



# BANK OF FINLAND

## MONTHLY BULLETIN

Vol. 34 No. 8

AUGUST

1960

### RECENT DEVELOPMENTS

#### FOREIGN PAYMENTS POSITION

In the spring of this year, definite signs began to indicate that the present boom in Finland might be of too speedy growth. As could be expected, these indications were clearest in the foreign trade sector. The chief characteristic of the present phase of the business cycle is a sharp increase in the volume of imports. There has also been a satisfactory increase in exports, the result of strong foreign demand, but this has not been adequate to keep pace with the imports. As the import boom has at this time of the year been superimposed on the normal seasonal tendency towards trade deficits, it is not surprising that there has for the first time since 1957 been a sizable loss of foreign exchange reserves. Between the end of December 1959 and July 1960, the net reserve of the Bank of Finland decreased by 9 300 million marks, whereas in the first seven months of 1959 it had increased by 8 400 million.

The recent development of the net foreign exchange reserve of the Bank of Finland is shown below.

	July 31, 1959	Dec. 31, 1959	July 31, 1960
	1 000 million marks		
Gold and convertible currencies .....	47.1	58.1	47.3
Non-transferable OEEC currencies .....	5.5	4.7	3.7
Eastern bloc currencies ....	8.1	4.4	4.4
Other bilateral currencies ..	3.1	3.7	6.2
<b>Total</b>	<b>63.8</b>	<b>70.9</b>	<b>61.6</b>

This breakdown by currency areas shows that almost all of the decline in 1960 has occurred in convertible currencies. The import expansion has in fact been mostly concentrated on Western Europe, although imports from some countries of the Eastern Bloc have also risen notably. On the other hand, exports to the last-mentioned countries have been quite stable. Finland's claims against bilateral countries outside the Eastern and OEEC groups have increased, mostly due to the continued high level of exports to Brazil.

However, the total foreign reserves of the Finnish banking system have declined less than the net reserves of the Bank of Finland. This is due to the fact that the other banks have during 1960 increased their holdings of foreign exchange. The net loss of external assets for the country as a whole has been some 4 000 million marks only.

A drain of reserves of this magnitude does not yet reflect the change that has in recent months been taking place in Finland's balance of payments on current account. Indeed, a decline in reserves during this period of the year is a seasonal phenomenon in Finland (although in 1958 and 1959 it was concealed by extraordinary factors).

*On page 18, Public Finance in 1959*

The half-year figures for Finland's balance on merchandise account indicate a marked deterioration from 1959 to 1960. In January—June 1959, the value of imports was 122 100 million marks, while the corresponding figure this year was 166 600 million, or 36 per cent higher. Exports also increased from 114 700 million marks to 131 900 million between the same two periods, but this expansion was less than one-half of the rise in imports. Thus the seasonal excess of imports of the first six months of the year grew from 7 400 million marks in 1959 to 34 700 million this year.

While „invisible” items in Finland's balance of payments regularly show a considerable surplus, there is little reason to believe that increased net earnings on invisibles would offset much of the trade balance deterioration. It appears that during the first half of 1960 the deficit on current account was of the order of 26 000 million marks, compared with a deficit of 2 500 million during the same period of 1959.

On the other hand, some of the increased imports have been financed on long-term loans. In 1959, Finland received an unusually large amount of foreign credits; the most important of these were a \$37 million loan from the World Bank, and a DM 50 million loan from the Federal Republic of Germany. Very little had been drawn on these loans during 1959, but during the current year their utilization has speeded up as the projects have advanced. In the first half of 1960, some 9 200 million marks were drawn from various long-term foreign exchange loans, compared with 12 200 million during the whole of 1959. Nevertheless, withdrawals of new loans exceeded repayments of old loans by only slightly over 1 000 million marks during the first six months of 1960.

It thus appears that there has again been a sizable inflow of foreign short-term capital into Finland during the first half of 1960. Although statistics are fragmentary, it is known that export advances received on Finnish roundwood and sawn wood exports amounted during the first half of the year to some 5 000 million marks more than during the corresponding period of 1959. Furthermore, considerably larger prepayments were received for future exports of the metal and engineering industry. A further type of short-term capital inflow was probably that of short-term import credit, which may have been used in a larger volume in order to finance the extremely heavy imports of the second quarter of the year. These movements of short-term capital are factors which would tend to slow down the seasonal growth in foreign exchange reserves normally expected during the second half of the year.

It is obvious that the internal credit expansion which has recently been in progress in Finland has contributed to the sharp deterioration in the balance of payments. Some building-up of stocks of imported goods, financed on internal bank credit, appears to have taken place despite the tightened rediscount regulations of the Bank of Finland. It remains to be seen whether the import boom will abate during the rest of the year. Domestic credit for stock-building and for imports of consumers' goods has become more expensive since the Bank of Finland decided to permit selective raising of interest rates on commercial bank loans from 7 to 8 per cent. Moreover, the effect of increasing penalty rates for banks which have exceeded the limit of their „free” rediscount facilities should begin to be felt gradually.

*August 18, 1960.*

## BANK OF FINLAND

Mill. mk

	1959		1960			
	July 31	Dec. 31	July 8	July 15	July 23	July 30
<b>BALANCE SHEET</b>						
<b>Assets</b>						
<i>Ordinary note cover</i> .....	68 263	76 694	71 479	71 439	71 526	72 482
Gold .....	8 473	8 454	8 455	8 455	8 455	8 455
Foreign exchange .....	56 788	64 611	57 786	57 756	56 057	57 013
Foreign bills .....	413	366	459	449	449	449
Foreign bonds .....	2 589	3 263	4 779	4 779	6 565	6 565
<i>Supplementary note cover</i> .....	27 221	27 016	39 142	37 612	41 229	39 190
Inland bills discounted						
In foreign currency .....	12 012	11 535	11 032	11 033	11 021	11 021
In Finnish currency .....	6 120	3 888	6 722	6 661	6 517	6 498
Rediscounted bills .....	2 214	4 718	15 763	14 293	18 066	16 046
Treasury bond loan .....	6 875	6 875	5 625	5 625	5 625	5 625
<i>Other assets</i> .....	18 816	18 096	9 616	9 803	12 152	12 226
Finnish bonds .....	1 816	2 620	767	767	2 667	2 887
Cheque accounts .....	198	267	279	199	498	348
Finnish coin .....	770	654	802	820	812	811
Other claims .....	16 032	14 555	7 768	8 017	8 175	8 180
Total	114 300	121 806	120 237	118 854	124 907	123 898
<b>Liabilities</b>						
<i>Notes in circulation</i> .....	60 992	69 435	67 776	66 750	67 658	69 463
<i>Short-term liabilities</i> .....	16 320	17 814	15 886	15 534	20 157	17 574
Foreign exchange accounts .....	1 422	2 116	3 904	4 097	4 060	3 904
Mark accounts of holders abroad .....	4 498	4 780	3 807	3 815	3 825	3 777
Cheque account of the Treasury .....	8 415	6 418	7 198	6 486	11 863	9 107
Cheque accounts of banks .....	1 326	3 856	620	816	7	294
Other cheque accounts .....	428	233	281	277	360	321
Other short-term liabilities .....	231	411	76	43	42	171
<i>Long-term liabilities</i> .....	15 298	14 089	11 897	11 796	11 777	11 777
Foreign .....	11 214	11 060	10 553	10 553	10 553	10 553
Finnish .....	4 084	3 029	1 344	1 243	1 224	1 224
<i>Equalisation accounts</i> .....	7 165	5 482	8 847	8 904	9 429	9 196
<i>Bank's own funds</i> .....	14 525	14 986	15 831	15 870	15 886	15 888
Capital .....	10 000	10 000	10 000	10 000	10 000	10 000
Reserve fund .....	3 739	3 739	4 362	4 362	4 362	4 362
Profits undisposed .....	—	—	624	624	624	624
Earnings less expenses .....	786	1 247	845	884	900	902
Total	114 300	121 806	120 237	118 854	124 907	123 898
<b>STATEMENT OF NOTE ISSUE</b>						
<b>Right of note issue</b>						
Ordinary cover .....	68 263	76 694	71 479	71 439	71 526	72 482
Supplementary cover (Upper limit 50 000 mill. mk) .....	27 221	27 016	39 142	37 612	41 229	39 190
Total	95 484	103 710	110 621	109 051	112 755	111 672
<b>Note issue</b>						
Notes in circulation .....	60 992	69 435	67 776	66 750	67 658	69 463
Short-term liabilities .....	16 320	17 814	15 886	15 534	20 157	17 574
Undrawn on cheque credits .....	1 029	929	917	997	699	849
Unused right of note issue .....	17 143	15 532	26 042	25 770	24 241	23 786
Total	95 484	103 710	110 621	109 051	112 755	111 672

