



BANK OF FINLAND

MONTHLY BULLETIN

Vol. 31 No. 9

SEPTEMBER

1957

RECENT DEVELOPMENTS

THE DEVALUATION OF THE MARK

On September 15, the Board of Management of the Bank of Finland, with the consent of the International Monetary Fund, decided to change the par value of the mark to 320 marks to the US dollar. The previous par value of 230 marks had been approved by the IMF on June 28, 1951, and rates of exchange based on this value had in fact been applied since September 19, 1949. Since September 16, 1957, quotations have been based on the new parity. The selling rates have thus risen by about 39 per cent, and the external value of the mark has decreased by some 28 per cent. From now on, all currency will be bought and sold at the uniform official rates of exchange.

The overvaluation of the mark had been an obvious fact and particularly so since the price and wage arrangements of the spring of 1956. At that time, however, there were no pre-requisites for a devaluation; instead, it was necessary, by means of a particularly severe monetary policy, to crush the domestic inflationary tendencies. Of course, it was not imagined that deflation could be carried so far that it alone could have solved the problem of balance of payments equilibrium, but the aim of such a policy was to persuade the various interest groups to make the necessary modifications in their demands.

An important problem to be considered was the fact that the world market prices

of the predominant items of Finnish export, that is to say wood and woodprocessing products, have for years been relatively higher than, for instance, the prices of machinery and finished goods in general. Although as far as some woodprocessing goods are concerned, output had undeniably been of little profit of late, and in some few cases had even resulted in a loss, it may be said that an increase in the use of idle export capacity alone, and the investments necessary for a normal expansion thereof, would have demanded but a modest adjustment of the exchange rates. On the other hand, the prices of other goods were much higher at home than was the case abroad. Thus, the liberalisation of foreign trade, which was to be realised in conjunction with the devaluation, was unthinkable at such rates of exchange as would have been satisfactory for the export industry.

Therefore, a system was designed according to which the woodprocessing industries — should a devaluation of the mark be carried out — would be obliged to freeze a proportion of the excess profits which the devaluation would produce. A bill to this effect was passed by the Diet at the end of August, albeit with certain essential alterations, and on September 15, the day of devaluation,

On page 18, The Index Clause in Bank Deposits and Long-term Loans

the President of the Republic signed the Act concerning the Levy on Proceeds from Export.

According to this act, exporters are bound to pay, to a special account with the Bank of Finland, a proportion of the increase resulting from the devaluation, in the equivalent in marks of the foreign exchange (for details see Item). The levy is estimated to yield over 20 000 million marks, and will thus during the next twelve months constitute a highly contractive factor in the money market. As the liquidity of the commercial banks is still very low, the Bank of Finland is confident of its ability to keep the money market under control. Apart from its effect on the money market, the levy is also of importance in that it will constitute a form of buffer against price fluctuations on the export markets.

The State finances presented another problem. Since 1955, the Budget had shown a deficit, and during the current year the situation has been further aggravated. The Treasury's cheque account with the Bank of Finland was exhausted early in the year; no loans were obtainable in the money market, and the Bank of Finland refused to grant credit, and thus there arose the notorious cash crisis, and the Treasury found it necessary to defer certain payments. This development forced both the Government and the Diet to change their line of policy with regard to expenditure, and in earnest to consider measures for the rehabilitation of State finances. During its pre-devaluation discussions with the Government, the Bank of Finland obtained the assurance that the Budget for 1958 would be drawn up on a realistic basis, and in a way such as to yield a genuine surplus irrespective of the levy on export proceeds.

The wages had been a third serious problem. But the wage terms fixed in the col-

lective agreements in July were surprisingly moderate (see Bulletin No. 7), and the agreements concluded later in the summer followed the same lines. In spite of a 14 per cent increase in the cost of living index since the spring of 1956, the increase in wages was limited to 2—3 per cent in general, in addition to which the agreements provided for no more than two-thirds compensation in the event of future rises in the index. On the other hand, the revision of the act relating to farmers' incomes is still to be carried out (see Bulletin No. 4). The present act does not, however, allow of any immediate reaction on the price front as a consequence of the devaluation. Nevertheless, the Government is endeavouring to achieve a solution which would reduce the inherent danger to prices of the current binding of farmers' incomes to the general level of earnings.

As a complement to the devaluation, foreign trade was to be liberalised to a considerable extent. On September 16, the Government decided that with effect from October 1 three-fourths of the Western imports would be freed, calculated according to the 1954 level (see Item). This is intended to check the tendencies of prices of home products to rise, which will be provoked by the devaluation. In order to prevent firms from gaining windfall profits by an immediate raising of the prices of goods imported according to the previous rates of exchange, the Government declared a price-freeze from September 16 until the end of October.

The liberalisation of foreign trade is not during the current year expected to burden the foreign exchange reserves to any marked extent. During the spring, however, severe difficulties may arise, as export earnings can scarcely rise to any considerable extent from their present level, and resort to foreign loans might be necessary.

September 20, 1957.

BANK OF FINLAND

Mill. mk

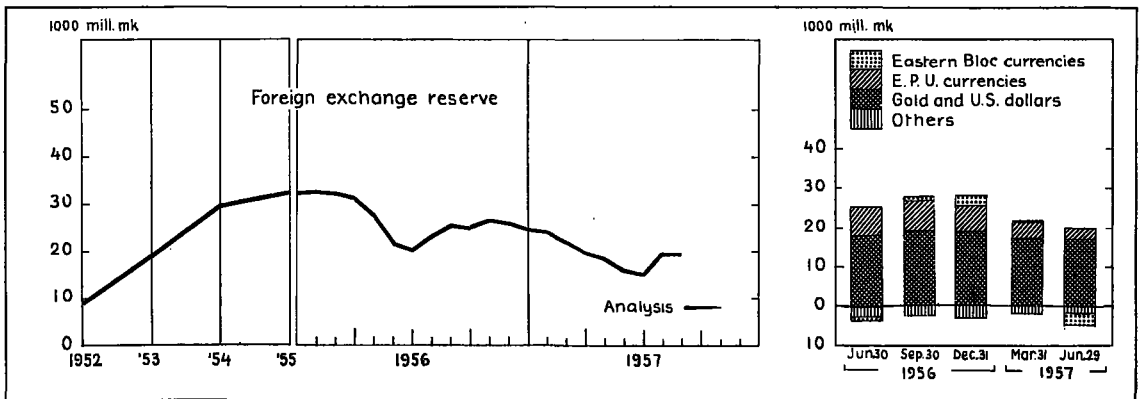
	1956		1957			
	Aug. 31	Dec. 31	Aug. 8	Aug. 15	Aug. 23	Aug. 31
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	33 781	32 300	28 883	29 392	29 592	29 600
Gold	7 849	7 849	7 849	7 849	7 847	7 847
Foreign exchange	23 372	21 561	18 144	18 653	18 855	18 863
Foreign bills	115	115	115	115	115	115
Foreign bonds	2 445	2 775	2 775	2 775	2 775	2 775
<i>Supplementary note cover</i>	68 559	75 453	62 170	61 446	62 614	63 857
Inland bills discounted						
In foreign currency	9 271	9 366	9 491	9 494	9 496	9 492
In Finnish currency	17 025	14 922	17 691	17 679	17 571	17 213
Rediscounted bills	23 513	33 665	18 738	18 023	19 297	20 902
Treasury bond loan	18 750	17 500	16 250	16 250	16 250	16 250
<i>Other assets</i>	16 276	13 370	15 013	14 576	15 199	15 267
Finnish bonds	2 011	1 794	1 510	1 511	1 515	1 514
Cheque accounts	617	862	540	364	519	661
Finnish coin	346	354	336	344	338	333
Other claims	13 302	10 360	12 627	12 357	12 827	12 759
Total	118 616	121 123	106 066	105 414	107 405	108 724
Liabilities						
<i>Notes in circulation</i>	58 927	60 735	52 166	51 935	51 924	53 736
<i>Short-term liabilities</i>	15 523	24 725	19 192	18 870	20 769	20 290
Foreign exchange accounts	5 745	4 601	5 858	6 057	7 116	7 343
Mark accounts of holders abroad	5 669	7 047	7 660	7 611	7 602	7 596
Cheque account of the Treasury	2 292	10 550	4 622	3 329	5 608	4 148
Cheque accounts of banks	690	1 167	366	1 361	—	457
Other cheque accounts	179	367	167	145	159	434
Other short-term liabilities	948	993	519	367	284	312
<i>Long-term liabilities</i>	24 136	14 725	11 038	11 037	11 067	11 077
Foreign	8 057	8 290	8 728	8 727	8 757	8 767
Finnish	16 079	6 435	2 310	2 310	2 310	2 310
<i>Equalisation accounts</i>	8 127	8 074	10 769	10 645	10 687	10 642
<i>Bank's own funds</i>	11 903	12 864	12 901	12 927	12 958	12 979
Capital	10 000	10 000	10 000	10 000	10 000	10 000
Reserve fund	806	812	1 838	1 838	1 838	1 838
Profits undisposed	6	—	—	—	—	—
Earnings less expenses	1 091	2 052	1 063	1 089	1 120	1 141
Total	118 616	121 123	106 066	105 414	107 405	108 724
STATEMENT OF NOTE ISSUE						
Right of note issue						
Ordinary cover	33 781	32 300	28 883	29 392	29 592	29 600
Supplementary cover (Upper limit 58 000 mill. mk)	58 000	58 000	58 000	58 000	58 000	58 000
Total	91 781	90 300	86 883	87 392	87 592	87 600
Note issue						
Notes in circulation	58 927	60 735	52 166	51 935	51 924	53 736
Short-term liabilities	15 523	24 725	19 192	18 870	20 769	20 290
Undrawn on cheque credits	577	316	683	860	754	563
Unused right of note issue	16 754	4 524	14 842	15 727	14 145	13 011
Total	91 781	90 300	86 883	87 392	87 592	87 600

