



BANK OF FINLAND

MONTHLY BULLETIN

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1961

RECENT DEVELOPMENTS

FOREIGN EXCHANGE SITUATION IN 1960

The year 1960 was one of uninterrupted expansion in the internal economy of Finland. As reported in previous issues of this Bulletin, both home demand for consumption and investment, and the export demand, were buoyant throughout the year. Industrial production for the January-November period was 11 per cent above the 1959 level; the employment situation had improved markedly, and the brisk demand for forest products — particularly in western Europe — raised export earnings to an unprecedented level. It is estimated that in 1960 the volume of the domestic product exceeded the 1959 level by some 8 per cent.

However, for structural reasons Finland has by tradition a high propensity to import, and thus the expansion in internal activity was quickly reflected in the import bill. In fact, during 1960 the marginal propensity to import was exceptionally high, and imports increased more than three times as fast as the domestic product. For the first time since the devaluation, the imports now acted as an effective safety valve in siphoning off excess demand at home.

While exports rose rather evenly during the year, the behaviour of imports was more erratic. In the first half of the year a veritable import rush appeared to have developed, caused in part by current demand for consumption and investment, and in part by stockbuilding by importers, whose expectations of future demand were optimistic and who were obviously still able to find credit accommodation either at home or, in particular, abroad. It is true that a certain part of this import rush may have been precipitated by the changeover to the new customs tariff effected on June 1. Nevertheless, this technical distortion should have largely corrected itself during the summer months. For the January—November period, imports were still 30 per cent above the level of the corresponding months of 1959, while the value of exports had risen by only 18 per cent.

Had all other elements of the balance of payments remained unchanged, this development would have resulted in a substantial fall in Finnish foreign exchange reserves.

On page 18, Changes in the Balance Sheet of the Bank of Finland in 1960

The trade deficit for the full year 1960 is of the order of 23 000 million marks, and net receipts for services would offset only some 10 000 million of this.

However, as was mentioned in the preceding issue of this Bulletin (p. 19), the increased trade deficit has been accompanied by a considerable inflow of short-term capital from abroad in the form of greater utilization of import credits. Similarly, an important balancing influence has been exerted by the increased utilization of long-term loans. In 1959, Finland drew on its long-term credits some 2 200 million marks less than was repaid on earlier loans; long-term foreign indebtedness thus declined. In 1960, drawings exceeded repayments by some 7 000 million marks. The major part of new drawings represented utilization of the 1959 World Bank loan for the pulp and paper industry, together with various suppliers' credits granted to finance imports of investment goods.

During 1960, the net foreign exchange reserve of the Bank of Finland fell from 70 900 million marks to 64 500 million marks, or by 6 400 million. However, this fall was offset by a simultaneous increase in the foreign exchange resources of the rest of the banking system and of the Treasury. The foreign exchange holdings of these institutions outside the central bank were mostly convertible currencies, largely accumulated during the second half of the year. As for bilateral currency holdings, they are held almost totally by the Bank of Finland; during the year their amount declined by 1 600 million marks. This development resulted mostly from a fall in holdings of bilateral western European currencies (1 500 million marks, including the payments in

convertible currency by France which have been made since that country was included in the multilateral Helsinki Club), and of Eastern Bloc currencies, holdings of which fell by 2 700 million. On the other hand, there was a sharp increase — 2 600 million marks — in claims against other bilateral countries, mostly resulting from Finnish exports to Brazil under the clearing agreement. This agreement was terminated at the end of the year, and henceforth trade between Finland and Brazil will be carried on in convertible currencies. The remaining bilateral claim of Finland will be repaid gradually over a number of years.

As mentioned above, Finland's total foreign exchange resources stayed practically unchanged, owing to the increased holdings of the rest of the banking system and the Treasury. The Government had in September 1960 authorised the Treasury to invest part of its excess cash balances in interest-bearing foreign and domestic assets, instead of keeping them, as had hitherto been the case, on the Government's cheque account with the Bank of Finland. The Bank of Finland also tried to persuade the commercial banks to hold part of their liquid assets in foreign exchange. With this in mind, the central bank withdrew from its earlier function of unilateral fixing of the foreign exchange rates. The establishment of daily rates was left to the interplay of market forces, with the Bank of Finland intervening at its own option only. Due to the gradual tightening of the money market, however, this policy resulted in no significant increases in the foreign holdings of the commercial banks, many of which were at the end of the year paying penalty interest rates for their rediscounts.

January 14, 1961

BANK OF FINLAND

Mill. mk

	1959		1960			1961	
	Dec. 31	Dec. 15	Dec. 23	Dec. 31	Jan. 5	Jan. 14	
BALANCE SHEET							
Assets							
<i>Ordinary note cover</i>	76 694	75 297	75 520	75 305	75 089	75 849	
Gold	8 454	9 119	9 119	9 120	9 120	9 120	
Foreign exchange	64 611	58 460	58 722	59 482	59 248	59 978	
Foreign bills	366	810	771	870	888	918	
Foreign bonds	3 263	6 908	6 908	5 833	5 833	5 833	
<i>Supplementary note cover</i>	27 016	40 907	46 631	41 992	40 944	36 595	
Inland bills discounted							
In foreign currency	11 535	10 490	10 490	10 496	10 496	10 496	
In Finnish currency	3 888	6 884	7 561	7 232	7 366	7 670	
Rediscounted bills	4 718	19 158	24 205	20 514	19 332	14 679	
Treasury bond loan	6 875	4 375	4 375	3 750	3 750	3 750	
<i>Other assets</i>	18 096	11 100	13 105	7 822	6 215	6 102	
Finnish bonds	2 620	1 842	4 417	3 070	1 275	1 353	
Cheque accounts	267	674	529	418	581	339	
Finnish coin	654	727	685	719	720	766	
Other claims	14 555	7 857	7 474	3 615	3 639	3 644	
Total	121 806	127 304	135 256	125 119	122 248	118 546	
Liabilities							
<i>Notes in circulation</i>	69 435	71 868	74 726	72 735	71 335	69 325	
<i>Short-term liabilities</i>	17 814	19 848	24 618	16 676	14 558	12 948	
Foreign exchange accounts	2 116	4 063	4 557	4 057	4 062	3 127	
Mark accounts of holders abroad	4 780	4 124	4 094	4 241	4 372	4 344	
Cheque account of the Treasury	6 418	10 421	15 254	6 187	4 367	2 620	
Cheque accounts of banks	3 856	655	35	1 683	1 271	1 948	
Other cheque accounts	233	212	340	167	197	409	
Other short-term liabilities	411	373	338	341	289	500	
<i>Long-term liabilities</i>	14 089	10 434	10 619	10 633	10 633	10 633	
Foreign	11 060	10 025	10 025	10 030	10 030	10 030	
Finnish	3 029	409	594	603	603	603	
<i>Equalisation accounts</i>	5 482	9 251	9 331	9 085	9 690	9 552	
<i>Bank's own funds</i>	14 986	15 903	15 962	15 990	16 032	16 088	
Capital	10 000	10 000	10 000	10 000	10 000	10 000	
Reserve fund	3 739	4 362	4 362	4 362	5 176	5 176	
Profits undisposed	—	—	—	—	814	814	
Earnings less expenses	1 247	1 541	1 600	1 628	42	98	
Total	121 806	127 304	135 256	125 119	122 248	118 546	
STATEMENT OF NOTE ISSUE							
Right of note issue							
<i>Ordinary cover</i>	76 694	75 297	75 520	75 305	75 089	75 849	
<i>Supplementary cover</i> (Upper limit 50 000 mill. mk)	27 016	40 907	46 631	41 992	40 944	36 595	
Total	103 710	116 204	122 151	117 297	116 033	112 444	
Note issue							
<i>Notes in circulation</i>	69 435	71 868	74 726	72 735	71 335	69 325	
<i>Short-term liabilities</i>	17 814	19 848	24 618	16 676	14 558	12 948	
<i>Undrawn on cheque credits</i>	929	732	877	978	815	1 057	
<i>Unused right of note issue</i>	15 532	23 756	21 930	26 908	29 325	29 114	
Total	103 710	116 204	122 151	117 297	116 033	112 444	

