

BANK OF FINLAND

MONTHLY BULLETIN

Vol. 35 No. 1

JANUARY

1961

RECENT DEVELOPMENTS

FOREIGN TRADE

Characteristic of the first half of 1960 was an exceptionally large volume of imports, which were of investment goods and raw materials in particular. This tendency still continued during July, but since then has been noticed a certain levelling off of imports. For January—September, total imports were 245 800 million marks, or 33 per cent above last year's level. At the end of June they exceeded the figure for the first half of 1959 by 36 per cent. By the end of September imports of investment goods and raw materials were running at levels 46 per cent and 29 per cent above those of the previous year, as against 52 per cent and 34 per cent by the end of June. Imports of consumer goods accord with the average import development, the share of consumer durables showing a steeper rise than that of other consumer goods. The value of trade in fuels and lubricants increased by 23 per cent, but the growth by volume of these imports was considerably higher.

Taken by countries, Finnish imports have in general grown all along the line, the most marked rise being from the EEC countries, or by 42 per cent during January—September as compared with the corre-

sponding period of 1959. EFTA imports show a rise of 36 per cent, and those from the Eastern Bloc 13 per cent. Finnish purchases have been particularly lively from West Germany, France, Sweden and Belgium—Luxembourg. As for other countries, the most significant change appears in imports from the United States; these increased by 74 per cent during this period. The liberalization of the dollar trade at the beginning of the year contributed greatly to this result.

VOLUME OF EXPORTS AND IMPORTS, 1954=100

	1959	1960	Change
	Jan.—Sept.	Jan.—Sept.	per cent
<i>Exports</i>	125	144	+ 15.2
Agricultural products ...	246	235	— 4.5
Round and hewn timber	101	126	+ 24.8
Wood products	101	125	+ 23.8
Paper products	138	160	+ 15.9
Metal and engin. products	135	120	— 11.1
<i>Imports</i>	121	161	+ 33.1
Raw materials and access.	112	141	+ 25.9
Fuels and lubricants	107	146	+ 36.4
Final investment goods ..	152	213	+ 40.1
Final consumption goods	127	167	+ 31.5

Finnish export industries have been doing well, in particular during the third quarter of the year, with export prices showing a slightly rising tendency. By the end of

**On page 18, A Retrospect of Monetary
Development in Finland during 1960**

September, exports totalled 223 000 million marks, or 16 per cent more than during the corresponding period of 1959. The wood and paper industries account for the major part of this achievement. For the period mentioned exports of the wood industry were up by 32 per cent, and of the paper industry by 17 per cent. A brisk international demand has been especially felt in the sawn goods market, where Finnish sales for 1960 already total 1 150 000 stds; this is evidently near the final figure. By the end of September, the amount exported was 819 000 stds, or 19 per cent over the corresponding 1959 level. However, the total export value was up by 33 per cent, indicating the improved price position. Sales of sawn goods on the most important markets for 1961 have already been initiated, and as far as Finland is concerned the placing of contracts has developed satisfactorily.

In other fields, the exports of paper, and newsprint in particular, have shown a steady advance, with stable price levels. By the end of September total paper exports exceeded the 1959 level by 20 per cent. Exports of sulphite pulp were also considerably up, or by 28 per cent. Plywood was also in good demand, and as regards round timber, exports of paper wood greatly increased during the third quarter of the year.

The only major field showing declining exports in comparison with 1959 is the metal industry, whose exports were by the end of September 12 per cent below the 1959 level. It is to be noted, however, that the export figure for the metal industry will show an appreciable rise in October,

when a big ice breaker shipment will appear in the statistics. On the other hand, the domestic demand for metal industry products has been exceptionally high during the year, tending to reduce the exporting capacity.

As for other developments, it may be mentioned that exports of agricultural products have increased only moderately. Outside the central exporting fields, the diversification of Finnish foreign sales has continued.

Export figures by countries indicate that the EFTA group, and especially its Nordic members, have considerably increased their purchases from Finland: the growth in exports to the whole of EFTA was 32 per cent, and to Sweden, Denmark and Norway an average of 63 per cent by the end of September. Sales to the EEC countries were up by 26 per cent with the Netherlands, Italy and West Germany making the largest contribution to the result. Exports to the United States have advanced rather slowly. The international price development has been favourable to Finnish foreign trade, so that a steady improvement has taken place in the terms of trade since the beginning of the second quarter. The moderate levelling off of imports, with exports continuing to prosper, has considerably reduced the big seasonal import surplus, which at the end of June amounted to as much as 35 000 million marks. By the end of October it had fallen to 16 000 million. These favourable developments, with certain changes in the modes of payment in Finnish foreign trade, have also eased the pressure on the foreign exchange reserve.

December 29, 1960.

BANK OF FINLAND

Mill. mk

	1959		1960			
	Dec. 31	Nov. 8	Nov. 15	Nov. 23	Nov. 30	Dec. 8
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	76 694	73 434	73 362	73 352	73 742	75 323
Gold	8 454	9 119	9 119	9 119	9 119	9 119
Foreign exchange	64 611	56 552	56 562	56 555	56 929	58 509
Foreign bills	366	855	773	770	786	787
Foreign bonds	3 263	6 908	6 908	6 908	6 908	6 908
<i>Supplementary note cover</i>	27 016	41 027	39 742	42 116	38 091	38 429
Inland bills discounted						
In foreign currency	11 535	10 712	10 712	10 712	10 712	10 490
In Finnish currency	3 888	5 687	5 959	6 018	6 027	6 274
Rediscounted bills	4 718	20 253	18 696	21 011	16 977	17 290
Treasury bond loan	6 875	4 375	4 375	4 375	4 375	4 375
<i>Other assets</i>	18 096	12 469	11 695	12 483	12 976	11 814
Finnish bonds	2 620	3 512	2 712	3 312	3 762	2 817
Cheque accounts	267	417	333	513	622	513
Finnish coin	654	736	749	744	753	731
Other claims	14 555	7 804	7 901	7 914	7 839	7 753
Total	121 806	126 930	124 799	127 951	124 809	125 566
Liabilities						
<i>Notes in circulation</i>	69 435	70 679	69 854	69 847	71 531	72 320
<i>Short-term liabilities</i>	17 814	19 606	18 286	22 266	17 736	17 756
Foreign exchange accounts	2 116	3 911	4 158	4 143	3 998	4 169
Mark accounts of holders abroad	4 780	4 040	4 111	4 125	4 150	4 109
Cheque account of the Treasury	6 418	10 637	8 266	13 166	8 632	7 691
Cheque accounts of banks	3 856	18	1 023	484	208	1 127
Other cheque accounts	233	392	352	254	333	241
Other short-term liabilities	411	608	376	94	415	419
<i>Long-term liabilities</i>	14 089	10 655	10 655	10 624	10 434	10 434
Foreign	11 060	10 246	10 246	10 213	10 025	10 025
Finnish	3 029	409	409	411	409	409
<i>Equalisation accounts</i>	5 482	10 235	10 222	9 402	9 286	9 190
<i>Bank's own funds</i>	14 986	15 755	15 782	15 812	15 822	15 866
Capital	10 000	10 000	10 000	10 000	10 000	10 000
Reserve fund	3 739	4 362	4 362	4 362	4 362	4 362
Profits undisposed	—	—	—	—	—	—
Earnings less expenses	1 247	1 393	1 420	1 450	1 460	1 504
Total	121 806	126 930	124 799	127 951	124 809	125 566
STATEMENT OF NOTE ISSUE						
Right of note issue						
<i>Ordinary cover</i>	76 694	73 434	73 362	73 352	73 742	75 323
<i>Supplementary cover</i> (Upper limit 50 000 mill. mk)	27 016	41 027	39 742	42 116	38 091	38 429
Total	103 710	114 461	113 104	115 468	111 833	113 752
Note issue						
<i>Notes in circulation</i>	69 435	70 679	69 854	69 847	71 531	72 320
<i>Short-term liabilities</i>	17 814	19 606	18 286	22 266	17 736	17 756
Undrawn on cheque credits	929	779	863	894	784	893
Unused right of note issue	15 532	23 397	24 101	22 461	21 782	22 783
Total	103 710	114 461	113 104	115 468	111 833	113 752

Rediscount rate since April 1, 1959, 6,75 per cent.