Lowest discount rate since April 19, 1956, 6¹/₂ per cent

BANK OF FINLAND

Mill. mk

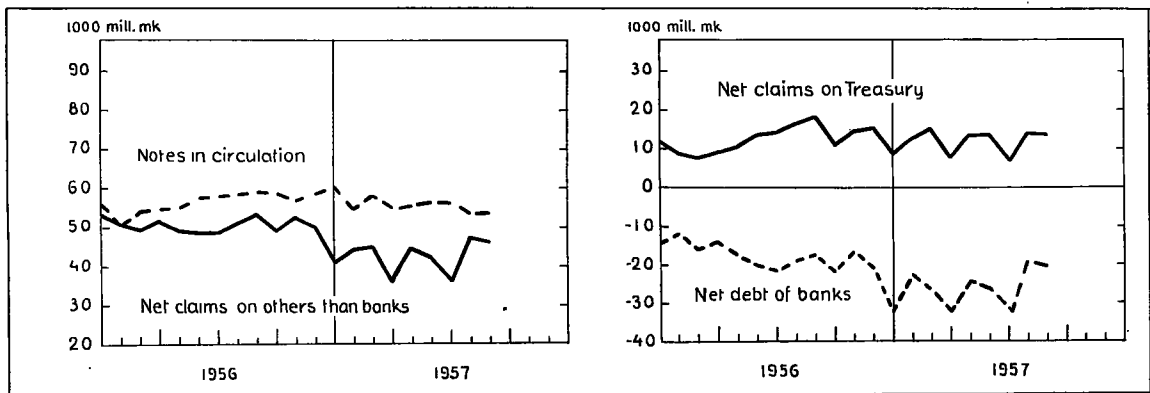
End of year and month	Gold and foreign accounts						Finnish credit institutions			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Redis-counted bills	Liabilities		Net claims on the banks (7-8-9)
								Cash reserve accounts	Cheque accounts of banks	
	1	2	3	4	5	6	7	8	9	10
1950	10 959	8 170	2 789	—	4 807	-2 018	6 913	—	— 552	7 465
1951	34 317	3 594	30 723	—	3 693	27 030	16	—	— 218	234
1952	22 099	13 141	8 958	—	5 524	3 434	17 217	—	2 088	15 129
1953	27 898	8 737	19 161	209	9 237	10 133	8 268	—	2 157	6 111
1954	36 573	7 017	29 556	972	10 102	20 426	8 465	—	2 187	6 278
1955	35 938	3 855	32 083	2 376	11 617	22 842	22 628	6 677	1 706	14 245
1956	29 410	4 601	24 809	2 890	15 337	12 362	33 665	—	1 167	32 498
1956										
Feb.	36 081	3 982	32 099	2 560	12 347	22 312	23 551	6 607	723	16 221
March	34 309	3 296	31 013	2 560	12 404	21 169	20 086	5 983	135	13 968
April	31 086	3 937	27 149	2 560	12 400	17 309	24 790	7 062	530	17 198
May	27 877	6 031	21 846	2 560	12 694	11 712	27 236	6 373	665	20 198
June	28 020	7 547	20 473	2 560	13 387	9 646	27 283	5 622	507	21 154
July	29 148	6 080	23 068	2 560	13 681	11 947	26 918	7 046	812	19 060
Aug.	31 221	5 745	25 476	2 560	13 726	14 310	23 513	5 497	690	17 326
Sept.	30 613	5 475	25 138	2 560	14 355	13 343	27 223	4 671	782	21 770
Oct.	30 519	3 801	26 718	3 022	14 773	14 967	20 892	3 960	447	16 485
Nov.	29 676	3 682	25 994	3 022	15 003	14 013	25 177	3 755	464	20 958
Dec.	29 410	4 601	24 809	2 890	15 337	12 362	33 665	—	1 167	32 498
1957										
Jan.	28 587	4 528	24 059	2 890	15 212	11 737	23 188	—	472	22 176
Feb.	26 229	4 089	22 140	2 890	15 574	9 456	27 037	—	553	26 484
March	23 358	3 677	19 681	2 890	15 768	6 803	32 318	—	—	32 318
April	23 249	4 833	18 416	2 890	15 792	5 514	24 486	—	—	24 486
May	23 078	7 104	15 974	2 890	15 894	2 970	26 649	—	186	26 463
June	23 105	7 939	15 166	2 890	16 249	1 807	32 583	—	328	32 255
July	25 580	6 274	19 306	2 890	16 333	5 863	19 815	—	776	19 039
Aug.	26 710	7 343	19 367	2 890	16 363	5 894	20 902	—	457	20 445



BANK OF FINLAND

Mill. mk

End of year and month	Treasury			Trade and industry						Notes in circulation
	Bills and bonds	Cheque account	Net claims on the Treasury (1-2)	Inland bills in Finnish currency	Other advances	Total advances (4+5)	Deposits against import licences	Other liabilities	Net claims on the public (6-7-8)	
	1	2	3	4	5	6	7	8	9	10
1950	19 730	34	19 696	13 516	5 470	18 986	—	263	18 723	34 383
1951	8 685	—	8 685	11 567	6 193	17 760	—	301	17 459	44 774
1952	14 738	—	14 738	14 678	12 696	27 374	—	2 185	25 189	46 153
1953	21 662	7 281	14 381	13 812	15 525	29 337	—	2 314	27 023	45 019
1954	21 662	15 470	6 192	11 940	14 129	26 069	—	791	25 278	47 902
1955	21 660	9 816	11 844	14 437	16 357	30 794	6 578	779	23 437	55 883
1956	19 160	10 550	8 610	14 922	18 928	33 850	4 125	1 360	28 365	60 735
1956										
Feb.	21 660	14 292	7 368	16 626	17 134	33 760	7 929	709	25 122	53 870
March	20 410	11 521	8 889	18 992	17 501	36 493	8 131	997	27 365	54 252
April	20 410	10 162	10 248	19 782	18 210	37 992	8 753	1 192	28 047	54 951
May	20 410	6 940	13 470	20 588	20 005	40 593	9 290	1 279	30 024	57 361
June	20 410	6 284	14 126	19 985	22 082	42 067	9 541	1 100	31 426	57 911
July	20 410	4 327	16 083	18 763	21 923	40 686	9 674	1 124	29 888	58 281
Aug.	20 410	2 292	18 118	17 025	21 530	38 555	9 288	1 127	28 140	58 927
Sept.	19 160	8 310	10 850	16 600	21 763	38 363	4 885	948	32 530	58 831
Oct.	19 160	4 906	14 254	16 517	20 138	36 655	4 325	1 235	31 095	56 795
Nov.	19 160	4 091	15 069	15 958	19 260	35 218	4 349	1 470	29 399	58 468
Dec.	19 160	10 550	8 610	14 922	18 928	33 850	4 125	1 360	28 365	60 735
1957										
Jan.	19 160	6 420	12 740	15 427	18 294	33 721	4 151	1 060	28 510	54 160
Feb.	19 160	4 103	15 057	15 755	18 803	34 558	4 057	841	29 660	58 245
March	19 160	11 414	7 746	17 181	19 201	36 382	4 074	573	31 735	54 967
April	19 160	5 466	13 694	16 984	19 628	36 612	—	706	35 906	55 764
May	17 910	4 210	13 700	16 943	20 252	37 195	—	784	36 411	56 311
June	17 910	10 543	7 367	17 485	21 873	39 358	—	605	38 753	56 177
July	17 910	3 799	14 111	17 484	21 633	39 117	—	558	38 559	53 471
Aug.	17 910	4 148	13 762	17 213	21 252	38 465	—	746	37 719	53 736



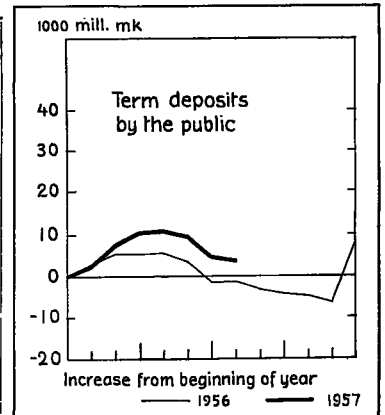
DEPOSITS BY THE PUBLIC - FOREIGN EXCHANGE RATES

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
1956										
Feb.	32 805	39 429	9 634	98 990	110 233	62 204	34 292	15 762	321 519	370 582
March	35 545	42 643	12 629	98 745	110 080	62 567	34 002	15 805	321 237	376 509
April	33 982	41 093	9 634	98 564	110 268	62 778	33 842	15 832	321 322	372 049
May	33 620	40 799	9 669	97 684	109 704	62 476	33 401	15 691	318 994	369 462
June	39 536	47 256	11 068	96 287	108 087	61 561	32 983	15 409	314 365	372 689
July	37 040	45 098	9 583	95 701	108 382	61 779	33 136	15 362	314 398	369 079
Aug.	34 995	43 119	7 618	94 685	107 983	61 586	33 096	15 284	312 672	363 409
Sept.	36 666	43 786	15 675	94 176	107 675	61 159	33 209	15 253	311 510	370 971
Oct.	40 382	48 603	8 877	93 059	107 979	61 218	33 170	15 380	310 844	368 324
Nov.	38 283	45 619	9 043	91 960	107 641	61 128	33 001	15 380	309 148	363 810
Dec.	38 614	45 963	15 265	96 807	112 402	63 531	34 162	16 013	322 953	384 181
1957*										
Jan.	36 315	43 381	9 491	97 684	113 247	64 187	34 489	16 347	325 991	378 863
Feb.	32 923	39 865	9 217	99 394	114 321	65 038	34 930	16 635	330 355	379 437
March	31 697	38 574	14 158	99 814	115 216	66 107	35 571	16 933	333 677	386 409
April	34 730	42 050	9 327	100 428	115 229	66 462	35 115	16 892	334 161	385 538
May	32 867	39 705	8 733	100 277	114 768	66 241	34 654	16 814	332 789	381 227
June	31 562	37 718	16 026	98 735	112 709	64 938	34 215	16 578	327 210	380 954
July	35 403	42 655	10 137	98 828	113 094	64 824	33 573	16 475	326 830	379 622

