



BANK OF FINLAND

MONTHLY BULLETIN

Vol. 42 No. 5

MAY

1968

ABOLITION OF INDEX LINKAGES IN THE FINANCIAL MARKET

Over the last few years the index linkage system on the Finnish financial markets has expanded to such an extent that changes in the cost of credit have been pretty well dictated by the rate of price change. Since May 1964, when also the 100 per cent index-tied deposits were made tax-free, there has been a continuous growth in the share in total deposits of deposits tied to the cost of living index. Moreover, towards the end of 1967 after the devaluation there was a strong shift in favour of index-tied deposits so that their share in the total deposits of the public amounted to 31 per cent at the end of 1967. Together with the price increases occasioned by the devaluation this development meant a sharp rise in the cost of bank credit which for its part was adding to the general cost pressure in the economy. The index charge, which is collected on bank lending in addition to the interest in order to cover the index payments due to depositors, was from the beginning of this year 2 per cent in commercial banks, 3.5 per cent in most savings banks and 4 per cent in co-operative credit societies. Moreover, part of the commercial bank lending and the bulk of the lending of other credit institutions such as insurance companies has been directly tied to the cost of living index to the extent of 50 per cent and in these

cases the index charge has gone up to 5—6 per cent.

It was generally agreed that the favourable environment for a growth-oriented economic policy which was created by the devaluation was seriously threatened by the existing system of income and price linkages in the economy. Therefore, an incomes policy solution with a general abolition of index linkages was achieved through negotiations between the Government and various interest organizations. This general solution, which was reviewed in the April number of the Bulletin, was documented in an agreement signed by the biggest labour market organizations and the Central Union of Agricultural Producers on March 27, and in the Economic Special Powers Act which came into force on April 10. On the financial markets, however, some practical measures had already been taken prior to these dates. The banking institutions agreed to discontinue the acceptance of new index-tied deposits from March 21 and the Government ceased to sell its new index-tied bonds from the same day.

The Economic Special Powers Act stipulated as a general rule the cancellation in all

On page 18, Finland's Foreign Trade in 1967

contracts of index clauses to the extent they apply from April 10 onwards. It also prohibited the charging of interest rates higher than those applied by the banking institutions and insurance companies under public control. It is the concern of the Bank of Finland to publish these interest rates in the Official Gazette. At present the relevant average rate of interest is $7\frac{1}{2}$ — $8\frac{1}{2}$ per cent and the maximum is 10 per cent.

In the group of financial contracts the following exceptions from the general rule are made. In index-tied deposits the index clause will be valid till the expiry of the contract period, which is 12 months from the deposit day, or till the end of November 1968 after which according to the law, the index clause is no longer valid. The banks

are allowed to charge an extra percentage interest unit on all their lending until the index payments still due to depositors are wholly compensated. A further exception is the existing stock of Government index-tied bonds which were excluded by the law. At the moment until otherwise stipulated by a Cabinet decision, the law also does not apply to the existing stock of other bonds and debentures. The mortgage institutions which have acquired funds by issuing index-tied bonds or debentures are allowed until a further Cabinet decision to apply the index clause in their old lending. It should be pointed out that the law does not cover index clauses in insurance policies or in contracts of an international nature.