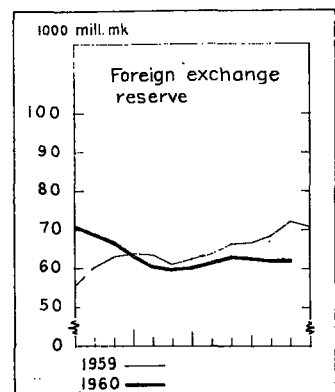
BANK OF FINLAND

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)
								Cheque accounts of banks	Account of the Mortgage Bank of Finland Oy	
	1	2	3	4	5	6	7	8	9	10
1951	34 317	3 594	30 723	1 644	3 693	28 674	16	— 218	—	234
1952	22 099	13 141	8 958	7 024	5 524	10 458	17 217	2 088	—	15 129
1953	27 898	8 737	19 161	8 329	9 237	18 253	8 268	2 157	—	6 111
1954	36 573	7 017	29 556	8 206	10 102	27 660	8 465	2 187	—	6 278
1955	35 938	3 855	32 083	9 427	11 617	29 893	22 628	8 383 ¹⁾	—	14 245
1956	29 410	4 601	24 809	11 271	15 337	20 743	33 665	1 167	280	32 218
1957	38 429	4 569	33 860	17 642	20 185	31 317	24 912	2 405	— 42	22 549
1958	57 558	2 178	55 380	12 619	16 013	51 986	18 707	1 474	2 080	15 153
1959	73 065	2 116	70 949	9 249	15 840	64 358	4 718	3 856	252	610
1959										
Oct.	70 542	2 141	68 401	9 985	15 727	62 659	486	1 387	419	— 1 320
Nov.	74 191	2 133	72 058	9 715	15 672	66 101	315	1 556	285	— 1 526
Dec.	73 065	2 116	70 949	9 249	15 840	64 358	4 718	3 856	252	610
1960										
Jan.	71 164	2 228	68 936	9 035	15 796	62 175	2 428	— 164	309	2 283
Feb.	69 135	2 329	66 806	8 410	15 179	60 037	3 054	85	52	2 917
March	66 821	3 658	63 163	7 982	15 153	55 992	4 620	749	179	3 692
April	64 550	3 854	60 696	9 710	14 978	55 428	13 072	56	237	12 779
May	63 921	4 085	59 836	9 495	14 487	54 844	13 811	951	71	12 789
June	63 865	3 865	60 000	9 167	14 351	54 816	18 493	691	179	17 623
July	65 468	3 904	61 564	9 659	14 330	56 893	16 046	294	83	15 669
Aug.	66 894	3 993	62 901	9 187	14 106	57 982	16 028	332	169	15 527
Sept.	66 270	3 870	62 400	10 304	14 251	58 453	17 699	105	309	17 285
Oct.	65 938	3 786	62 149	9 459	14 180	57 428	18 660	— 26	267	18 419
Nov.	66 048	3 998	62 050	9 632	14 175	57 507	16 977	208	138	16 631

¹⁾ Including cash reserve accounts 6 677

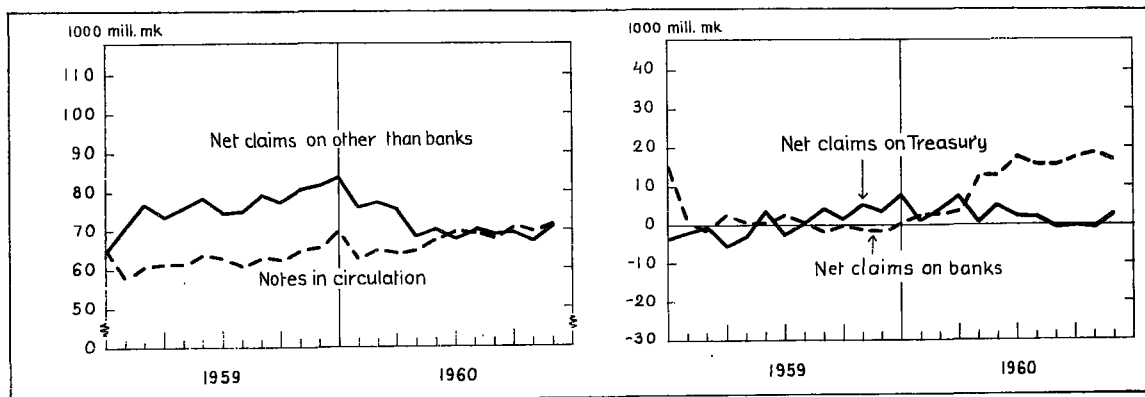
Category of currency	Foreign exchange reserve (col. 3 above) 1 000 mill. mk				
	1958	1959	1960		
	Dec. 31	Dec. 31	Sept. 30	Oct. 31	Nov. 30
Gold	7.8	8.4	8.4	9.1	9.1
Convertible currencies ..	31.2	49.7	39.6	39.5	40.9
Non-transferable EMA	7.7	4.7	3.8	3.6	3.5
Eastern Block currencies.	8.2	4.4	4.0	3.4	2.4
Other currencies	0.5	3.7	6.6	6.5	6.2
Total	55.4	70.9	62.4	62.1	62.1



BANK OF FINLAND

Mill. mk

End of year and month	Treasury					Trade and industry				Notes in circulation
	Bills and bonds	Advances for stand-by stocks	Liabilities		Net claims on the Treasury 1+2-3-4	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the public (6 + 7-8)	
			Cheque account	Long-term						
	1	2	3	4	5	6	7	8	9	10
1951	8 685	—	—	—	8 685	11 567	4 549	301	15 815	44 774
1952	14 738	—	—	—	14 738	14 678	5 672	2 185	18 165	46 153
1953	21 662	—	7 281	—	14 381	13 812	7 405	2 314	18 903	45 019
1954	21 662	—	15 470	—	6 192	11 940	6 895	791	18 044	47 902
1955	21 660	—	9 816	1 294	10 550	14 437	9 306	7 357	16 386	55 883
1956	19 160	—	10 550	2 310	6 300	14 922	10 547	5 205	20 264	60 735
1957	16 021	—	5 145	3 965	6 911	12 909	14 425	561	26 773	60 640
1958	9 033	4 335	7 146	9 502	— 3 280	8 823	14 296	525	22 594	65 075
1959	10 326	6 786	6 418	3 029	7 665	3 888	10 500	392	13 996	69 435
1959										
Oct.	10 326	6 116	7 643	3 374	5 425	3 961	11 279	500	14 740	64 583
Nov.	10 326	6 664	10 201	3 308	3 481	4 250	10 662	496	14 416	65 427
Dec.	10 326	6 786	6 418	3 029	7 665	3 888	10 500	392	13 996	69 435
1960										
Jan.	10 326	5 431	11 625	2 955	1 177	4 002	10 553	605	13 950	62 949
Feb.	10 014	4 024	7 238	2 678	4 122	5 120	10 367	560	14 927	64 854
March	8 764	4 035	3 388	2 041	7 370	5 694	10 422	323	15 793	64 013
April	7 244	4 134	9 251	1 734	393	6 078	10 376	251	16 203	65 815
May	7 244	4 265	4 808	1 565	5 136	6 832	10 245	446	16 631	67 376
June	7 244	4 597	8 129	1 344	2 368	7 000	10 051	497	16 554	69 698
July	7 244	5 037	9 107	1 224	1 950	6 498	10 248	409	16 337	69 463
Aug.	7 244	5 158	11 851	1 120	— 569	6 042	9 983	541	15 484	67 967
Sept.	5 994	5 269	10 254	1 019	— 10	5 897	10 052	585	15 364	70 391
Oct.	5 994	5 365	11 414	536	— 591	5 353	9 855	441	14 767	69 990
Nov.	5 994	5 526	8 632	359	2 529	6 027	10 090	610	15 507	71 531



DEPOSITS BY THE PUBLIC - FOREIGN EXCHANGE RATES

Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. credit societies & their cen- tral bank	Post Office Savings Bank	Savings depart- ments of co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1950	24 460	28 248	10 537	36 579	39 366	20 175	13 892	5 356	115 373	154 158
1951	42 768	48 063	11 203	46 678	51 790	29 710	18 243	8 443	154 870	214 136
1952	28 020	33 410	10 765	59 742	65 344	37 223	23 562	10 798	196 706	240 881
1953	32 112	37 907	11 048	70 455	76 709	42 537	27 074	11 951	228 762	277 717
1954	34 913	42 108	13 451	83 444	92 174	52 050	30 079	13 415	271 195	326 754
1955	36 588	44 281	11 795	97 794	108 541	61 139	33 073	15 255	315 842	371 918
1956	38 614	45 963	15 265	96 807	112 402	63 531	34 162	16 013	322 953	384 181
1957	37 708	46 138	14 912	103 223	117 859	67 111	33 960	16 823	339 009	400 059
1958	39 568	49 575	18 277	122 256	131 260	74 272	38 167	19 191	385 175	453 027
1959	55 749	67 809	15 667	150 548	152 546	86 033	43 120	21 913	454 189	537 665
1959										
Oct.	50 061	62 757	12 527	140 531	144 298	81 167	41 180	20 891	428 096	503 380
Nov.	52 776	64 676	12 319	142 703	146 558	82 608	41 442	21 172	434 512	511 507
Dec.	55 749	67 809	15 667	150 548	152 546	86 033	43 120	21 913	454 189	537 665
1960*										
Jan.	50 344	60 407	10 424	152 020	154 071	87 069	43 474	22 303	458 966	529 797
Feb.	51 520	61 375	14 471	155 066	156 103	88 975	44 261	22 710	467 137	542 983
March	51 761	62 736	14 481	158 941	159 110	91 527	44 716	23 093	477 410	554 627
April	49 694	60 447	11 985	160 943	160 117	92 599	44 681	23 219	481 583	554 015
May	53 991	65 801	13 195	163 190	161 794	93 929	44 750	23 278	486 965	565 961
June	54 253	65 426	13 784	163 976	161 612	93 361	44 773	23 205	486 956	566 166
July	53 943	65 041	12 673	165 457	162 867	93 882	45 098	23 324	490 655	568 369
Aug.	54 126	67 424	13 284	166 963	165 110	94 973	45 513	23 464	496 050	576 758
Sept.	57 022	70 090	14 342	167 902	166 663	96 568	45 628	23 951	500 741	585 173
Oct.	55 268	67 740	12 430	169 665	168 997	97 918	46 278	24 229	507 119	587 289
Nov.	58 138	70 967	13 179	172 009	172 051	100 128	46 685	24 580	515 483	599 629