Selling rates for foreign exchange
September 16, 1957

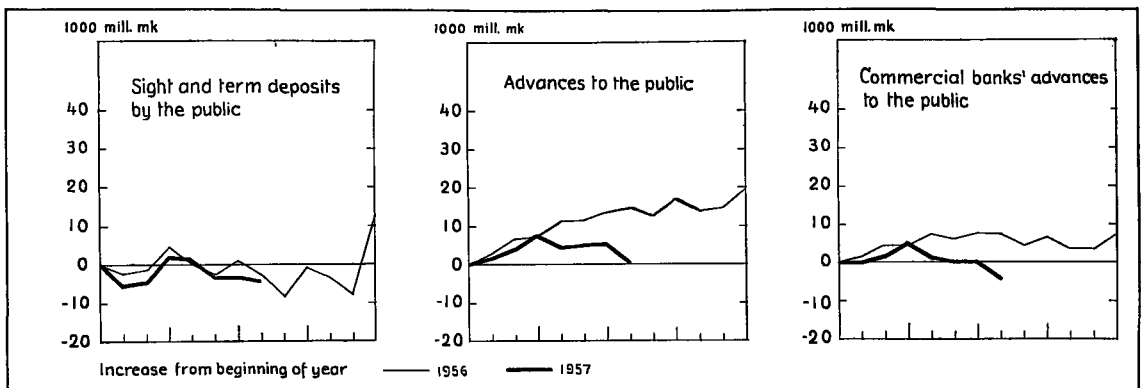
		mk		mk
New York ...	1 \$	321:—	Zürich	100 Fr 7 370:—
London	1 £	896:—	Frankfurt a/M	100 DM 7 676:—
Stockholm ...	100 Kr	6 210:—	Prague	100 Kz 4 456:—
Copenhagen ..	100 Kr	4 634:—	Vienna	100 Sch 1 240:—
Oslo	100 Kr	4 495:—	Lisbon	100 Es 1 118:50
Paris	100 Fr	76:22	Montreal	1 \$ 332:—
Brussels	100 Fr	641:60	Moscow, clear	100 Rbl 8 035:—
Amsterdam ...	100 G	8 453:—		



ADVANCES TO THE PUBLIC

Mill. mk

End of year and month	Granted by					Types of advances			Total (1 to 5) (6 to 8)
	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	97 375	37 934	11 025	146 334
1951	85 578	45 554	8 508	41 849	4 425	117 358	54 645	13 911	185 914
1952	104 881	59 824	13 402	50 694	5 379	147 035	70 106	17 039	234 180
1953	105 659	70 511	18 782	56 765	9 847	177 703	67 572	16 289	261 564
1954	128 955	82 448	22 123	64 697	12 773	212 306	79 200	19 489	310 995
1955	155 436	96 454	24 866	72 868	13 599	245 674	94 123	23 426	363 223
1956	162 663	102 830	26 232	76 761	14 690	261 185	96 617	25 374	383 176
1956									
Feb.	159 944	98 334	24 994	73 114	13 626	248 233	96 773	25 006	370 012
March	159 981	98 709	25 374	72 720	13 562	249 322	96 593	24 431	370 346
April	162 745	99 408	25 532	73 313	13 380	250 775	98 366	25 237	374 378
May	161 545	99 897	25 637	74 094	13 382	251 782	98 817	23 956	374 555
June	163 175	99 764	25 791	74 598	13 411	251 893	99 537	25 309	376 739
July	162 798	100 253	25 929	74 966	13 992	253 567	101 125	23 246	377 938
Aug.	159 760	100 951	26 210	74 978	14 059	255 663	98 018	22 277	375 958
Sept.	161 927	101 902	26 345	75 559	14 446	257 649	97 181	25 349	380 179
Oct.	158 945	102 418	25 940	75 244	14 646	258 633	96 134	22 426	377 193
Nov.	158 723	102 795	26 206	75 482	14 781	260 214	94 706	23 067	377 987
Dec.	162 663	102 830	26 232	76 761	14 690	261 185	96 617	25 374	383 176
1957*									
Jan.	162 519	103 529	26 291	76 913	14 762	261 165	97 901	24 948	384 014
Feb.	164 342	103 868	26 432	77 017	14 799	261 921	98 277	26 260	386 458
March	167 767	104 243	26 511	76 829	14 833	261 755	100 474	27 954	390 183
April	163 706	104 757	26 444	76 993	14 800	262 539	99 729	24 432	386 700
May	162 752	105 426	26 502	77 847	14 887	263 196	98 489	25 729	387 414
June	162 707	105 215	26 560	78 231	14 880	262 330	97 546	27 717	387 593
July	158 635	105 223	26 601	77 466	14 906	262 569	95 327	24 935	382 831

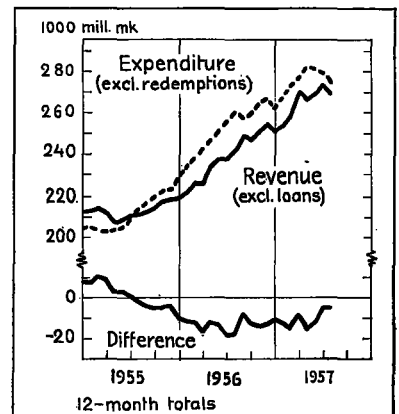


STATE FINANCES

1000 mill. mk

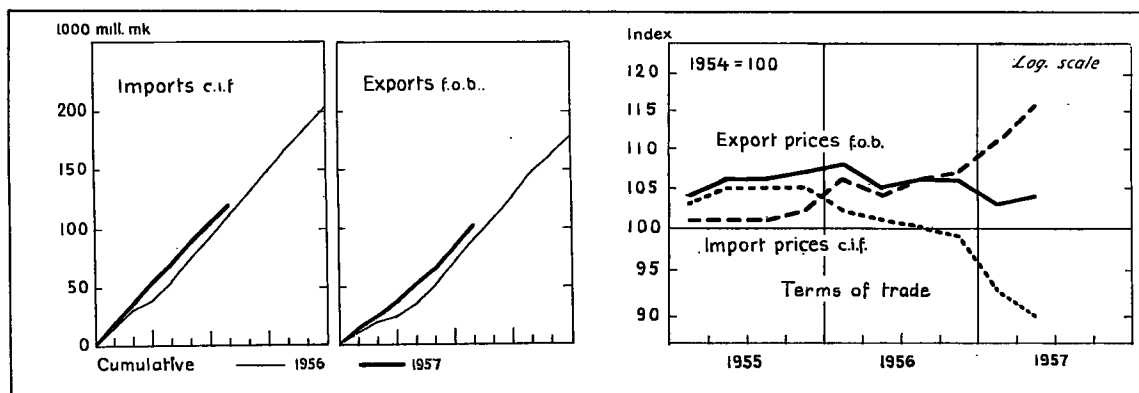
Revenue	Jan.—July		Expenditure	Jan.—July	
	1956	1957		1956	1957
Income and property tax (net)	34.3	39.7	Interest on State debt	3.8	4.2
Gross receipts	(60.3)	(70.5)	Child allowances	9.9	5.5
Refunds and communal income tax	(-26.0)	(-30.8)	The State's share in national pensions	3.2	6.7
Other direct taxes	0.4	0.6	Compensations to war-disabled	4.6	4.6
Purchase tax	30.9	36.1	Transfer of employers' payments for national pensions to National Pensions Fund	2.6	3.2
Import duties	19.9	21.8	Subsidies	19.2	13.4
Revenue from Alcohol Monopoly	10.9	12.5	Payments by Price Equalisation Fund	4.8	4.6
Excise duty on tobacco	7.4	7.7	State aid to agriculture	2.1	1.9
Other excise duties	2.4	2.5	State aid to communal and private schools	10.9	11.8
Stamp duties	5.6	6.7	Net loss of State enterprises	5.1	3.1
Employers' payments for child allowances and national pensions	12.1	11.7	Maintenance of roads	2.8	3.6
Receipts of Price Equalisation Fund	4.6	8.6	Other current expenditure	41.0	46.9
Other revenue similar to taxes	2.3	2.3	Current expenditure	110.0	109.5
Total taxes	130.8	150.2	Real investments	24.1	34.5
Interest and dividends	2.4	2.9	(of which: unemployment grants) ..	(13.7)	(20.9)
Other current revenue	3.8	4.9	Other capital expenditure	18.7	21.1
Current revenue	137.0	158.0	Capital expenditure	42.8	55.6
Capital revenue proper	2.7	3.4	Total expenditure	152.8	165.1
Decrease in inventories	3.7	0.0	Redemption of external loans	1.0	1.1
Capital revenue	6.4	3.4	Redemption of internal loans	3.7	4.8
Total revenue	143.4	161.4	Redemption of indemnity bonds etc.	0.6	0.4
External loans	1.0	0.0	Index premiums	0.1	0.3
Internal loans	8.4	5.5	Redemptions	5.4	6.6
Loans	9.4	5.5			
Short-term credit (increase +)	—	+0.3			
Deficit (+) or surplus (-)	+5.4	+4.5			
Total	158.2	171.7			

Debt	1954	1955	1956	1957			
	Dec.	Dec.	Dec.	May	June	July	Aug.
External debt	62.1	61.3	61.5	60.1	59.9	59.9	59.9
Ordinary loans	36.1	43.0	50.7	50.4	51.0	51.3	51.5
Indemnity bonds etc. ...	8.8	6.8	7.1	7.4	7.4	7.4	7.2
Short-term credit	0.5	—	—	2.9	1.6	0.3	—
Cash debt (net)	4.3	5.9	8.8	15.0	14.3	13.9	..
Internal debt	49.7	55.7	66.6	75.7	74.3	72.9	..
Total debt	111.8	117.0	128.1	135.8	134.2	132.8	..
Total debt, mill. \$	484.0	506.3	554.5	588.0	581.1	574.8	..



