



BANK OF FINLAND

MONTHLY BULLETIN

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SEPTEMBER

1966

RECENT DEVELOPMENTS

FOREIGN TRADE

Over the last six years Finland's balance of trade has shown a deficit, which has typically been more pronounced in the periods of cyclical upswing. A sizable trade deficit has necessitated a number of policy measures intended to promote exports and to divert demand from imported to domestically produced goods. The policy measures, the slackening of domestic demand resulting from these, and the difficult ice-conditions of the severe winter have thus been the main factors influencing Finland's foreign trade during the first half of 1966. As a result the trade balance of Finland has developed rather more favourably this year than in 1965.

Due to the continuous upswing in the main purchaser countries the total value of Finnish exports rose — despite the slow development at the beginning of the year — by 3 per cent during the first six months compared with the corresponding period in 1965. Owing to the retarded rise in domestic production and to the measures implemented the total value of imports ceased to grow. Consequently, the balance of trade showed a deficit of 507 million marks, or 72 million marks smaller than in the first half-year of 1965. The decline in the trade deficit also checked the loss of foreign exchange reserves, which was 147 million

marks, whereas it was 204 million marks last year. Since Western countries accounted for more than four fifths of the trade deficit, the deterioration in the foreign exchange situation was mainly reflected in the decline of convertible currencies.

VALUE OF EXPORTS AND IMPORTS MILLION MARKS

	1965 January—June	1966 January—June	Change in value, per cent
<i>Exports (fob)</i>	<i>2 064</i>	<i>2 126</i>	<i>3</i>
Agricultural products ..	128	143	12
Round and hewn timber	23	22	— 4
Wood industry products	353	337	— 5
Paper industry products	1 056	1 083	3
Metal and engineering industry products	350	354	1
Other goods	154	187	21
<i>Imports (cif)</i>	<i>2 643</i>	<i>2 633</i>	<i>0</i>
Raw materials and accessories	1 138	1 114	— 2
Fuels and lubricants ..	242	250	3
Finished producer goods	589	595	1
Finished consumer goods	448	506	13
Passenger cars	226	168	—26
<i>Balance of trade</i>	<i>—579</i>	<i>—507</i>	

The total value of Finnish exports in January—June 1966 was 2 126 million marks, the increase in volume being 3 per cent and the unit value being on the same level as in the corresponding period in 1965. The above table shows that the wood processing industries continue to dominate the Finnish exports accounting for approximately two

On page 18, Public Finance in 1965

thirds of the total exports. Compared with the January—June figures for 1965 the wood industry exports declined by 5 per cent and paper industry exports rose by 3 per cent. The explanation for the decline in the exports of the wood processing industry is to be found firstly on the supply side, because as a result of the expansion of capacity in the early 1960's fellings have annually exceeded growth. As to round timber exports, the value is declining year by year. There was a noticeable decrease in the value of pulp exports, as the prices were falling until June, whereas there was a more favourable development in the volume and prices of newsprint exports.

At the beginning of the year there was a marked increase in agricultural exports due to a growth in demand on the part of the EEC countries. However, the exports are expected to slacken towards the end of the year. The volume of metal industry exports increased satisfactorily in January—June, but owing to a decline in prices the value of exports grew by only 1 per cent. Due to the timing of deliveries to the Soviet Union, the growth in exports of metal industry products this year will probably depend mainly on the development of these exports to the West. Relatively, the highest

rate of export growth has this year again been achieved in the small group of other industrial products reflecting the diversification of the commodity structure of Finnish exports.

During the first half of 1966 the total value of Finnish imports was 2 633 million marks, the decrease in volume being, according to preliminary statistics, 3 per cent and the increase in unit value being 3 per cent. The growth in imports was greatest in consumer goods, whose value grew by 13 per cent. This was mainly due to a rise in prices, and it can also be seen against the background of a rapid growth in the disposable income of households in the last few years. The 2 per cent decline in the value of imports of raw materials and the rise of only 1 per cent in the value of producer goods imports are due to the slow rate of growth of domestic production and difficulties in the financing of import stocks. A striking feature was a marked decrease in the imports of passenger cars, reflecting both the policy measures and possibly the arrival for the moment at a point of saturation in the market. The value of exports of fuels and lubricants has likewise grown only slightly compared with earlier periods.

August 23, 1966

BANK OF FINLAND

Mill. mk

	1965		1966			
	Dec. 31	July 31	July 29	Aug. 8	Aug. 15	Aug. 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	944.7	780.7	789.7	786.3	774.1	753.9
Gold	267.5	187.9	177.3	177.3	177.3	177.3
IMF gold tranche	45.6	—	100.0	100.0	100.0	100.0
Foreign exchange	547.8	509.4	426.6	423.4	411.6	392.0
Foreign bills	54.7	42.8	57.9	57.7	57.3	56.7
Foreign bonds	29.1	40.6	27.9	27.9	27.9	27.9
<i>Supplementary note cover</i>	712.1	705.5	864.8	862.1	869.5	932.0
Inland bills discounted						
In foreign currency	45.5	49.9	40.9	40.9	40.9	40.9
In Finnish currency	26.0	9.5	42.2	41.4	39.5	39.2
Rediscounted bills	640.6	646.1	781.7	779.8	789.1	851.9
<i>Other assets</i>	119.5	151.7	207.5	191.2	183.6	179.7
Finnish bonds	36.9	47.4	80.7	74.5	71.6	66.6
Cheque accounts	1.9	1.8	3.2	2.9	2.0	3.0
Finnish coin	6.2	5.7	9.5	9.3	9.8	10.0
Other claims	74.5	96.8	114.1	104.5	100.2	100.1
Total	1 776.3	1 637.9	1 862.0	1 839.6	1 827.2	1 865.6
Liabilities						
<i>Notes in circulation</i>	1 028.5	965.5	1 031.8	999.2	993.0	997.8
<i>Liabilities payable on demand</i>	98.3	94.6	96.3	104.7	97.9	127.7
Foreign exchange accounts	44.8	39.1	43.1	37.4	37.8	36.5
Mark accounts of holders abroad	10.9	14.7	17.4	17.8	17.7	17.5
Cheque accounts						
Treasury	1.1	1.4	0.9	3.3	4.5	12.1
Post Office Savings Bank	8.3	10.7	1.5	4.6	12.0	25.1
Private banks	11.9	4.4	10.6	18.4	5.4	14.9
Other	1.2	1.8	1.5	1.5	1.5	1.8
Other sight liabilities	20.1	22.5	21.3	21.7	19.0	19.8
<i>Term liabilities</i>	57.2	61.6	74.1	74.1	74.1	74.1
Foreign	45.6	50.0	41.0	41.0	41.0	41.0
Finnish	11.6	11.6	33.1	33.1	33.1	33.1
<i>Equalization accounts</i>	165.1	301.1	228.4	229.6	229.9	233.3
<i>Bank's own funds</i>	427.2	215.1	431.4	432.0	432.3	432.7
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	17.2	18.8	19.4	19.7	20.1
Total	1 776.3	1 637.9	1 862.0	1 839.6	1 827.2	1 865.6
STATEMENT OF NOTE ISSUE						
Right of note issue						
<i>Ordinary cover</i>	944.7	780.7	789.7	786.3	774.1	753.9
<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	1 280.7	1 289.7	1 286.3	1 274.1	1 253.9
Note issue						
<i>Notes in circulation</i>	1 028.5	965.5	1 031.8	999.2	993.0	997.8
<i>Liabilities payable on demand</i>	98.3	94.6	96.3	104.7	97.9	127.7
Undrawn on cheque credits	5.1	5.2	3.9	4.2	5.0	4.0
Unused right of note issue	312.8	215.4	157.7	178.2	178.2	124.4
Total	1 444.7	1 280.7	1 289.7	1 286.3	1 274.1	1 253.9