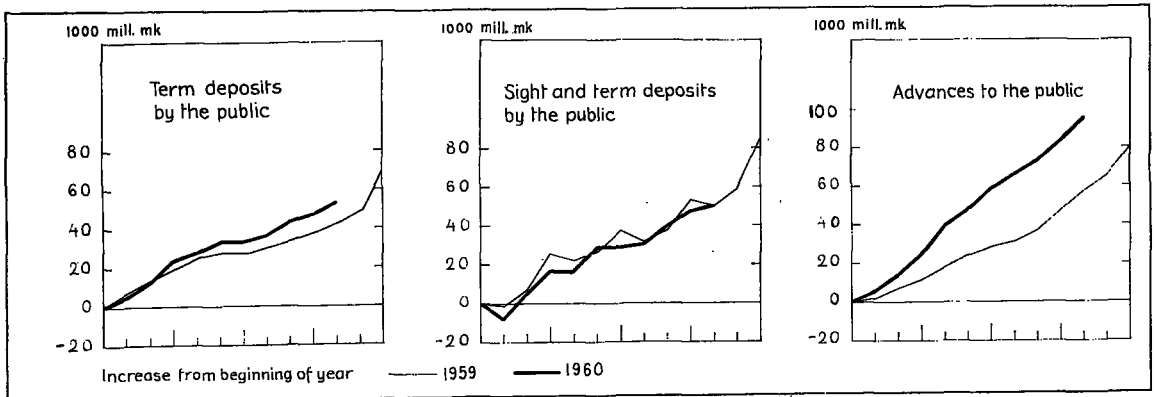
End of month	Index-tied deposits		
	1958	1959	1960
Jan.	85 733	79 991	24 350
Feb.	87 884	76 797	21 413
March	89 735	72 012	19 079
April	89 777	65 620	18 100
May	90 611	61 022	17 718
June	91 041	56 605	17 429
July	91 386	52 298	17 143
Aug.	91 543	48 628	16 979
Sept.	87 640	41 179	16 395
Oct.	85 954	34 207	16 054
Nov.	84 711	30 560	15 624
Dec.	83 290	28 057	

Selling rates for foreign exchange			
Nov. 30, 1960			
		mk	mk
New York ...	1 \$	320: 25	Brussels 100 Fr 645: —
Montreal	1 \$	327: 60	Zurich 100 Fr 7 436: —
London	1 £	900: —	Paris 100 NF 6 537: —
Stockholm ...	100 Kr	6 190: —	Rome 100 Lit 51: 60
Oslo	100 Kr	4 495: —	Vienna 100 Sch 1 232: —
Copenhagen ..	100 Kr	4 650: —	Lisbon 100 Esc 1 122: —
Frankfurt a/M	100DM	7 680: —	Reykjavik 100 Kr 847: —
Amsterdam ...	100 G	8 489: —	Prague, clear... 100 Kč 4 458: —
			Moscow, clear. 100 Rbl 8 025: —

ADVANCES TO THE PUBLIC - MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	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
1950	67 438	35 511	4 507	35 048	3 830	135 309	11 025	146 334	67 640
1951	85 578	45 554	8 508	41 849	4 425	172 003	13 911	185 914	95 038
1952	104 881	59 824	13 402	50 694	5 379	217 141	17 039	234 180	84 113
1953	105 659	70 511	18 782	56 765	9 847	245 275	16 289	261 564	87 294
1954	128 955	82 447	22 123	64 697	12 773	291 506	19 489	310 995	95 935
1955	155 436	96 454	24 866	72 868	13 599	339 797	23 426	363 223	102 032
1956	162 663	102 830	26 232	76 761	14 690	357 802	25 374	383 176	109 559
1957	160 379	106 639	26 047	78 064	15 717	363 000	23 846	386 846	112 398
1958	174 542	115 481	29 027	83 511	21 931	401 155	23 337	424 492	124 527
1959	209 686	132 725	33 138	96 730	32 578	477 264	27 593	504 857	142 998
1959 Oct.	196 254	129 702	32 566	93 800	29 229	455 552	25 999	481 551	134 288
Nov.	200 782	131 592	32 626	94 833	30 241	463 309	26 765	490 074	137 583
Dec.	209 686	132 725	33 138	96 730	32 578	477 264	27 593	504 857	142 998
1960*									
Jan.	211 026	134 342	33 510	97 496	33 337	480 821	28 890	509 711	129 455
Feb.	217 135	135 681	33 884	98 116	34 089	488 705	30 200	518 905	131 320
March	222 749	137 133	33 984	100 212	35 225	499 743	29 560	529 303	133 702
April	230 904	139 152	34 484	102 531	37 049	513 265	30 855	544 120	131 300
May	232 510	141 062	35 356	104 208	38 826	522 430	29 532	551 962	137 962
June	239 831	142 505	36 316	104 888	39 657	531 162	32 035	563 197	139 625
July	241 923	144 324	35 974	106 948	40 506	538 136	31 539	569 675	141 264
Aug.	243 093	146 999	37 447	108 866	41 315	546 517	31 203	577 720	141 298
Sept.	246 811	149 369	38 110	111 436	42 166	556 602	31 290	587 892	147 945
Oct.	251 340	151 323	39 610	114 280	43 178	567 483	32 248	599 731	141 732
Nov.	254 279	153 391	40 020	115 927	43 972	576 411	31 178	607 589	147 617

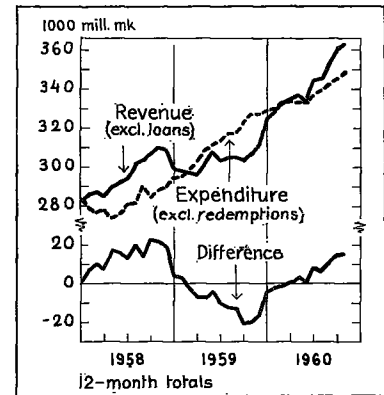


STATE FINANCES

1000 mill. mk

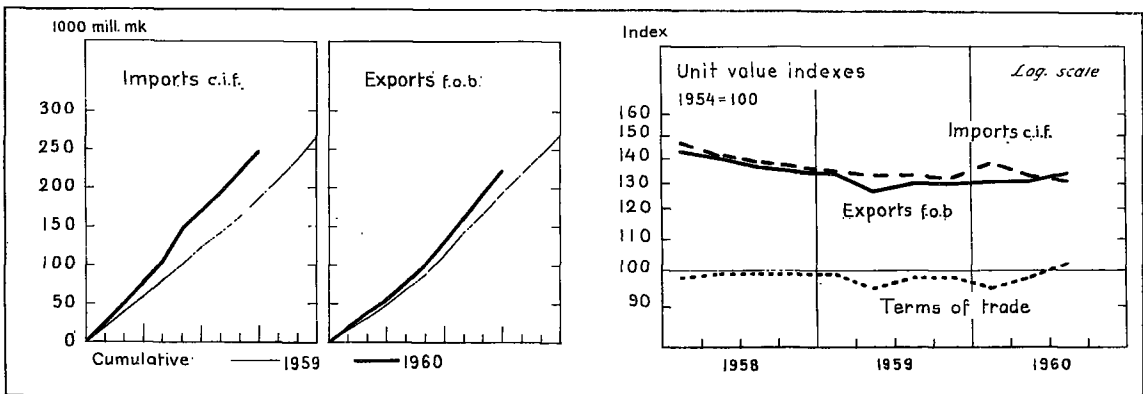
Revenue	Jan. — Oct.		Expenditure	Jan. — Oct.	
	1959	1960		1959	1960
Income and property tax (net)	54.2	60.0	Interest on State debt	5.6	5.3
Gross receipts	(110.8)	(148.7)	Child allowances	15.5	15.5
Refunds and communal income tax	(-56.6)	(-88.7)	The State's share in national pensions	7.2	7.1
Other direct taxes	1.2	1.3	Compensations to war-disabled	6.4	6.4
Purchase tax	59.5	70.9	Transfer of employers' payments for national pensions to the National Pensions Institution	6.3	4.8
Import duties	32.8	37.6	Subsidies	27.6	29.7
Revenue from Alcohol Monopoly	18.5	20.8	Net payments on price equalisation by extra-budgetary funds	1.4	2.4
Excise duty on tobacco	15.8	16.6	State aid to agriculture	5.1	4.7
Excise duty on liquid fuel	8.9	10.8	State aid to communal and private schools	19.1	20.8
Other excise duties	4.2	4.4	Net loss of State enterprises	—	—
Tax on automobiles and motor cycles	1.4	1.7	Maintenance of roads	6.5	7.9
Stamp duties	11.9	14.1	Other current expenditure	81.5	91.2
Employers' payments for child allowances and national pensions	21.2	24.1	Current expenditure	182.2	195.8
Net receipts of price equalisation by extra-budgetary funds	—	—	Real investments	52.1	55.5
Other revenue similar to taxes	3.8	4.0	Other capital expenditure	28.2	29.5
Total taxes	233.4	266.3	Capital expenditure	80.3	85.0
Interest and dividends	4.5	4.9	Total expenditure	262.5	280.8
Net profit of State enterprises	2.4	5.5	Redemption of external loans	5.9	2.8
Other current revenue	8.6	8.4	Redemption of internal loans	8.6	12.5
Current revenue	248.9	285.1	Redemption of indemnity bonds etc.	0.9	2.0
Capital revenue proper	9.6	6.5	Index premiums	0.7	0.7
Decrease in inventories	0.0	5.0	Redemptions	16.1	18.0
Capital revenue	9.6	11.5	Total	278.6	298.8
Total revenue	258.5	296.6			
External loans	—	—			
Internal loans	18.1	14.6			
Loans	18.1	14.6			
Short-term credit (increase +) ..	+2.2	-2.9			
Deficit (+) or surplus (-)	-0.2	-9.5			
Total	278.6	298.8			