FOREIGN TRADE

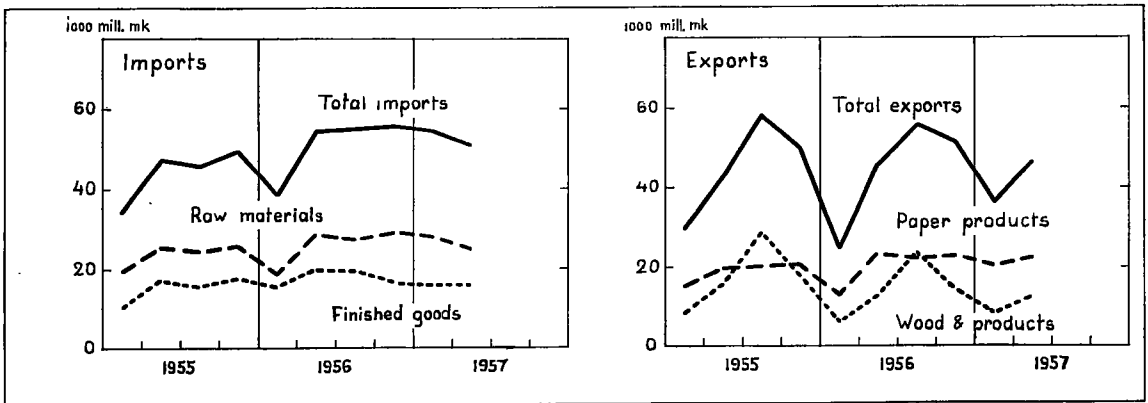
Period	Value, mill. mk			Price indices, 1954 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
1949	66 278	65 606	- 672	70	77	63	64	94	77	91
1950	89 148	81 479	- 7 669	75	61	70	72	103	92	82
1951	155 464	186 883	+31 419	137	100	98	179	106	123	111
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	109	105	109	103	104	102
Jan.-July										
1955	96 303	92 390	- 3 913							
1956*	111 407	90 361	-21 046							
1957*	121 052	102 690	-18 362							
1956*										
July	18 457	19 617	+ 1 159	} 106	108	105	110	110	106	100
Aug.	19 067	18 399	- 668							
Sept.	17 502	17 763	+ 261							
Oct.	20 149	20 600	+ 451							
Nov.	18 251	14 836	- 3 415	} 106	110	98	109	117	107	99
Dec	17 182	16 027	- 1 155							
1957*										
Jan.	19 104	13 332	- 5 772	} 103	104	95	108	110	111	93
Feb.	16 390	11 647	- 4 743							
March	18 787	11 261	- 7 526							
April	16 023	14 272	- 1 751							
May	18 376	14 917	- 3 459	} 104	111	96	108	114	116	90
June	16 325	17 625	+ 1 300							
July	16 047	19 636	+ 3 589							



FOREIGN TRADE BY MAIN GROUPS

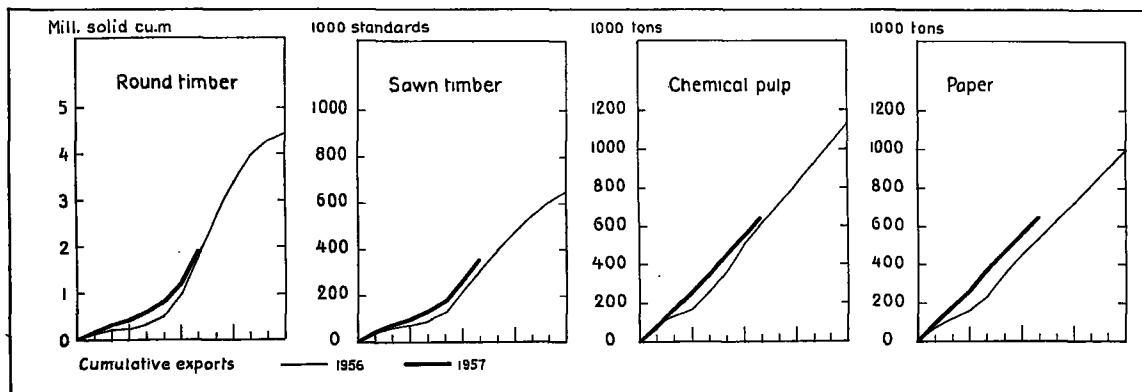
Mill. mk

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
			Consumer goods	Producer goods						
1949	38 564	5 886	12 048	9 780	2 186	5 653	26 013	26 058	2 798	2 898
1950	50 638	10 242	15 649	12 619	3 347	8 152	28 543	33 919	4 009	3 509
1951	91 790	19 760	21 910	22 004	3 152	19 028	56 229	97 244	7 151	4 079
1952	97 500	21 952	27 072	35 664	5 185	28 441	42 891	65 350	11 094	3 868
1953	65 148	15 879	16 804	24 029	4 719	10 251	43 671	47 926	20 936	4 052
1954	86 420	17 337	19 581	28 797	5 152	13 582	49 730	61 662	20 988	5 504
1955	94 919	21 540	26 276	34 225	3 880	19 905	51 321	75 793	24 803	5 557
1956*	104 284	27 464	28 453	43 357	6 206	17 243	40 485	81 780	25 125	7 148
1955										
Jan.-Mar.	19 393	5 169	5 160	5 132	1 190	1 329	6 959	15 098	4 629	774
Apr.-June	25 284	4 822	7 538	9 528	767	3 440	12 313	19 865	5 043	1 348
July-Sept.	24 392	5 422	5 798	9 850	874	10 161	18 871	20 171	6 805	1 373
Oct.-Dec.	25 850	6 127	7 780	9 715	1 049	4 975	13 178	20 659	8 326	2 061
1956*										
Jan.-Mar.	18 642	4 349	5 017	10 526	1 120	909	5 198	13 046	3 823	708
Apr.-June	28 857	5 810	8 569	11 181	1 738	3 062	9 855	23 466	6 204	1 614
July-Sept.	27 518	7 854	7 035	12 618	1 569	9 323	14 758	22 315	5 077	2 736
Oct.-Dec.	29 266	9 451	7 832	9 032	1 779	3 949	10 674	22 953	10 019	2 090
1957*										
Jan.-Mar.	27 907	10 684	6 719	8 971	2 017	1 711	6 607	20 517	4 107	1 282
Apr.-June	24 805	10 123	6 951	8 844	2 587	2 920	9 863	22 814	6 450	2 181
May	9 230	3 328	2 798	3 020	885	859	2 908	7 466	2 098	705
June	7 694	3 938	1 871	2 821	909	1 401	4 622	7 252	2 448	994
July	7 765	3 492	1 877	2 913	700	2 820	5 089	7 291	2 783	953
Jan.-July	60 478	24 299	15 547	20 728	5 304	7 452	21 559	50 621	13 338	4 416