Lowest Bank rate since March 1, 1959, 6 per cent

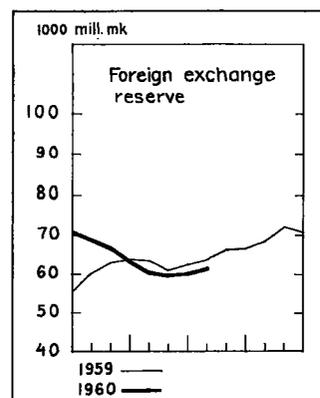
## BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Finnish credit institutions			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Rediscounted bills	Liabilities		Net claims on the banks (7-8-9)
								Cheque accounts of banks	Account of the Mortgage Bank of Finland Oy	
	1	2	3	4	5	6	7	8	9	10
1951	34 317	3 594	30 723	1 644	3 693	28 674	16	-218	—	234
1952	22 099	13 141	8 958	7 024	5 524	10 458	17 217	2 088	—	15 129
1953	27 898	8 737	19 161	8 329	9 237	18 253	8 268	2 157	—	6 111
1954	36 573	7 017	29 556	8 206	10 102	27 660	8 465	2 187	—	6 278
1955	35 938	3 855	32 083	9 427	11 617	29 893	22 628	8 383	1)	14 245
1956	29 410	4 601	24 809	11 271	15 337	20 743	33 665	1 167	280	32 218
1957	38 429	4 569	33 860	17 642	20 185	31 317	24 912	2 405	-42	22 549
1958	57 558	2 178	55 380	12 619	16 013	51 986	18 707	1 474	2 080	15 153
1959	73 065	2 116	70 949	9 249	15 840	64 358	4 718	3 856	252	610
1959										
June	63 999	1 373	62 626	11 762	15 712	58 676	3 695	170	814	2 711
July	65 911	1 422	63 839	11 415	15 712	59 542	2 214	1 326	166	722
Aug.	67 276	1 507	66 209	11 002	15 514	61 697	120	2 010	-227	-1 663
Sept.	68 751	1 905	66 846	10 761	15 859	61 748	400	644	-101	-143
Oct.	70 542	2 141	68 401	9 985	15 727	62 659	486	1 387	419	-1 320
Nov.	74 191	2 133	72 058	9 715	15 672	66 101	315	1 556	285	-1 526
Dec.	73 065	2 116	70 949	9 249	15 840	64 358	4 718	3 856	252	610
1960										
Jan.	71 164	2 228	68 936	9 035	15 796	62 175	2 428	-164	309	2 283
Feb.	69 135	2 329	66 806	8 410	15 179	60 037	3 054	85	52	2 917
March	66 821	3 658	63 163	7 982	15 153	55 992	4 620	749	179	3 692
April	64 550	3 854	60 696	9 710	14 978	55 428	13 072	56	237	12 779
May	63 921	4 085	59 836	9 495	14 487	54 844	13 811	951	71	12 789
June	63 865	3 865	60 000	9 167	14 351	54 816	18 493	691	179	17 623
July	65 468	3 904	61 564	9 659	14 330	56 893	16 046	294	83	15 669

1) Including cash reserve accounts 6 677

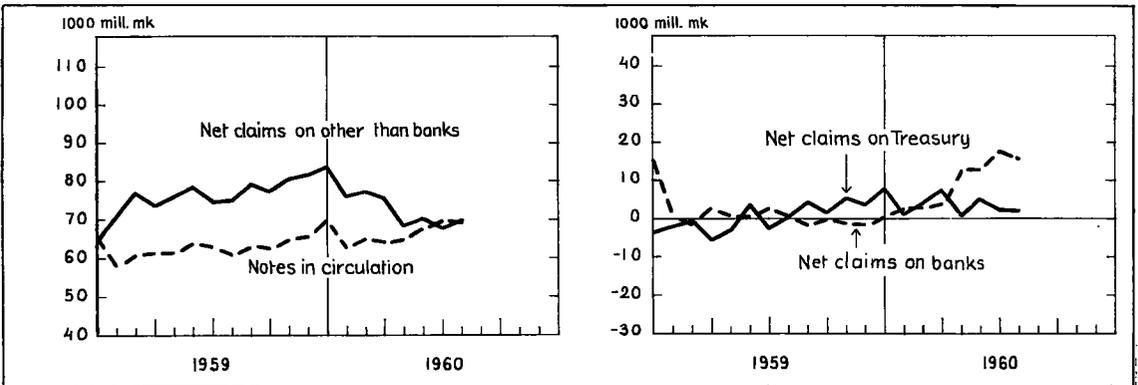
Category of currency	Foreign exchange reserve (col. 3 above) 1 000 mill. mk				
	1958		1959		1960
	Dec. 31	Dec. 31	May 31	June 30	July 30
Gold .....	7.8	8.4	8.4	8.4	8.4
Convertible currencies ..	31.2	49.7	39.1	37.7	38.9
Non-transferable OEEC *	7.7	4.7	4.6	4.2	3.7
Eastern Block currencies.	8.2	4.4	2.2	3.6	4.4
Other currencies .....	0.5	3.7	5.5	6.1	6.2
Total	55.4	70.9	59.8	60.0	61.6



BANK OF FINLAND

Mill. mk

End of year and month	Treasury					Trade and industry				Notes in circulation
	Bills and bonds	Advances for stand-by stocks	Liabilities		Net claims on the Treasury 1+2-3-4	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the public (6 + 7-8)	
			Cheque account	Long-term						
	1	2	3	4	5	6	7	8	9	10
1951	8 685	—	—	—	8 685	11 567	4 549	301	15 815	44 774
1952	14 738	—	—	—	14 738	14 678	5 672	2 185	18 165	46 153
1953	21 662	—	7 281	—	14 381	13 812	7 405	2 314	18 903	45 019
1954	21 662	—	15 470	—	6 192	11 940	6 895	791	18 044	47 902
1955	21 660	—	9 816	1 294	10 550	14 437	9 306	7 357	16 386	55 883
1956	19 160	—	10 550	2 310	6 300	14 922	10 547	5 205	20 264	60 735
1957	16 021	—	5 145	3 965	6 911	12 909	14 425	561	26 773	60 640
1958	9 033	4 335	7 146	9 502	3 280	8 823	14 296	525	22 594	65 075
1959	10 326	6 786	6 418	3 029	7 665	3 888	10 500	392	13 996	69 435
1959										
June	8 745	4 363	11 177	4 389	2 458	7 600	13 424	386	20 638	62 867
July	8 745	4 695	8 415	4 084	941	6 120	13 264	493	18 891	60 992
Aug.	8 745	5 274	6 236	3 685	4 098	4 632	13 066	241	17 457	62 808
Sept.	10 326	5 617	11 028	3 447	1 468	3 769	13 177	671	16 275	62 467
Oct.	10 326	6 116	7 643	3 374	5 425	3 961	11 279	500	14 740	64 583
Nov.	10 326	6 664	10 201	3 308	3 481	4 250	10 662	496	14 416	65 427
Dec.	10 326	6 786	6 418	3 029	7 665	3 888	10 500	392	13 996	69 435
1960										
Jan.	10 326	5 431	11 625	2 955	1 177	4 002	10 553	605	13 950	62 949
Feb.	10 014	4 024	7 238	2 678	4 122	5 120	10 367	560	14 927	64 854
March	8 764	4 035	3 388	2 041	7 370	5 694	10 422	323	15 793	64 013
April	7 244	4 134	9 251	1 734	393	6 078	10 376	251	16 203	65 815
May	7 244	4 265	4 808	1 565	5 136	6 832	10 245	446	16 631	67 376
June	7 244	4 597	8 129	1 344	2 368	7 000	10 051	497	16 554	69 698
July	7 244	5 037	9 107	1 224	1 950	6 498	10 248	409	16 337	69 463



## DEPOSITS BY THE PUBLIC - FOREIGN EXCHANGE RATES

Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. credit societies & their cen- tral bank	Post Office Savings Bank	Savings depart- ments of co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1950	24 460	28 248	10 537	36 579	39 366	20 175	13 892	5 356	115 373	154 158
1951	42 768	48 063	11 203	46 678	51 790	29 710	18 243	8 443	154 870	214 136
1952	28 020	33 410	10 765	59 742	65 344	37 223	23 562	10 798	196 706	240 881
1953	32 112	37 907	11 048	70 455	76 709	42 537	27 074	11 951	228 762	277 717
1954	34 913	42 108	13 451	83 444	92 174	52 050	30 079	13 415	271 195	326 754
1955	36 588	44 281	11 795	97 794	108 541	61 139	33 073	15 255	315 842	371 918
1956	38 614	45 963	15 265	96 807	112 402	63 531	34 162	16 013	322 953	384 181
1957	37 708	46 138	14 912	103 223	117 859	67 111	33 960	16 823	339 009	400 059
1958	39 568	49 575	18 277	122 256	131 260	74 272	38 167	19 191	385 175	453 027
1959*	55 749	67 778	15 667	150 548	152 730	85 976	43 120	21 913	454 316	537 761
1959*										
June	44 991	55 145	22 474	136 106	137 638	77 992	40 273	20 166	412 204	489 823
July	46 561	56 446	12 864	136 963	139 194	78 578	40 524	20 247	415 535	484 845
Aug.	47 447	58 030	12 425	138 372	140 510	79 301	40 919	20 407	419 538	489 993
Sept.	49 915	62 451	20 646	138 873	141 980	80 302	41 038	20 673	422 895	505 992
Oct.	50 061	62 757	12 527	140 531	144 298	81 167	41 180	20 891	428 096	503 380
Nov.	52 776	64 676	12 319	142 703	146 558	82 608	41 442	21 172	434 512	511 507
Dec.	55 749	67 778	15 667	150 548	152 730	85 976	43 120	21 913	454 316	537 761
1960*										
Jan.	50 344	60 407	10 424	152 020	154 071	87 069	43 474	22 303	458 966	529 797
Feb.	51 520	61 375	14 471	155 066	156 103	88 975	44 261	22 710	467 137	542 983
March	51 761	62 736	14 481	158 941	159 110	91 527	44 716	23 093	477 410	554 627
April	49 694	60 447	11 985	160 943	160 117	92 599	44 681	23 219	481 583	554 015
May	53 991	65 801	13 195	163 190	161 794	93 929	44 750	23 278	486 965	565 961
June	54 253	65 426	13 784	163 976	161 612	93 361	44 773	23 205	486 956	566 166
July	53 943	65 041	12 673	165 457	162 867	93 882	45 098	23 324	490 655	568 369