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

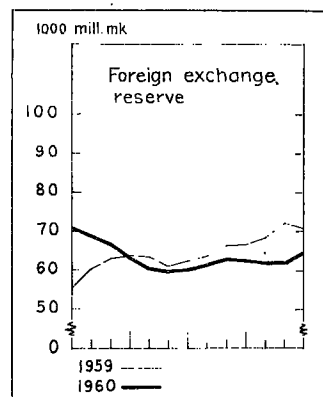
BANK OF FINLAND

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
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
1960	68 602	4 057	64 545	6 703	14 271	56 977	20 514	1 683	158	18 673
1959										
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
Dec.	68 602	4 057	64 545	6 703	14 271	56 977	20 514	1 683	158	18 673

¹⁾ Including cash reserve accounts 6 677

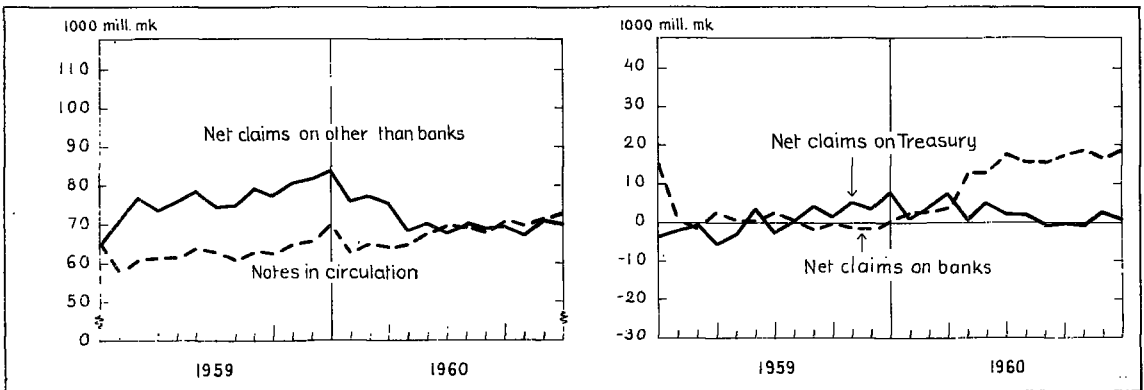
Category of currency	Foreign exchange reserve (col. 3 above) 1 000 mill. mk				
	1958	1959	1960		
	Dec. 31	Dec. 31	Oct. 31	Nov. 30	Dec. 31
Gold	7.8	8.4	9.1	9.1	9.1
Convertible	31.2	49.7	39.5	40.9	44.2
Non-transferable EMA ..	7.7	4.7	3.6	3.5	3.2
Eastern Block	8.2	4.4	3.4	2.4	1.7
Other	0.5	3.7	6.5	6.2	6.3
Total	55.4	70.9	62.1	62.1	64.5



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
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
1960	3 750	3 587	6 187	343	807	7 232	10 942	350	17 824	72 735
1959										
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
Dec.	3 750	3 587	6 187	343	807	7 232	10 942	350	17 824	72 735



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	Commercial banks	Savings banks	Co-op. credit societies & their central bank	Post Office Savings Bank	Savings departments of co-op. stores	All credit institutions	
	Commercial 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

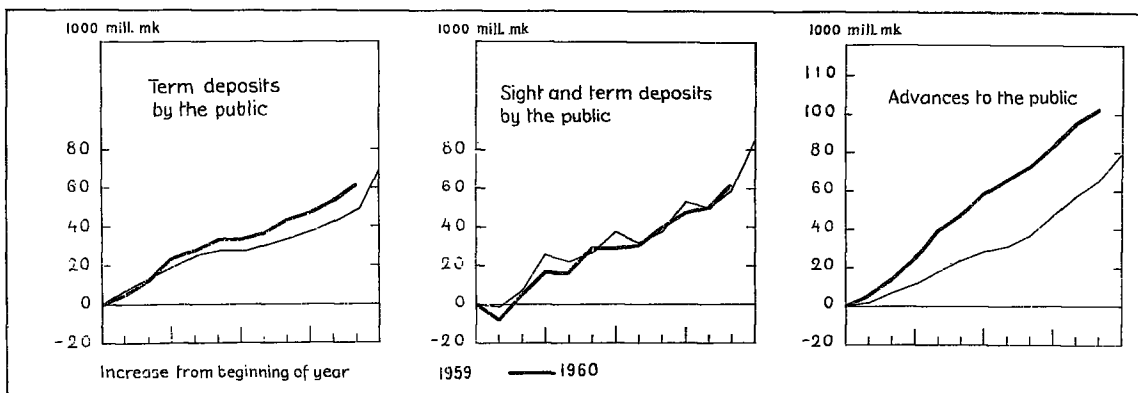
End of month	Index-tied deposits		
	1958	1959	1960
	Jan.	85 733	79 991
Feb.	87 884	76 797	21 413
March	89 735	72 012	19 079
April	89 777	65 620	18 100
May	90 611	61 022	17 718
June	91 041	56 605	17 429
July	91 386	52 298	17 143
Aug.	91 543	48 628	16 979
Sept.	87 640	41 179	16 395
Oct.	85 954	34 207	16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

Selling rates for foreign exchange			
Dec. 31, 1960			
		mk	mk
New York ...	I \$	320: 50	Brussels 100 Fr 645: —
Montreal	I \$	322: —	Zurich 100 Fr 7 442: —
London	I £	898: 50	Paris 100 NF 6 532: —
Stockholm ...	100 Kr	6 195: —	Rome 100 Lit 51: 60
Oslo	100 Kr	4 490: —	Vienna 100 Sch 1 232: —
Copenhagen ..	100 Kr	4 650: —	Lisbon 100 Esc 1 120: —
Frankfurt a/M	100DM	7 680: —	Reykjavik 100 Kr 843: —
Amsterdam ...	100 G	8 496: —	Prague, clear... 100 Kč 4 458: —
			Moscow, clear. 100 Rbl 8 025: —