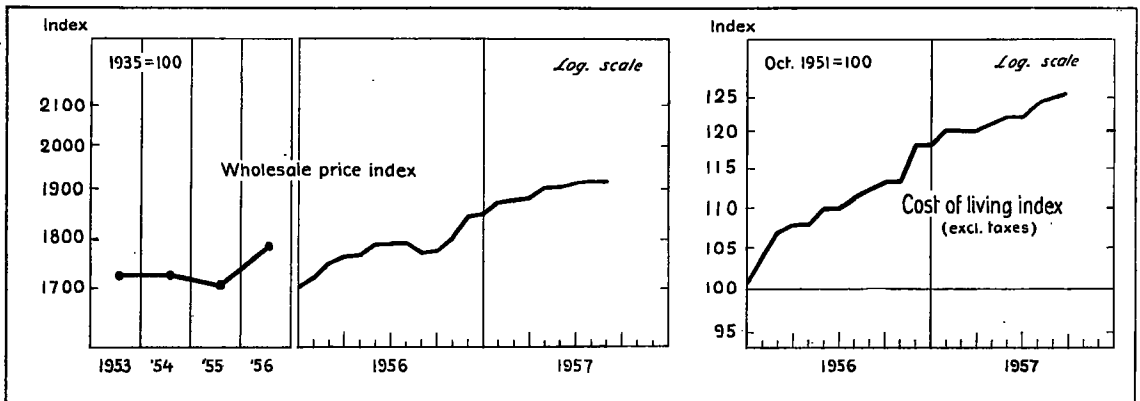
EXPORTS OF SOME IMPORTANT ARTICLES

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
1949	2 251	607	208	160	449	311	61	31	348	455
1950	3 266	683	195	177	513	365	89	50	379	506
1951	5 305	875	279	210	594	388	97	68	382	605
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	185	680	452	105	48	537	998
Jan.-July										
1955	1 973	346	191	107	382	254	64	35	249	487
1956*	1 813	308	131	107	371	237	57	28	291	536
1957*	1 940	362	144	92	388	259	73	34	341	651
1956*										
April	101	16	22	12	57	29	11	3	34	67
May	166	45	26	22	68	38	10	6	74	125
June	511	85	23	23	75	64	8	5	49	94
July	803	90	22	20	68	38	8	5	50	89
Aug.	856	91	15	14	55	45	9	2	51	94
Sept.	732	81	18	13	62	42	9	4	46	89
Oct.	581	71	22	23	69	41	10	5	50	92
Nov.	308	53	21	12	53	40	10	5	50	94
Dec.	134	44	22	16	69	47	11	4	48	93
1957*										
Jan.	160	48	19	12	55	36	10	6	49	89
Feb.	169	26	23	11	48	31	11	5	48	96
March	99	24	23	10	56	30	9	4	39	78
April	188	32	23	18	57	36	12	5	55	109
May	210	46	21	12	62	44	10	6	54	91
June	368	85	21	15	54	43	9	4	49	96
July	745	101	15	13	56	39	11	5	47	93



FOREIGN TRADE BY COUNTRIES

Area and country	Imports c. i. f.					Exports f. o. b.				
	Whole year		Jan.—July			Whole year		Jan.—July		
	1955	1956*	1956*	1957*		1955	1956*	1956*	1957*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	20.9	27.3	22.4	16.5	19 938	27.3	25.2	25.5	25.1	25 836
United Kingdom	20.3	20.4	21.5	15.8	19 143	24.0	21.4	21.3	22.2	22 844
Other OEEC countries ..	36.4	39.1	39.6	34.7	41 948	32.4	31.4	29.1	31.1	31 932
Belgium-Luxembourg	3.0	3.0	3.0	2.8	3 384	3.5	4.4	3.9	4.1	4 180
Denmark	3.6	2.6	2.9	2.1	2 567	3.0	2.5	2.6	2.6	2 718
France	6.0	5.8	5.7	5.5	6 631	4.7	5.3	4.9	4.6	4 713
Western Germany	9.0	11.8	11.6	9.6	11 554	9.1	8.7	8.1	9.0	9 266
Italy	1.1	1.4	1.3	1.7	2 108	1.2	1.4	1.3	1.6	1 658
Netherlands	3.6	4.0	4.1	2.9	3 498	4.4	3.6	3.3	4.3	4 409
Norway	2.2	1.8	2.0	1.3	1 601	1.3	0.6	0.6	0.4	424
Sweden	4.9	5.4	5.7	5.3	6 346	1.9	2.2	2.0	2.3	2 370
Switzerland	1.3	1.8	1.8	1.8	2 133	0.9	0.6	0.4	0.8	796
Turkey	0.5	0.4	0.4	0.3	419	1.0	0.7	0.4	0.2	184
Eastern Bloc	27.1	25.0	23.8	33.2	40 223	25.7	27.7	27.8	28.6	29 320
China	0.5	0.3	0.2	0.7	810	1.6	1.0	1.1	1.1	1 104
Czechoslovakia	2.7	2.4	2.0	3.8	4 650	1.0	1.3	1.3	1.0	1 084
Eastern Germany	2.7	2.3	1.9	2.6	3 189	2.2	2.2	2.4	1.8	1 806
Poland	4.8	4.4	3.9	6.4	7 800	2.0	2.3	2.4	3.4	3 494
Soviet Union	14.7	13.9	14.1	18.1	21 858	17.5	19.2	18.8	19.6	20 099
U.S. and Canada	5.4	6.7	5.7	7.1	8 645	5.8	6.7	7.6	5.8	5 948
United States	5.2	6.5	5.4	7.0	8 522	5.7	6.7	7.5	5.7	5 869
Latin America	7.4	5.6	5.9	5.3	6 471	5.5	5.7	6.3	5.4	5 538
Argentina	2.9	1.6	2.1	1.8	2 211	2.2	1.5	1.5	1.0	1 040
Brazil	4.1	3.3	3.1	3.1	3 765	2.6	2.9	3.1	3.2	3 269
Others	2.8	2.3	2.6	3.2	3 827	3.3	3.3	3.7	4.0	4 116
Grand total	100.0	100.0	100.0	100.0	121 052	100.0	100.0	100.0	100.0	102 690



PRICE INDICES

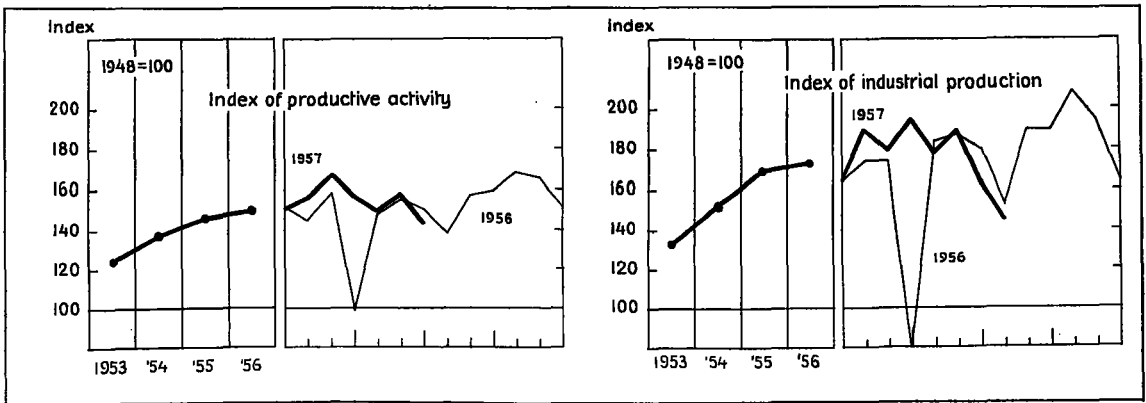
Period	Wholesale prices 1935=100						Cost of living 1935=100		
	Total index	Finnish goods				Imported goods	Total	Rent	Taxes
		Total	Products of agriculture	Products of forestry	Products of industry				
1950	1 265	1 287	1 378	1 664	1 131	1 222	992	248	1 987
1951	1 809	1 886	1 617	3 103	1 561	1 646	1 156	360	2 270
1952	1 793	1 892	1 752	3 056	1 545	1 581	1 203	438	2 509
1953	1 727	1 840	1 730	2 857	1 532	1 486	1 219	569	2 395
1954	1 724	1 841	1 728	2 941	1 506	1 475	1 199	703	2 051
1955	1 707	1 822	1 773	3 040	1 426	1 462	1 158	761	1 970
1956	1 785	1 869	1 926	2 975	1 478	1 605	1 293	909	1 901
1956 Dec.	1 855	1 897	2 000	2 884	1 530	1 767	1 392	948	2 234
1957 Jan.	1 877	1 908	2 048	2 884	1 533	1 811	1 409	1 070	2 108
Feb.	1 881	1 915	2 082	2 884	1 534	1 809	1 411	1 070	2 108
March	1 882	1 914	2 075	2 884	1 535	1 813	1 414	1 070	2 108
April	1 902	1 936	2 070	2 884	1 574	1 830	1 429	1 070	2 108
May	1 903	1 938	2 067	2 884	1 578	1 828	1 431	1 070	2 108
June	1 914	1 949	2 090	2 884	1 589	1 839	1 441	1 070	2 108
July	1 920	1 960	2 087	2 884	1 608	1 835	1 466	1 070	2 108
Aug.	1 919	1 958	2 123	2 834	1 610	1 834	1 472	1 070	2 108

Period	Cost of living Oct. 1951=100						Building costs 1951=100		
	Total	Foodstuffs	Rent	Heating and lighting	Clothing	Others	Total	Building material	Workers' average hourly earnings
1953	103	109	137	89	85	103	101	101	99
1954	103	106	169	82	83	102	101	98	105
1955	100	102	183	83	73	101	103	96	113
1956	111	117	218	95	76	108	109	101	123
1956 Sept.	113	119	215	97	78	111	113	103	131
Oct.	113	118	225	97	79	111	114	102	134
Nov.	118	128	228	97	79	111	113	103	130
Dec.	118	128	228	97	79	111	112	103	128
1957 Jan.	120	128	257	97	79	112	112	103	126
Feb.	120	128	257	97	79	112	112	103	127
March	120	128	257	97	79	112	112	103	125
April	121	129	257	98	79	116	113	104	128
May	122	129	257	97	80	117	113	104	129
June	122	130	257	97	80	117	114	104	132
July	124	134	257	97	80	118	114	104	132
Aug.	125	135	257	101	80	118	113	104	127