Debt	1956	1957	1958	1959	1960			
	Dec.	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.*
External debt	61.5	81.8	79.0	76.6	75.2	74.5	74.4	73.8
Ordinary loans	50.7	52.9	61.5	72.2	72.8	74.5	74.1	74.2
Indemnity bonds etc. ..	7.1	7.4	7.3	6.5	4.8	4.7	4.6	4.5
Short-term credit	—	—	1.2	4.1	0.4	0.2	1.2	2.1
Cash debt (net)	8.8	9.6	-1.7	-5.8	-8.6	-8.9	-14.9	..
Internal debt	66.6	69.9	68.3	77.0	69.4	70.5	65.0	..
Total debt	128.1	151.7	147.3	153.6	144.6	145.0	139.4	..
Total debt, mill. \$	554.5	472.7	459.8	479.7	450.1	451.9	434.7	..



FOREIGN TRADE

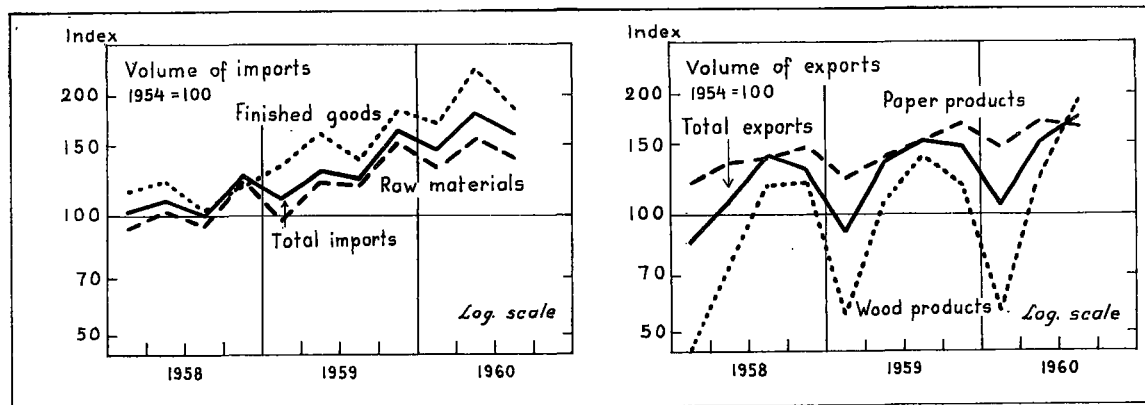
Period	Value, mill. mk			Unit value indexes 1954 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
1952	182 186	156 829	-25 357	130	165	99	147	118	121	107
1953	121 860	131 555	+ 9 695	98	111	95	91	109	106	92
1954	152 137	156 618	+ 4 481	100	100	100	100	100	100	100
1955	176 960	181 259	+ 4 299	106	110	105	105	115	100	106
1956	203 558	177 987	-25 571	106	110	104	109	106	105	101
1957	227 927	212 385	-15 542	116	118	113	119	120	122	95
1958	233 302	247 934	+14 632	138	139	133	139	153	140	99
1959*	266 789	267 241	+ 452	130	120	121	131	152	133	98
Jan. — Sept. 1958	167 811	180 082	+12 271	130	116	123	130	151	132	98
1959*	185 046	192 082	+ 7 036							
1960*	245 820	223 011	-22 809							
1959* Oct. Nov. Dec.	23 997 26 993 30 403	25 686 24 882 24 591	+ 1 689 - 2 111 - 5 812	130	116	123	130	151	132	98
1960* Jan. Feb. March	24 687 24 704 26 504	18 395 18 641 17 552	- 6 292 - 6 063 - 8 952							
April May June July Aug. Sept.	29 031 40 796 20 863 26 794 25 539 26 902	21 937 24 458 30 889 30 427 29 630 31 082	- 7 094 -16 338 +10 026 + 3 633 + 4 091 + 4 180							



FOREIGN TRADE BY MAIN GROUPS

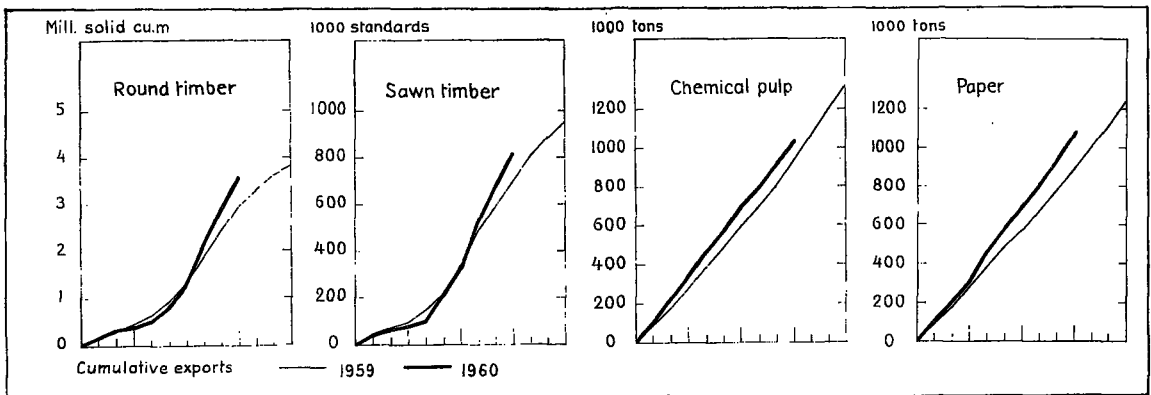
Mill. mk

Period	Imports, c. i. f.				Exports, f. o. b.					
	Raw materials and accessories	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods
			Producer goods	Consumer goods						
1952	97 500	21 952	35 664	27 072	5 185	28 441	42 891	65 350	11 094	3 868
1953	65 148	15 879	24 029	16 804	4 719	10 251	43 671	47 926	20 936	4 052
1954	86 420	17 337	28 797	19 581	5 152	13 582	49 730	61 662	20 988	5 504
1955	94 919	21 540	34 225	26 276	3 880	19 905	51 321	75 793	24 803	5 557
1956	104 284	27 464	43 357	28 453	6 206	17 243	40 485	81 780	25 125	7 148
1957	117 424	40 238	41 353	28 912	10 169	17 095	48 287	97 638	30 433	8 763
1958	119 502	32 658	48 797	32 345	10 651	19 346	57 818	115 173	34 036	10 910
1959*	133 808	28 118	67 043	37 820	14 853	16 290	63 662	117 003	44 068	11 365
Jan. — Sept.										
1958	85 348	22 248	36 520	23 695	7 851	15 097	39 898	84 539	25 019	7 678
1959*	92 626	18 610	47 745	26 065	10 746	12 473	45 412	83 406	32 192	7 853
1960*	119 231	22 768	69 446	34 375	11 670	15 459	59 699	97 599	28 144	10 440
1959*										
Nov.	14 265	2 894	6 280	3 554	922	1 210	5 570	10 846	5 194	1 140
Dec.	14 711	3 915	6 802	4 975	2 065	995	5 408	11 650	3 334	1 139
1960*										
Jan.	13 226	2 149	5 967	3 345	1 364	662	3 203	8 797	3 556	813
Feb.	12 025	2 890	6 459	3 330	1 616	615	2 876	9 703	3 161	670
March	12 569	2 089	7 903	3 943	1 093	303	2 633	10 770	1 809	944
April	13 648	1 993	8 719	4 671	1 225	607	3 451	12 950	2 756	948
May	18 965	2 939	13 875	5 017	1 447	1 383	7 209	10 161	3 064	1 194
June	9 952	1 779	5 457	3 675	1 272	2 307	9 125	11 331	5 346	1 508
July	12 679	2 733	8 049	3 333	1 399	3 147	11 033	10 194	3 209	1 445
Aug.	12 480	2 703	6 843	3 513	808	3 302	10 447	11 237	2 484	1 352
Sept.	13 687	3 493	6 174	3 548	1 446	3 133	9 722	12 456	2 759	1 566