Rediscount rate since April 28, 1962, 7 per cent

BANK OF FINLAND

Mill. mk

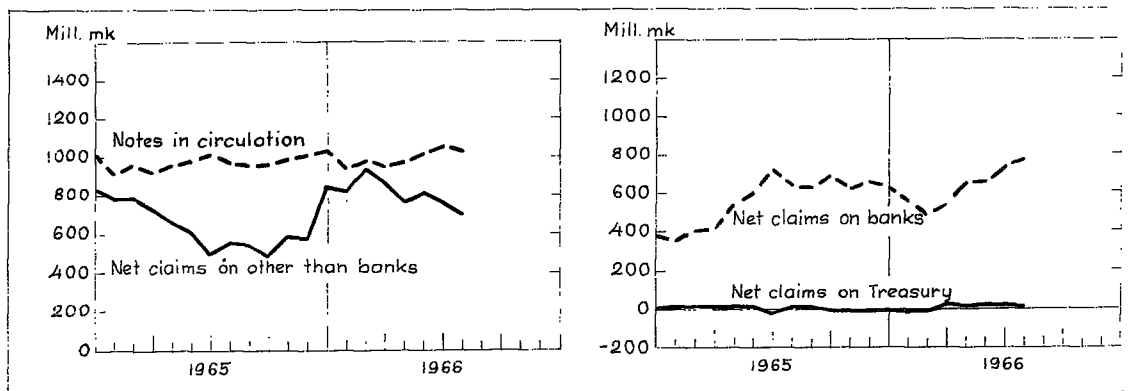
End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net 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										
July	697.3	39.1	658.2	83.4	64.7	676.9	-	8.9	1.4	7.5
Aug.	710.2	70.9	639.3	82.2	64.0	657.5	-	8.9	6.1	2.8
Sept.	663.8	69.6	594.2	78.9	61.6	611.5	-	8.9	15.1	- 6.2
Oct.	770.9	85.5	685.4	78.6	60.8	703.2	-	8.9	11.6	- 2.7
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

	Foreign exchange situation, mill. mk							
	Net holdings, Dec. 31, 1965			Net holdings, July 29, 1966			Change in	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	July	Jan.-July
Gold	267	-	267	177	-	177	-	- 90
Convertible currencies	483	-155	328	319	-165	154	-21	-174
Other currencies	20	1	21	65	4	69	+ 6	+ 48
IMF gold tranche	46	-	46	100	-	100	-	+ 54
Total	816	-154	662	661	-161	500	-15	-162

BANK OF FINLAND

Mill. mk

End of year and month	Finnish credit institutions				Other				Notes in circulation	
	Redis-counted bills	Liabilities, Cheque accounts			Net claims on the banks (1-2-3-4)	Inland bills in Finnish currency	Other advances	Liabilities		Net claims on the rest of economy (6+7-8)
		Private banks	Post Office Savings Bank	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
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										
July	646.1	4.4	10.7	2.2	628.8	9.5	138.5	32.6	115.4	965.5
Aug.	644.7	1.2	7.0	2.7	633.8	7.0	137.3	31.5	112.8	957.5
Sept.	700.7	0.2	8.3	2.1	690.1	16.6	137.0	34.0	119.6	962.9
Oct.	641.2	2.0	21.8	0.1	617.3	29.8	119.4	32.2	117.0	980.2
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

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	849.5	309.4	3 160.1	2 959.0	1 953.6	773.2	357.2	9 203.3	10 362.2
1965*										
July	646.7	803.4	247.5	2 979.8	2 750.6	1 803.2	731.1	338.5	8 620.9	9 671.8
Aug.	695.1	866.7	239.6	2 980.9	2 767.5	1 832.6	728.5	337.9	8 647.4	9 753.7
Sept.	688.3	866.7	248.9	2 987.9	2 790.6	1 852.5	732.7	343.4	8 707.2	9 822.8
Oct.	598.7	766.8	232.8	2 992.2	2 809.2	1 860.0	735.4	347.7	8 744.5	9 744.1
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	849.5	309.4	3 160.1	2 959.0	1 953.6	773.2	357.2	9 203.3	10 362.2
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

End of month	Index-tied deposits		High-interest deposits
	100 % clause	50 % clause	
1965*			
Oct.	1 506.4	78.5	700.8
Nov.	1 535.1	78.4	703.1
Dec.	1 594.7	75.7	708.0
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

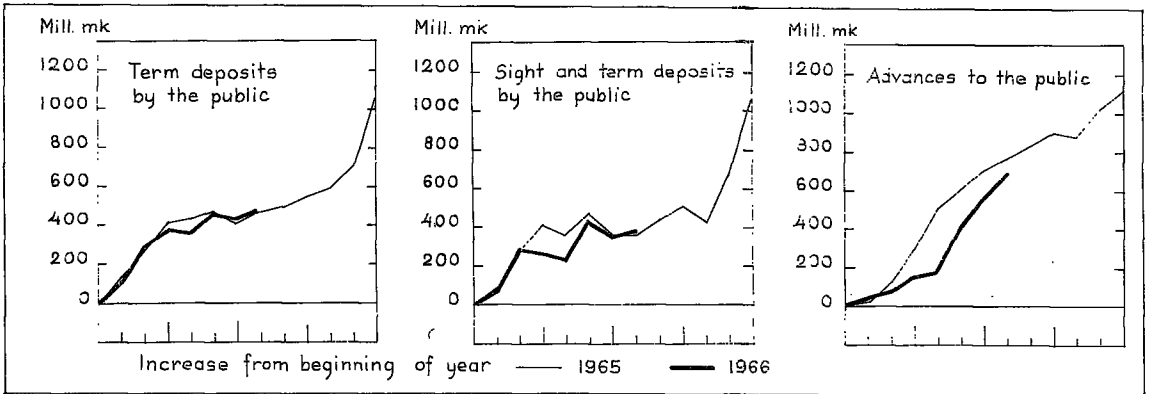
Selling rates for foreign exchange			
August 23, 1966			
		mk	mk
New York ...	1 \$	3.224	Zurich 100 Fr 74.56
Montreal	1 \$	3.000	Paris 100 FF 65.80
London	1 £	8.990	Rome 100 Lit 0.5175
Stockholm ...	100 Kr	62.50	Vienna 100 S 12.50
Oslo	100 Kr	45.10	Lisbon 100 Esc 11.22
Copenhagen ..	100 Kr	46.57	Reykjavik 100 Kr 7.50
Frankfurt o.M.	100DM	80.85	Madrid 100 Pta 5.42
Amsterdam...	100 Fl	89.27	Moscow, clear. ¹⁾ 1 Rbl 3.5667
Brussels	100 80	6.492	Clearing dollars ²⁾ 1 Cl \$ 3.21

¹⁾ Bucharest, Peking.²⁾ Berlin, Bogota, Budapest, Prague, Sofia, Warsaw.