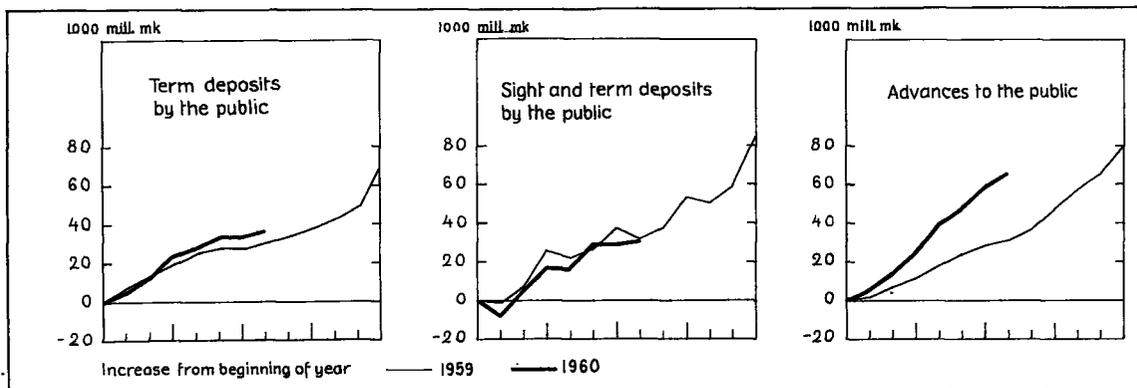
End of month	Index-tied deposits		
	1958	1959	1960
Jan.	85 733	79 991	24 350
Feb.	87 884	76 797	21 413
March	89 735	72 012	19 079
April	89 777	65 620	18 100
May	90 611	61 022	17 718
June	91 041	56 605	17 429
July	91 386	52 298	17 143
Aug.	91 543	48 628	
Sept.	87 640	41 179	
Oct.	85 954	34 207	
Nov.	84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

Selling rates for foreign exchange			
July 30, 1960			
		mk	mk
New York ...	1 \$	321: 20	Brussels ..... 100 Fr 642: —
Montreal .....	1 \$	330: 20	Zurich ..... 100 Fr 7 462: —
London .....	1 £	902: —	Paris ..... 100 NF 6 555: —
Stockholm ...	100 Kr	6 225: —	Rome ..... 100 Lit 51: 76
Oslo .....	100 Kr	4 504: —	Vienna ... .. 100 Sch 1 242: —
Copenhagen ..	100 Kr	4 663: —	Lisbon ..... 100 Esc 1 124: —
Frankfurt a/M	100DM	7 704: —	Reykjavik .... 100 Kr 847: —
Amsterdam ...	100 G	8 518: —	Prague, clear... 100 Kč 4 458: —
			Moscow, clear. 100 Rbl 8 025: —

ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Post Office Savings Bank	Co-op. credit societies & their cen- tral bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1950	67 438	35 511	4 507	35 048	3 830	135 309	11 025	146 334	67 640
1951	85 578	45 554	8 508	41 849	4 425	172 003	13 911	185 914	95 038
1952	104 881	59 824	13 402	50 694	5 379	217 141	17 039	234 180	84 113
1953	105 659	70 511	18 782	56 765	9 847	245 275	16 289	261 564	87 294
1954	128 955	82 447	22 123	64 697	12 773	291 506	19 489	310 995	95 935
1955	155 436	96 454	24 866	72 868	13 599	339 797	23 426	363 223	102 032
1956	162 663	102 830	26 232	76 761	14 690	357 802	25 374	383 176	109 559
1957	160 379	106 639	26 047	78 064	15 717	363 000	23 846	386 846	112 398
1958	174 542	115 481	29 027	83 511	21 931	401 155	23 337	424 492	124 527
1959*	209 686	132 663	33 138	96 715	32 578	477 244	27 536	504 780	142 998
1959*									
June	184 863	123 152	30 387	88 660	25 681	426 924	25 819	452 743	134 774
July	183 589	124 666	31 118	89 337	26 620	430 489	24 841	455 330	125 409
Aug.	184 965	126 191	31 600	90 550	27 689	437 066	23 929	460 995	128 511
Sept.	190 749	127 980	32 369	91 957	28 771	446 076	25 750	471 826	139 508
Oct.	196 254	129 702	32 566	93 800	29 229	455 552	25 999	481 551	134 288
Nov.	200 782	131 592	32 626	94 833	30 241	463 309	26 765	490 074	137 583
Dec.	209 686	132 663	33 138	96 715	32 578	477 244	27 536	504 780	142 998
1960*									
Jan.	211 026	134 342	33 510	97 496	33 337	480 821	28 890	509 711	129 455
Feb.	217 135	135 681	33 884	98 116	34 089	488 705	30 200	518 905	131 320
March	222 749	137 133	33 984	100 212	35 225	499 743	29 560	529 303	133 702
April	230 904	139 152	34 484	102 531	37 049	513 265	30 855	544 120	131 300
May	232 510	141 062	35 356	104 208	38 826	522 430	29 532	551 962	137 962
June	239 831	142 505	36 316	104 888	39 657	531 162	32 035	563 197	139 625
July	241 923	144 324	35 974	106 948	40 506	538 136	31 539	569 675	141 264

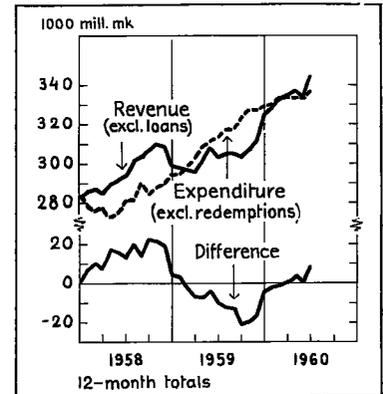


## STATE FINANCES

1000 mill. mk

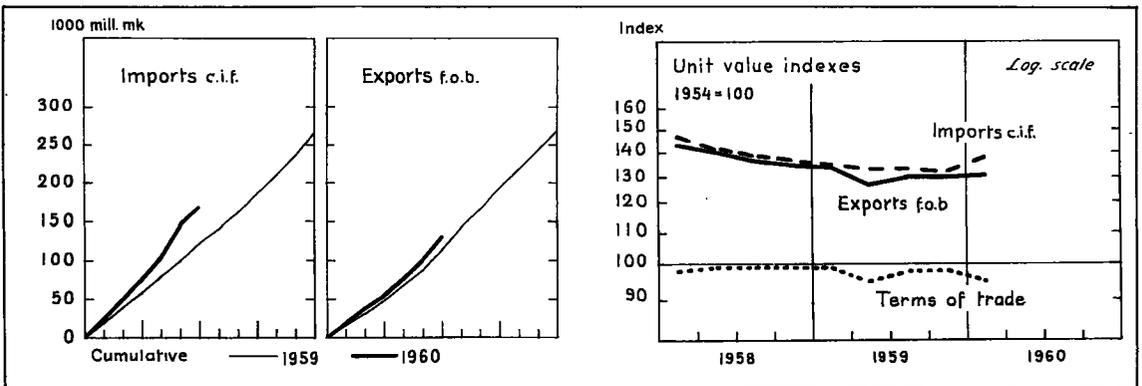
Revenue	Jan.—June		Expenditure	Jan.—June	
	1959	1960		1959	1960
Income and property tax (net) .....	28.9	36.2	Interest on State debt .....	3.4	3.0
Gross receipts .....	(67.9)	(87.1)	Child allowances .....	10.2	10.3
Refunds and communal income tax .....	(-39.0)	(-50.9)	The State's share in national pensions .....	4.3	4.1
Other direct taxes .....	0.6	0.6	Compensations to war-disabled .....	3.7	3.6
Purchase tax .....	33.4	40.4	Transfer of employers' payments for national pensions to the National Pensions Institution .....	4.4	3.5
Import duties .....	19.2	22.3	Subsidies .....	14.6	15.1
Revenue from Alcohol Monopoly .....	11.1	12.2	Net payments on price equalisation by extra-budgetary funds .....	—	2.0
Excise duty on tobacco .....	9.0	9.4	State aid to agriculture .....	2.6	2.0
Excise duty on liquid fuel .....	4.0	5.6	State aid to communal and private schools .....	11.2	12.3
Other excise duties .....	2.3	2.6	Net loss of State enterprises .....	1.1	0.1
Tax on automobiles and motor cycles .....	0.9	1.0	Maintenance of roads .....	3.3	3.9
Stamp duties .....	7.1	8.4	Other current expenditure .....	47.3	54.1
Employers' payments for child allowances and national pensions .....	12.5	13.9	<b>Current expenditure</b> .....	106.1	114.0
Net receipts of price equalisation by extra-budgetary funds .....	0.2	—	Real investments .....	34.6	36.7
Other revenue similar to taxes .....	2.5	2.7	Other capital expenditure .....	16.0	12.9
<b>Total taxes</b> .....	131.7	155.3	<b>Capital expenditure</b> .....	50.6	49.6
Interest and dividends .....	3.3	2.8	<b>Total expenditure</b> .....	156.7	163.6
Net profit of State enterprises .....	—	—	Redemption of external loans .....	5.1	1.9
Other current revenue .....	4.7	4.2	Redemption of internal loans .....	7.1	9.2
<b>Current revenue</b> .....	139.7	162.3	Redemption of indemnity bonds etc. .....	0.2	1.1
Capital revenue proper .....	8.6	4.0	Index premiums .....	0.6	0.6
Decrease in inventories .....	2.8	4.7	<b>Redemptions</b> .....	13.0	12.8
<b>Capital revenue</b> .....	11.4	8.7			
<b>Total revenue</b> .....	151.1	171.0			
External loans .....	—	—			
Internal loans .....	13.2	9.9			
<b>Loans</b> .....	13.2	9.9			
Short-term credit (increase +) .....	-0.5	-3.6			
<b>Deficit (+) or surplus (-)</b> .....	+5.9	-0.9			
<b>Total</b> .....	169.7	176.4	<b>Total</b> .....	169.7	176.4

Debt	1956	1957	1958	1959	1960		
	Dec.	Dec.	Dec.	Dec.	May	June	July*
<b>External debt</b> .....	61.5	81.8	79.0	76.6	75.7	75.4	75.2
Ordinary loans .....	50.7	52.9	61.5	72.1	72.4	72.6	73.8
Indemnity bonds etc. ..	7.1	7.4	7.3	6.5	5.5	5.5	5.5
Short-term credit .....	—	—	1.2	4.1	1.0	0.5	0.5
Cash debt (net) .....	8.8	9.6	-1.7	-5.7	-5.4	-6.3	..
<b>Internal debt</b> .....	66.6	69.9	68.3	77.0	73.5	72.3	..
<b>Total debt</b> .....	128.1	151.7	147.3	153.6	149.2	147.7	..
Total debt, mill. \$ .....	554.5	472.7	459.8	479.7	464.8	459.8	..