ADVANCES TO THE PUBLIC - MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Post Office Savings Bank	Co-op. credit societies & their cen- tral bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1950	67 438	35 511	4 507	35 048	3 830	135 309	11 025	146 334	67 640
1951	85 578	45 554	8 508	41 849	4 425	172 003	13 911	185 914	95 038
1952	104 881	59 824	13 402	50 694	5 379	217 141	17 039	234 180	84 113
1953	105 659	70 511	18 782	56 765	9 847	245 275	16 289	261 564	87 294
1954	128 955	82 447	22 123	64 697	12 773	291 506	19 489	310 995	95 935
1955	155 436	96 454	24 866	72 868	13 599	339 797	23 426	363 223	102 032
1956	162 663	102 830	26 232	76 761	14 690	357 802	25 374	383 176	109 559
1957	160 379	106 639	26 047	78 064	15 717	363 000	23 846	386 846	112 398
1958	174 542	115 481	29 027	83 511	21 931	401 155	23 337	424 492	124 527
1959	209 686	132 725	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

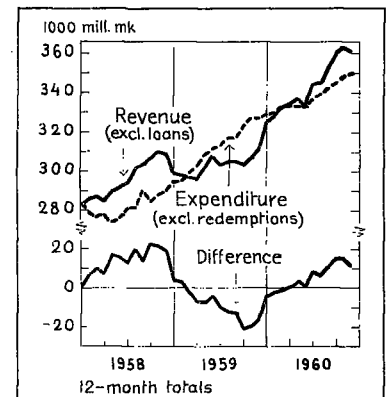


STATE FINANCES

1000 mill. mk

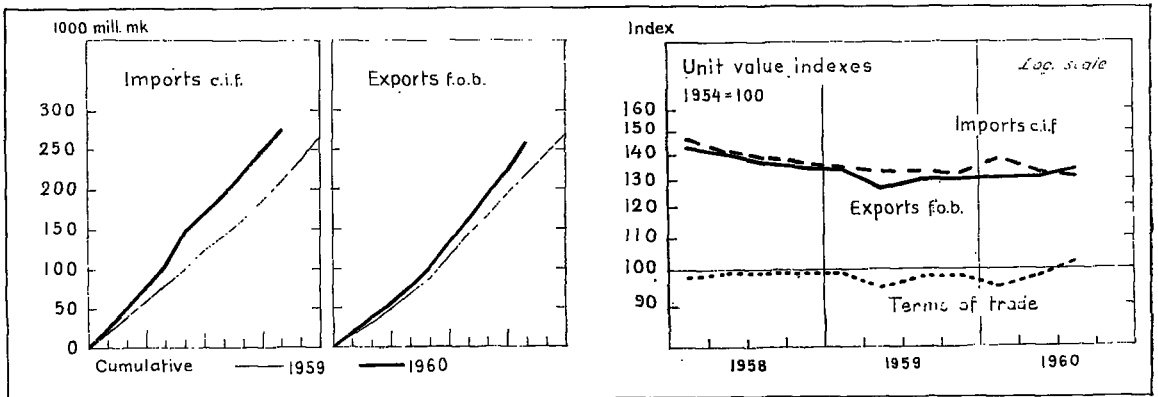
Revenue	Jan. — Nov.		Expenditure	Jan. — Nov.	
	1959	1960		1959	1960
Income and property tax (net)	63.0	64.7	Interest on State debt	5.9	5.4
Gross receipts	(120.1)	(162.5)	Child allowances	20.5	20.6
Refunds and communal income tax	(-57.1)	(-97.8)	The State's share in national pensions	7.9	7.7
Other direct taxes	1.4	1.5	Compensations to war-disabled	6.9	6.9
Purchase tax	66.2	78.9	Transfer of employers' payments for national pensions to the National Pensions Institution	6.3	4.8
Import duties	37.2	41.7	Subsidies	30.9	33.4
Revenue from Alcohol Monopoly	18.5	22.3	Net payments on price equalisation by extra-budgetary funds	1.1	2.2
Excise duty on tobacco	17.5	18.4	State aid to agriculture	5.6	5.2
Excise duty on liquid fuel	10.1	12.0	State aid to communal and private schools	20.6	22.9
Other excise duties	4.6	4.9	Net loss of State enterprises	—	—
Tax on automobiles and motor cycles	1.4	1.8	Maintenance of roads	7.4	8.7
Stamp duties	12.8	15.1	Other current expenditure	89.3	100.3
Employers' payments for child allowances and national pensions	23.5	26.7	Current expenditure	202.4	218.1
Net receipts of price equalisation by extra-budgetary funds	—	—	Real investments	56.8	60.4
Other revenue similar to taxes	4.0	4.2	Other capital expenditure	30.2	30.5
Total taxes	260.2	292.2	Capital expenditure	87.0	90.9
Interest and dividends	4.6	5.1	Total expenditure	289.4	309.0
Net profit of State enterprises	2.5	6.2	Redemption of external loans	6.4	3.2
Other current revenue	9.3	9.1	Redemption of internal loans	8.6	12.8
Current revenue	276.6	312.6	Redemption of indemnity bonds etc.	0.9	2.1
Capital revenue proper	9.9	7.1	Index premiums	0.7	0.7
Decrease in inventories	—	2.7	Redemptions	16.6	18.8
Capital revenue	9.9	9.8	Total	306.0	327.8
Total revenue	286.5	322.4			
External loans	—	—			
Internal loans	18.7	14.9			
Loans	18.7	14.9			
Short-term credit (increase +) ..	-0.3	-2.1			
Deficit (+) or surplus (-)	+1.1	-7.4			
Total	306.0	327.8			

Debt	1957	1958	1959	1960		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
External debt	81.8	79.0	76.6	74.5	74.4	73.8
Ordinary loans	52.9	61.5	72.2	74.5	74.1	74.2
Indemnity bonds etc. ...	7.4	7.3	6.5	4.7	4.6	4.5
Short-term credit	—	1.2	4.1	0.2	1.2	2.1
Cash debt (net)	9.6	-1.7	-5.8	-8.9	-14.9	-12.9
Internal debt	69.9	68.3	77.0	70.5	65.0	67.9
Total debt	151.7	147.3	153.6	145.0	139.4	141.7
Total debt, mill. \$	472.7	459.8	479.7	451.9	434.7	442.4