ADVANCES TO THE PUBLIC - MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Post Office Savings Bank	Co-op. credit societies & their central bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
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	2 607.4	716.5	2 347.1	899.4	10 437.4	412.6	10 850.0	2 087.4
1965*									
July	4 202.3	2 473.6	681.0	2 270.7	868.0	10 066.1	429.5	10 495.6	1 946.9
Aug.	4 210.8	2 492.5	689.2	2 302.2	871.7	10 120.3	446.1	10 566.4	1 990.0
Sept.	4 184.9	2 547.9	697.3	2 323.4	876.2	10 186.7	443.0	10 629.7	1 999.5
Oct.	4 160.1	2 584.3	713.8	2 261.7	893.2	10 140.8	472.3	10 613.1	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	2 607.4	716.5	2 347.1	899.4	10 437.4	412.6	10 850.0	2 087.4
1966*									
Jan.	4 293.6	2 613.2	715.3	2 361.7	903.3	10 462.9	424.2	10 887.1	2 002.6
Feb.	4 310.7	2 630.2	721.9	2 376.4	900.3	10 486.8	452.7	10 939.5	2 079.3
March	4 345.7	2 643.8	731.0	2 389.9	897.5	10 541.0	466.9	11 007.9	1 934.9
April	4 373.1	2 666.5	737.6	2 363.8	892.9	10 539.0	494.9	11 033.9	1 949.4
May	4 490.5	2 699.3	735.7	2 441.5	899.1	10 781.9	484.2	11 266.1	2 101.9
June	4 575.7	2 716.4	751.5	2 473.9	905.2	10 924.2	498.5	11 422.7	2 073.9
July	4 641.9	2 745.9	756.3	2 486.0	908.6	11 033.0	505.7	11 538.7	2 067.1

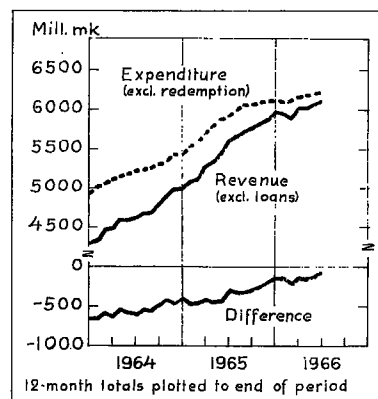


STATE FINANCES

Mill. mk

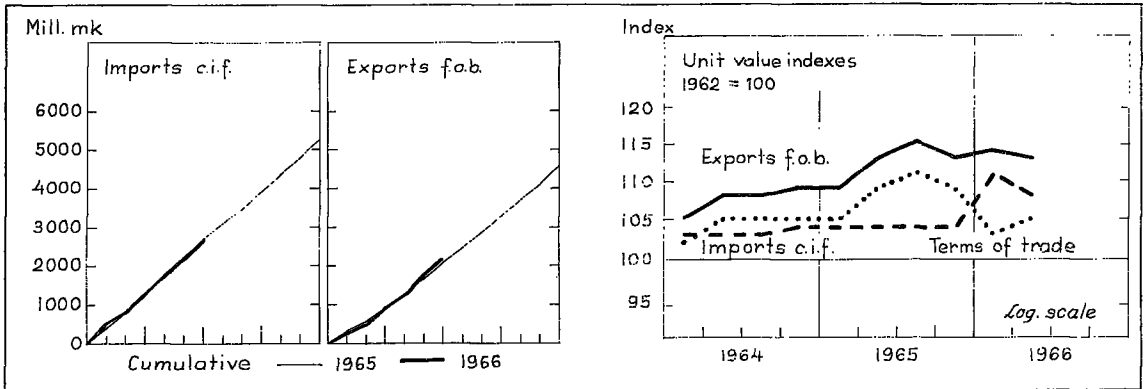
Revenue	Jan.—June		Expenditure	Jan.—June	
	1965	1966		1965	1966
Income and property tax (net)	893	898	Interest on State debt	93	114
Gross receipts	(1 848)	(2 108)	Child allowances	152	149
Refunds and communal income tax	(-955)	(-1210)	The State's share in national pensions	124	133
Other direct taxes	9	13	The State's share in national health insurance .....	..	21
Sales tax	651	653	Compensations to war-disabled	68	68
Import duties	266	246	Subsidies	264	291
Revenue from Alcohol Monopoly ..	209	229	Net payments of price equalization	1	32
Excise duty on tobacco	145	184	State aid to agriculture	27	22
Excise duty on liquid fuel	148	200	State aid to communal and private schools	250	255
Other excise duties	40	50	Net loss of State enterprises	47	40
Tax on automobiles and motor cycles	118	105	Maintenance of roads	68	73
Tax on motor vehicles	18	28	Other current expenditure	1 083	1 126
Stamp duties	86	87	Current expenditure	2 177	2 324
Employers' payments for child allowances	198	211	Real investments	643	652
Net receipts of price equalization by extra-budgetary funds	—	—	Other capital expenditure	308	241
Other revenue similar to taxes	49	54	Capital expenditure	951	893
Total taxes	2 830	2 958	Total expenditure	3 128	3 217
Interest and dividends	47	51	Redemption of external loans	45	42
Other current revenue	97	103	Redemption of internal loans	207	190
Current revenue	2 974	3 112	Redemption of indemnity bonds etc.	3	0
Capital revenue proper	72	80	Index premiums	19	11
Decrease in inventories	29	42	Redemptions	274	243
Capital revenue	101	122	Total	3 402	3 460
Total revenue	3 075	3 234			
External loans	13	34			
Internal loans	240	458			
Loans	253	492			
Short-term credit (increase +) ..	+71	-281			
Deficit (+) or surplus (-)	+ 3	+ 15			
Total	3 402	3 460			

Debt	1963	1964	1965	1966		
	Dec.	Dec.	Dec.*	May	June*	July*
External debt ...	963	1 184	1 175	1 336	1 332	1 337
Ordinary loans	1 109	1 205	1 431	1 691	1 699	1 701
Indemnity bonds etc.	11	7	203	163	153	143
Short-term credit ..	160	325	393	134	112	85
Cash debt (net) ...	78	23	-101	86	-77	..
Internal debt	1 358	1 560	1 926	2 074	1 887	..
Total debt	2 321	2 744	3 101	3 410	3 219	..
Total debt, mill. \$	720.8	852.8	961.8	1 057.8	9 98.3	..