PRODUCTION - INTERNAL TRADE - WORK CESSATIONS

Period	Index of industrial production ¹⁾ 1948 = 100						Commercial timber fellings 1 000 piled cu. m	Milk received by dairies 1 000 tons	Wholesale trade volume index 1954 = 100	Working-days lost in work cessations Thousands
	Total	Home market industry		Export industry						
		Total	Metal industry	Total	Paper industry	Wood industry				
1950	113	115	96	107	111	102	25 770	1 245	81	4 644
1951	131	133	122	126	130	120	36 070	1 447	85	324
1952	125	133	121	108	112	102	35 079	1 560	92	54
1953	133	140	120	116	121	108	29 170	1 657	93	64
1954	152	158	140	140	151	124	35 370	1 703	100	116
1955	169	175	157	154	173	126	38 600	1 709	116	344
1956	173	180	158	155	185	111	36 623	2 036	121	6 970
1956										
Jan.	174	179	169	160	191	113	4 275	146	93	6
Feb.	174	181	170	157	189	109	4 176	141	102	1
March	80	91	69	57	61	52	3 450	149	91	6 945
April	184	192	171	166	187	135	2 399	180	124	4
May	187	194	165	171	190	143	8 083	208	138	—
June	180	190	169	159	179	132	1 131	215	124	—
July	153	145	113	168	196	125	1 156	204	119	1
Aug.	190	197	164	174	209	124	1 659	185	139	1
Sept.	190	198	174	174	207	126	1 758	162	132	1
Oct.	209	219	192	185	220	134	2 463	148	136	4
Nov.	194	206	178	168	210	107	2 786	143	137	6
Dec.	164	173	156	142	181	87	3 287	155	118	1
1957										
Jan.	189	197	182	171	212	112	4 284	164	97	2
Feb.	180	186	169	165	198	118	4 658	152	106	6
March	195	202	180	180	221	120	3 481	170	125	9
April	178	186	163	160	187	121	2 323	195*	119	3
May	189	194	170	178	217	123	11 010	220*	121	76
June	163	174	151	138	166	98	1 492	225*	111	16
July	145	139	106	157	197	100	1 613	215*	106	—

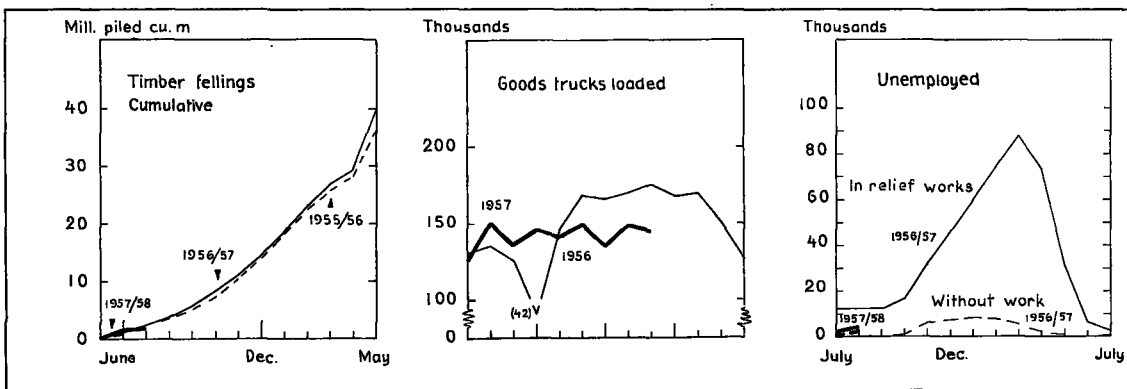
¹⁾ Figures for 1955 and 1956 revised but not final.



BUILDING - WAGES - EMPLOYMENT - TRANSPORT

Period	Buildings completed, mill. cu. m					Buildings under construction at end of period mill. cu. m	Wages July-Dec. 1951 = 100		Index of working hours in industry
	Total	Dwelling houses	Farm buildings	Commercial and industrial premises	Official buildings		Industrial workers	Forest workers	
1954	22.02	9.36	5.24	3.54	2.87	22.85	106	95	..
1955	20.25	9.47	4.29	3.12	2.29	23.75	111	115	..
1956	19.92	8.82	2.83	4.59	2.42	28.75	124	125	..
1956									
Jan.-Mar.	3.59	1.73	0.15	1.13	0.44	25.25	113	119	104.2
Apr.-June	3.84	1.53	0.38	1.11	0.58	28.58	127	122	104.2
July-Sept.	5.35	2.22	0.87	1.03	0.79	30.18	128	129	103.3
Oct.-Dec.	7.14	3.34	1.43	1.32	0.61	28.75	128	130	101.1
1957									
Jan.-Mar.	3.87*	1.74*	0.28*	1.13*	0.60*	29.54*	128	130	98.0
Apr.-June	3.08*	1.58*	0.31*	0.61*	0.38*	31.89*	..	127	99.6

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	
	1956	1957	1956	1957*	1956	1957*	1956	1957	1956	1957
Jan.	136	151	283	372	298	310	4 374	8 296	33 447	60 169
Feb.	126	136	153	268	142	255	4 097	7 856	45 960	74 931
March	42	146	72	251	52	248	2 827	5 204	51 216	88 133
April	147	141	225	349	187	288	1 118	1 908	48 898	73 386
May	168	150	419	415	371	409	80	607	33 547	30 598
June	166	135	410	421	552	543	—	173	7 847	6 353
July	170	149	470	429	679	678	—	459	12 092	3 043
Aug.	175	145	442	436	699	676	—	2 040	12 209	4 140
Sept.	168		384		605		—		12 243	
Oct.	170		434		567		847		16 698	
Nov.	151		422		430		6 079		32 062	
Dec.	127		438		354		7 366		45 094	



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. *Other foreign liabilities* = Mark accounts of holders abroad + Long-term foreign liabilities. *Cash reserve accounts* consist of deposits made by the banks and tied by special conditions. Included in Long-term Finnish 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. *Deposits against import licences* = importers' obligatory deposits of 10% of the value of the goods for which they have received import licences (from April 4, to June 1, 1956, 20% for goods for which licensing is not automatic). Included in Long-term Finnish liabilities until the procedure was discontinued on April 30, 1957. At that date the balance of deposits was transferred to the Cheque account of the Treasury. The balance has been refunded in full by the end of August 1957. *Other liabilities* = Other short-term liabilities + Other cheque accounts. — *Diagrams*. Left: *Net claims on others than banks* = Net foreign assets + Net claims on the Treasury + Net claims on the public + Finnish bonds + Finnish coin — (Long-term Finnish liabilities — Cash reserve accounts — Deposits against import licences) — Equalisation accounts. Right: *Net debt of banks* = net claims on banks, plotted as negative figures in order that their dependence on Net claims on others than banks might be more clearly evident.

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.

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 State departments. The change in this item = surplus (deficit) in the table on revenue and expenditure. *Diagram*. The 12-month totals are plotted to the last month of the respective periods.

SYMBOLS USED

* Preliminary o Less than half the final digit shown
.. 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.

FOREIGN TRADE

Pages 9—12. Figures supplied by the Board of Customs. The price indices (p. 9) represent unit values. Seasonal variations are not eliminated. Terms of trade: the ratio of export prices to import prices. Foreign trade by countries (p. 12): imports by countries of purchase, exports by countries of sale.

PRICE INDICES

Page 13. *Wholesale price index* and *Building cost index* calculated by the Central Statistical Office. *Cost of living indices* calculated by the Ministry for Social Affairs. The series based on Oct. 1951 does not include direct taxes.

PRODUCTION — INTERNAL TRADE — WORK CESSATIONS

Page 14. *Index of industrial production* calculated by the Central Statistical Office. It is based on net values of industrial production at constant prices. Unadjusted for seasonal variations. Weights: Home market industry 69.5, of which metal industry 28.2, export industry 30.5, of which paper industry 18.0 and wood industry 12.5; total industry 100.0. *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 wholesale price index so revised that the combined weight of wood and paper products has been reduced from 17.6 to 3.2. *Working days lost in work cessations* calculated by the Ministry for Social Affairs. *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. *Wages of industrial workers* (average hourly earnings) calculated by the Ministry for Social Affairs. *Wages of forest workers* (average daily earnings) monthly figures supplied by the Ministry for Social Affairs, changed to quarterly index. *Index of working hours in industry* calculated by the Ministry for Social Affairs. It is based on data compiled during a period of 12 working days in each of the months of Jan., Apr., July and Oct. The corresponding figure for the year = 100. *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 all labour engaged in relief works or other works financed from relief funds.

More detailed statistical information about Finland is obtained from the Finnish Official Statistics: Statistical Yearbook of Finland, Bulletin of Statistics (monthly), Foreign Trade (yearly and monthly), Bank Statistics concerning commercial banks and mortgage institutions (yearly and monthly).

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 Kaleva Kekkonen.

The Diet, comprising 200 members, is elected by universal suffrage. The number of seats of the different parties in the Diet elected in 1954 are as follows: Social Democrats 54, Agrarians 53, People's Democrats 43, Conservatives 24, Swedish Party 13, Finnish People's Party (liberal) 13.

LAND

THE AREA is 337 009 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total area 9.4 % are inland waters. 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: (1956) 4.3 millions. Sweden (1956) 7.3, Switzerland (1956) 5.0, Denmark (1955) 4.4 and Norway (1956) 3.5 millions.

DENSITY OF POPULATION (1956): In South Finland 24.1, in North Finland 3.9 and in the whole country an average of 14.1 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1956): 64.5 % of the population inhabit the rural areas, 35.5 % the towns and market towns. The largest towns are (1956): Helsinki (Helsingfors), the capital, 425 900 inhabitants, Turku (Åbo) 114 400 Tampere (Tammerfors) 115 600.

OCCUPATION (1950): Agriculture and forestry 42 %, industry 29 %, commerce 7 %, transport and communication 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 (1956): Practically all persons over 15 years of age are literate. There are three universities (the oldest founded in 1640) and 12 colleges of university standard.