FOREIGN TRADE

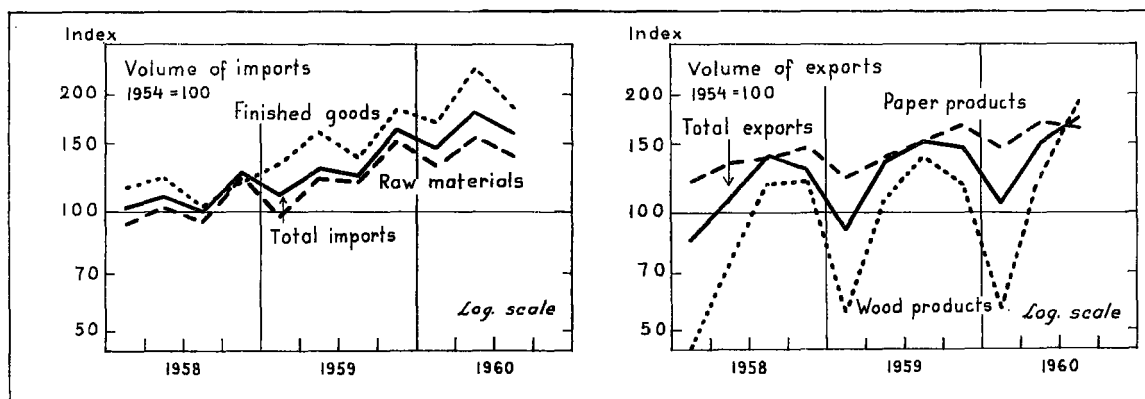
Period	Value, mill. mk			Unit value indexes 1954 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering 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.—Oct.										
1958	188 843	205 016	+16 173	130	116	123	130	151	132	98
1959*	209 043	217 768	+ 8 725							
1960*	274 971	258 600	-16 371							
1959*	23 997	25 686	+ 1 689	131	114	124	130	159	138	95
Oct.	26 993	24 882	- 2 111							
Nov.	30 403	24 591	- 5 812							
1960*	24 687	18 395	- 6 292	131	122	129	132	136	133	98
Jan.	24 704	18 641	- 6 063							
Feb.	26 504	17 552	- 8 952							
March	29 031	21 937	- 7 094	134	124	132	133	153	131	102
April	40 796	24 458	-16 338							
May	20 863	30 889	+10 026							
June	26 794	30 427	+ 3 633	134	124	132	133	153	131	102
July	25 539	29 630	+ 4 091							
Aug.	26 902	31 082	+ 4 180							
Sept.	29 151	35 589	+ 6 437							



FOREIGN TRADE BY MAIN GROUPS

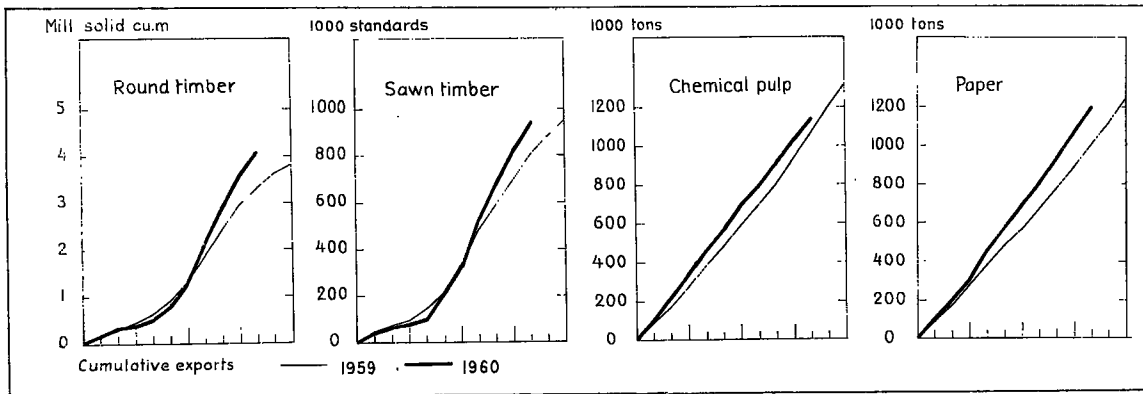
Mill. mk

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.—Oct.										
1958	94 982	26 479	40 716	26 666	8 669	17 202	46 216	96 047	27 806	9 076
1959*	104 832	21 309	53 610	29 292	11 867	14 086	52 684	94 507	35 539	9 085
1960*	133 433	26 271	76 984	38 283	13 318	17 727	68 555	109 322	37 960	11 718
1959*										
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
Oct.	14 202	3 503	7 538	3 908	1 648	2 268	8 856	11 723	9 816	1 278



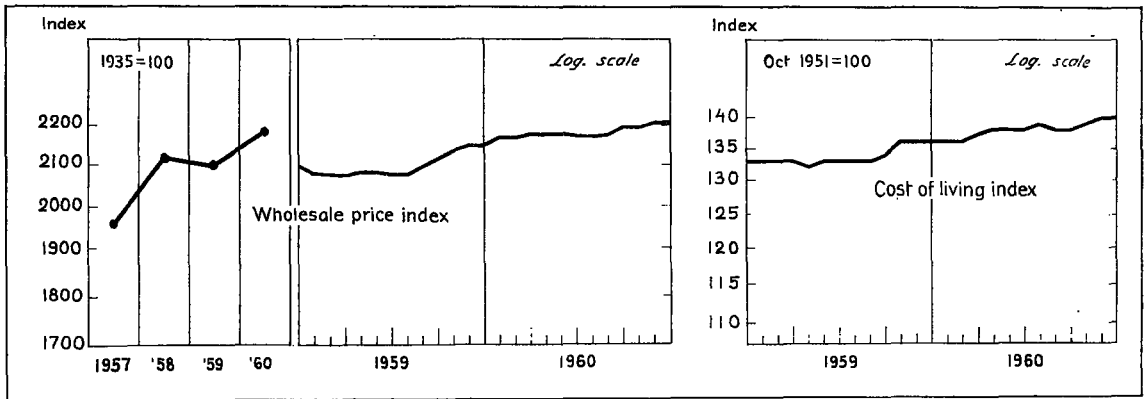
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber 1 000 solid cu. m	Sawn timber 1 000 stds	Veneers and plywood 1 000 cu. m	Mechanical pulp 1 000 tons	Sulphite pulp 1 000 tons	Sulphate pulp 1 000 tons	Board 1 000 tons	Fibre building board 1 000 tons	Newsprint 1 000 tons	Paper, all kinds 1 000 tons
1952	5 112	611	222	143	477	245	65	44	392	569
1953	2 388	688	216	204	464	323	76	45	402	677
1954	3 620	733	298	193	580	375	101	59	392	751
1955	4 977	786	321	183	682	447	110	61	470	905
1956	4 424	648	230	186	679	452	106	49	537	997
1957	4 063	719	260	165	697	474	134	60	551	1 108
1958	3 861	762	239	143	725	476	145	83	585	1 147
1959*	3 812	950	296	139	770	549	142	110	576	1 244
Jan.—Oct. 1958	3 026	584	192	117	603	385	120	68	489	952
1959*	3 309	801	240	111	608	449	115	88	459	1 007
1960*	4 095	940	282	148	743	397	125	104	576	1 199
1959* 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
Oct.	524	125	26	16	73	38	13	11	65	132