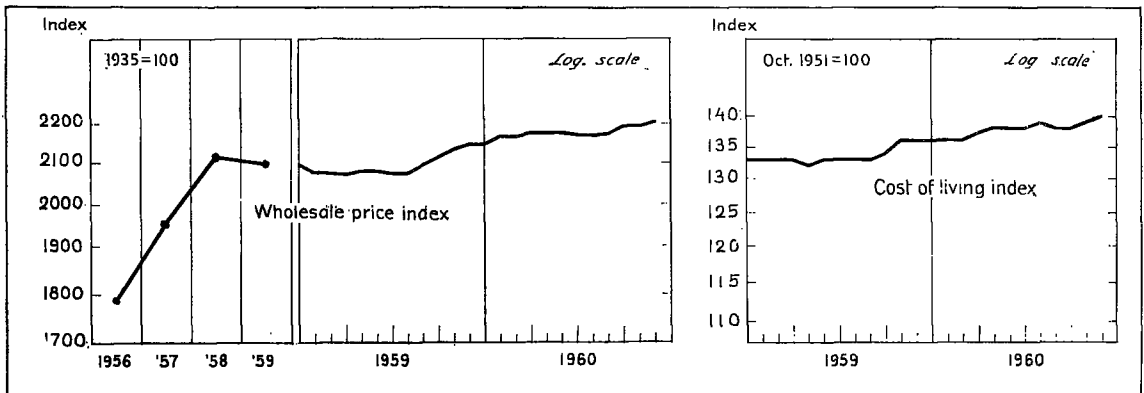
EXPORTS OF SOME IMPORTANT ARTICLES

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
1952	5 112	611	222	143	477	245	65	44	392	569
1953	2 388	688	216	204	464	323	76	45	402	677
1954	3 620	733	298	193	580	375	101	59	392	751
1955	4 977	786	321	183	682	447	110	61	470	905
1956	4 424	648	230	186	679	452	106	49	537	997
1957	4 063	719	260	165	697	474	134	60	551	1 108
1958	3 861	762	239	143	725	476	145	83	585	1 147
1959*	3 812	950	296	139	770	549	142	110	576	1 244
Jan. —										
Sept.										
1958	3 026	491	168	100	532	333	108	60	432	837
1959*	2 945	691	207	98	535	398	101	76	405	889
1960*	3 571	815	256	132	670	359	112	93	511	1 067
1959*										
Nov.	294	80	25	12	80	50	13	11	56	111
Dec.	208	69	31	16	82	50	14	11	61	126
1960*										
Jan.	160	36	24	10	67	35	10	9	43	95
Feb.	152	25	28	14	67	40	12	10	56	105
March	65	17	31	13	81	45	14	12	49	106
April	134	24	36	16	83	43	16	12	75	155
May	301	99	29	20	65	37	12	12	55	112
June	502	134	33	20	85	40	12	10	50	118
July	752	176	23	9	69	33	12	11	58	111
Aug.	772	165	21	15	75	38	11	7	59	128
Sept.	733	139	31	15	78	48	13	10	66	137



FOREIGN TRADE BY COUNTRIES

Area and country	Imports c.i.f.					Exports f.o.b.				
	Whole year		Jan. — Sept.			Whole year		Jan. — Sept.		
	1958	1959*	1959*	1960*		1958	1959*	1959*	1960*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	17.9	16.3	16.8	16.8	41 323	25.6	26.7	27.0	28.7	64 005
United Kingdom	17.2	15.7	16.2	16.1	39 703	22.1	23.3	23.7	25.2	56 192
Other OEEC countries ..	45.2	49.4	49.7	52.9	130 001	37.5	36.5	36.5	40.8	91 037
Austria	0.5	0.6	0.6	0.7	1 719	0.2	0.2	0.2	0.2	363
Belgium-Luxembourg	2.8	2.5	2.6	3.1	7 689	3.6	3.7	3.8	3.8	8 484
Denmark	2.4	2.3	2.3	2.5	6 048	3.0	3.3	3.2	3.7	8 338
France	4.7	5.1	5.2	6.1	15 101	6.2	4.7	4.7	4.7	10 413
Western Germany	16.5	17.9	18.1	19.2	47 197	10.8	10.9	10.7	11.8	26 218
Italy	1.5	1.8	1.8	1.8	4 435	1.8	1.8	1.7	2.0	4 534
Netherlands	4.3	4.5	4.7	4.3	10 541	4.4	5.4	5.5	6.2	13 838
Norway	1.2	1.6	1.6	1.3	3 302	0.7	0.7	0.7	1.3	2 970
Portugal	0.1	0.2	0.2	0.2	403	0.1	0.1	0.1	0.1	163
Spain	0.6	0.5	0.4	0.6	1 564	1.1	0.2	0.3	0.2	451
Sweden	8.3	9.2	9.4	10.3	25 212	3.6	3.2	3.3	5.1	11 449
Switzerland	1.7	2.3	2.3	2.3	5 647	0.7	0.4	0.5	0.4	995
Eastern Bloc	25.6	24.5	24.0	20.4	50 295	24.8	23.5	23.1	17.5	38 996
China	0.5	0.5	0.6	0.2	579	1.1	2.0	2.3	0.7	1 494
Czechoslovakia	1.2	1.4	1.6	1.4	3 345	1.2	0.7	0.5	0.8	1 730
Eastern Germany	1.7	1.6	1.8	1.5	3 717	1.7	1.3	1.2	1.3	2 995
Poland	3.1	2.4	2.6	2.2	5 548	2.6	2.1	2.2	1.8	4 024
Soviet Union	18.0	17.9	16.8	14.4	35 451	17.3	16.7	16.3	12.2	27 250
U.S. and Canada	5.5	5.4	4.7	6.2	15 145	4.7	5.9	5.8	5.4	12 070
United States	5.3	5.1	4.5	5.9	14 415	4.6	5.8	5.7	5.3	11 790
Latin America	4.4	3.5	3.7	2.7	6 600	4.5	4.9	5.2	5.5	12 244
Argentina	0.3	0.5	0.6	0.6	1 398	1.0	0.9	1.1	1.3	2 814
Brazil	3.7	2.5	2.6	1.7	4 201	2.4	2.8	2.9	3.1	6 894
Others	1.4	0.9	1.1	1.0	2 456	2.9	2.5	2.4	2.1	4 659
Grand total	100.0	100.0	100.0	100.0	245 820	100.0	100.0	100.0	100.0	223 011
of which										
EFTA countries	31.3	31.8	32.6	33.4	82 034	30.3	31.3	31.7	36.1	80 470
EEC countries	29.8	31.8	32.4	34.6	84 963	26.9	26.5	26.3	28.5	63 487