FOREIGN TRADE

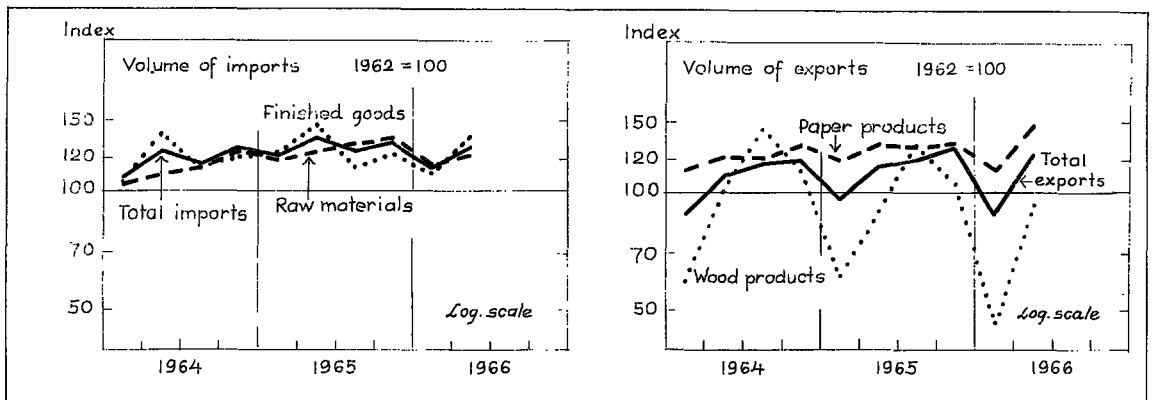
Period	Value mill. mk			Unit value indexes 1962 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
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	4 565.8	-700.3	113	115	123	106	119	104	109
Jan.-June										
1964	2 340.3	1 853.7	-486.6							
1965*	2 642.9	2 063.8	-579.1							
1966*	2 633.3	2 126.0	-507.3							
1965*										
April	434.8	341.3	- 93.5	113	117	123	106	124	104	109
May	530.0	395.2	-134.8							
June	434.0	404.8	- 29.2							
July	428.7	398.2	- 30.5							
Aug.	387.2	386.8	- 0.4	115	120	126	107	123	104	111
Sept.	463.7	425.3	- 38.4	113	113	124	107	120	104	109
Oct.	428.8	432.4	+ 3.6							
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							
May	487.8	450.2	- 37.6	113	103	122	104	127	108	105
June	459.9	424.1	- 35.8							



FOREIGN TRADE BY MAIN GROUPS

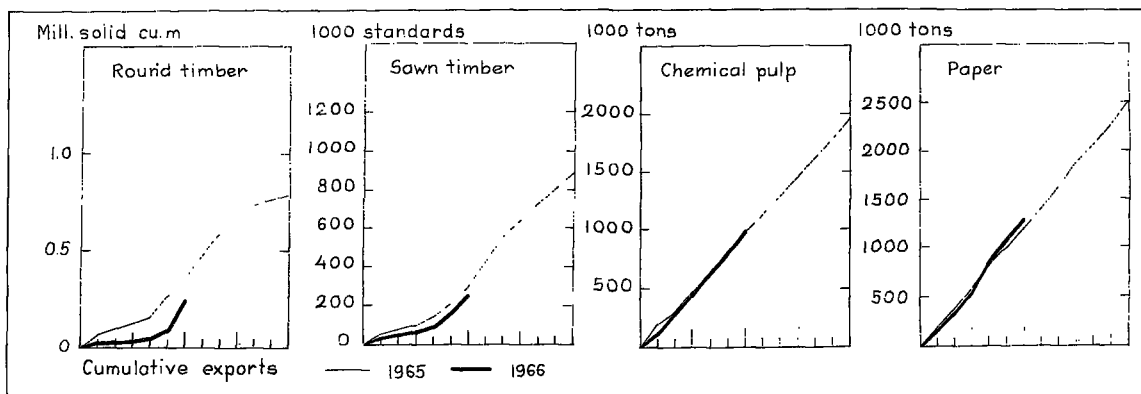
Mill. mk

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	368.0
Jan.-June										
1964	990.1	242.2	689.1	418.9	118.4	29.4	335.4	964.6	282.6	123.3
1965*	1 138.0	241.5	815.6	447.8	128.4	23.2	352.6	1 055.8	349.8	154.0
1966*	1 114.1	249.8	763.7	505.7	143.5	21.7	337.3	1 083.1	353.7	186.7
1965*										
June	195.1	48.7	124.1	66.1	18.4	6.1	89.2	185.0	73.1	33.0
July	203.8	35.2	128.4	61.3	16.0	9.4	116.5	170.6	58.6	27.1
Aug.	179.6	51.3	96.9	59.4	14.4	7.9	104.3	182.7	46.5	31.0
Sept.	223.2	47.6	112.8	80.1	21.5	6.2	96.3	195.8	67.0	38.5
Oct.	205.2	42.7	112.4	68.5	18.1	6.4	96.9	187.8	79.6	43.6
Nov.	200.0	44.3	124.8	77.8	13.8	3.4	75.3	181.0	76.8	37.2
Dec.	212.5	52.1	120.5	82.7	39.6	3.8	77.9	191.9	122.0	36.5
1966*										
Jan.	204.0	41.1	103.8	80.3	34.2	3.6	57.5	152.6	35.0	25.5
Feb.	158.1	38.7	100.7	70.5	16.1	1.0	27.8	133.7	31.8	19.9
March	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



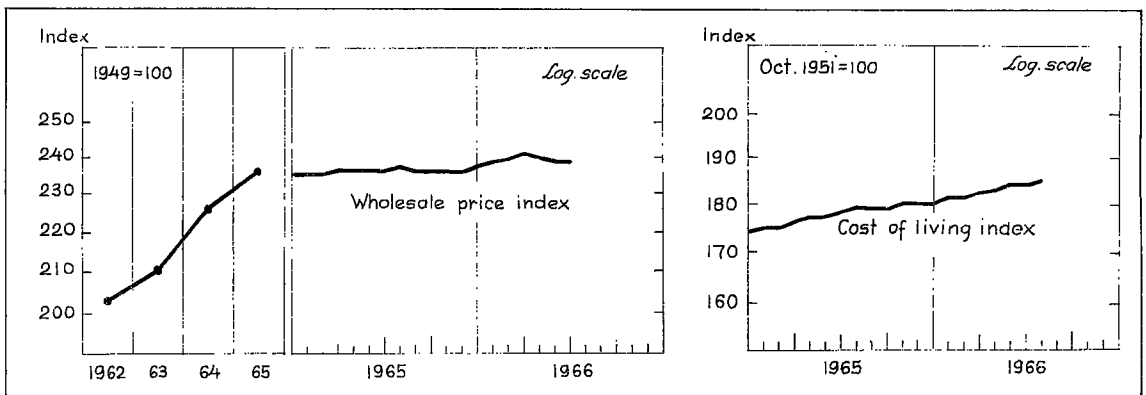
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber	Sawn timber	Veneers and plywood	Mechanical pulp	Sulphite pulp	Sulphate pulp	Board	Fibre building board	Newsprint	Paper, all kinds
	1 000 solid cu. m.	1 000 stds.	1 000 cu. m.	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons
1961	5 955	1 106	329	160	872	569	154	146	846	1 806
1962	3 681	1 010	357	150	828	731	153	152	870	1 980
1963	2 108	977	384	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	140	931	1 037	174	144	1 101	2 500
Jan.- June										
1964	456	330	217	91	488	483	86	87	451	1 095
1965*	344	294	238	84	468	516	92	79	513	1 200
1966*	240	253	252	72	447	532	91	69	575	1 283
1965*										
June	79	91	39	14	74	94	14	13	93	203
July	131	137	24	9	75	81	14	8	79	193
Aug.	102	114	32	11	77	90	14	11	94	213
Sept.	77	94	42	11	80	79	17	8	104	231
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