FOREIGN TRADE

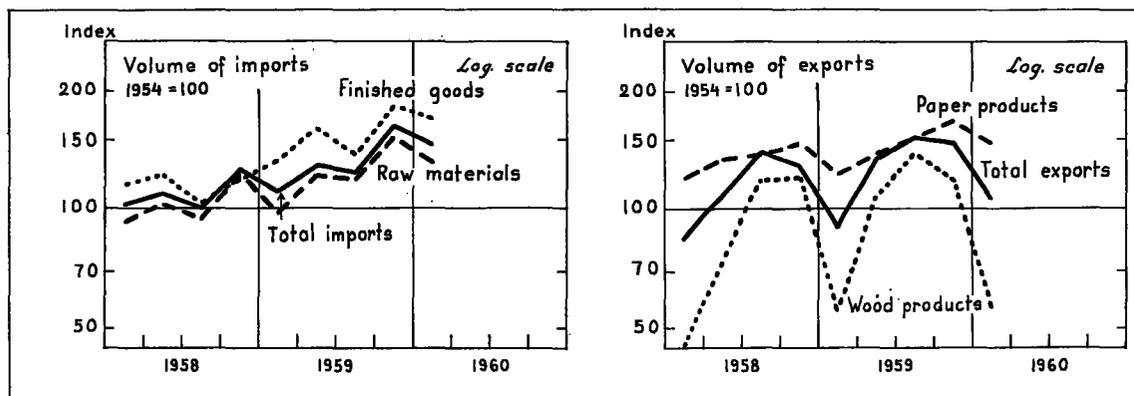
Period	Value, mill. mk			Unit value indexes 1954 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
1952	182 186	156 829	-25 357	130	165	99	147	118	121	107
1953	121 860	131 555	+ 9 695	98	111	95	91	109	106	92
1954	152 137	156 618	+ 4 481	100	100	100	100	100	100	100
1955	176 960	181 259	+ 4 299	106	110	105	105	115	100	106
1956	203 558	177 987	-25 571	106	110	104	109	106	105	101
1957	227 927	212 385	-15 542	116	118	113	119	120	122	95
1958	233 302	247 934	+14 632	138	139	133	139	153	140	99
1959*	266 789	267 241	+ 452	130	120	121	131	152	133	98
Jan. — June										
1958	115 216	105 800	- 9 416							
1959*	122 491	114 712	- 7 779							
1960*	166 595	131 882	-34 713							
1959*										
July	19 664	28 314	+ 8 650	130	114	122	130	150	133	98
Aug.	20 144	22 228	+ 2 084							
Sept.	23 105	26 828	+ 3 723							
Oct.	23 997	25 686	+ 1 689	130	116	123	130	151	132	98
Nov.	26 993	24 882	- 2 111							
Dec.	30 403	24 591	- 5 812							
1960*				131	114	124	130	159	138	95
Jan.	24 687	18 395	- 6 292							
Feb.	24 704	18 641	- 6 063							
March	26 504	17 552	- 8 952							
April	29 031	21 937	- 7 094							
May	40 796	24 458	-16 338							
June	20 873	30 899	+10 026							



## FOREIGN TRADE BY MAIN GROUPS

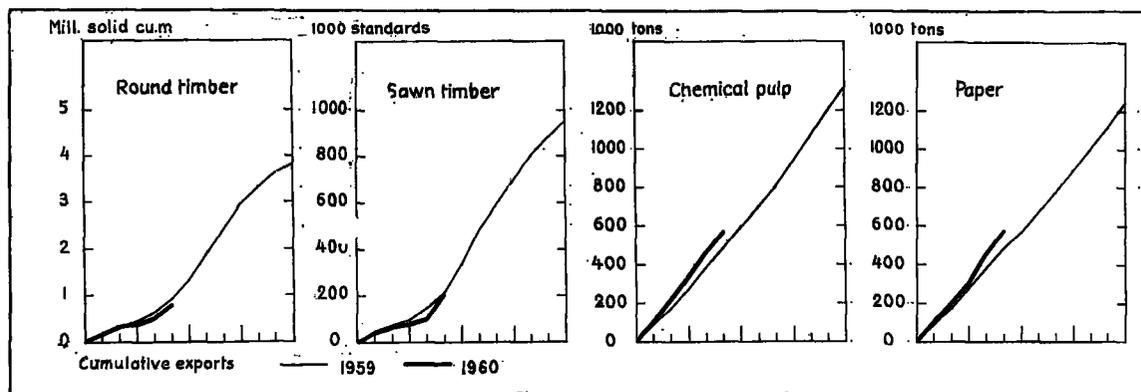
Mill. mk

Period	Imports, c. i. f.				Exports, f. o. b.					
	Raw materials and accessories	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods
			Producer goods	Consumer goods						
1952	97 500	21 952	35 664	27 072	5 185	28 441	42 891	65 350	11 094	3 868
1953	65 148	15 879	24 029	16 804	4 719	10 251	43 671	47 926	20 936	4 052
1954	86 420	17 337	28 797	19 581	5 152	13 582	49 730	61 662	20 988	5 504
1955	94 919	21 540	34 225	26 276	3 880	19 905	51 321	75 793	24 803	5 557
1956	104 284	27 464	43 357	28 453	6 206	17 243	40 485	81 780	25 125	7 148
1957	117 424	40 238	41 353	28 912	10 169	17 095	48 287	97 638	30 433	8 763
1958	119 502	32 658	48 797	32 345	10 651	19 346	57 818	115 173	34 036	10 910
1959*	133 808	28 118	67 043	37 820	14 853	16 290	63 662	117 003	44 068	11 365
Jan. — May										
1958	45 018	16 869	14 994	11 799	4 600	3 633	14 824	46 223	11 293	3 434
1959*	48 044	10 071	26 487	15 017	5 812	3 988	17 006	43 886	13 268	3 399
1960*	70 433	12 060	42 923	20 306	6 745	3 570	19 372	52 381	14 346	4 569
1959*										
July	9 987	1 796	5 313	2 568	1 679	2 249	8 180	9 526	5 334	1 346
Aug.	10 043	2 399	5 258	2 444	1 010	2 336	6 138	9 677	1 988	1 079
Sept.	12 569	2 285	5 336	2 915	1 083	2 267	6 754	11 281	4 260	1 183
Oct.	12 207	2 699	5 865	3 226	1 121	1 613	7 272	11 101	3 347	1 232
Nov.	14 265	2 894	6 280	3 554	922	1 210	5 570	10 846	5 194	1 140
Dec.	14 711	3 915	6 802	4 975	2 065	995	5 408	11 650	3 334	1 139
1960*										
Jan.	13 226	2 149	5 967	3 345	1 364	662	3 203	8 797	3 556	813
Feb.	12 025	2 890	6 459	3 330	1 616	615	2 876	9 703	3 161	670
March	12 569	2 089	7 903	3 943	1 093	303	2 633	10 770	1 809	944
April	13 648	1 993	8 719	4 671	1 225	607	3 451	12 950	2 756	948
May	18 965	2 939	13 875	5 017	1 447	1 383	7 209	10 161	3 064	1 194



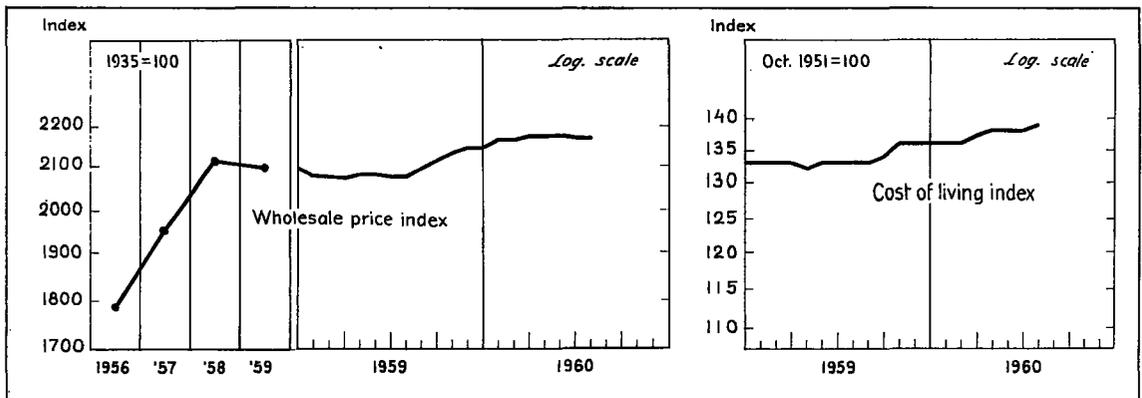
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber 1 000 solid cu. m	Sawn timber 1 000 stds	Veneers and plywood 1 000 cu. m	Mechanical pulp 1 000 tons	Sulphite pulp 1 000 tons	Sulphate pulp 1 000 tons	Board 1 000 tons	Fibre building board 1 000 tons	Newsprint 1 000 tons	Paper, all kinds 1 000 tons
1952	5 112	611	222	143	477	245	65	44	392	569
1953	2 388	688	216	204	464	323	76	45	402	677
1954	3 620	733	298	193	580	375	101	59	392	751
1955	4 977	786	321	183	682	447	110	61	470	905
1956	4 424	648	230	186	679	452	106	49	537	997
1957	4 063	719	260	165	697	474	134	60	551	1 108
1958	3 861	762	239	143	725	476	145	83	585	1 147
1959*	3 812	950	296	139	770	549	142	110	576	1 244
Jan. — May										
1958	723	133	103	54	299	182	60	36	237	448
1959*	922	214	119	58	277	204	52	46	227	479
1960*	812	201	148	73	363	200	64	55	278	573
1959*										
July	536	144	21	9	56	50	14	5	44	102
Aug.	559	104	15	11	60	44	13	8	41	101
Sept.	535	107	28	9	81	57	12	9	52	114
Oct.	364	110	32	13	73	51	14	12	54	118
Nov.	294	80	25	12	80	50	13	11	56	111
Dec.	208	69	31	16	82	50	14	11	61	126
1960*										
Jan.	160	36	24	10	67	35	10	9	43	95
Feb.	152	25	28	14	67	40	12	10	56	105
March	65	17	31	13	81	45	14	12	49	106
April	134	24	36	16	83	43	16	12	75	155
May	301	99	29	20	65	37	12	12	55	112



