the average annual increase is 3.1 per cent using 1961—62 as a base.

¹⁾ The figures presented in the following tables are based on the calculations prepared in the Agricultural Economics Research Institute.

TABLE 2. AGRICULTURAL INPUTS, FINLAND 1956—57 TO 1965—66

Year	Outlays for agriculture, current prices				Total outlays in 1961—62 prices	Cropland used for agriculture 1 000 ha	Total labour input, hired and family 1 000 man years
	Purchased requisites	Hired labour	Other outlays	Total outlays			
	Million marks						
1956—57	266	130	196	592	698	2 588	473
1957—58	251	125	208	584	644	2 596	469
1958—59	284	121	223	628	658	2 611	466
1959—60	350	118	255	723	737	2 633	463
1960—61	336	118	290	744	756	2 654	434
1961—62	350	109	320	779	779	2 671	463
1962—63	484	116	353	953	895	2 687	429
1963—64	460	109	391	960	870	2 703	441
1964—65	529	117	430	1 076	902	2 717	418
1965—66	529	119	477	1 125	930	2 731	411

Changes in the input structure for Finnish agriculture during the last 10 years are presented in Table 2. Cash outlays increased at about the same rate as gross output. Purchased requisites, including concentrate feeds, fertilizer, fuel, electricity and spray materials, doubled. So did the category of other outlays which include building, equipment and machinery expense, depreciation and interest on debts. Actual outlays for hired labour held steady or declined somewhat.

When the influence of rising prices is removed, the relative expenditures for hired labour are seen to have declined sharply as other inputs have been substituted in production. In Table 2 there is also listed the estimate made by the Central Statistical Office of Finland for the total labour input in agriculture in thousands of man years annually. While the individual annual estimates may be subject to question they are about as good indications of the overall changes that have occurred as are available. Not only has the input of hired labour decreased by more than half in 10 years but the input of family labour has declined as well. On the basis of these figures total labour input seems to have decreased at an average annual rate of 1.5 per cent using 1961—62 as a

base. Slightly more of the total decrease came from family workers than from hired labour.

In contrast to reductions in the agricultural labour force more cropland was brought into production in each of the last 10 years. These increases were individually modest but as a whole they make a significant enlargement in the production base. The total of about 150 000 hectares added since 1956—57 means almost 6 per cent more cropland, a considerable long term investment in greater output.

PRODUCTIVITY ESTIMATES FOR AGRICULTURE

Developments in the agricultural sector during the past 10 years are summarized in terms of labour productivity estimates in Table 3. Output and input data have been deflated using 1961—62 prices. Using the procedure suggested earlier, average productivity figures have been calculated for each of the ten most recent years. The average product per unit of labour is really the return to labour and all resources not specifically deducted in the total input column. Labour is clearly the most important but land and farm capital are not specifically considered.

Labour productivity rose more rapidly during the first half of the ten year period than in the last half. On the average it increased about 3.5 per cent annually using 1961—62 as the base¹). The productivity figures are converted to index numbers in the final column of Table 3.

If one then considers the changes which have taken place in the agricultural sector during these 10 years in relation to the basic agricultural policy goals, one notes that (1) due to the rapid increase in output it has not been possible to achieve a reasonable balance between domestic production and consumption; on the contrary the surplus situation has been aggravated, (2) nearly two-thirds of the increase in agricultural net income has been derived from changes in prices, (3) prices for agricultural products have gone up at a somewhat higher rate than the general price level in the country, (4) productivity has increased at about the same or at a somewhat lower rate than in the economy as a whole, (5) the relative income situation of farmers (income derived from agriculture proper) has remained largely unchanged.

Evaluation of the data for the last 10 years indicates that three factors have been most important in the increases in output and productivity of agriculture. They are (1) increased use of purchased inputs, (2) additions to the supply of cultivated land and (3) decreases in the farm labour force. The first has added both to output and increased productivity. The second has added to output probably at the expense of labour productivity. The third has increased labour productivity without directly adding to total output.

It is difficult to assign specific proportions of the change in output since 1956—57 to these factors without making difficult assumptions. Nevertheless, making such an effort sheds some additional light on the relative importance of each of these factors in causing the increases in output in the immediate past. They may also suggest some of the changes which will be necessary in the future.

Gross value of output from agriculture increased at an average rate of 156 million marks per year using current prices from 1956—57 to 1965—66. When the influence of rising prices is removed from the output data, physical output increased at an average rate of 62 million marks per year in 1961—62 prices. Thus roughly 60 per cent of the total change in value was due to rising prices, 40 per cent was a physical increase.