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c.i.f.					Exports, f.o.b.				
	Whole year		Jan.-June			Whole year		Jan.-June		
	1964	1965*	1965*	1966*		1964	1965*	1965*	1966*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	15.2	15.8	15.3	17.2	452.7	25.3	22.8	23.0	23.6	500.5
United Kingdom	14.8	15.3	14.8	16.6	437.2	23.0	20.7	20.9	21.4	455.1
Other OECD countries in Europe	52.7	55.5	55.9	54.8	1 442.1	45.9	44.8	44.5	47.5	1 009.7
Austria	0.7	0.8	0.8	0.8	22.0	0.4	0.2	0.3	0.4	9.1
Belgium-Luxembourg	2.0	2.2	2.3	2.0	52.9	3.5	3.3	2.9	2.8	60.5
Denmark	3.0	3.1	3.0	3.4	88.9	3.7	3.9	3.8	3.4	73.1
France	5.5	4.2	4.4	5.2	136.9	5.8	4.5	4.6	4.8	102.6
Western Germany	17.3	18.9	19.6	18.1	476.1	11.5	11.2	11.3	10.9	131.9
Italy	1.9	1.9	1.9	2.2	56.9	3.0	3.0	3.3	3.3	69.1
Netherlands	4.0	4.2	4.2	3.5	90.8	6.8	6.0	5.7	5.5	117.5
Norway	1.5	1.9	1.8	1.9	50.3	0.9	1.1	1.1	2.1	44.2
Portugal	0.2	0.2	0.2	0.3	9.1	0.1	0.2	0.2	0.5	10.7
Spain	0.5	0.5	0.6	0.4	11.5	0.9	1.1	1.0	1.0	21.4
Sweden	12.7	14.0	13.7	13.6	356.8	5.5	7.5	7.2	9.6	202.7
Switzerland	2.8	2.9	2.7	2.9	75.9	0.8	0.7	0.7	1.0	21.4
Eastern Bloc	22.5	18.9	18.6	17.1	449.3	17.4	21.0	20.3	16.1	342.9
China	0.4	0.3	0.4	0.6	14.6	0.5	0.6	0.4	0.5	10.3
Czechoslovakia	0.7	0.7	0.7	0.6	16.9	0.4	0.5	0.6	0.6	13.3
Eastern Germany	1.0	0.9	0.9	0.7	18.7	1.0	0.8	0.8	0.9	18.5
Poland	2.0	1.9	1.5	1.3	32.9	2.0	2.3	3.0	1.3	29.0
Soviet Union	17.6	14.4	14.6	13.3	350.0	12.0	15.9	14.5	11.7	248.5
U.S. and Canada	5.0	5.2	5.4	5.3	139.9	6.0	6.2	7.0	7.2	153.7
United States	4.8	5.0	5.2	5.1	133.7	5.8	6.0	6.7	7.0	149.5
Latin America	3.0	2.9	2.3	2.7	72.2	2.7	2.9	2.6	3.0	63.3
Argentina	0.3	0.3	0.5	0.4	10.7	0.8	0.9	0.9	1.2	24.5
Brazil	1.6	1.2	1.1	1.1	29.6	0.5	0.3	0.3	0.4	8.3
Colombia	0.6	0.6	0.3	0.7	17.8	0.5	0.7	0.7	0.7	14.6
Other	1.6	1.7	2.5	2.9	77.1	2.7	2.3	2.6	2.6	55.9
Grand total	100.0	100.0	100.0	100.0	2 633.3	100.0	100.0	100.0	100.0	2 126.0
of which										
EFTA countries	35.8	38.2	37.0	39.5	1 040.1	35.4	34.3	34.1	38.4	816.2
EEC countries	30.5	31.4	32.5	30.9	813.5	30.6	28.0	27.9	27.4	581.6



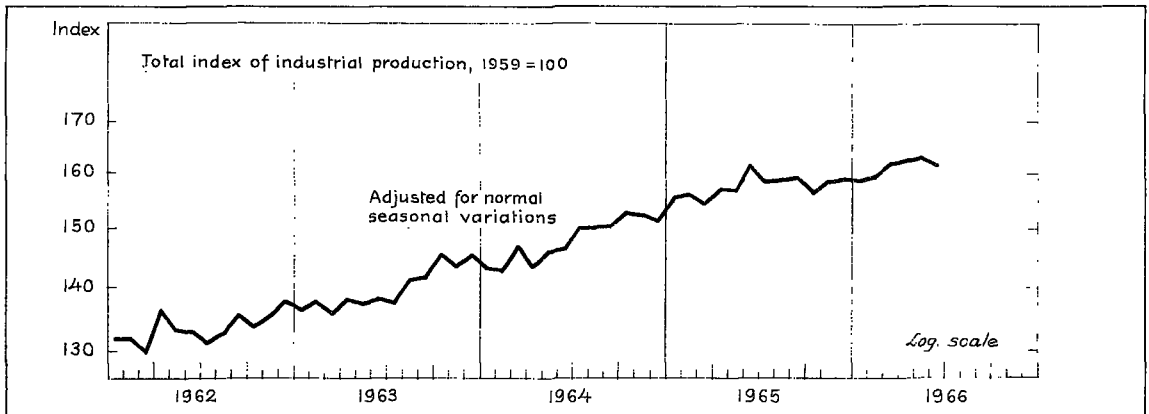
PRICE INDEXES

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												
July	237	243	213	242	224	233	269	228	223	159	125	209
Aug.	236	242	214	242	224	232	267	228	223	159	125	212
Sept.	236	241	213	241	224	231	265	228	223	159	125	209
Oct.	236	242	213	242	224	231	266	228	223	159	125	210
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	..	..	..	..	..	..	..	..	..	166	129	221

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												
July	179	199	375	115	109	173	141	146	139	111	135	141
Aug.	179	199	375	115	109	173	141	146	139	111	135	141
Sept.	179	197	375	115	110	174	140	145	139	111	136	142
Oct.	180	198	387	115	110	174	142	146	143	111	136	142
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