FOREIGN TRADE BY COUNTRIES

Area and country	Imports c.i.f.					Exports f.o.b.				
	Whole year		Jan.—Oct.			Whole year		Jan.—Oct.		
	1958	1959*	1959*	1960*		1958	1959*	1959*	1960*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	17.9	16.3	16.8	16.7	46 025	25.6	26.7	27.1	27.8	72 003
United Kingdom	17.2	15.7	16.2	16.1	44 234	22.1	23.3	23.7	24.5	63 405
Other OEEC countries ..	45.2	49.4	49.7	53.3	146 440	37.5	36.5	36.4	39.9	103 043
Austria	0.5	0.6	0.6	0.7	1 872	0.2	0.2	0.2	0.2	387
Belgium-Luxembourg	2.8	2.5	2.7	3.2	8 791	3.6	3.7	3.8	3.7	9 631
Denmark	2.4	2.3	2.3	2.5	6 812	3.0	3.3	3.4	3.6	9 372
France	4.7	5.1	5.2	6.1	16 692	6.2	4.7	4.6	4.7	12 088
Western Germany	16.5	17.9	18.1	19.4	53 442	10.8	10.9	10.8	11.6	29 835
Italy	1.5	1.8	1.8	1.8	4 845	1.8	1.8	1.7	1.9	4 993
Netherlands	4.3	4.5	4.7	4.3	11 854	4.4	5.4	5.5	6.0	15 544
Norway	1.2	1.6	1.6	1.4	3 957	0.7	0.7	0.7	1.3	3 372
Portugal	0.1	0.2	0.2	0.2	463	0.1	0.1	0.1	0.1	227
Spain	0.6	0.5	0.4	0.6	1 750	1.1	0.2	0.2	0.2	496
Sweden	8.3	9.2	9.3	10.4	28 501	3.6	3.2	3.2	4.9	12 605
Switzerland	1.7	2.3	2.2	2.2	6 163	0.7	0.4	0.5	0.5	1 339
Eastern Bloc	25.6	24.5	24.0	20.3	55 853	24.8	23.5	23.2	19.4	50 226
China	0.5	0.5	0.6	0.2	599	1.1	2.0	2.4	0.6	1 590
Czechoslovakia	1.2	1.4	1.6	1.3	3 528	1.2	0.7	0.6	0.9	2 272
Eastern Germany	1.7	1.6	1.7	1.5	4 038	1.7	1.3	1.2	1.3	3 468
Poland	3.1	2.4	2.6	2.3	6 361	2.6	2.1	2.2	1.8	4 601
Soviet Union	18.0	17.9	16.8	14.3	39 404	17.3	16.7	16.1	14.1	36 556
U.S. and Canada	5.5	5.4	4.9	6.1	16 750	4.7	5.9	5.8	5.3	13 716
United States	5.3	5.1	4.6	5.8	15 967	4.6	5.8	5.7	5.2	13 376
Latin America	4.4	3.5	3.6	2.7	7 319	4.5	4.9	5.1	5.4	14 019
Argentina	0.3	0.5	0.6	0.5	1 443	1.0	0.9	1.0	1.2	3 080
Brazil	3.7	2.5	2.6	1.7	4 692	2.4	2.8	2.8	3.1	8 074
Others	1.4	0.9	1.0	0.9	2 584	2.9	2.5	2.4	2.2	5 593
Grand total	100.0	100.0	100.0	100.0	274 971	100.0	100.0	100.0	100.0	258 600
of which										
EFTA countries	31.3	31.8	32.4	33.5	92 002	30.3	31.3	31.9	35.1	90 707
EEC countries	29.8	31.8	32.5	34.8	95 625	26.9	26.5	26.3	27.9	72 091



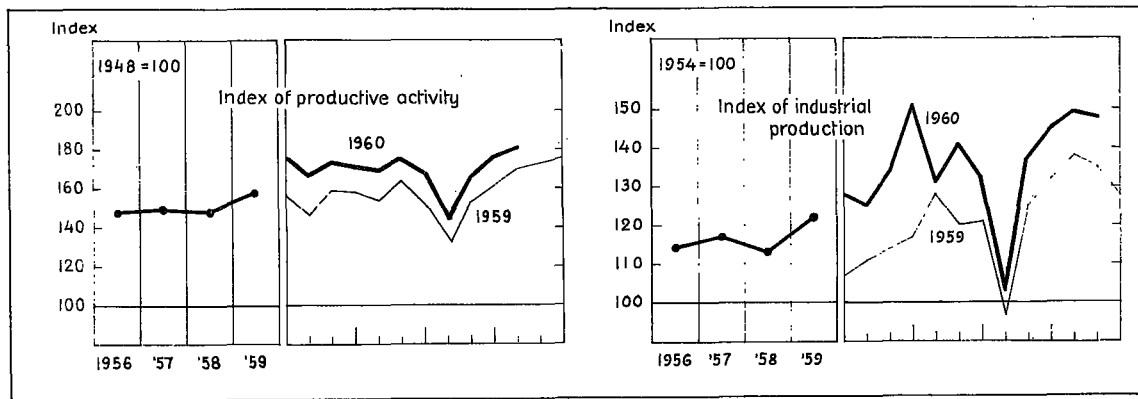
PRICE INDEXES

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				
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
1960	2 178	2 253	2 338	3 313	1 868	2 016	122	114	135
1959 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
Dec.	2 202	2 296	2 333	3 495	1 879	2 002	125	114	142

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
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
1960	138	147	298	98	86	136	108	108	110	95	107	111
1959 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
Dec.	140	149	306	99	87	137	110	110	113	96	108	111

PRODUCTION - INTERNAL TRADE

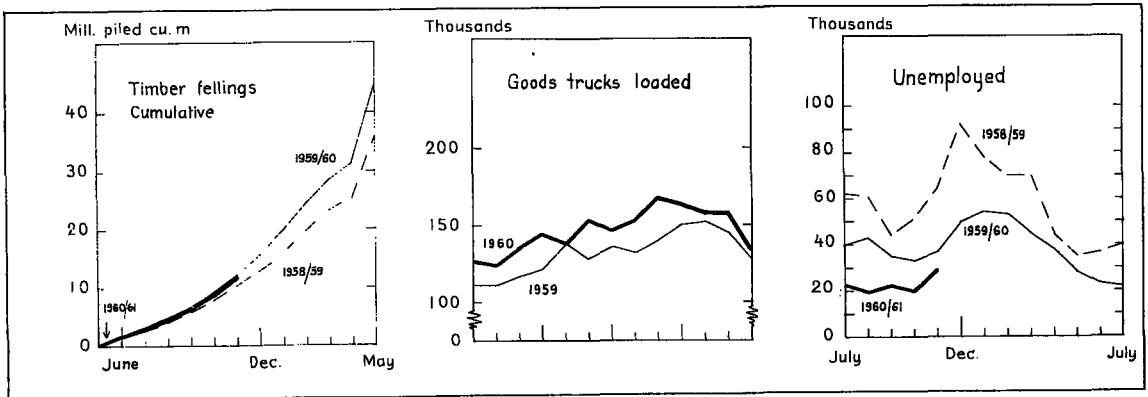
Period	Index of industrial production 1954 = 100								Commercial timber fellings 1 000 piled cu. m	Milk received by dairies 1 000 litres	Wholesale trade volume index 1954 = 100
	Total	Investment goods	Other producer goods	Consumer goods	Special indexes of manufacturing						
					Wood industry	Paper industry	Metal industry	Other			
1951									36 070	1 405	85
1952									35 079	1 515	92
1953									29 170	1 609	93
1954	100	100	100	100	100	100	100	100	35 370	1 653	100
1955	111	116	109	113	99	115	111	111	38 600	1 659	116
1956	114	117	110	120	76	122	113	118	36 623	1 977	121
1957	117	119	116	118	82	134	115	117	40 919	2 085	114
1958	113	111	114	112	87	134	106	110	37 981	2 109	109
1959*	122	116	125	121	98	143	118	120	38 100	2 317	121
1959*											
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
Nov.	148	153	154	136	115	180	152	139	3 116	166	144