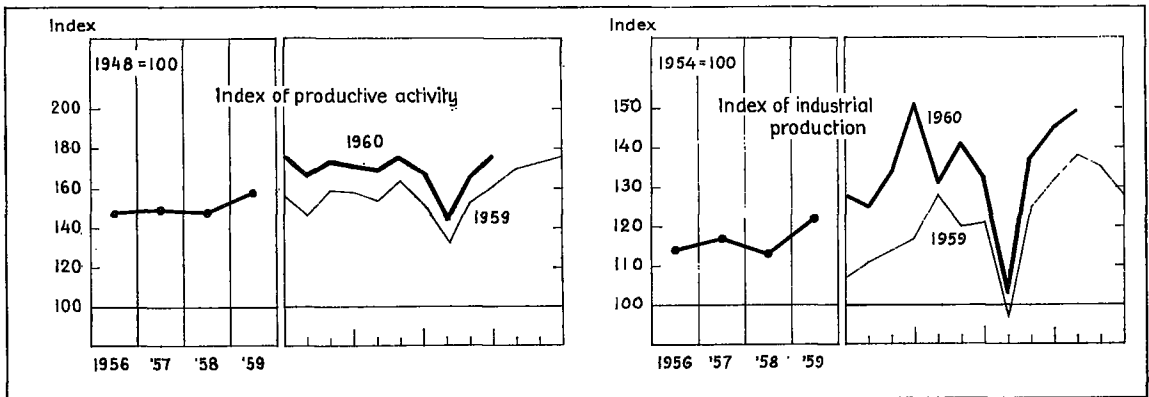
PRICE INDEXES

Period	Wholesale prices 1935 = 100						Building costs 1951 = 100		
	Total index	Finnish goods				Imported goods	Total	Building material	Workers' average hourly earnings
		Total	Products of agriculture	Products of forestry	Products of industry				
1957	1 954	1 980	2 103	2 947	1 615	1 897	113	105	127
1958	2 113	2 125	2 193	3 106	1 773	2 085	117	112	124
1959	2 096	2 134	2 198	3 060	1 801	2 016	118	110	128
1959									
Nov.	2 141	2 201	2 278	3 203	1 838	2 014	119	111	130
Dec.	2 144	2 203	2 284	3 202	1 840	2 017	119	112	130
1960									
Jan.	2 161	2 221	2 352	3 200	1 849	2 033	119	112	128
Feb.	2 163	2 228	2 351	3 199	1 862	2 022	120	112	130
March	2 166	2 231	2 367	3 196	1 861	2 029	120	114	129
April	2 168	2 234	2 373	3 205	1 863	2 026	120	113	129
May	2 171	2 238	2 356	3 230	1 865	2 028	121	113	132
June	2 168	2 239	2 338	3 242	1 868	2 017	122	114	134
July	2 170	2 246	2 360	3 243	1 873	2 010	123	114	136
Aug.	2 173	2 247	2 294	3 307	1 875	2 014	123	115	135
Sept.	2 191	2 275	2 285	3 452	1 875	2 011	124	114	140
Oct.	2 192	2 283	2 281	3 495	1 875	1 998	126	114	145
Nov.	2 205	2 299	2 368	3 495	1 873	2 003	125	114	143

Period	Cost of living Oct. 1951 = 100						Consumer prices Oct.—Dec. 1957 = 100					
	Total	Food-stuffs	Rent	Heating and lighting	Clothing	Other	Total	Food-stuffs	Rent	Heating and lighting	Clothing	Other
1957	124	132	260	99	80	117						
1958	132	140	277	102	83	129	103	103	102	99	103	105
1959	134	141	280	98	85	134	105	103	104	95	105	109
1959												
Nov.	136	144	292	96	85	135	107	106	108	93	106	110
Dec.	136	143	292	96	85	135	107	105	108	93	106	110
1960												
Jan.	136	144	295	98	85	135	107	106	109	95	106	110
Feb.	136	144	295	98	85	135	107	105	109	95	106	110
March	137	144	295	97	86	136	108	106	109	95	106	111
April	138	146	295	97	86	136	108	107	109	95	106	111
May	138	146	295	97	86	136	108	108	109	94	106	111
June	138	148	295	97	86	136	108	109	109	94	106	111
July	139	149	295	97	86	136	109	110	109	94	107	111
Aug.	138	148	295	97	86	136	109	109	109	94	107	111
Sept.	138	148	295	97	87	136	109	109	109	95	108	111
Oct.	139	146	306	98	87	136	109	107	113	95	108	111
Nov.	140	149	306	98	87	136	110	109	113	95	108	111

PRODUCTION - INTERNAL TRADE

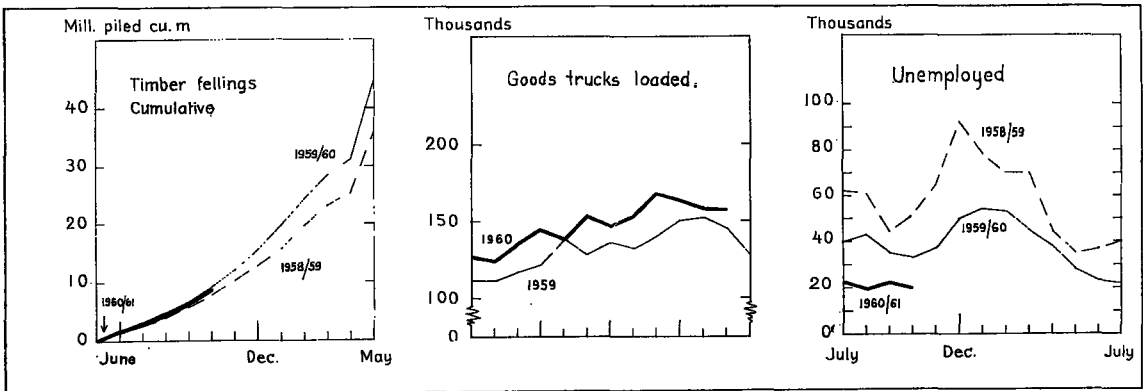
Period	Index of industrial production 1954 = 100								Commercial timber fellings 1 000 piled cu. m	Milk received by dairies 1 000 litres	Wholesale trade volume index 1954 = 100
	Total	Invest- ment goods	Other producer goods	Consumer goods	Special indexes of manufacturing						
					Wood industry	Paper industry	Metal industry	Other			
1951									36 070	1 405	85
1952									35 079	1 515	92
1953									29 170	1 609	93
1954	100	100	100	100	100	100	100	100	35 370	1 653	100
1955	111	116	109	113	99	115	111	111	38 600	1 659	116
1956	114	117	110	120	76	122	113	118	36 623	1 977	121
1957	117	119	116	118	82	134	115	117	40 919	2 085	114
1958	113	111	114	112	87	134	106	110	37 981	2 109	109
1959*	122	116	125	121	98	143	118	120	38 100	2 317	121
1959*											
July	97	75	105	94	90	135	80	95	1 323	228	117
Aug.	125	117	125	129	94	145	119	128	1 671	201	132
Sept.	132	130	134	129	99	162	132	128	1 768	182	135
Oct.	138	129	144	133	102	164	135	136	2 640	166	130
Nov.	135	129	143	125	95	169	131	132	2 809	165	127
Dec.	128	129	132	121	106	147	131	120	3 636	176	136
1960*											
Jan.	125	120	129	120	101	157	122	114	4 094	179	101
Feb.	134	133	137	130	125	162	133	125	4 680	175	119
March	151	152	153	146	145	178	152	141	4 084	196	134
April	132	125	133	134	132	148	127	129	2 597	228	139
May	142	136	145	141	139	171	139	135	13 081	251	144
June	132	127	133	133	139	144	131	127	1 646	261	132
July	103	84	116	90	115	157	86	89	997	239	124
Aug.	137	126	138	138	110	174	126	135	1 684	235	150
Sept.	145	144	149	139	120	179	145	137	1 870	210	147
Oct.	149	149	156	138	115	187	150	140	2 540	179	147



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
1957	20.81	9.56	3.20	4.14	2.68	20.86	100	100	100	100
1958	19.29	8.46	3.08	3.57	2.93	20.38	105	103	103	105
1959	19.85	8.36	3.42	4.50	2.39	20.46	110	106	104	111
1959										
Jan. - Mar.	3.22	1.38	0.32	0.89	0.50	18.16	108	106	99	109
Apr. - June	3.10	1.33	0.42	0.72	0.39	21.74	110	107	105	111
July - Sept.	6.23	2.50	1.25	1.12	0.92	22.93	111	106	105	111
Oct. - Dec.	7.33	3.15	1.43	1.82	0.58	20.46	111	104	105	112
1960*										
Jan. - Mar.	4.01	1.61	0.33	1.39	0.54	20.66	113	113	107	114
Apr. - June	4.10	1.53	0.52	1.24	0.59	24.77	115	111	108	117

Period	Railways		Foreign shipping				Employment		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed 1 000 net reg. tons		1 000 persons		% of total labour force	
	1959	1960*	1959	1960*	1959	1960*	1959	1960*	1959	1960*
Jan.	112	124	307	431	359	345	1 717	1 751	3.8	2.6
Feb.	117	135	232	284	271	319	1 728	1 781	3.4	2.5
March	122	144	281	266	333	288	1 729	1 777	3.4	2.1
April	138	138	289	350	365	366	1 735	1 778	2.1	2.1
May	128	153	402	554	461	564	1 754	1 834	1.7	1.8
June	136	147	544	675	686	849	1 729	1 803	1.7	1.1
July	132	153	545	759	775	1 053	1 608	1 698	1.8	1.0
Aug.	140	168	513	736	692	1 006	1 660	1 769	2.0	0.9
Sept.	150	163	436	576	671	812	1 783	1 859	1.7	1.0
Oct.	152	158	462	562	602	683	1 775	1 854	1.6	0.9
Nov.	146	157	465	577	530	575	1 762		1.8	
Dec.	127		463		483		1 719		2.4	



EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

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

DEPOSITS BY THE PUBLIC— ADVANCES TO THE PUBLIC

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

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

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

STATE FINANCES

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

FOREIGN TRADE

Pages 9—12. Figures supplied by the Board of Customs. *The unit value indexes* (p. 9): The indexes are calculated first according to the Laspeyres formula but at the end of each

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

PRICE INDEXES

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

PRODUCTION — INTERNAL TRADE — WORK CESSATIONS

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

BUILDING — WAGES — EMPLOYMENT — TRANSPORT

Page 15. *Building* figures supplied by the Central Statistical Office. *Index of salary and wage earners' earnings* calculated by the Central Statistical Office. Beginning 1957, the weights employed are determined according to the structure of total earnings in 1957; for 1954—1956, the weights are in accordance with earnings in 1951. *Railway* figures supplied by the Board of Railways. *Shipping* figures supplied by the Shipping Board. *Employment 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. Employment represents the estimated number of days worked. (See article in No. 10 of this Bulletin.) *Diagram*. Number of persons unemployed for at least one week during each month.