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
1964											
Nov.	162	166	170	143	126	185	164	156	152	3 462	164
Dec.	149	162	157	130	128	162	160	140	151	4 536	183
1965*											
Jan.	152	159	161	131	125	178	158	140	156	4 822	120
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

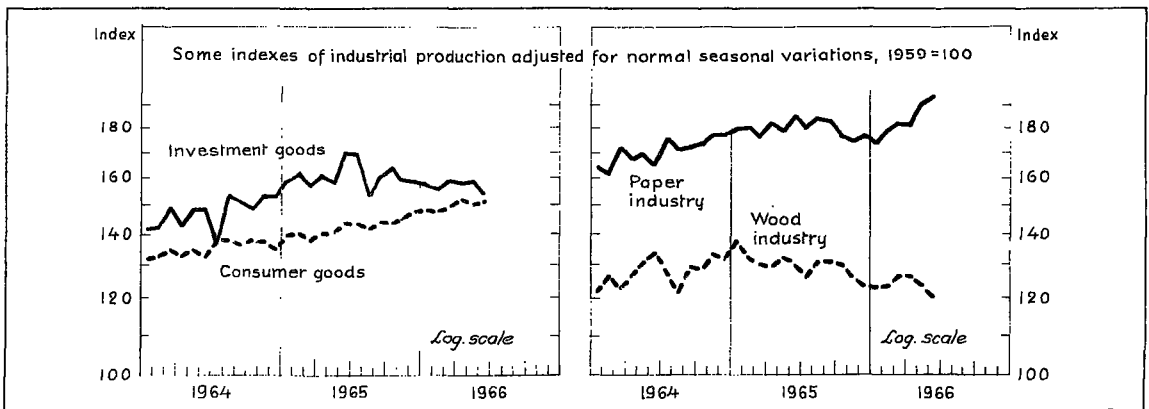


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

BUILDING – WAGES – TRANSPORT – EMPLOYMENT

Period	Buildings completed, mill. cu. m					Buildings under construction at end of period mill. cu. m	Index of salary and wage earners' earnings 1957 = 100			
	Total	Dwelling houses	Farm buildings	Commercial and industrial premises	Official buildings		All salary and wage earners	Wage earners in		
								Agriculture	Forestry	Manufacturing
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	178	177	187	178
1965*										
Jan.-Mar.	4.56	1.93	0.23	1.77	0.50	28.31	176	176	188	175
Apr. - June	5.57	2.03	0.40	1.72	1.18	32.67	179	173	189	178
July-Sept.	7.15	2.57	0.97	2.27	0.87	35.65	179	177	194	179
Oct.-Dec.	9.76	4.43	0.98	3.44	0.57	31.31	179	180	181	179
1966*										
Jan.-Mar.	4.92	2.30	0.24	1.85	0.42	29.60	..	..	..	..

Period	Railways		Foreign shipping				Labour input		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed		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	1 906	1.0	1.1
July	134	121	1 388		1 312		1 797		1.2	
Aug.	138		1 351		1 251		1 893		1.2	
Sept.	143		1 123		956		1 948		0.9	
Oct.	139		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 fact that the adjustment of the monthly figures is not as accurate as that of the annual (December) figures.

FOREIGN TRADE

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

PRICE INDEXES

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

PRODUCTION — INTERNAL TRADE

Page 14. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the international nomenclature (ISIC). The weight of each group represents the ratio of its value added to the total value added of industrial production in the base year. The seasonally adjusted series is calculated by the Bank of Finland Institute for Economic Research on the basis of the index of industrial production per working day; for the method of calculation of series adjusted for normal and specific seasonal variations see Bulletin No. 8, 1961, p. 18. Other seasonally adjusted series are calculated according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: investment goods weight 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indexes: wood industry ISIC no. 25, weight 6.6, paper industry no. 27, weight 13.1, metal industry nos. 34—38, weight 23.5, and other manufactures nos. 20—24, 26, 28—33, 39, weight 44.0. *Commercial timber fellings* calculated by the Ministry of Communications and Public Works. Beginning June 1964 an additional series has been collected by a new sample method. As the compilation of old series has been ended, the figures since July 1965 have been calculated by extrapolating the level of old series with the percentage changes of the new series. These calculations have been made by the Bank of Finland Institute for Economic Research. *Wholesale trade volume index*, calculated by the Ministry of Finance. Based on sales statistics compiled by the daily Uusi Suomi, covering about 50 % of all internal wholesale trade. Price fluctuations have been eliminated by means of the revised wholesale price index.

BUILDING — WAGES — EMPLOYMENT — TRANSPORT

Page 15. *Building* figures supplied by the Central Statistical Office. *Index of salary and wage earners' earnings* calculated by the Central Statistical Office. Beginning 1957, the weights employed are determined according to the structure of total earnings in 1957; for 1954—1956, the weights are in accordance with earnings in 1951. *Railway* figures supplied by the Board of Railways. *Shipping* figures supplied by the Shipping Board. *Labour input and unemployment* figures supplied by the Labour Research Bureau of the Ministry of Communications and Public Works, both based on the labour force sample survey. Labour input represents the estimated average number of days worked. (See article in No. 10, 1960 of this Bulletin).

SYMBOLS USED

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

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1966 are 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.

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 (1964, in million marks) Gross domestic product at factor cost by industrial origin: agriculture 2 051 (10 %), forestry and fishing 1 953 (9 %), manufacturing 6 160 (29 %), construction 1 969 (9 %), transportation and communication 1 477 (7 %), commerce, banking and insurance 2 739 (13 %), public administration 2 336 (11 %), other services 2 453 (12 %), total 21 138. Index of real domestic product 143 (1957 = 100).

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

being leaf-trees, chiefly birch. Of the growing stock 13 300 million cu. ft, 56 % of them pine, was up to the standard required for logs. The annual growth is 43 million solid cu. m green wood 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 (July 31, 1966): Steamers 128 (217 120 gross reg. tons), motor vessels 395 (780 872 gross reg. tons), sailing vessels with auxiliary engines 28 (3 808 gross reg. tons). Total 551 (1 001 800 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 %.

PUBLIC FINANCE IN 1965

BY

HEIKKI U. ELONEN, Mag. Pol.

FELLOW OF THE BANK OF FINLAND INSTITUTE FOR ECONOMIC RESEARCH

The budget proposal for 1965 totalling 6 180 million marks was presented by a caretaker government, which did not wish to embark on any substantial changes from the established budgetary policy. The share of consumption in total expenditure was 28 per cent and that of transfer expenditure 42 per cent. Both of them were only slightly smaller than in the ordinary budget for 1964. Within these aggregates appropriations for education and health particularly were increased. The share of real investment expenditure was 14 per cent or somewhat greater than in 1964. The increase took place primarily in housebuilding, also in transport and communications.

The sum total of the budget proposal was almost one fifth higher than that of the ordinary budget for 1964. The estimates of projected expenditure seemed quite feasible; since there had been a substantial rise in prices and costs in 1964, the price level was expected to stay rather stable in 1965. According to an earlier agreement, an increase of 3.8 per cent in civil service salaries was to be made at the beginning of the year.