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										
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
July-Sept.	5.76	2.03	0.91	1.63	0.85	24.98	116	111	109	118

Period	Railways		Foreign shipping				Employment		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed		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	1 851	1.6	0.9
Nov.	146	157	465	577	530	575	1 762	1 835	1.8	1.4
Dec.	127	133	463	519	483	568	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 the of 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 average number of days worked. (See article in No. 10, 1960 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 98 for 1958 (1954 = 100). Measure of self-sufficiency in the crop year 1958/59: bread cereals 52 %, animal products 120 %.

INDUSTRY (1958): Gross value of industrial production 966 000 mill. marks, number of workers 295 000, administrative employees 59 000, motive power (1958) 2.8 mill. HP. Index of industrial production 113 for 1958 (1954 = 100).

RAILWAYS (Jan. 1, 1961): Length 6 388 km, of which 6 314 km are State and 74 km private railways. The gauge of State railways 1,524 m.

MERCHANT FLEET (Dec. 31, 1960): Steamers 216 (313 552 gross reg. tons), motor vessels 217 (477 981 gross reg. tons), sailing vessels with auxiliary engines 88 (9 183 gross reg. tons). Total 521 (800 716 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 marka). 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, 1960). There are two big and three small commercial banks with in all 599 offices, 390 savings banks, 537 cooperative credit societies and their central bank, six mortgage societies, and the Post Office Savings Bank. The savings departments of the cooperative stores accept deposits from the public.

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

CHANGES IN THE BALANCE SHEET OF THE BANK OF FINLAND IN 1960

BY

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In the previous issue of this Bulletin, the Governor of the Bank of Finland presented the Bank's policies and measures during the year under review. Below is given a more detailed description of the changes in the main items of the Balance Sheet.

ANALYSIS OF THE CHANGES IN THE BALANCE SHEET

Table 1 gives a general idea of the changes over the year in the Bank's Balance Sheet, and of their significance from the viewpoint of monetary policy. The Table includes the principal items or groups of items, indicating whether the changes in them have increased (+) or reduced (—) the note circulation and the banks' liquidity in relation to the Bank of Finland. The year has been divided into three parts, with January 15 and November 15 as turning points. This was prompted by the exceptional movements around the turn of the year in both the Treasury's and the banks' accounts, and in the note circulation, partly by reason of the Christmas season, and partly some large collections of Government taxes.

During the first two weeks of January, the supply of Central Bank money dropped by 4 970 million marks, mainly in consequence of the seasonal increase in the Treasury's

cheque account. As the seasonal reduction in the note circulation was still greater, i. e. 7 340 million marks, the liquidity of the banks in relation to the Bank of Finland rose by a net amount of 2 370 million marks. This rise in liquidity was the outcome of changes not only in rediscounts and the banks' cheque account balances, but also in the Bank of Finland's purchases of cash bonds; the opportunity of selling cash bonds to the Bank of Finland offers the rediscounting banks an alternative means of acquiring Central Bank money.

From mid-January to mid-November, the contractive factors were still far heavier than the expansive ones, so that the supply of Central Bank money, calculated as shown in the Table, shrank by as much as 11 897 million marks. On this occasion, the contraction was mainly due to an 8 939 million decrease in the Bank's reserve of foreign exchange. Admittedly, there was a marked increase in foreign bills and bonds, but this was almost offset by the reduction in the pre-1958 advances on exports to the USSR, which represent bilateral assets; moreover, the drop in the foreign exchange reserve was reflected in the equalisation accounts. The surplus in the State finances also had an appreciable contractive effect on the supply

1. CHANGES IN THE MAIN ITEMS OF THE BALANCE SHEET IN 1960

		Jan. 1— Jan. 15	Jan. 16— Nov. 15	Nov. 16— Dec. 31	Whole year
Expansive (+) or contractive (—) effect. mill. mk					
Gold and foreign exchange reserve	increase +	— 487	— 8 939	+ 3 022	— 6 404
Foreign bills and bonds	increase +	+ 23	+ 4 029	— 978	+ 3 074
Pre-1958 advances on exports to the USSR	decrease —	— 43	— 3 582	— 1 995	— 5 620
Stand-by stocks credit to the Treasury	increase +	+ 101	— 1 409	— 1 897	— 3 205
IMF and IBRD Treasury bill	decrease —	—	— 1 832	— 1 619	— 3 451
1953 Treasury Bond Loan	decrease —	—	— 2 500	— 625	— 3 125
Cheque account of the Treasury	increase —	— 3 311	+ 1 463	+ 2 079	+ 231
Loans from export levy funds	drawn +	+ 38	+ 2 622	+ 26	+ 2 686
Inland bills in Finnish currency	increase +	+ 76	+ 1 995	+ 1 273	+ 3 344
Inland bills in foreign currency	increase +	+ 10	— 833	— 216	— 1 039
Finnish bonds	increase +	— 639	+ 256	— 262	— 645
Deposit certificates	increase —	—	— 40	— 220	— 260
Equalization accounts	increase —	— 232	— 4 508	+ 1 137	— 3 603
Bank's own funds	increase —	— 39	— 757	— 208	— 1 004
Other items, net		— 467	+ 2 138	+ 1 586	+ 3 257
	Net change	— 4 970	— 11 897	+ 1 103	— 15 764
Rediscounted bills	increase —	+ 3 469	— 17 447	— 1 818	— 15 796
Cheque accounts of banks	increase +	— 1 899	— 934	+ 660	— 2 173
Treasury Cash Bonds	increase —	+ 800	— 1 275	— 620	— 1 095
Notes in circulation	increase +	— 7 340	+ 7 759	+ 2 881	+ 3 300
	Net change	— 4 970	— 11 897	+ 1 103	— 15 764

of money. It was used for redemption of the stand-by stocks credit, the IMF and IBRD Treasury bill and the Treasury Bond Loan of 1953. As the high level of economic activity brought about a rise of 7 759 million marks in the note circulation, while the total supply of Central Bank money fell off, the banks, who had expanded their lending throughout the year, had to raise their borrowing from the Central Bank by as much as 19 656 million marks. This rise appears as an increase in rediscounted bills, a reduction in cheque account balances, and an increase in the sales of cash bonds.