## FOREIGN TRADE BY COUNTRIES

Area and country	Imports c.i.f.					Exports f.o.b.				
	Whole year		Jan. — May			Whole year		Jan. — May		
	1958	1959	1959*	1960*	1958	1959*	1959*	1960*		
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
<b>Sterling area</b> .....	17.9	16.3	16.9	16.5	24 044	25.6	26.7	28.1	27.5	27 717
United Kingdom .....	17.2	15.7	16.4	15.9	23 148	22.1	23.3	24.3	23.4	23 659
<b>Other OEEC countries</b> ..	45.2	49.4	50.1	52.3	76 141	37.5	36.5	37.1	38.8	39 134
Austria .....	0.5	0.6	0.6	0.6	939	0.2	0.2	0.2	0.2	242
Belgium-Luxembourg ....	2.8	2.5	2.2	2.8	4 029	3.6	3.7	3.2	2.9	2 898
Denmark .....	2.4	2.3	2.3	2.5	3 653	3.0	3.3	3.1	3.2	3 207
France .....	4.7	5.1	5.3	6.5	9 428	6.2	4.7	4.8	4.4	4 491
Western Germany .....	16.5	17.9	17.7	18.8	27 375	10.8	10.9	10.8	11.5	11 641
Italy .....	1.5	1.8	2.0	1.8	2 689	1.8	1.8	2.0	2.3	2 332
Netherlands .....	4.3	4.5	5.2	3.9	5 674	4.4	5.4	5.2	5.5	5 507
Norway .....	1.2	1.6	1.3	1.3	1 903	0.7	0.7	0.6	1.1	1 140
Portugal .....	0.1	0.2	0.1	0.2	246	0.1	0.1	0.1	0.1	73
Spain .....	0.6	0.5	0.5	0.6	867	1.1	0.2	0.4	0.2	182
Sweden .....	8.3	9.2	10.2	10.5	15 270	3.6	3.2	3.7	5.4	5 418
Switzerland .....	1.7	2.3	2.3	2.3	3 394	0.7	0.4	0.6	0.4	361
<b>Eastern Bloc</b> .....	25.6	24.5	22.7	20.9	30 457	24.8	23.5	19.2	18.5	18 685
China .....	0.5	0.5	1.1	0.3	342	1.1	2.0	1.7	0.4	426
Czechoslovakia .....	1.2	1.4	1.6	1.3	1 936	1.2	0.7	0.7	0.8	760
Eastern Germany .....	1.7	1.6	1.5	1.3	1 857	1.7	1.3	1.0	1.3	1 358
Poland .....	3.1	2.4	1.9	1.6	2 353	2.6	2.1	2.4	2.0	1 991
Soviet Union .....	18.0	17.9	16.1	15.7	22 921	17.3	16.7	12.8	13.3	13 402
<b>U.S. and Canada</b> .....	5.5	5.4	5.0	6.7	9 800	4.7	5.9	7.1	7.2	7 314
United States .....	5.3	5.1	4.9	6.5	9 489	4.6	5.8	7.0	7.1	7 188
<b>Latin America</b> .....	4.4	3.5	3.8	2.5	3 637	4.5	4.9	6.1	6.4	6 480
Argentina .....	0.3	0.5	0.6	0.5	813	1.0	0.9	1.3	1.4	1 377
Brazil .....	3.7	2.5	2.8	1.6	2 283	2.4	2.8	3.3	3.4	3 446
<b>Others</b> .....	1.4	0.9	1.5	1.1	1 643	2.9	2.5	2.4	1.6	1 653
<b>Grand total</b> .....	100.0	100.0	100.0	100.0	145 722	100.0	100.0	100.0	100.0	100 983
of which										
<b>EFTA countries</b> .....	31.3	31.8	33.3	33.3	48 553	30.3	31.3	32.6	33.8	34 100
<b>EEC countries</b> .....	29.8	31.8	32.4	33.8	49 195	26.9	26.5	26.0	26.6	26 869



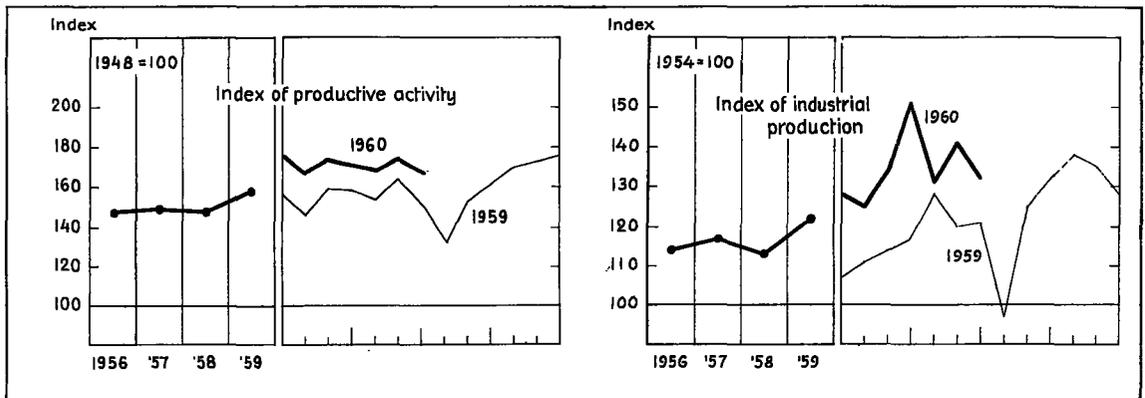
## PRICE INDEXES

Period	Wholesale prices 1935 = 100						Building costs 1951 = 100		
	Total index	Finnish goods				Imported goods	Total	Building material	Workers' average hourly earnings
		Total	Products of agriculture	Products of forestry	Products of industry				
1957	1 954	1 980	2 103	2 947	1 615	1 897	113	105	127
1958	2 113	2 125	2 193	3 106	1 773	2 085	117	112	124
1959	2 096	2 134	2 198	3 060	1 801	2 016	118	110	128
1959									
June	2 076	2 103	2 126	3 007	1 791	2 019	118	110	129
July	2 076	2 110	2 166	3 006	1 790	2 002	119	111	131
Aug.	2 092	2 132	2 240	3 005	1 803	2 005	119	111	132
Sept.	2 114	2 163	2 261	3 086	1 820	2 008	119	110	130
Oct.	2 134	2 187	2 251	3 198	1 825	2 020	119	111	130
Nov.	2 141	2 201	2 278	3 203	1 838	2 014	119	111	130
Dec.	2 144	2 203	2 284	3 202	1 840	2 017	119	112	130
1960									
Jan.	2 161	2 221	2 352	3 200	1 849	2 033	119	112	128
Feb.	2 163	2 228	2 351	3 199	1 862	2 022	120	112	130
March	2 166	2 231	2 367	3 196	1 861	2 029	120	114	129
April	2 168	2 234	2 373	3 205	1 863	2 026	120	113	129
May	2 171	2 238	2 356	3 230	1 865	2 028	121	113	132
June	2 168	2 239	2 338	3 242	1 868	2 017	122	114	134
July	2 170	2 246	2 360	3 243	1 873	2 010	123	114	136

Period	Cost of living Oct. 1951 = 100						Consumer prices Oct.—Dec. 1957 = 100					
	Total	Food-stuffs	Rent	Heating and lighting	Clothing	Other	Total	Food-stuffs	Rent	Heating and lighting	Clothing	Other
1957	124	132	260	99	80	117						
1958	132	140	277	102	83	129	103	103	102	99	103	105
1959	134	141	280	98	85	134	105	103	104	95	105	109
1959												
June	133	139	273	100	84	133	104	102	101	97	104	109
July	133	140	274	97	84	134	104	103	101	94	105	109
Aug.	133	140	274	97	84	134	104	103	101	94	105	109
Sept.	134	143	274	96	85	135	105	105	101	93	106	110
Oct.	136	144	292	96	85	135	107	106	108	93	106	110
Nov.	136	144	292	96	85	135	107	106	108	93	106	110
Dec.	136	143	292	96	85	135	107	105	108	93	106	110
1960												
Jan.	136	144	295	98	85	135	107	106	109	95	106	110
Feb.	136	144	295	98	85	135	107	105	109	95	106	110
March	137	144	295	97	86	136	108	106	109	95	106	111
April	138	146	295	97	86	136	108	107	109	95	106	111
May	138	146	295	97	86	136	108	108	109	94	106	111
June	138	148	295	97	86	136	108	109	109	94	106	111
July	139	149	295	97	86	136	109	110	109	94	107	111