Further, it was known that the redemption of State loans was to amount to some 160 million marks more than in the previous year. Since it seemed more difficult than previously to obtain new loans, the government proposed to increase revenue by raising the statutory rates of the income and property tax and the excise duty on liquid fuel. The proposed corporate tax rate was con-

sequently raised from 45 to 48 per cent for undistributed profits, but lowered to 42 per cent for dividends. The proposed changes in the taxation of private persons were not agreed. The excise duty on liquid fuel was increased, but the annual stamp duty levied on the registration of motor vehicles was removed. A new annual tax was introduced on motor vehicles other than those running by petrol. Also, the excise duties on tyres and matches were abolished.

During the parliamentary discussion of the budget proposal it was further decided to suspend the Marketing Fund for Agricultural Produce. The purpose of this fund had been to pay out subsidies for lowering domestic consumer prices and for exports of agricultural produce. The fund had been replenished through the budget and from certain import duties. Its revenue and expenditure were now to be transferred directly to the budget. These arrangements were ultimately concluded in April in the first supplementary budget, whereupon the subsidies allotted for these purposes amounted to 520 million marks in all.

In addition, this supplementary budget contained 20 million marks for losses suffered by agriculture as a result of frost damages. An amount of 150 million marks was appropriated for employment grants (161 million in the ordinary budget). In all, the expenditure side of the first supplement totalled 595 million marks.

The second supplementary budget with expenditure of 271 million marks was passed in June. The appropriation for raising the Finnish quotas in the International Monetary Fund and in the World Bank accounted for the major part of it, or 236 million marks. The revenue of 289 million marks included loans and other financial arrangements corresponding to the increases in the quotas. The actual raising of the quotas was, however, deferred to 1966 and does not therefore affect the cash figures in Table 1.

In the first quarter the revenue (excluding loans) was 20 per cent and the expenditure (excluding redemption) 19 per cent higher than in the corresponding period of the previous year. The absolute level of expenditure was, however, so much higher that the deficit had grown to 174 million marks as against only 38 million in 1964. The growth of employment expenditure by one third should be especially mentioned. The 80 per cent increase in the sales tax accounted for the greatest increase on the revenue side. It has to be noted, however, that its yield during the corresponding period in 1964 did not reach the level expected on account of the sales tax reform at the beginning of that year. The amount of new loans was slightly smaller than redemption.

The deficit was greater in every month of the first half-year than in 1964. At the end of June it was reduced to 74 million marks, while the corresponding figure for last year was only 10 million marks. The growth of total revenue was very favourable. The yield of the most important taxes partly exceeded expectations; the proceeds from the income and property tax for example, grew by 25, from the sales tax by 48, and from the excise duty on liquid fuel by 68 per cent. The yield of the tax on automobiles and motor-cycles increased by 40 per cent, which was partly due to the exceptionally big sales of passenger cars in

the spring, the reason for this being the increase in the tax rate in June. Total revenue thus grew by 22 per cent and expenditure by only 17 per cent during the first half-year. The growth in the latter was distributed fairly evenly between current and capital expenditure. However, the employment expenditure was still some 25 per cent higher than in the first half-year of 1964. As regards long-term borrowing during the first six months, new loans roughly equalled redemptions. No new foreign loans were available and new domestic loans in January—June 1965 amounted to 240 million marks against 173 million in the corresponding period last year. In addition to this, new tax payment certificates totalling 80 million marks were sold.

By the end of September the deficit had decreased from the June figure of 74 million to 54 million marks. The growth rates of both revenue and expenditure had decreased in comparison with the first half-year to 19 and 15 per cent respectively.

The third supplementary budget was approved in October, and the fourth and fifth in December. Of these, the third and fifth consisted entirely of appropriations for the Finnish U.N. forces in Cyprus, 7 million marks in all. In the other supplementary budgets another 7 millions had been included for this purpose. As a proposed rise in the railway tariffs was not put into effect, the budgeted deficit of the State Railways increased by an additional 54 million marks.

In the fourth supplementary budget an amount of 70 million marks was entered for maintenance of employment. The number of the labour force employed in public works can be compared with economic development in 1965. In spite of the upswing during the first half of the year, the labour force in public works increased by some thousands of people over the corresponding period in 1964. This development was reflected in the growth of employment expenditure men-

Table 1. STATE REVENUE AND EXPENDITURE
(Adjusted figures)

Revenue	1964		1965		Expenditure	1964		1965	
	Million marks					Million marks			
Income and Property taxes (net)	1 241	1 341			Interest on State debt	128	156		
Gross receipts	(3 432)	(3 867)			Child allowances	305	303		
Refunds and Municipal income tax	(-2 191)	(-2 526)			The State's share in national pensions	234	249		
Other direct taxes	25	26			The State's share in national health insurance	1	54		
Sales tax	1 070	1 434			Net loss of State enterprises ..	1	18		
Import duties	482	517			Compensation to war-disabled ..	128	133		
Revenue from Alcohol Monopoly	406	456			Net payments of price equalization	27	50		
Excise duty on tobacco	291	309			Subsidies	582	605		
Excise duty on sweetstuffs	28	35			State aid to agriculture	80	75		
Excise duty on beer	13	16			State aid to communal and private schools	450	496		
Excise duty on liquid fuel	209	345			Military expenditure	348	357		
Tax on automobiles and motor cycles	138	168			Maintenance of roads	149	165		
Tax on motor vehicles	—	41			Pensions of State employees ..	152	169		
Other excise duties	56	36			Other current expenditure	1 533	1 707		
Stamp duties	239	170			Current Expenditure	4 118	4 537		
Employers' payments for child allowances	361	417			Investments in State enterprises, forests, and landed property	285	320		
Other revenue similar to taxes	72	77			Purchase of machinery and apparatus	51	57		
Total taxes	4 631	5 388			House building	229	250		
Interest and dividends	99	111			Roads, bridges, and hydro-undertakings	424	536		
Other current revenue	165	217			Real investments	989	1 163		
Current Revenue	4 895	5 716			Loans granted	282	316		
Provision for depreciation by State enterprises	41	49			Purchases of shares	27	60		
Sales of State property and other capital revenue	5	57			Finland's quota in IDA	2	2		
Repayments of loans	91	104			Increase in inventories	24	9		
Decrease in stand-by stocks and other inventories	18	30			Capital Expenditure	1 324	1 550		
Capital Revenue	155	240			Total Expenditure	5 442	6 087		
Total Revenue	5 050	5 956			Redemption of external loans ..	48	92		
External loans	267	83			Redemption of internal loans ..	195	330		
Internal loans	290	556			Redemption of Indemnity Bonds etc.	4	4		
Loans	557	639			Index premiums	14	28		
Deficit	96	—			Redemption	261	454		
Total	5 703	6 595			Surplus	—	54		
					Total	5 703	6 595		

tioned above. In the autumn, when total production showed signs of levelling off, the total labour force employed in public works fell to the 1964 level. Because of the large use of the appropriations in the first half-year it was, however, necessary to grant the additional allowances mentioned above.