INCREASE OF POPULATION (1956): births 20.7 ‰, deaths 9.0 ‰, increase 11.4 ‰. Deaths in France (1956) 12.4 ‰ and in Great Britain (1956) 11.7 ‰.

TRADE AND COMMUNICATIONS

NATIONAL INCOME (1955, in thousand million marks): Gross domestic product at market price 985. Net domestic product at factor cost, by industrial origin: agriculture 89 (12 %), forestry and fishing 96 (13 %), manufacturing 250 (33 %), construction 69 (9 %), transport and communications 55 (7 %), commerce, banking and insurance 93 (12 %), public activities 72 (9 %), other services 45 (6 %), total 770. Volume index 143 (1948 = 100).

FOREST RESOURCES (1951—1953): The growing stock comprised 1 491 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 18 %, 5 to 15 ha 45 %, 15 to 50 ha 32 % and more than 50 ha 5 %. Number of holdings 287 000, of which 130 000 are of more than 5 ha. Index of agricultural production 101 for 1955 (1938 = 100). Measure of self-sufficiency in the crop year 1955/56: bread cereals 40 %, fertilizers 51 %, dairy products 106 %, meat 98 %, fodder 86 %.

INDUSTRY (1954): Gross value of industrial production 580 000 mill. marks, number of workers 288 000, administrative employees 46 000, motive power (1953) 1.9 mill. HP. Index of industrial production 200 for 1954 (1938 = 100).

RAILWAYS (Dec. 31, 1956): Length 5 180 km, of which 5 020 km are State and 160 km private railways. The gauge of State railways 1 524 m.

MERCHANT FLEET (July 1, 1957): Steamers 283 (411 000 gross reg. tons), motor vessels 177 (341 000 gross reg. tons), sailing vessels with auxiliary engines 117 (12 000 gross reg. tons). Total 577 (764 000 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1956): Passenger cars 102 400, lorries and delivery vans 61 500, buses 4 900, others 2 700. Total 171 500.

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 230 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 1955 expenditure amounted to 122 500 mill. marks. Total revenue was 125 000 million, of which income from taxation 62 500 million. The municipal income tax (non-progressive) averaged 11.07 % 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 12 branch offices in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1956). There are three big and three small commercial banks with in all 548 offices, 413 savings banks, 575 co-operative credit societies and their central bank, six mortgage societies, and the Post Office Savings Bank. The savings departments of the co-operative stores accept deposits from the public.

RATES OF INTEREST (January 1, 1957). Bank of Finland discount rates 6 ½—8 %. Other credit institutions: term deposits 5 ¼ % (index-tied 4 ¾ %) and sight deposits 1—1 ½ %; lending rate 8 % in general.

THE INDEX CLAUSE IN BANK DEPOSITS AND LONG-TERM LOANS ¹

BY

R. v. FIEANDT

GOVERNOR OF THE BANK OF FINLAND

There can hardly be any divergency of opinion as to the importance of maintaining the purchasing power of long-term money obligations. The problem was of less importance before the first world war, when the value of money, even if it had fluctuations upwards and downwards, could in general be maintained. But today, when there is everywhere a continuous process of inflation, and the difference is only in that the deterioration of money in the better managed countries limits itself to a certain percentage every year, while in those countries which are less well run, it can even take the form of a galloping inflation, the problem has attained a central importance.

The economic theory was already concerned with this question during last century, and in practice an attempt was made through gold clauses and other agreements to eliminate the injustices which had arisen through a deterioration of money. However, no satisfactory solution was ever reached, and in Finland the problem even attained a negative solution, in that the gold clauses were, in principle, denied binding effect by the courts.

After the second world war, when we in Finland to our great shame managed the monetary policy so badly that inflation achieved large proportions, the problem has here become especially important. We have, however, taken into use a procedure, which, without being finally shaped and completely

satisfactory, to a significant extent eliminates the consequences of inflation. The experience gained in this way could perhaps be of value to others.

I do not mean by this that our solution, the index clause, is some form of export commodity. The conditions in different countries vary, and the strength of inflation differs so much. The system which suits one country does not have to be suitable for another. Each country manages its monetary policy in the way which is most appropriate for its circumstances, and I fully appreciate that in certain countries it is considered that the introduction of parallel currency, which in fact the index clause brings in its train, is connected — perhaps first of all for psychological reasons — with larger disadvantages than advantages. But as I see it there is no doubt that our endeavours to solve this problem have been profitable for our country, and I am also convinced that many other countries would profit from similar measures.

In Finland, the question became particularly topical after the armistice of 1944. We had lost Karelia, whose inhabitants, more than 10 per cent of the population of Finland, were compelled within some few days to leave their homes and practically all of their possessions, in order to build up a new existence within the borders of a smaller Finland. To make this possible, it was necessary that those living in the Finland

¹ A talk given at the Conference of the Central Banks of the Northern Countries in Helsinki in August 1957.

that remained, who had escaped the hard fate of their countrymen, had to share with them their own property. This division could not of course take place in kind, and neither was it possible, without giving cause for a very marked inflation, to pay the compensation in cash. Thus the compensation to the evacuated population had to a considerable extent to be paid in the form of State Bonds, which would fall due for payment during a succession of years. The nearly superhuman difficulties which our country had to struggle with could under no circumstances escape leading towards a certain deterioration of the value of money. To distribute bonds expressed in Finnish marks in such a situation had not solved the problem of the evacuated population, and had not evidenced statesmanlike characteristics on the part of the State's leaders.

We thus saw no other possibility than to attach an index clause to the bonds that were distributed without recompense to the evacuated population. The nominal value of these bonds rose to 18 400 million marks. They are now redeemed in their entirety and in accordance with the index indemnity the State has paid out not less than 61 700 millions. This great sum has naturally brought a great burden to bear on the State finances. But I consider that we do not need to regret this expenditure, and neither have we to fear the verdict of history on our solution of the problem.

As early as in 1946, the National Pensions Institute, which in the main grants long credits, first and foremost to power stations, industry and the communes, began to use a 50 per cent index clause. The total amount of its credits to the private sector and the communes today stands at 63 000 million marks. Somewhat later, the private insurance companies took the index clause into use. From 1951, practically all of the credits granted by life insurance companies,

and 70 per cent of those of the property insurance companies, had a 50 per cent index clause. The granting of credits by the insurance companies to the private sector and the communes amounts in all to approximately 50 000 million marks. To a large extent, the life insurance companies grant insurance with an index clause.

In the year 1950, we in the Joint Delegation of Financial Institutions — the combined organisation for all institutions accepting deposits from the public — began to discuss the introduction of index clauses in connection with bank deposits. The reason for this was that the bank depositors, more than any other group of the community, suffered from the inflation. In connection with, and following the first world war, the value of their deposits decreased to less than one tenth, and the second world war and its aftermath had again taken from them an approximately similar large proportion of their capital. All the other interest groups — employers and employees, industry, trade and agricultural producers — were united in powerful organisations, which often recklessly used their means of power to shield their own interests, even if it had to be at the cost of the community and of the whole. As a rule, their strong measures resulted in a transfer of property from the savers to other groups of society.

As nobody else was guarding the interests of the depositors, it was the bankers' responsibility to do so. But unanimity on the problem was nevertheless difficult to attain, and the idea of index-binding with regard to the deposits aroused strong opposition. In part, strong misgivings were felt concerning the technical realisation of the proposal, and in part it was feared that this would become too great a burden on the borrowers. It thus became a tug-of-war, which lasted for nearly five years and during which the opponents of the index clause by every

means, and occasionally also with the assistance of the powers of state, sought to overturn the idea. Finally, the index clause won, and in 1955 it was brought into use by all of the institutions forming part of the delegation: the commercial banks, the savings banks, the co-operative credit societies, the Post Office Savings Bank and the savings departments of co-operative stores.

At the beginning of 1956, the commercial banks made the mistake that, despite that inflation was increasing just then, they ceased to accept index deposits. The result was that their deposits diminished during the year, whereas they rose in all other financial establishments. As a result of the damage done, the commercial banks were compelled, from the beginning of the following year, again to accept deposits with an index clause. At the turn of the last half-year, the combined deposits in our banking establishments rose to 327 000 million, of which 53 000 million were index-bound. Accordingly, the index deposits constituted 16 per cent of the total amount of deposits. The highest percentual amount was in the co-operative credit societies, 23 per cent, and the lowest in the savings departments of co-operative stores, 7 per cent. Of the index deposits, 65 per cent were completely index-tied, while the remainder had a 50 per cent clause. The cover for the compensation, which on the basis of the index clause is paid to the depositors, is obviously provided through corresponding debiting of the borrowers.

At the same time as the banks were discussing the bringing into use of the index clause, there began the issuing of index-bound bond loans. In 1952, the town of Helsinki issued a 50 per cent bond loan, and the following year, this example was followed by the State. During the last few years, more and more new bond loans have been brought in with index or currency clauses.

Even in 1953, the index-loans represented only one half of the new loans, but this year all new loans have been tied to either foreign currency or some form of index.

As regards the long credit agreements, the undertakings which are bound by index clauses thus take a dominant position. It can be said, that we are on the way to creating two entities of currency. The one is the mark, upon which the notes issued by the Bank of Finland depend, and which is used for all transactions for which no other agreement is made. The other is an index-mark, the use of which in long-term engagements is in process of becoming more and more common.