PRODUCTION - INTERNAL TRADE

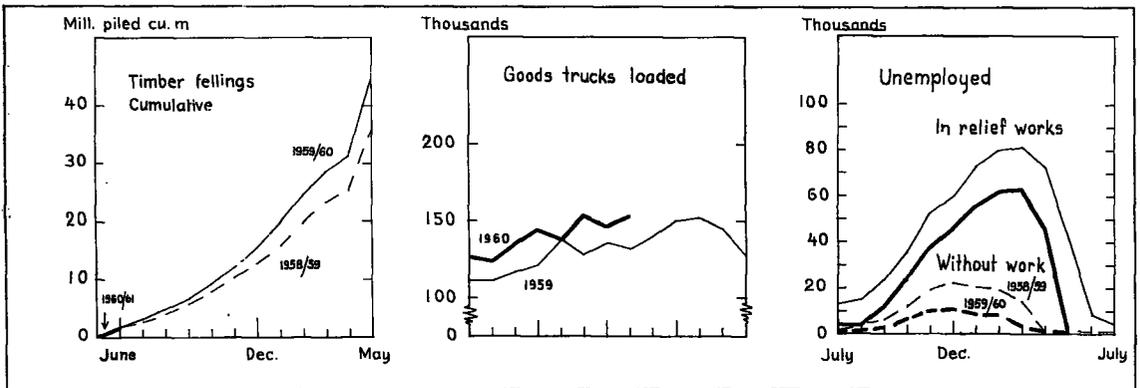
Period	Index of industrial production 1954 = 100								Commercial timber fellings 1 000 piled cu. m	Milk received by dairies 1 000 litres	Wholesale trade volume index 1954 = 100
	Total	Investment goods	Other producer goods	Consumer goods	Special indexes of manufacturing						
					Wood industry	Paper industry	Metal industry	Other			
1951									36 070	1 405	85
1952									35 079	1 515	92
1953									29 170	1 609	93
1954	100	100	100	100	100	100	100	100	35 370	1 653	100
1955	111	116	109	113	99	115	111	111	38 600	1 659	116
1956	114	117	110	120	76	122	113	118	36 623	1 977	121
1957	117	119	116	118	82	134	115	117	40 919	2 085	114
1958	113	111	114	112	87	134	106	110	37 981	2 109	109
1959*	122	116	125	121	98	143	118	120	38 100	2 317	121
1959*											
March	117	111	119	117	99	128	113	116	3 434	181	115
April	128	123	130	128	113	148	125	126	1 959	203	128
May	120	106	121	123	96	139	112	121	10 121	235	123
June	121	117	118	126	111	129	117	122	1 782	252	118
July	97	75	105	94	90	135	80	95	1 323	228	117
Aug.	125	117	125	129	94	145	119	128	1 671	201	132
Sept.	132	130	134	129	99	162	132	128	1 768	182	135
Oct.	138	129	144	133	102	164	135	136	2 640	166	150
Nov.	135	129	143	125	95	169	131	132	2 809	165	127
Dec.	128	129	132	121	106	147	131	120	3 636	176	136
1960*											
Jan.	125	120	129	120	101	157	122	114	4 094	179	101
Feb.	134	133	137	130	125	162	133	125	4 680	175	119
March	151	152	153	146	145	178	152	141	4 084	196	134
April	132	125	133	134	132	148	127	129	2 597	228	139
May	142	136	145	141	139	171	139	135	13 081	251	144
June	132	127	133	133	139	144	131	127	1 646	261	130



**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
1956	19.92	8.82	2.83	4.59	2.42	22.98	95	94	99	96
1957	20.81	9.56	3.20	4.14	2.68	20.86	100	100	100	100
1958	19.29	8.46	3.08	3.57	2.93	20.38	105	103	103	105
1959*	19.85	8.36	3.42	4.50	2.39	20.46	110	106	104	111
1959*										
Jan. - Mar.	3.22	1.38	0.32	0.89	0.50	18.16	108	106	99	109
Apr. - June	3.01	1.29	0.42	0.69	0.38	21.74	110	107	105	111
July - Sept.	6.01	2.48	1.21	0.96	0.93	22.93	111	106	105	111
Oct. - Dec.	7.62	3.22	1.47	1.96	0.59	20.46	111	104	105	112
1960*										
Jan. - Mar.	4.01	1.61	0.33	1.39	0.54	20.66	..	..	..	..

Period	Railways		Foreign shipping				Unemployed at end of month			
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed		Without work Number		In relief works Number	
	1959	1960*	1959	1960*	1959	1960*	1959	1960*	1959	1960*
Jan.	112	124	307	431	359	345	20 520	8 567	72 956	55 603
Feb.	117	135	232	284	271	319	19 201	6 251	79 765	61 505
March	122	144	281	266	333	288	12 393	2 864	80 903	62 923
April	138	138	289	350	365	366	905	961	72 800	45 802
May	128	153	402	554	461	564	928	—	41 724	—
June	136	147	544	675	686	849	858	—	8 137	—
July	132	153	545	759	775	1 053	893	—	4 276	—
Aug.	140		513		692		1 379		3 629	
Sept.	150		436		671		3 026		11 926	
Oct.	152		462		602		6 753		24 036	
Nov.	146		465		530		9 347		37 772	
Dec.	127		463		483		9 547		45 331	



## EXPLANATIONS RELATING TO THE STATISTICAL SECTION

### BANK OF FINLAND

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

Page 4. *Other foreign assets* = Foreign bills + Foreign bonds + Prepayments for exports. *Other foreign liabilities* = Mark accounts of holders abroad + Long-term foreign liabilities.

Page 5. *Treasury bills and bonds*: up to August 1953, bills, and thereafter Treasury bond loan + Treasury bill covering certain IMF and IBRD accounts (included in Other claims). *Trade and industry, Other advances* = Inland bills in foreign currency + Cheque accounts (assets) + Other claims excl. Treasury's IMF and IBRD bill, Prepayments for exports and Advances for stand-by stocks. *Liabilities* = Other short-term liabilities + Other cheque accounts + Deposits against import licences (in 1955—56) — Account of the Mortgage Bank of Finland Oy. — *Diagrams*. Left: *Net claims on other than banks* = Net foreign assets + Net claims on the Treasury + Net claims on the public + Finnish bonds + Finnish coin — Equalisation accounts = Notes in circulation + Bank's own funds — Net claims on the banks.

### DEPOSITS BY THE PUBLIC— ADVANCES TO THE PUBLIC

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

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

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

### STATE FINANCES

Page 8. Official monthly figures adjusted by the Bank of Finland Institute for Economic Research. *Revenue and expenditure*: All extra-budgetary funds are included, and figures are reported on a payment basis. — Annual figures will be published in separate articles. *Debt*: Index-tied bond loans are given at their nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to the Post Office Savings Bank minus cash holdings of (net) 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. *Diagram*. The 12-month totals are plotted to the last month of the respective periods.

### FOREIGN TRADE

Pages 9—12. Figures supplied by the Board of Customs. *The unit value indexes* (p. 9): The indexes are calculated first

according to the Laspeyres formula but at the end of each year adjustments are made according to the Fisher formula, and the level of the quarterly indexes is corrected so that their arithmetic mean equals the annual index. Seasonal variations are not eliminated. Terms of trade: the ratio of export indexes to import indexes. *Foreign trade by countries* (p. 12): imports by countries of purchase, exports by countries of sale.

### PRICE INDEXES

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

### PRODUCTION — INTERNAL TRADE — WORK CESSATIONS

Page 14. *Index of industrial production* calculated by the 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 1954. Monthly figures are unadjusted for seasonal variations. Commodities according to use: investment goods weight 12.7, other producer goods weight 54.6 and consumer goods weight 32.7. Special manufacturing indexes: wood industry ISIC no. 25, weight 8.6, paper industry no. 27, weight 8.6, metal industry nos. 34—38, weight 25.4, and other manufactures nos. 20—24, 26, 28—33, 39, weight 44.9. *Commercial timber fellings* calculated by the Ministry of Communications and Public Works. *Milk received by dairies* calculated by the Board of Agriculture. Figures cover about 50—60 % of the total milk production. The share of the dairies having grown over the last few years, this series does not correctly reflect the development of total milk production during a prolonged period. *Wholesale trade volume index*, calculated by the Ministry of Finance. Based on sales statistics compiled by the daily Uusi Suomi, covering about 50 % of all internal wholesale trade. Price fluctuations have been eliminated by means of the revised wholesale price index. *Diagram*. Left: *Index of productive activity* calculated by the periodical Mercator. It comprises all sectors of the economy. Annual averages are revised according to national income figures.

### BUILDING — WAGES — EMPLOYMENT — TRANSPORT

Page 15. *Building* figures supplied by the Central Statistical Office. *Index of salary and wage earners' earnings* calculated by the Central Statistical Office. Beginning 1957, the weights employed are determined according to the structure of total earnings in 1957; for 1954—1956, the weights are in accordance with earnings in 1951. *Railway* figures supplied by the Board of Railways. *Shipping* figures supplied by the Shipping Board. *Unemployment* figures supplied by the Ministry of Communications and Public Works. The first column shows the number of persons actually without work, while the second one comprises unemployed persons engaged in relief works or other works financed from relief funds. The figures relate to the Friday nearest to the end of the month.

### SYMBOLS USED

\* Preliminary    o Less than half the final digit shown    . Logically impossible    .. Not available    — Nil

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

## SOME PARTICULARS ABOUT FINLAND

### FORM OF GOVERNMENT

From 1154 to 1809 Finland formed a part of the kingdom of Sweden. It then became an autonomous Grand Duchy connected with Russia until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in the Diet and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current period, March 1, 1956, to March 1, 1962, is Urho Kekkonen.

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

### LAND

THE 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 13.9 % of the land in the South of Finland is cultivated (1950), 1.9 % in the North and 8.0 % of the land as a whole. Of the land area 21.8 mill. ha (53.9 mill. acres), or 71.6 %, are covered by forests.

OWNERSHIP OF LAND (1950): The total land area was distributed among different classes of owners approximately as follows: private 56.9 %, State 35.0 %, joint stock companies etc. 6.4 %, communes 1.7 %.

### POPULATION

NUMBER OF INHABITANTS (1959): 4.4 million. Sweden 7.4, Switzerland 5.2, Denmark 4.5 and Norway 3.6 million.

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

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

OCCUPATIONS (1950): Agriculture and forestry 42 %, industry 29 %, commerce 7 %, transport and communications 6 %, services 9 %, other economic activities 1 %, economically inactive persons 6 %.

LANGUAGE (1950): Finnish speaking 91.1 %, Swedish speaking 8.6 %, others 0.3 %.

EDUCATION (1960): Practically all persons over 15 years of age are literate. There are 5 universities (the oldest founded in 1640), 7 colleges of university standard, and 2 teachers' training colleges, besides teacher-training departments in two of the universities.

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

### TRADE AND COMMUNICATIONS

NATIONAL INCOME (1958, in thousand million marks): Gross domestic product at market prices 1 185 (excl. repairs and maintenance). Net domestic product at factor cost, by industrial origin: agriculture 113 (12 %), forestry and fishing 90 (9 %), manufacturing 302 (31 %), construction 94 (10 %), transport and communications 76 (8 %), commerce, banking and insurance 116 (12 %), general government 112 (12 %), other services 62 (6 %), total 965. Index of real domestic product 144 (1948 = 100).