It is quite natural to consider next the causes of the physical increases in output. How much of the increase was due to added land and the increased use of purchased inputs such as fertilizer, machinery and concentrate feeds? What was the effect of reducing the total input of labour in agriculture? One cannot answer these questions directly. Too many assumptions are required. But some indication of the relative importance of each of the factors can be suggested.

Land

A total of about 150 000 hectares of cropland was added to the agricultural production base in the nine years after 1956—57. If these new lands produced at the same level of output as the average of all land

1) Linear trends have been used in calculating average rates of change throughout this paper. Even so the choice of a starting point for these calculations is an important factor in determining rates of change. During the early fifties agricultural output increased rapidly and then declined. Thus in 1952—53 output was higher than in 1954—55. If the calculations had started with 1954—55 instead of 1956—57 the rate of change would have been larger but perhaps less representative of the true average changes which have occurred.

TABLE 3. ESTIMATES OF LABOUR PRODUCTIVITY IN AGRICULTURE, FINLAND 1956—57 TO 1965—66¹⁾

Year	1961—62 prices			Labour input 1 000 man years	Product of labour and capital Marks	Index of labour productivity 1961—62=100
	Gross output	Net outlays	Net difference			
	Million marks					
1956—57	1 675	505	1 170	473	2 475	80.4
1957—58	1 649	460	1 189	469	2 536	82.3
1958—59	1 746	480	1 266	466	2 718	88.3
1959—60	1 853	553	1 300	463	2 810	91.3
1960—61	1 932	569	1 363	434	3 141	102.0
1961—62	2 018	591	1 427	463	3 079	100.0
1962—63	1 967	703	1 264	429	2 948	95.7
1963—64	2 118	688	1 440	441	3 268	106.1
1964—65	2 141	715	1 426	418	3 411	110.8
1965—66	2 111	741	1 370	411	3 334	108.3

1) The data in the first three columns of the table are calculated in the following manner. Gross output is the total output in 1961—62 prices presented in Table 1. Net outlays are the total outlays in 1961—62 prices from Table 2 after hired labour and interest on borrowed capital have been deducted. The net difference then represents the return to labour and all farm capital in constant prices.

in agriculture in 1961—62, their average output would have been about 750 marks per hectare. On the average then about 12.5 million marks of additional output per year might be attributed to this new land brought into production. Compared with the total increase in physical output of 62 million marks per year this is a significant proportion — about 20 per cent. Of course one can raise questions about how much the new land really added to output. The little evidence, which does exist, indicates that the average output from the new lands was at least as large as that for the country as a whole.

Purchased Inputs

Farmers have intensified by using more and more purchased inputs per hectare. As indicated in Table 2 the increased use of purchased inputs except for hired labour was at roughly the same percentage rate as the increases in output or even slightly higher. The average increase in terms of 1961—62 prices was about 43 million marks per year.

Some of these inputs such as machinery were undoubtedly used to substitute for labour. Others such as fertilizer were essentially output increasing.

If each mark spent on added inputs only contributed an equal amount of added output (43 million marks per year), such expenditures would still account for at least two-thirds or about 70 per cent of the 62 million annual increase in output. Or looked at another way, if all of the annual increase in output except that associated with land (62 — 12 = 50 million marks) were attributed to additional inputs, it would amount to 50 million marks or more. Much depends on the estimate made for output from new lands. At any rate the gross return per mark of added input would still only be from 1.15 to 1.25 mk. These are quite credible figures.

Labour

Reductions in the agricultural labour force during this period are estimated to have occurred at an average annual rate of about

1.5 per cent or the equivalent of 6 500 man years annually. While the alternative labour statistics for individual years sometimes lead to conflicting conclusions, all agree on the fact of a decrease in the number of workers in agriculture since 1956—57 of about the same magnitude. This decrease occurred without reducing agricultural output. Hence labour productivity was increased substantially, about 3.5 per cent per year. This rate of increase refers to the net product per man year of labour, which has become shorter in terms of hours. Physical effort has also been reduced. The productivity figures simply refer to the product per man year and the gains in productivity per hour are not fully reflected in these calculations.

FUTURE INCREASES IN LABOUR PRODUCTIVITY

Three ways of increasing labour productivity in agriculture were listed earlier. During the last 10 years the first two methods have been most important. Because of the pressure of rising wages and competition from off-farm employment, machines have been purchased and changes in farm enterprises have been made to reduce the annual labour requirement. But land has not been withdrawn from agriculture.