After the middle of November, the supply of Central Bank money grew to some extent, mainly thanks to the growth in foreign exchange balances. On the other hand, the State finances still appeared as a contractive factor, and towards the end of the year the cash surplus permitted a further reduction in the Treasury's indebtedness to the Bank of Finland. With the seasonal end-of-year increase in note circulation, the banks' liquidity in relation to the Bank of

Finland was lowered by a further 1 778 million marks.

For the whole of 1960, the contractive factors outweighed the expansionary ones by 15 764 million marks. If we consider the total of foreign exchange and related accounts, and the total of Treasury accounts, we find that the fall in foreign exchange assets and the cash surplus of the State took about equal parts in the reduction of Central Bank money. However, as was apparent from the above-mentioned article by the Governor of the Bank, the decrease in the Bank's foreign assets did not involve a decline in the country's foreign assets, as it was occasioned by the transfer of foreign exchange to the authorised banks and the Treasury. Nevertheless, this fact does not mitigate the significance of the decrease as a contractive influence in the market. The State's cash surplus was principally a consequence of the general expansion, which automatically raised State revenue more than expenditure.

2. BALANCE SHEET

THE BALANCE SHEET

<i>Assets</i>	Dec. 31	Change
	1960	in 1960
	Mill. mk.	
Ordinary note cover	75 305	— 1 389
Gold	9 120	+ 666
Foreign exchange	59 482	— 5 129
Foreign bills	870	+ 504
Foreign bonds	5 833	+ 2 570
Supplementary note cover	41 992	+ 14 976
Inland bills discounted		
In foreign currency	10 496	— 1 039
In Finnish currency	7 232	+ 3 344
Rediscounted bills	20 514	+ 15 796
1953 Treasury Bond Loan ..	3 750	— 3 125
Other assets	7 822	— 10 274
Finnish bonds	3 070	+ 450
Cheque accounts	418	+ 151
Finnish coin	719	+ 65
Other claims	3 615	— 10 940
	<u>Total</u> 125 119	+ 3 313
 <i>Liabilities</i>		
Notes in circulation	72 735	+ 3 300
Short-term liabilities	16 676	— 1 138
Foreign exchange accounts ..	4 057	+ 1 941
Mark accounts of holders abroad	4 241	— 539
Cheque account of Treasury ..	6 187	— 231
Cheque accounts of banks ...	1 683	— 2 173
Other cheque accounts	167	— 66
Other short-term liabilities ..	341	— 70
Long-term liabilities	10 633	— 3 456
Foreign	10 030	— 1 030
Finnish	603	— 2 426
Equalisation accounts	9 085	+ 3 603
Bank's own funds	15 990	+ 1 004
Capital	10 000	—
Reserve fund	4 362	+ 623
Profits undisposed	—	—
Earnings less expenses	1 628	+ 381
	<u>Total</u> 125 119	+ 3 313

Foreign balances

As is shown in Table 2, the gold reserve of the Bank grew by 666 million marks during the year, whereas the foreign exchange balances dropped by 5 129 million, and the short-term foreign liabilities rose by 1 941 million. These changes reduced the net reserve of gold and foreign exchange by 6 404 million marks to the final figure of 64 545 million. The reduction is partly explained by the increase in foreign bills and investments in foreign bonds; the latter grew by as much as 2 570 million marks. On the other hand, at the beginning of the year there had been 5 620 million marks of pre-1958 advances for exports to the USSR, included among „other claims” and comparable to bilateral assets, and settled during the year. If we further take into consideration that there was a reduction in both the mark accounts of holders abroad and the long-term foreign liabilities — the latter owing to redemption of credits granted by the IBRD prior to 1956 — we find that the Bank's net foreign assets fell off by 7 381 million marks, and at the end of the year amounted to 56 977 million.

Accounts of the Treasury

While the whole-year increase in the note circulation amounted to 3 300 million marks, the total decline in the banks' liquidity in relation to the Central Bank attained the high figure of 19 064 million marks. This was without doubt largely ascribable to the heavy increase in their lending. For the credit expansion was in itself one of the factors that raised total demand and made imports swell, which prevented an improvement in the foreign exchange situation, and promoted the growth in the State's cash surplus and the note circulation.

The Treasury Bond Loan of 1953 was redeemed by 3 125 million marks, 625 million of this in advance. Further, the Treasury redeemed in full the IMF and IBRD bill covering part of Finland's membership subscriptions to these institutions; the bill had been included among „other claims”, and at the beginning of the year amounted to 3 451 million marks. The standby stocks credit granted by the Bank, and entered under „other claims”, was reduced by a net amount of 3 205 million marks.

3. STATEMENT OF NOTE ISSUE

<i>Right of note issue</i>	Dec. 31	Change
	1960	in 1960
	Mill. mk	
Ordinary cover	75 305	— 1 389
Supplementary cover (maximum 50 000 mill. mk)	41 992	+ 14 976
Total	117 297	+ 13 587
 <i>Note issue</i>		
Notes in circulation	72 735	+ 3 300
Short-term liabilities	16 676	— 1 138
Undrawn on cheque credits	978	+ 49
Note reserve	26 908	+ 11 376
Total	117 297	+ 13 587

On the other hand, the balance of cheque account dropped by 231 million. In all, the Treasury's net indebtedness to the Bank of Finland diminished by 9 550 million marks. This figure excludes the Bank's liability on the export levy account, entered under long-term Finnish liabilities; the export levy account was reduced by 2 686 million, as the credits provided for in the relevant act were drawn upon.

Accounts of private customers

Inland bills in Finnish currency, which form the bulk of the Bank's direct lending to its own customers, grew by 3 344 million marks, mainly because previously granted credit facilities were used more extensively. Similarly the cheque credits outstanding increased to some extent. Against this, the inland bills in foreign currency, which cover foreign loans granted to Finnish firms through the intermediation of the Bank, were reduced by 1 039 million through regular redemption. Including a number

of other claims and liabilities, the Bank's total advances to private firms increased from 16 296 million marks to 18 310 million.

Accounts of banks

Rediscounted bills increased by 15 796 million marks during the year. As the banks' cheque accounts were simultaneously reduced, there was a 17 969 million increase in their net indebtedness to the Bank of Finland.

THE RIGHT TO ISSUE NOTES

Table 3 illustrates the changes over 1960 in the Bank's right of note issue and the issue of notes. The drop in foreign balances reduced the ordinary cover by 1 389 million marks, while the increase in rediscounts raised the amount of bills eligible for supplementary note cover to the extent of 14 976 million. The total right of issue thus grew by 13 587 million marks. There was a 2 211 million rise in the total issue, mainly related to the notes in circulation, so that by the end of the year the note reserve had grown by 11 376 million marks to 26 908 million.