SYMBOLS USED

* Preliminary o Less than half the final digit shown . Logically impossible .. Not available -- Nil
A line drawn across a column between two consecutive figures indicates that the figures above and below the line are not strictly comparable.

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

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

LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. On an average 13.9 % of the land in the South of Finland is cultivated (1950), 1.9 % in the North and 8.0 % of the land as a whole. Of the land area 21.8 mill. ha (53.9 mill. acres), or 71.6 %, are covered by forests.

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

POPULATION

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

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

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

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

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

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

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

TRADE AND COMMUNICATIONS

NATIONAL INCOME (1959, in thousand million marks): Gross domestic product at market prices 1 260 (excl. repairs and maintenance). Net domestic product at factor cost, by industrial origin: agriculture 121 (12 %), forestry and fishing 87 (9 %), manufacturing 312 (31 %), construction 103 (10 %), transport and communications 81 (8 %), commerce, banking and insurance 127 (12 %), general government 124 (12 %), other services 65 (6 %), total 1 020. Index of real domestic product 106 (1957 = 100).

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

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

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

RAILWAYS (Jan. 1, 1960): Length 5 369 km, of which 5 295 km are State and 74 km private railways. The gauge of State railways 1 524 m.

MERCHANT FLEET (Nov. 30, 1960): Steamers 216 (310 982 gross reg. tons), motor vessels 214 (448 939 gross reg. tons), sailing vessels with auxiliary engines 91 (9 375 gross reg. tons). Total 521 (769 296 gross reg. tons).

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

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

FINANCE AND BANKING

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

MUNICIPAL FINANCES. In the finance accounts for 1958 expenditure amounted to 173 143 mill. marks. Total revenue was 168 199 million, of which income from taxation 86 041 million. The municipal income tax (non-progressive) averaged 11.64 % of the ratepayers' taxable income.

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

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

RATES OF INTEREST (April 1, 1959). Bank of Finland discount rates 6-7 1/4 %. Other credit institutions: term deposits 4 1/8 % (12 months' deposits 5 %, index-tied deposits 3 1/8 %) and sight deposits in savings banks and cooperative credit societies 1/8 %; lending rate 7 % in general.

A RETROSPECT OF MONETARY DEVELOPMENT IN FINLAND DURING 1960

BY

KLAUS WARIS

GOVERNOR OF THE BANK OF FINLAND

During 1960, most of the factors in the money market took a course which was clearly different from that of the previous year. The credit expansion was greater than could be considered desirable, and the economic resources were undoubtedly overstrained to some extent. Fortunately, labour was available in a measure which corresponded to the increased demand, except in some minor branches of manufacturing and in some localities where a shortage of building workers occasionally occurred. Excess demand raised imports during the first half of the year in particular, causing a pressure on the foreign exchange reserve. On the other hand, the greatly increased supply of imported goods put a curb on prices of industrial products in the home market. However, as prices of exported goods rose — not very much, indeed, but almost all along the line — and as prices of farm products were raised by the Government in accordance with the act concerning farm prices, the consumer price level rose by 3 per cent, which was scarcely more than in 1959.

As regards monetary policy, the situation was considerably relieved by the course of the State finances. State revenue increased considerably thanks to the general rise in

economic activity. It should be borne in mind that indirect taxes constitute the centre of gravity in Finland's State revenue, and that direct taxes are mostly levied at source, so that in this respect the State economy reacts swiftly to changes in business conditions. Although expenditure also grew, the costs for public works decreased by reason of the fall in unemployment. Thus the Government was able essentially to reduce its indebtedness to the Bank of Finland, which obtained in all 9 238 million marks net as repayment of various liabilities.¹⁾ As a result, by the end of the year the Treasury's net indebtedness to the Bank had fallen to a negligible amount. This development had, of course, an appreciable contractive effect on the money market. In 1959, on the contrary, the Treasury's operations had raised the money supply.

The course of the foreign exchange reserve exerted a similar influence. In 1960, the Bank transferred foreign exchange partly to the other banks dealing in foreign exchange, and partly to the Treasury. Their holdings of foreign exchange are provisionally estimated to have increased slightly more than the foreign exchange reserve of the Bank of Finland fell off. At the end of

¹⁾ In the course of 1960, the net redemption of the credit which had been granted to the Government in 1958 for the financing of certain purchases of stand-by stocks amounted to 3 205 million marks. The 1953 Treasury Bond Loan was redeemed by 3 125 million marks. Further, 3 139 million marks was paid in advance into the central bank for certain liabilities of the Government to the Bank of Finland which represented portions of Finland's 18 per cent subscription in the World Bank and of the gold tranche of Finland's quota increase in the International Monetary Fund. With the latter operation completed, the Treasury has paid in full the \$14.25 million gold tranche of Finland's International Monetary Fund quota. — The Treasury's balance on the cheque account with the Bank of Finland decreased by 231 million marks during the year.

the year, the Bank of Finland held gold and foreign exchange to the value of 64 545 million marks²⁾ compared with 70 949 million one year earlier. As for the factors which affected the foreign exchange position, at the end of October the deficit in the balance of trade still amounted to as much as 16 300 million marks, despite the value of exports having risen 19 per cent above the corresponding figure for January—October 1959. During the same period the increase in imports was 32 per cent. As there were no essential changes in the other items in the balance of payments, this would have caused a considerable reduction of the foreign exchange reserve, had not a net import of capital occurred. This was partly due to the receipt of prepayments by exporters, but more to importers having availed themselves of the customary, or even prolonged, terms of payment, and finally to drawings on long-term foreign credits to an amount exceeding redemption by some \$25 million.

Part of the increased imports were probably employed in increasing stocks, one cause of the large growth of bank credits, but also for other reasons the volume of bank credits grew very substantially, as was explained in the previous issue of this Bulletin (p. 2). This resulted, as did the influence of the State finances, in an increase in rediscounts throughout the year, so that at the end of the year they totalled 20 514 million marks compared with only 4 718 million one year before.

In order to put a brake on the credit expansion — more particularly to safeguard the foreign exchange reserve — the Bank of Finland by degrees tightened the terms for rediscounting bills. From the beginning of the year, the limit for rediscounting free of penalty rate was lowered from 60 to 30

per cent of the rediscounting bank's own funds. In July, the scale of the penalty rates of interest was made steeper, and at the end of October the maximum penalty rate was raised from 3 to 4 per cent. The conditions for bank borrowing from the central bank were thus made decidedly prohibitive. The penalty rate, rising by degrees according to the increase in the liability for rediscounted bills above the 30 per cent of the bank's own funds, is charged in addition to the basic rate on rediscounts, which was $6\frac{3}{4}$ per cent throughout the year. The banks cannot pass on this burden to their clients, as one of the conditions for rediscounting provides that the weighted average lending rate of interest of a rediscounting bank must not exceed 7 per cent, with a maximum lending rate of 8 per cent. Thus the penalty rate actually reduces the profits of the banks.

On the other hand, the Bank of Finland has not taken measures to raise the general level of interest rates notwithstanding the present expansion. In Finland, some institutional factors exist that weaken the effect of changes in the general level of interest rates. First and foremost, the banks hold but very small quantities of bonds, and these, like the majority of post-war issues of Finnish bonds, are mainly at variable rates of interest, or in other words, their current rate is linked either to the official discount rate or, more generally of late, to the bank deposit rates. This also applies to long-term loans against promissory notes. Consequently the level of current rates of interest scarcely affects investors' decisions on long-term projects. Nor does a rise in rates of interest reduce the market value of bonds in the usual manner, nor increase the willingness of institutional investors to hold bonds. Further, movements of short-

²⁾ Of this amount, the gold reserve represented 9 100 million marks, convertible currencies 44 200 million, non-transferable EMA-currencies 3 200 million, Eastern Bloc currencies 1 700 million, and other currencies 6 300 million.

term foreign capital need not be considered in Finnish interest rate policy.

Among the contractive measures taken by the Bank of Finland in 1959, the curtailment of its own share in the financing of trade and industry played a not insignificant part. This policy could not be pursued in 1960 because of the tightening of the money market. On the contrary, the Bank's credits to its own clients increased during the year, partly in the form of temporary advances, from 3 888 million marks to 7 232 million. As inland bills in foreign currency decreased by 1 039 million marks, the share of the Bank of Finland in the total volume of bank credits still remains below 3 per cent.