If labour productivity, and hence income, is to be increased within the constraints of "reasonable" production goals, then both labour and some land together with its associated fixed resources must be gradually withdrawn from production. Removing resources from production is much more difficult than adding them — politically, socially, and economically. This in part explains why it is quite easy to increase productivity by the first method, adding more

inputs to a given base. The second method has also become operative and important. The price of labour off-the-farm in many areas has been higher than that on-the-farm. This condition facilitates the shift of labour resources out of agriculture and reduces resistance to change. Where such off-farm alternatives are not readily available, social, political and economic resistance to change is strong. Increased labour productivity within agriculture therefore is fundamentally dependent on the rate of growth in other sectors of the economy. Simply substituting capital for labour within agriculture without gainful employment for labour saved would lead to disguised unemployment and reductions in the rate of growth in national income.

If total output is to be constrained within the limits of domestic consumption, and at the same time incomes per person in agriculture are to be increased, withdrawal of fixed resources at the margin will be necessary. This is the third method of increasing productivity and clearly the most difficult. National policy has directed more land into production. This policy would have to be changed, not only stopped but reversed. A shift of considerable areas of the least productive agricultural land back to forestry is required over a period of years. Amalgamation of small parcels into larger family farms is a necessary, corollary productivity action. If this type of land policy does not become a basic and integral part of agricultural policy then the income goal will not be realized without undue burden on the state budget and the economy as a whole. The challenge to agriculture and the rest of the economy is to make the necessary changes possible.

ITEMS

Trade agreements. On November 4, a trade agreement for 1967 was signed between Finland and the *USSR*. This is the second agreement within the framework of the fourth five-year pact covering the period 1966—70 signed in August 1964. In 1967 Finnish exports to the *USSR* will increase in value by 16 per cent and her imports by 20 per cent in comparison with the previous year. The total exchange of goods is estimated at 440 million roubles.

Finland's export list includes machinery for sulphate pulp mills and for paper mills, ships and ship fittings, cables, raw materials, wood industry products, textiles and footwear etc. The exports of the wood industry products will increase by 10 million roubles. In 1967 Finland will export 34 ships (17 ships in 1966). Exports of textiles will increase by 50 per cent and footwear exports will treble.

Among imports from the *USSR*, there will be various machines and equipment, motor cars, oil and coke, various metals, chemical products, fertilizers, timber, feeding stuffs and grain. Imports of raw oil and diesel oil will increase considerably: the raw oil quota is fixed at 3.8 million tons (2.2 million tons in 1966) and the diesel oil quota at 2 million tons (1.5 million tons). In the group of machinery and equipment a quota of 1.5 million roubles is fixed for railway rolling stock. Imports of industrial machinery will increase considerably. 8 500 passenger cars, or 1 200 less than in 1966 will be imported. Imports of saw logs will amount to 450—500 000 cu.m., of pulp wood 650—850 000 cu.m., and of other coniferous

timber 500 000 cu.m. In the group of chemicals there is a new item "phenol" whose quota is fixed at 2 000 tons.

Frontier trade which until now has taken place between Finland and Leningrad will be extended and agreed upon separately.

On November 15, an agreement was signed between Finland and the *Democratic Republic of Germany* regulating the exchange of goods for 1967. Finland will export paper, cellulose, board, wallboard, machines, agricultural products and textiles. The exports of machinery and equipment, comprising forest tractors, motor saws, lifts, escalators and sanitary goods, will double.

Finland will import chiefly chemicals, cars, machinery and equipment. There will be an increase in imports of machines and electro-technical equipment.

*

Increase in the amount of notes to be issued by the Bank of Finland. On the representation of the Bank of Finland a Bill was placed before Parliament by the Government on October 14, relating to a temporary amendment of § 6 of the Bank of Finland Regulations. The Bill proposes that, because of a weakening of the balance of payments and a resulting decrease in the foreign exchange reserves, the Bank's right to issue notes in excess of the ordinary note cover be raised from the present 500 million marks to 700 million marks. Due to considerable seasonal variations in the amount of notes in circulation it was further proposed that the amount by which this limit may, on

the representation of the Bank Supervisors, be increased for a fixed period by decree be raised from the present 80 million marks to 150 million marks. The amendments should be temporary and valid until the end of 1968.

The above amendments to the Bank of Finland Regulations have been passed and the corresponding Act was issued on November 18.

*

International Monetary Fund. Mr. Jorma Aranko, Secretary of the Bank of Finland, has been appointed on November 1, 1966,

as Alternate Executive Director of the International Monetary Fund representing the five Nordic countries. Mr Aranko's term of office will be two years.

*

Domestic Bond issue. In October, the Government made the second 1966 issue of 8 per cent bonds for subscription by the banking institutions. The loan amounts to 25 million marks, and the bonds, dated November 10, will run for a period of five years. The loan is issued at par.

BANK OF FINLAND

BOARD OF MANAGEMENT

KLAUS WARIS,
Governor

ESKO K. LEINONEN

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

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

REINO ROSSI

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,
Personnel

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