An attempt to explain this situation can be made by examining the loans granted by the State. The so-called employment loans especially showed an increase. Drawings on these loans amounted to 27 million marks, compared with 15 million in the previous year. Housebuilding accounted for a con-

Table 2. CHANGES IN STATE REVENUE AND EXPENDITURE

Revenue	Change on previous year, per cent		Expenditure	Change on previous year, per cent	
	1964	1965		1964	1965
	Income and Property taxes	+45		+ 8	Child allowances .....	+ 3	- 1
Sales tax	+ 5	+34	National pensions	+14	+ 6
Import duties	+ 4	+ 7	Subsidies	- 5	+ 4
Alcohol Monopoly	+12	+12	Aid to schools	+19	+10
Stamp duties	+16	-29	Military expenditure	+12	+ 3
Excise duties	+19	+29	Maintenance of roads	+ 7	+11
Current Revenue	+17	+17	Current Expenditure	+11	+10
Capital Revenue	+23	+55	Real investments	+10	+18
Total Revenue (excl. loans)	+17	+18	Capital Expenditure	+ 6	+17
			Total Expenditure (excl. redemption)	+10	+12

siderable part. The amount of the actual ARAVA housing loans, 105 million marks, was only slightly greater than in 1964. In order to mitigate seasonal variations in the number of the unemployed, endeavours have been made to concentrate the works during the autumn and winter periods.

FINANCE ACCOUNTS

The final figures for State revenue and expenditure are given in Table 1. The corresponding figures for the first half-year of 1965 and 1966 are given on page 8 in this Bulletin. Some percentage changes relating to Table 1 are given in Table 2.

As far as the surpluses and deficits of State finances are concerned, the surplus of 54 million marks for 1965 was the largest since the year 1960. This result was achieved partly by the growth in revenue, especially in indirect taxes, and partly by increased borrowing and other financial arrangements.

The ratio between current revenue and expenditure was an improvement upon that of 1964. Though the growth of total current revenue was as great as in the previous year, the distribution between items was quite different. The substantial growth in the yield of the income and property tax in 1964 had been partly due to the surtax and partly to considerable wage increases. As mentioned above, the growth rate in 1965 increased month by month in the first half-year, but

after that it weakened considerably; in December the net yield was negative, since a large proportion of the municipalities' and others' share of the tax was paid by the State. The marked increase in the yield of the sales tax, apart from those reasons mentioned above in connexion with the first quarter, was due to an arrangement whereby the major part of the sales tax refunds, 199 million marks, was handed out in the form of bonds. These bonds will be redeemed in 1966 and 1967. The reasons for a substantial decrease in stamp duties and an increase in excise duties are explained above. The growth of import duties has been accelerated because of the increase in the yield of certain adjustable duties which are levied on animal, vegetable, and the food industry products. The import duties proper remained roughly the same as in 1964.

The growth in capital revenue was partly caused by a decrease of 30 million marks in inventories. Of this more than one fourth was in stand-by stocks. The item "Sales of State property ..." includes 46 million marks paid to the Treasury by the Bank of Finland as compensation for the gold tranche of Finland's quota in the International Monetary Fund.

The decision to suspend the Marketing Fund for Agricultural Produce led to the inclusion in budget expenditure of the re-

funds resulting from differences between world market and domestic prices of raw materials used for certain food industry products. These refunds have been combined with other items of the same kind and entered on the expenditure side as price equalization measures.

The increase in most of the other items of current expenditure was fairly moderate. The modest growth in subsidies was due to a decision to postpone the payment of a considerable part of the compensations to 1966. A savings programme, establishing a temporary shortening of the period of national service accounted for the small growth in military expenditure. Interest charges increased, however, by 22 per cent reflecting the fast growth of State debt.

The growth in capital expenditure was concentrated in real investments, where the most notable increase resulted from appropriations for developing the road network etc. In fact, almost one half of this item consisted of employment grants. Drawings on allowances for re-building the Saimaa canal increased from 15 million marks in 1964 to some 50 million in 1965. The considerable change in "Purchase of shares" was due to the raising of the capital-stocks of three state-owned companies. Utilisation of loans, some of which were mentioned above, increased by 12 per cent.

The favourable development in the growth of revenue and the moderate increase in expenditure led to a narrowing of the gap between expenditure (excluding redemption) and revenue (excluding borrowing) to only 131 million marks compared with 392 million marks in 1964. The conclusion might be drawn from this and from the continuing considerable net borrowing that the effect of the State finances on economic development was, if anything, not expansionary. Occurring during a period when the upswing seemed to have reached a turning point,

this can be regarded as an indication that the Treasury had first of all to attend to its own liquidity position.

New long-term loans in 1965 totalled 639 million marks (557 million marks in the previous year). They were distributed by source as follows:

	1964	1965
	Million marks	
Bank of Finland	—	9
Post Office Savings Bank	80	197
Other banks	—	170
National Pension Institute	21	20
Insurance companies	60	57
Public and other sources	129	103
	<hr/>	<hr/>
Domestic borrowing	290	556
Foreign creditors	267	83
	<hr/>	<hr/>
Total	557	639
Tax payment certificates (net incr.)	50	82
	<hr/>	<hr/>
Total borrowing	607	721

The composition of the surplus and the deficit is clear from Table 3. Efforts were made to keep in manageable proportions the stock of short-term debt composed of promissory notes and bills especially in the latter half-year of 1965. The same aims have prevailed in the first half-year of 1966. Recourse to short-term financing has often been necessary in order to meet current commitments, but endeavours are now being made to restore the financing to a more stable and consolidated basis.

The amount of net long-term borrowing was 217 million marks corresponding to 314 million in 1964 (299 and 364 million marks when including the tax payments certificates). Achieving the surplus of 1965 (see Table 1) was ultimately dependent on the possibility of converting a part of the short-term debt from the Post Office Savings Bank into long-term loans in December (see also Table 3). The greater part of the need for new borrowing was otherwise satisfied by banks, while the amount of new loans from other sources decreased somewhat in comparison with the previous year. When seen from the credit market side, the tight-

Table 3. SHORT-TERM FINANCING
(Adjusted figures)

	1964	1965
	Million marks	
Private funds (decr. +)	+ 27	+14
Net debt to Bank of Finland (incr. —)	+ 8	— 3
Short-term debt to Post Office Savings Bank (decr. +)	+ 34	+77
Other short-term debt (incr. —) ..	—165	—69
Cash holdings (incr. +)	— 0	+35
Surplus (+), Deficit (—)	— 96	+54

ening effect of this situation cannot thus be overlooked. It was also due to difficulties

in obtaining foreign loans, on account of which State borrowing had to concentrate on internal sources.

Foreign loans, totalling 83 million marks, came from three sources. A publicly issued loan of 48 million marks (\$15 million) was obtained from the United States. Drawings on the Highway Loan granted by the World Bank in 1964 amounted to 25 million marks, and on commodity credit obtained from the Soviet Union to 10 million marks.

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

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