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

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

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

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

MERCHANT FLEET (June 30, 1960): Steamers 219 (311 467 gross reg. tons), motor vessels 199 (400 808 gross reg. tons), sailing vessels with auxiliary engines 94 (9 507 gross reg. tons). Total 512 (721 782 gross reg. tons).

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

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

### FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. Since 1931, the redemption of bank notes in gold has been suspended. The currency unit is the mark (Finnish markka). Its official par value is 320 marks per one U.S. dollar. Finland has been a member of the International Monetary Fund since 1948.

MUNICIPAL FINANCES. In the finance accounts for 1957 expenditure amounted to 159 411 mill. marks. Total revenue was 159 591 million, of which income from taxation 84 383 million. The municipal income tax (non-progressive) averaged 11.22 % of the ratepayers' taxable income.

THE CENTRAL BANK. The Bank of Finland functions under the guarantee and supervision of the Diet. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by the Diet. The Bank has a head office in Helsinki and 13 branch offices in other towns.

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

RATES OF INTEREST (April 1, 1959). Bank of Finland discount rates 6—7 1/2 %. Other credit institutions: term deposits 4 1/2 % (12 months' deposits 5 %, index-tied deposits 3 1/4 %) and sight deposits in savings banks and cooperative credit societies 1/2 %; lending rate 7 % in general.

## PUBLIC FINANCE IN 1959

BY

HENRI J. VARTIAINEN, Mag. Pol.

FELLOW OF THE BANK OF FINLAND INSTITUTE FOR ECONOMIC RESEARCH

The State economy was able to make a good start at the beginning of 1959, as owing to the export levy and many measures of rehabilitation the finance accounts for 1958 had provided a cash surplus of 10 267 million marks. Nevertheless, as the year began under the shadow of depression, it created a strain on the public economy. Placing the unemployed in public works called for large funds, subsidies were rising, and from April onwards an increase in salaries and wages was granted to Government employees.

In order to increase the revenue from taxation, the rate of tax on companies was raised temporarily. The exemption from purchase tax of chemicals used in woodprocessing was not renewed at the beginning of the year. Some edible fats were subjected to excise duty. The increases in other taxes were the result of a rearrangement brought about by the abolition of the Price Equalisation Fund, the equalisation charges formerly levied for the Fund being replaced by taxes in the budget. Nor did the adjustment of prices for agricultural products affect the public finances to any particular extent; the prices of foreign wheat and rye sold by the State Granary to the mills were raised, but subsidies were increased at the same time. With a view to encouraging private saving, special tax concession ac-

counts were introduced, the deposits on which can be deducted from assessable income. The extension of the depreciation allowances, granted to business enterprises in order to raise the level of employment, was also in force during the year. The rate on low-interest house-building loans, the so-called Arava loans, which had stood at 1 per cent, was raised at the beginning of February in such a way that interest on loans granted in 1949—1950 was fixed at 3 per cent, and on loans granted in 1951—1955 at 2 per cent. The net revenue from this increase amounted to about 400 million marks.

Four supplementary budgets were passed during 1959, with unemployment measures and subsidies constituting the main items of expenditure. As for revenue, the estimates of the yield from taxes were increased, partly on the basis of the rearrangement connected with the abolition of the Price Equalisation Fund. The assets of the Fund were also transferred to the budget.

An export levy was imposed on Finnish exporters after the devaluation of September 1957. In September 1958, this levy was abolished, and in 1959 outstanding balances amounting to only 9 million marks were collected. Loans of 3 317 million marks had

Table 1. STATE REVENUE AND EXPENDITURE

(Adjusted figures)

Revenue	1958		1959		Expenditure	1958		1959	
	Mill.mk		Mill.mk			Mill.mk		Mill.mk	
Income and Property tax (net)	54 148	64 645	Interest on State debt	7 270	6 869	20 295	20 522		
Gross receipts	(129 365)	(146 562)	Child allowances	8 284	8 730				
Refunds and Communal income tax	(-75 217)	(-81 917)	The State's share in national pensions	7 686	8 133				
Other direct taxes	1 473	1 599	Transfer of employers' payments for national pensions to National Pensions Institution	7 446	7 402				
Purchase tax	65 730	75 248	Subsidies	25 404	33 602				
Import duties	39 825	42 026	State aid to agriculture	5 915	7 000				
Revenue from Alcohol Monopoly	21 553	22 958	State aid to communal and private schools	21 242	22 203				
Excise duty on tobacco	17 493	19 180	Military expenditure	15 621	17 793				
Excise duty on sweetstuffs	1 744	1 764	Maintenance of roads	8 153	9 673				
Excise duty on beer	940	974	Pensions of State employees	7 521	8 523				
Excise duty on liquid fuel	5 763	11 175	Other current expenditure	71 233	77 572				
Tax on automobiles and motor cycles	1 671	1 474	<b>Current Expenditure</b>	<b>206 070</b>	<b>228 022</b>				
Other excise duties	1 625	2 292	Investments in State enterprises, forests and landed property	16 657	15 195				
Stamp duties	11 887	14 211	Purchases of machinery and apparatus	3 563	3 189				
Levy on export proceeds	15 165	9	House building	9 287	11 384				
Employers' payments for child allowances and national pensions	24 004	26 598	Roads, bridges and hydro-undertakings	26 349	33 717				
Net receipts of price equalisation by extra-budgetary funds	6 712	3 921	Real investments	55 856	63 485				
Other revenue similar to taxes	3 715	4 663	Loans granted	24 309	25 688				
<b>Total taxes</b>	<b>273 448</b>	<b>292 737</b>	Purchases of shares of the international monetary institutions	3	555				
Interest and dividends	6 386	7 174	Increase in stand-by stocks	4 335	3 462				
Net profit of State enterprises	3 376	3 314	Increase in inventories of extra-budgetary funds	2 093	4 294				
Other current revenue	9 122	9 131	<b>Capital Expenditure</b>	<b>86 596</b>	<b>99 105</b>				
<b>Current Revenue</b>	<b>292 332</b>	<b>312 356</b>	Redemption of external loans	2 728	6 791				
Provision for depreciation by State enterprises	1 946	2 306	Redemption of internal loans	7 697	9 971				
Sales of State property	198	592	Redemption of Indemnity Bonds etc.	1 226	987				
Repayments of loans	3 691	8 836	Index premiums	728	675				
Decrease in inventories of State enterprises	892	970	<b>Redemption</b>	<b>12 379</b>	<b>18 424</b>				
<b>Capital Revenue</b>	<b>6 727</b>	<b>12 704</b>	<b>Total</b>	<b>305 045</b>	<b>345 551</b>				
<b>Total Revenue</b>	<b>299 059</b>	<b>325 060</b>	Redemption of external loans	2 728	6 791				
External loans	—	—	Redemption of internal loans	7 697	9 971				
Internal loans	16 253	20 683	Redemption of Indemnity Bonds etc.	1 226	987				
<b>Loans</b>	<b>16 253</b>	<b>20 683</b>	Index premiums	728	675				
Surplus (—)	-10 267	-192	<b>Redemption</b>	<b>12 379</b>	<b>18 424</b>				
<b>Total</b>	<b>305 045</b>	<b>345 551</b>	<b>Total</b>	<b>305 045</b>	<b>345 551</b>				

been granted in 1959 to the exporting industry from the export levy collected earlier.

In the original budget, the need for fresh loans was estimated at 22 000 million marks. According to an agreement with the finan-

cial institutions, short-term and long-term credit required by the Government was obtainable from them, while at the same time the Treasury abstained from issuing bonds intended for the home public. The Bank of

Finland also concluded an agreement with the Treasury for postponement of the redemption of the Treasury Bond Loan.

During the first half of the year, State revenue did not increase in the same proportion as the expenditure. Owing to the new loans, the cash balance still showed a surplus in January—February, but already in March, when the communes' share of taxes for the first quarter fell due for payment, there was a deficit of 7 600 million marks. In addition to the long-term loans, short-term credit from the commercial banks and the National Pensions Institution had to be resorted to, this attaining its peak, 5 685 million marks, in April. In June, the cash deficit for the first half of the year amounted to 5 400 million marks. At that time, the revenue was 3 per cent, but the expenditure was as much as 14 per cent above the 1958 level. Up to that date, 6 000 million marks had been obtained from the commercial banks, 6 000 million from the Post Office Savings Bank, and 1 000 million from the National Pensions Institution in long-term loans.

During the latter half of the year, and especially in November and December, the growth in State revenue proceeded more rapidly. In this, purchase tax and income and property tax were of particular assistance, the increase in the yield of the latter being partly due to the rise in the companies' tax. Although unemployment fell off considerably towards the end of the year, the level of expenditure on unemployment remained rather high. As in any case revenue is higher in the second half of the year than in the first, the position improved to such an extent that the Government was able to reduce its short-term liabilities, so that only 2 185 million marks remained outstanding at the end of the year. Disbursements prescribed by law could be made punctually, and did not need postponement

until 1960. Fresh long-term loans were obtained during the latter half of the year to an amount of 7 500 million marks. The total borrowing during the year, 20 683 million marks, was slightly less than the cautious estimate made in drawing up the budget. The cash deficit attained its peak, 7 700 million marks, at the end of the third quarter of the year, but in December there was a surplus. As regards borrowing in the latter half of the year, it should be mentioned that the drawn portion of the credit for stand-by stocks obtained in 1958 increased by a net amount of 2 451 million marks, a further 1 500 million were obtained from the Post Office Savings Bank, and the non-resident holders of mark accounts were offered the opportunity of subscribing to a bond loan in convertible marks, which produced 874 million marks.

The surplus in the finance accounts for 1959 was about 10 000 million marks less than the result for the previous year. However, in 1958 revenue included the yield of export levy, in addition to which expenditure amounting to 1 000 million marks was postponed for payment in 1959. If this latter item, as well as the export levy collected and the loans granted therefrom, are omitted from the comparison, the surplus for 1959 exceeds the result for the previous year by 4 100 million marks.