Although the foreign exchange situation did not, after all, take such an unfavourable turn as was still expected in the spring, the monetary development of

1960, taken as a whole, did not correspond to the targets set by the central bank. It has again been proved that when the banks' liquidity is comparatively high, their credit policy is inclined to depart from the course generally agreed upon in advance. Today's competition for clients obscures the thought for tomorrow. Under cyclical conditions such as those at present, there is an acute need of legal obligations for the banks to keep adequate cash reserves. The lack of this device cannot be compensated for by mere rediscounting terms, however severe, for the pressure of the penalty rates is obviously not felt until rediscounts have attained sizable proportions. By then the credit expansion may already have caused considerable damage and weakened the preparedness for a turn for the worse in the economic situation.

ITEMS

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

The USSR. The agreement specifying trade during 1961 was signed on November 24, 1960. In comparison with the corresponding agreement for 1960, which provided for trade to a value of 44 000 million marks, it represents an increase of 7—9 per cent. The actual increase is, however, difficult to estimate, because a supplementary agreement was made for 1960, and this may also occur during the current year. In any case, trade will amount to at least the value set down in the five-year pact concluded in October 1959 (see Bulletin No. 11, 1959, p. 21).

The grain quota, 310 000 tons in the basic agreement, was reduced to 200 000 tons owing to the current higher degree of self-sufficiency in this commodity. Instead, Finland will import electric power (see Bulletin Nos. 11—12, 1960, p. 23) and increase her imports of fuel and furs. Oil products will be imported to the value of 130—135 million roubles, instead of the 120 million stated in the basic agreement. In addition, trade in mass consumption goods may be increased. On the whole, efforts have been made to balance the exchange of goods in such a manner that the 40 million rouble reserve in convertible currencies provided for in the five-year pact, will be left untouched.

Brazil. The trade agreement of May 15, 1953 and the payments agreement of June 9, 1953 between Finland and Brazil expired on December 31, 1960. The decision was made in Rio de Janeiro on November 17,

1960, when a new payments agreement was signed according to which payments will be made in convertible currencies on a multi-lateral basis from the beginning of 1961.

*

New bond loans. On August 18, the Government issued a bond loan amounting to 2 000 million marks. The bonds are dated September 1, 1960. This loan is to be subscribed by private credit institutions, and will run for ten years at a rate 2 per cent above the general deposit rate of the two largest commercial banks. Amortization and interest are tied to the cost of living index to the extent of 50 per cent. It was issued at a price of 99,39.

On November 24, the Government issued another bond loan amounting to 3 000 million marks, for subscription by private credit institutions. The bonds are dated December 1, 1960. The loan is similar to that mentioned above as far as the terms are concerned.

On December 15, 1960, the Government issued two further bond loans, one of which amounts to 2 000 million marks. The bonds are dated January 2, 1961 and will run for ten years at 6 ¾ per cent interest. Amortization and interest are tied to the cost of living index to the extent of 50 per cent. — The other loan, a Savings Bond Loan, intended for the public, amounts to 1 000 million marks. The bonds are dated January 2, 1961 and will run for six years. In 1962—1966, the bonds may be redeemed at their nominal value, but those who do not present

their bonds for redemption until 1967 will receive, in addition, a capital bonus of 4 1/2 per cent on the nominal value. The rate of interest will rise evenly from 5 per cent for 1961 to 7 1/2 per cent for 1966.

The Government has also given authorization for issue of the following bond loans:

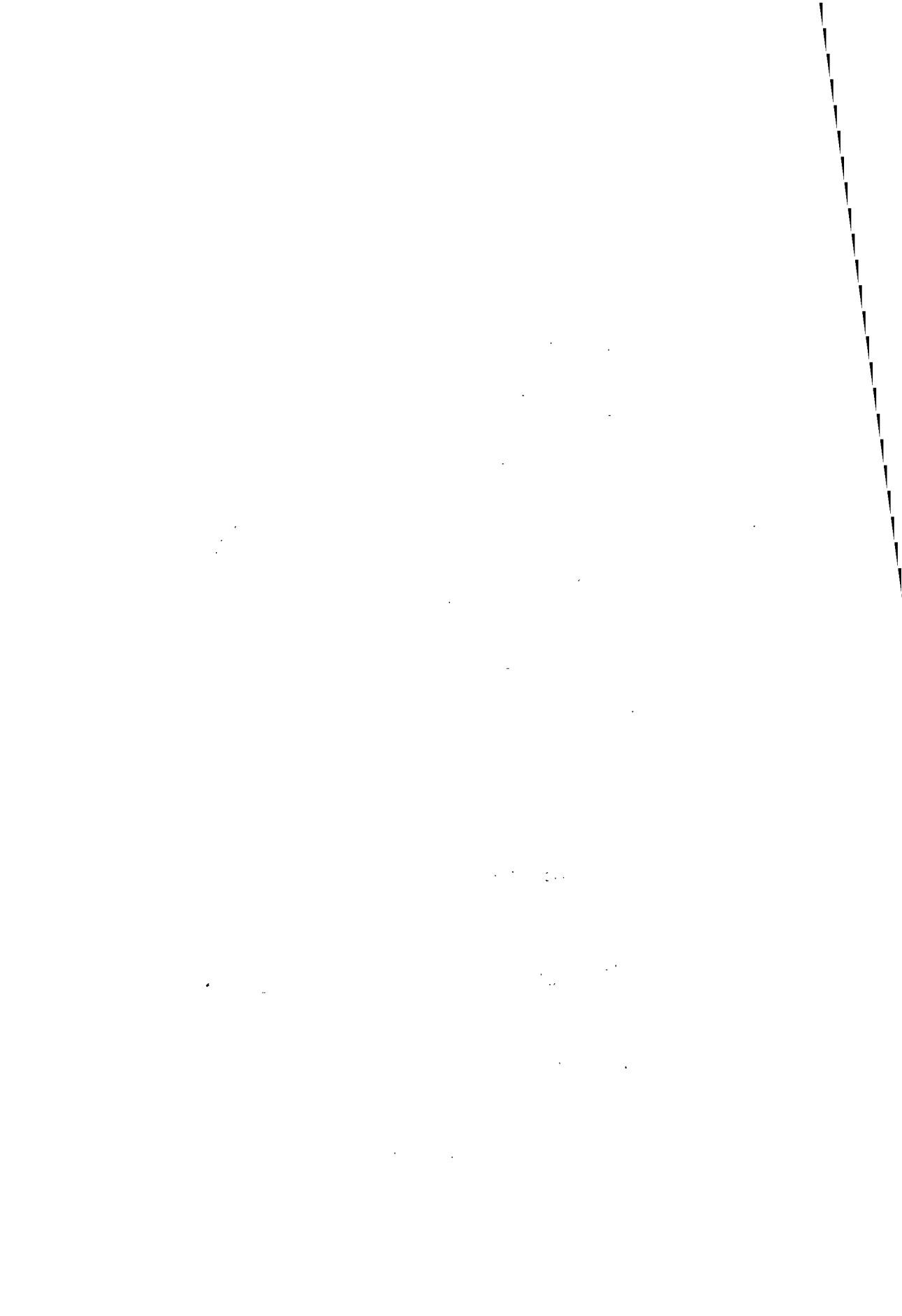
On December 8, to the town of Helsinki for an amount of 1 000 million marks. The bonds will be dated February 1, 1961, and run for 25 years at 7 per cent interest. Amortization and interest will be tied to the cost of living index to the extent of 50 per cent. The price on issue will be 98,12.

On December 15, to the Osuustukkukauppa (Co-operative Wholesale Association) for 200 million marks. The bonds are dated December 31, 1960, and will run for 25 years. The rate of interest is 7 per cent. The capital of the loan is tied to the cost of living index, to the extent of 25 per cent.

Local elections. Local government elections were held on October 2nd and 3rd. Some 75 per cent of enfranchised persons cast their votes (62 per cent in 1956). The votes are divided as follows.

	1960		1956
	Number	%	%
Agrarians	1 046 037	53.3	52.8
Conservatives			
Finnish People's Party ..			
Swedish Party			
Small Farmers' Party ...			
People's Democrats	430 747	21.9	21.2
Social Democrats	414 003	21.1	25.4
Social Democratic League ..	65 936	3.4	—
Independents	5 937	0.3	0.6
Total	1 962 660	100.0	100.0

Minor amendments to these figures may still occur.



BANK OF FINLAND

BOARD OF MANAGEMENT

KLAUS WARIS,
Governor

ESKO K. LEINONEN

A. SIMONEN

AHTI KARJALAINEN

REINO ROSSI

*(Absent as a member of
Government)*

SECRETARIES

U. A. VATANEN,
Credits

PERTTI TAMMIVUORI,
Administration

EERO ASP,
Foreign affairs

JOUKO J. VOUTILAINEN,
Foreign affairs; Information

K. IGNATIUS,
Administration

HEADS OF DEPARTMENT

G. ENGBERG,
Personnel

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

P. BLOMQUIST,
Accounts

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

A. KAJANTIE,
*Documentary credits
and control*

HELGE LINDSTRÖM,
Credits

ARTHUR ASPELUND,
Cash

EINO JUSSILA,
Office

K. EIROLA,
Internal accounts

A. NENONEN,
Foreign correspondence

INSTITUTE FOR ECONOMIC RESEARCH

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