Personally, I consider this development as being correct. It is not possible to regard it as being justifiable on moral or economic grounds that a continued transfer of wealth exists from creditors to debtors. Although the creditors are the quiet ones in the countries and have shown a patience that borders on the unbelievable, their bad treatment in the long run cannot fail to have a depressing effect on the desire to save, and thereby dislocate the normal development of the society. On the other hand, there is no doubt that a distortion of the investments and of the spirit of enterprise must be the consequence of the entrepreneurs getting accustomed to repayment of their creditors with worse money than they had received.

The index-binding of debt undertakings has been censured, by asserting that this should have the same disadvantages as the index-binding of wages and certain necessities. Nothing can be more incorrect than that these two things should be mixed together. The spiral of inflation is set in motion if the wages rise every time the costs of living are increased, and if for example agricultural prices are raised when the wages go up. We must therefore oppose ourselves to these index-bindings. But the index-

binding of deposits and loans is something completely different. It can be likened to a mobile interest, which automatically rises in the case of an inflation, and which falls with deflation. What is sounder than this?

I stated that our index clause system is not completely formed. Now we are working partly with the cost of living and partly with the wholesale price index. Neither has been settled upon for the object now in question. We require a special index for the long-term money undertakings, in which there should be, suitably weighted, the prices of real property — land, buildings and shares — which are the investments which compete with the deposits. A similar index should be settled upon by the State authorities, and thereby we should be freed from the present confusion in our use of indices.

It has been asserted that it is more important to work against inflation than to

attempt to eliminate its effects by means of inflation-proof-clauses. This is obviously correct. But if one is successful in maintaining the value of money, the index clause is like a security, which is not required to be resorted to. If the struggle against inflation, on the contrary, is not successful, and it is this which has been the case all over the world — there is not, as far as is known, a single country in the world which is an exception to this — the index clause limits the harmful effects of inflation to an important extent.

There is one further point which is so obvious that it hardly needs expression. The taking into use of the inflation-proof-clause naturally does not free the central bank from its responsibility of with all its means fighting a hard struggle against the forces which destroy the value of money in the community.

ITEMS

Liberalisation of foreign trade. On September 16, the Government decided from the beginning of October to free 75 per cent of imports from the West, using the 1954 level as a basis for calculation. This measure relates to imports from those Western European countries which have removed their quantitative restrictions on Finnish export goods, and the multilateral payments arrangements of which also affect Finland. The liberalisation of imports from the dollar area will be decided on separately.

At the beginning, the freeing of imports will take the form of automatic licensing, but it is intended that licensing will later be completely removed as far as these articles are concerned.

The liberalisation firstly affects all goods that are enumerated in the Act of July 1 relevant to a reduction in the powers of control over foreign trade, an act which has not been implemented. This list mainly comprises industrial raw materials, semi-manufactures and requisites, machinery and instruments, chemicals, medicines and some consumer goods, as for instance dried fruit, coffee, tea, spices, spirits and tobacco. In addition, liberalisation includes some other raw materials and numerous finished products, such as several types of textiles, agricultural and dairy machines, washing machines, refrigerators, tractors, chassis with motors, car, motor and bicycle parts, as well as sea and air craft.

Levy on export proceeds. On September 15, the President of the Republic signed an act relating to a levy on export proceeds, to take effect on the following day.

According to the stipulations, a levy will be paid on goods which are to be exported within one year from the coming into force of the act, that is to say before September 16, 1958. The amount of the levy is determined as a percentage of the export price. If calculated on the rise, due to the devaluation, in the mark value of the foreign exchange, the levy varies from 30 to 75 per cent for wood and woodprocessing products, and is 10 per cent for other commodities. For goods produced in the northernmost districts of the country, the levy is to be one half of these percentages. Some commodities, such as dairy produce, eggs, honey, bacon and lard, are exempted from the levy. If calculated on the basis of the present level and composition of exports, the levy represents on the average about 40 per cent of the total rise in the mark equivalent of the foreign exchange. The percentages will subsequently be lowered, following consultation with the Bank of Finland, though not before 1958.

The funds thus accumulated are to be deposited to a special account with the Bank of Finland. They will be used in the first place for the redemption by 50 per cent of the Treasury Bond Loan which the Bank of Finland granted in 1953. As this loan amounted in total to 21 250 million marks when the act concerning the levy came into force, an amount of 10 625 million will be needed for this purpose. Accumulations over and above this amount will be used for the granting of cheap loans for construction and extension in the forest industry, particularly in areas where under-employment exists, and for other purposes calculated to promote the exploitation of natural resources.

By the terms of the act, this lending activity may be commenced on July 1, 1958,

but by the express wish of the Bank of Finland, on September 9 the Government consented to an arrangement by which the funds will not be released until the Bank considers the time appropriate in consideration of monetary developments.

*

The second supplementary Budget for 1957.

On September 2, the Diet passed the second supplementary Budget for the current year. This provides for additional revenue of 12 860 million marks, and expenditure of 14 000 million. These sums are set out below, grouped in main categories, together with the corresponding figures of the ordinary and the two supplementary Budgets combined, and of the finance report for 1956.

	1957 2nd suppl. budget	1957 Ordinary and suppl. budgets	1956 Finance report
Mill.mk			
Revenue:			
Current	12 860	248 286	250 095
Capital	—	5 171	5 744
Loans	—	19 313	13 166
Total	12 860	272 770	269 005
Expenditure:			
Current	3 500	194 836	188 885
Capital	10 500	86 065	79 425
Redemptions ..	—	11 410	10 263
Total	14 000	292 311	278 573

Income and property tax is estimated to increase by 5 750 million marks, due principally to an increase in corporate taxation and of the assessment of super-tax on high incomes. Increases in the excise duties on tobacco and matches, and in the stamp duty, are estimated to yield 730 million marks. The revenue estimate further includes 900 million marks for the already collected extraordinary tax on motor vehicles, and an amount representing the increase in revenue due to the expediting of the collection of the purchase tax. An increase in the excise duty on liquid fuel is also expected to produce a considerable sum.

As regards expenditure, 3 500 million marks is allotted to subsidies for dairy products, and 10 500 million for the maintenance of employment during the latter half-year.

*

Ministerial Changes. On September 2, the Government, which had rested solely in the hands of the Agrarians and the liberal Finnish People's Party, was reconstituted on a broader base, in that the Prime Minister, Mr. V. J. Sukselainen, Agrarian, brought in five representatives of the opposition in the Social Democratic Party, as well as two non-party experts on trade and industry. In addition to these, the Government now comprises six Agrarians and two members of the Finnish People's Party. Mr. A. Simonen, Social Democrat opposition, has become Deputy Prime Minister, Mr. J. Virolainen, Agrarian, continues as Foreign Minister, Mr. M. Miettunen, Agrarian, as Minister for Finance, and Mr. E. Kaitila, Finnish People's Party, as Minister for Trade and Industry.

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The Bank of Finland. On August 13, the Bank Supervisors of the Diet granted Mr. A. Simonen, who was appointed member of the Board of Management of the Bank of Finland with effect from September 1, leave of absence for a period of two months.

*

Index-tied deposits. The interest of the public in index-tied deposits has remained lively. The accumulation of such deposits in the various categories of credit institutions can be seen from the table below.

At the end of August, 36 471 million marks, or 62.5 per cent of all index deposits, was placed on the taxable account A, which has a 100 per cent cost of living index clause, while 21 927 million, or 37.5 per cent, was placed on the untaxable account B, which has a 50 per cent index clause. Since the end of December, accounts B have grown more rapidly than accounts A, that is to say by 21 927 million marks compared with 14 009 million.

The total of index-tied deposits accumulated by the end of August represented 17.9 per cent of all term deposits. The corresponding percentages in the individual categories of credit institutions were: 14.8 per cent in the commercial banks, 21.0 per cent in the savings banks, 24.3 per cent in the co-operative credit societies, 9.4 per cent in the Post Office Savings Bank, and 8.1 per cent in the savings departments of co-operative stores.

	1956 XII	I	II	III	1957 IV	V	VI	VII	VIII
Commercial banks ...	64	2 799	5 005	8 117	10 524	11 690	12 825	13 692	14 593
Savings banks	11 393	14 326	16 067	18 421	19 606	20 583	21 826	22 728	23 717
Co-operative credit societies and their central bank	9 308	10 853	11 679	12 932	13 529	14 014	14 675	14 862	15 613
Post Office Savings Bank	1 424	1 699	1 902	2 358	2 546	2 693	2 850	2 987	3 140
Savings departments of co-operative stores .	273	474	648	861	980	1 054	1 149	1 231	1 335
Total index-tied deposits	22 462	30 151	35 301	42 689	47 185	50 034	53 325	55 500	58 398
Other term deposits ..	300 492	295 840	295 054	290 988	286 976	282 755	273 885	271 330	267 395
All term deposits	322 954	325 991	330 355	333 677	334 161	332 789	327 210	326 830	325 793

BANK OF FINLAND

BOARD OF MANAGEMENT

R. v. FIBANDT,
Governor

KLAUS WARIS,
Deputy Governor

K. T. JUTILA

ESKO K. LEINONEN

C. G. SUNDMAN,
ad int.

HEADS OF DEPARTMENT

HEIKKI VALVANNE, *ad int.*,
*Institute for
Economic Research*

G. ENGBERG,
Personnel

C. G. SUNDMAN,
Foreign currency

P. BLOMQUIST,
Accounts and Personnel

P.-E. ÖSTERLUND,
Foreign currency

A. KAJANTIE,
*Documentary credits
and Control*

J. HELANDER,
Foreign currency control

ARTHUR ASPELUND,
Cash

EINO JUSSILA,
Office

HELGE LINDSTRÖM,
Credits

A. NENONEN,
Foreign correspondence