The final figures for State revenue and expenditure during 1958 and 1959 are given in Table 1. The figures in the official finance accounts have been adjusted to correspond to those given on page 8 of this Bulletin.

The *revenue* (excluding loans) amounted to 325 060 million marks, or 9 per cent more than in the previous year. The *expenditure* (excluding redemption) totalled 327 127 million, so that its increase over the previous year was 12 per cent. Expenditure thus exceeded revenue by 2 067 million marks. If

loans and redemption are included, the result is a surplus of 192 million marks.

The increase in *revenue from taxation* was about 7 per cent, against a 6 per cent rise in nominal incomes. The biggest increase, 10 497 million marks, or 19 per cent, occurred in the yield of income and property tax. This was due both to the rise in the level of incomes and to the higher companies' tax. The yield from purchase tax grew by 14 per cent. Customs revenue increased by only 6 per cent, as liquid fuel is now refined mostly in Finland and the import duty on these products is replaced by an excise duty; the excise duty on liquid fuel was almost doubled. The stamp tax yield increased by one-fifth. The tax yield on motor cars and motor cycles decreased slightly, as the tax rate was lowered in December 1958. Revenue from price equalisation business was considerably reduced. Among *other items of current revenue* the net profits of State enterprises remained almost unchanged, but receipts in the form of interest and dividends increased slightly.

*Capital revenue* was almost doubled, mainly owing to the increase by 5 145 million marks of loan repayments. However, this figure included 3 210 million marks received from the Bank of Finland as redemption of the 1954 gold loan which the Soviet Union granted to the Treasury, and which the Treasury handed over to the Bank of Finland. As this amount was then repaid to the Soviet Union, it is also included in loan redemptions as an expenditure item. Compared with the previous year, the Government obtained more than one fourth increase in internal loans, which for its part confirms the relaxation of the money market.

*Current expenditure* increased by 11 per cent. Subsidies, which represented 15 per cent of the current expenditure, caused the greatest rise. Nevertheless, the subsidies for exports of agricultural products decreased;

Table 2. SHORT-TERM FINANCING

(Adjusted figures)

	1958	1959
	Mill.mk	
Private funds (incr. +) ....	— 706	+1 223
Net debt to Bank of Finland (incr. +) .....	— 9 043	+ 496
Export Levy deposited in Bank of Finland (incr. —)	— 5 537	+3 259
Short-term debt to Post Office Savings Bank (incr.+) ..	+ 6 020	—8 341
Other short-term debt (incr. +)	+ 1 235	+2 886
Cash holdings (decr. +) ....	— 2 236	+ 285
<b>Surplus (—) .....</b>	<b>—10 267</b>	<b>— 192</b>

Table 3. STATE DEBT

(Adjusted figures)

	1958	1959
	Mill.mk	
Loans .....	69 966	63 083
Promissory notes issued to IMF	9 030	13 489
<b>External Debt .....</b>	<b>78 996</b>	<b>76 572</b>
Ordinary loans .....	61 446	72 135
Indemnity Bonds etc. ....	7 290	6 516
Cash debt (net) .....	—1 647	—3 062
Net debt to Bank of Finland including Export Levy deposited in Bank of Finland .....	—4 148	—393
Short-term debt to Post Office Savings Bank .....	23 211	14 870
Other short-term debt .....	1 235	4 121
less: cash holdings .....	—21 945	—21 660
<b>Internal Debt .....</b>	<b>67 089</b>	<b>75 589</b>
<b>Total Debt .....</b>	<b>146 085</b>	<b>152 161</b>

owing to the improvement in prices, the amount paid per kilogramme of exported butter was nearly one-half less than in 1958. On the other hand, the subsidy for internal butter consumption was about one-quarter higher per kilogramme than in the previous year, and furthermore domestic production increased in quantity. The export subsidies on dairy produce amounted to 7 726 million marks (8 774 million in 1958). State aid to agriculture and the maintenance of roads both increased by one-fifth. Pensions of State employees rose by 13 per cent, partly due to the general rise in wages, but State aid to communal and private schools was only 5 per cent higher. In interest on State debt there was a drop of 6 per cent.

*Capital expenditure*, which represents almost one-quarter of the total gross invest-

ment of the economy, showed a greater increase, 14 per cent, over the previous year than the current expenditure. The same proportionate rise was visible in real investments, in which an appreciable part of the work is done with the help of unemployment grants. For this purpose, efforts were made to select work in which labour costs would take a large share. The construction of roads and waterways grew considerably, as did house building, whereas investments in State enterprises and purchases of machinery fell off. Investment in the railways, which constitutes the major part of the investments in State enterprises, amounted to 9 994 million marks (11 487 million in 1958). Grants of loans increased by 6 per cent. They included 8 265 million marks (7 016 million) spent on Arava housing loans at low rates of interest, 4 477 million (3 989 million) on loans out of the Settlement Fund, and 2 523 million (3 345 million) on employment loans, in addition to the loans from the export levy referred to above.

The capital of State-owned companies was increased by 555 million marks. Purchases of shares in the international monetary institutions included the share payable in gold, 26 per cent, of the increase in Finland's membership quota in the International Monetary Fund. Among the other items of capital expenditure was the increase in inventories. The redemption of loans amounted to 18 424 million marks, or almost 50 per cent more than in the previous year. A large part of the increase was due to the total repayment to the Soviet Union of the gold loan mentioned above. Redemption amounted in all to 2 259 million marks less than the loans obtained during the year.

Employment funds were used to the extent of 31 007 million marks, as against 35 269 million in 1958. These figures are, however, not comparable, as in the budget for 1959 part of the funds was appropriated as ex-

penditure by the Ministry concerned, and information is not available as to how much of such expenditure was drawn from the employment funds. The increase in the use of these funds is reflected more clearly in the real investments referred to, among which an increase was visible in building and in the construction of roads and waterways. The unemployment peak was reached in March, but at the end of the year the position improved in comparison with the year before.

Table 2 gives an analysis of the short-term financing, and also explains how the overall surplus is interpreted in these adjusted calculations. Of the increase in private funds, 176 million marks were voluntary deposits by the home market industry on a special investment stabilisation account. In the net liability to the Bank of Finland, the most important change consisted in the reduction by 728 million marks of the current account of the Treasury. There was no redemption of the Treasury Bond Loan. The export levy account was reduced, because no fresh amounts were levied. The short-term debt to the Post Office Savings Bank was considerably reduced, whilst other short-term liabilities increased somewhat, and cash holdings decreased slightly.

The State debt at the end of 1958 and 1959 is given in Table 3. The gross redemption of the foreign debt amounted to 6 800 million marks. No new foreign loans were raised during the year, but the promissory notes to the International Monetary Fund were increased by 4 459 million marks. The net reduction of the external debt amounted to 2 424 million marks, of which 89 million was due to changes in the rates of exchange. The internal debt grew by 13 per cent, owing to the Treasury taking up the normal long-term loans. In the total State debt, there was thus an increase of 4 per cent.

## ITEMS

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

*Spain*, on April 11. The period of validity of the trade agreement dated May 21, 1956, was extended by a further six months for the period April 1 to October 1, 1960.

*Hungary*, on June 18. The agreement entered into force from July 1, 1960, and will be valid for one year. Trade is fixed by quotas, and Finnish exports will include sawn goods, round timber, wood pulp, newsprint and machinery. The principal Finnish imports are: rice, sugar, fruit, concentrated fodder, bitumen, machinery and furs.

*Yugoslavia*, on July 1. The former agreement, which expired on June 30, 1960, was extended until June 30, 1961.

*The USSR*. On July 13, 1960, the supplement to the trade agreement with the USSR for 1960 was signed. This supplement is based on the five-year agreement for 1956—1960, and it covers additional deliveries, which will be made between Finland and the USSR during 1960. According to the supplement, Finland will principally export telephone cable, rayon and paper. Finland's

import list in the supplement includes cars, mazout, diesel fuel, scrap iron and rolled products.

\*

**New bond loan.** On September 1, 1960, the Government will issue a bond loan amounting to 1 500 million marks. It will be issued in six parts, and the funds will be used for financing various road construction and road-surfacing projects, estimated for completion between 1960 and 1963. The loan will run for 15 years at a rate 1½ per cent above the general deposit rate of the two largest commercial banks. It will be tied to the cost of living index to the extent of 50 per cent.

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**New branch office of the Bank of Finland.** On August 16, the Bank of Finland opened a branch office at Rovaniemi in Northern Finland. This is the thirteenth of the Bank's branches. The one opened most recently before this was that at Lahti, in 1941.

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# BANK OF FINLAND

## BOARD OF MANAGEMENT

KLAUS WARIS,  
*Governor*

ESKO K. LEINONEN	A. SIMONEN
AHTI KARJALAINEN <i>(Absent as a member of Government)</i>	REINO ROSSI

## SECRETARIES

U. A. VATANEN, <i>Credits</i>	PERTTI TAMMIVUORI, <i>Administration</i>
HERO ASP, <i>Foreign affairs (On leave of absence)</i>	JOUKO J. VOUTILAINEN <i>Information (Foreign affairs ad int.)</i>

## HEADS OF DEPARTMENT

G. ENGBERG, <i>Personnel</i>	C. G. SUNDMAN, <i>Foreign exchange (trade)</i>
P. BLOMQUIST, <i>Accounts</i>	P.-E. ÖSTERLUND, <i>Foreign exchange (services)</i>
A. KAJANTIE, <i>Documentary credits and control</i>	HELGE LINDSTRÖM, <i>Credits</i>
ARTHUR ASPELUND, <i>Cash</i>	BINO JUSSILA, <i>Office</i>
K. EIROLA, <i>Internal accounts</i>	A. NENONEN, <i>Foreign correspondence</i>

## INSTITUTE FOR ECONOMIC RESEARCH

HEIKKI VALVANNE, <i>Chief</i>	J. J. PAUNIO, <i>Research</i>
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