THE BANK'S OWN FUNDS

The profits for 1960 amounted to 1 628 million marks, or 381 million more than for 1959. The increase was principally due to the rise in interest on rediscounts and on foreign exchange holdings. One half of the annual profits, or 814 million marks, has been transferred to the reserve fund, in accordance with the Bank's Regulations, while the other half will be transferred to the Treasury.

ITEMS

Liberalization of imports. At the beginning of 1961, the Government introduced certain measures aiming at the relaxation of import restrictions and simplification of the import system.

Earlier, licence-free imports had been permitted only from thirteen West European signatories of the multilateral protocol concerning trade and payments with Finland, and from the United States, Canada,

Argentina and Iceland. In this group of countries are now also included Brazil, Spain, Paraguay and Uruguay — with whom bilateral agreements had been terminated, payments now being effected in convertible currencies — as well as Ireland and most other countries with whom no bilateral payments agreements existed. Furthermore, all these countries are now included in the global quota system, under which are effected most of the still controlled imports from countries enjoying licence-free import treatment. At the same time, the 1960 level of global quotas was considerably raised, particularly in those commodity groups for which demand had been appreciably in excess of quotas.

Following these changes, licence-free imports and the global quota system cover imports from 82 countries with a combined share of 73 per cent in the value of Finnish imports in 1959.

*

Foreign exchange control. At the beginning of the year, foreign exchange restrictions were substantially eased. By a decision of the Government, the obligation to surrender foreign exchange is now limited to receipts from merchandise exports and freight, and to proceeds from the sale of real property or securities. Regulations concerning foreign exchange accounts were liberalized; a Finnish resident can now hold such foreign exchange as does not have to be surrendered on foreign exchange accounts either in authorized Finnish banks or abroad.

New regulations issued by the Bank of Finland provide that foreign exchange free of surrender requirement may be used for all authorized non-contractual payments abroad, such as gifts, assistance payments, salaries, fees, commissions etc. Such exchange may also be used for travel purposes, or for contractual payments if the contract has been approved by the Bank

of Finland or is in accord with existing regulations which concern, for instance, licence-free imports or other payments connected with foreign trade.

*

International Development Association. On December 29, 1960, Finland became the 29th member country of the World Bank to join, as an original member, the recently established affiliate of the Bank, the International Development Association.

The capital of the IDA is \$1 000 million, of which \$852 million had been subscribed by the 37 original members by the end of 1960. The purpose of the Association is to promote economic development in underdeveloped countries by loans which have for instance very low interest charges and are repayable over very long periods of time.

Finland's subscription in the IDA is \$3.83 million, payable in convertible currency in five instalments. The first instalment, \$880 900, was paid by Finland upon accepting membership. The payment was made partly in dollars and partly in convertible Finnmarks.

*

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

Poland, on December 1, 1960. Period: 1961. Trade is fixed by quotas, and the Finnish export list to Poland includes round wood, cellulose, cardboard, paper and paper products, iron ore, and machinery. Coal will constitute the bulk of Finnish imports, which will in addition include sugar, chemicals, machinery etc.

The Democratic Republic of Germany, on December 10, 1960. Period: 1961. Trade is fixed by quotas. Finland will principally export cheese, round wood, sawn goods, chemical pulp, newsprint and other paper and board. Finland's import list includes

sugar, sodium sulphate, chemicals, textiles, machinery, vehicles etc.

Bulgaria, on December 21, 1960. Period: 1961. Trade is fixed by quotas and Finnish exports will principally consist of mechanical and chemical wood pulp, paper, cardboard and machinery. Finnish imports will include fruit, maize, rice, sugar and tobacco.

Spain. As the Spanish Government joined the multilateral protocol signed by Finland and a number of other countries, on December 31, 1960 the bilateral payments agreement between Finland and Spain ceased to be valid. With effect from January 1, 1961, payments between these two countries are made in convertible Finnmarks or other convertible currencies. For this purpose, the Instituto Espanol de Moneda Extranjera and the authorised Spanish banks may open accounts in the said currencies with the authorised Finnish banks.

From January 1, 1961, imports from Spain are treated in the same manner as imports from the other signatories of the protocol.

*

Budgets for 1961 and 1960. On December 30, 1960, the budget for 1961 was signed by the President of the Republic. The main categories of revenue and expenditure are shown below, together with the corresponding totals for the two preceding years.

	1961 Ordinary budget	1960 Ordinary and suppl. budgets Mill. mk	1959 Finance report
Revenue:			
Current	326 049	333 119	309 421
Capital	18 282	13 831	24 718
Loans	61 860	49 887	20 978
Total	406 191	396 837	355 117
Expenditure:			
Current	277 614	250 319	231 147
Capital	104 473	125 414	105 505
Redemption	24 097	27 503	18 090
Total	406 184	403 236	354 742

The approved budget contains several changes to the original Government proposal (see Item in No. 10, 1960). Expenditure was raised by 18 500 million marks, and revenue was cut by 6 500 million, so that the

balancing item, loans, had to be marked up to 62 000 million. However, the actual need for loans is expected to be far less than shown in the budget.

The appropriation for child allowances was raised by 4 600 million marks, partly in the form a general rise, and partly by the introduction of special raised allowances for certain categories. The State's share in National Pensions and the compensations to war-disabled were also increased. Home price subsidies were brought up to their 1960 level of 17 000 million marks.

The increase in capital expenditure was only 2 900 million marks. As 1961 is expected to be a good year, there was no need to expand public investment for employment purposes. The proposed investment of 300 million in the State-owned Finno-Norwegian wood-processing plant was approved by the Diet.

The second and third supplementary budgets for 1960 (included in the Table above) were signed on December 2 and 30 respectively. They raised revenue by 32 617 million marks and expenditure by 39 152 million. The former comprised two items of expenditure, 867 million marks for investment in the State-owned Rautaruukki Oy ironworks, and 500 million for waterway construction. In the latter, the main item was a credit of 15 000 million marks granted by the USSR. Of this, 6 900 million was appropriated to the purchase of rails, and 8 100 million to purchases of machinery and equipment. Other items of expenditure were: maintenance of employment 3 300 million, lending 2 140 million, home price subsidies 3 500 million and export subsidies 2 300 million.

The tax yield estimates were raised to cover these supplementary budgets. The main increases were 4 500 million in import duty, 7 500 million in purchase tax, 500 million in excise duty on tobacco and 500 million in stamp duties.

BANK OF FINLAND

BOARD OF MANAGEMENT

KLAUS WARIS,
Governor

ESKO K. LEINONEN

A. SIMONEN

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

REINO ROSSI

SECRETARIES

U. A. VATANEN,
Credits

PERTTI TAMMIVUORI,
Administration

HERO 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,
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