April 29, 1968

BANK OF FINLAND

Mill. mk

	1967		1968			
	Dec. 30	March 31	March 30	April 8	April 11	April 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	798.8	672.7	1 196.8	1 250.1	1 267.2	1 307.2
Gold	188.8	152.6	187.8	192.5	192.5	192.5
Foreign exchange	512.3	442.7	907.6	954.4	968.3	999.2
Foreign bills	72.5	54.8	72.0	73.8	74.9	75.5
Foreign bonds	25.2	22.6	29.4	29.4	31.5	40.0
<i>Supplementary note cover</i>	1 130.7	866.2	886.6	851.2	843.5	860.8
Inland bills discounted						
In foreign currency	122.5	39.5	52.3	52.3	38.3	35.8
In Finnish currency	140.7	98.2	137.3	134.2	135.7	140.1
Rediscounted bills	867.5	728.5	697.0	664.7	669.5	684.9
<i>Other assets</i>	707.7	454.6	583.1	561.1	576.3	509.4
Finnish bonds	370.5	312.0	352.1	343.6	360.7	286.6
Cheque accounts	4.0	5.0	3.8	3.9	3.7	10.4
Finnish coin	12.3	14.7	20.7	20.2	19.4	19.6
Other claims	320.9	122.9	206.5	193.4	192.5	192.8
Total	2 637.2	1 993.5	2 666.5	2 662.4	2 687.0	2 677.4
Liabilities						
<i>Notes in circulation</i>	1 052.1	964.9	979.1	960.9	1 001.0	947.3
<i>Liabilities payable on demand</i>	139.6	95.7	108.2	113.3	96.1	132.6
Foreign exchange accounts	74.7	49.9	67.9	67.0	68.3	73.1
Mark accounts of holders abroad	14.1	13.2	10.2	10.5	10.5	10.4
Cheque accounts						
Treasury	4.4	2.4	5.0	17.3	0.0	8.4
Post Office Savings Bank	17.2	8.1	3.9	2.8	0.1	4.9
Private banks	9.8	—	8.0	3.2	5.0	—
Other	1.8	1.9	1.8	1.2	1.1	1.6
Other sight liabilities	17.6	20.2	11.4	11.3	11.1	34.2
<i>Term liabilities</i>	553.1	246.5	716.0	723.3	726.6	740.3
Foreign	339.5	84.6	339.3	339.3	339.3	336.8
Finnish	213.6	161.9	376.7	384.0	387.3	403.5
<i>Equalization accounts</i>	422.0	232.6	381.8	382.9	380.1	373.0
<i>Bank's own funds</i>	470.4	453.8	481.4	482.0	483.2	484.2
Capital	300.0	300.0	300.0	300.0	300.0	300.0
Reserve fund	129.5	129.5	150.0	150.0	150.0	150.0
Profits undisposed	—	16.9	20.4	20.4	20.4	20.4
Earnings less expenses	40.9	7.4	11.0	11.6	12.8	13.8
Total	2 637.2	1 993.5	2 666.5	2 662.4	2 687.0	2 677.4
STATEMENT OF NOTE ISSUE						
Right of note issue						
<i>Ordinary cover</i>	798.8	672.7	1 196.8	1 250.1	1 267.2	1 307.2
<i>Supplementary cover</i> (Upper limit 500 mill. mk; since Nov. 30, 1966, 700 mill. mk)	700.0	700.0	700.0	700.0	700.0	700.0
Total	1 498.8	1 372.7	1 896.8	1 950.1	1 967.2	2 007.2
Note issue						
<i>Notes in circulation</i>	1 052.1	964.9	979.1	960.9	1 001.0	947.3
<i>Liabilities payable on demand</i>	139.6	95.7	108.2	113.3	96.1	132.6
<i>Undrawn on cheque credits</i>	3.1	3.0	3.7	3.6	3.8	3.9
<i>Unused right of note issue</i>	304.0	309.1	805.8	872.3	866.3	923.4
Total	1 498.8	1 372.7	1 896.8	1 950.1	1 967.2	2 007.2

Rediscount rate since April 28, 1962, 7 per cent.

BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net claims on the Treasury (7+8-9)
	1	2	3	4	5	6	7	8	9	10
1961	691.5	13.4	678.1	87.5	128.4	637.2	27.7	5.9	1.1	32.5
1962	637.7	17.1	620.6	67.7	114.9	573.4	—	28.9	5.5	23.4
1963	752.2	18.2	734.0	65.6	100.5	699.1	—	18.9	0.2	18.7
1964	973.4	84.7	888.7	76.3	82.8	882.2	—	8.9	5.4	3.5
1965	860.9	44.8	816.1	83.8	56.5	843.4	—	1.1	1.1	— 2.2
1966	555.9	61.2	494.7	81.3	100.8	475.2	11.5	1.1	39.8	— 29.4
1967	701.1	74.7	626.4	97.7	353.6	370.5	8.3	14.8	4.4	— 10.9
1967										
Feb.	619.5	47.2	572.3	78.6	98.0	552.9	8.3	1.1	0.3	6.9
March	595.3	49.9	545.4	77.4	97.8	525.0	8.3	1.1	2.4	4.8
April	714.6	60.8	653.8	79.5	171.9	561.4	8.3	1.1	1.3	5.9
May	699.3	60.7	638.6	75.3	171.9	542.0	8.3	1.1	4.9	2.3
June	700.6	50.8	649.8	75.2	217.5	507.5	8.3	1.1	2.3	4.9
July	772.0	51.0	721.0	77.8	217.4	581.4	8.3	1.1	4.9	2.3
Aug.	736.9	49.1	687.8	76.7	217.8	546.7	8.3	1.1	23.6	— 16.4
Sept.	780.6	53.6	727.0	77.9	293.5	511.4	8.3	1.1	1.0	6.2
Oct. 1)	984.0	64.5	919.5	106.3	377.3	648.5	8.3	1.3	10.6	— 3.6
Nov.	878.6	71.9	806.7	106.8	357.4	556.1	8.3	2.3	18.4	— 12.4
Dec.	701.1	74.7	626.4	97.7	353.6	370.5	8.3	14.8	4.4	— 10.9
1968										
Jan.	811.2	67.8	743.4	98.6	350.5	491.5	4.1	63.6	0.3	— 59.8
Feb.	996.4	66.1	930.3	98.5	349.3	679.5	4.1	118.2	2.7	— 116.8
March	1 095.4	67.9	1 027.5	101.4	349.5	779.4	4.1	164.4	5.0	— 165.3

	Foreign exchange situation, mill. mk							
	Net holdings, Dec. 30, 1967			Net holdings, March 30, 1968			Change in	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	March	Jan. - Mar.
	Gold	189	—	189	188	—	188	—	—1
Convertible currencies	458	—295	163	790	—386	404	+102	+241
Other currencies	— 21	—1	— 22	49	3	52	+18	+74
Total	626	—296	330	1 027	—383	644	+120	+314

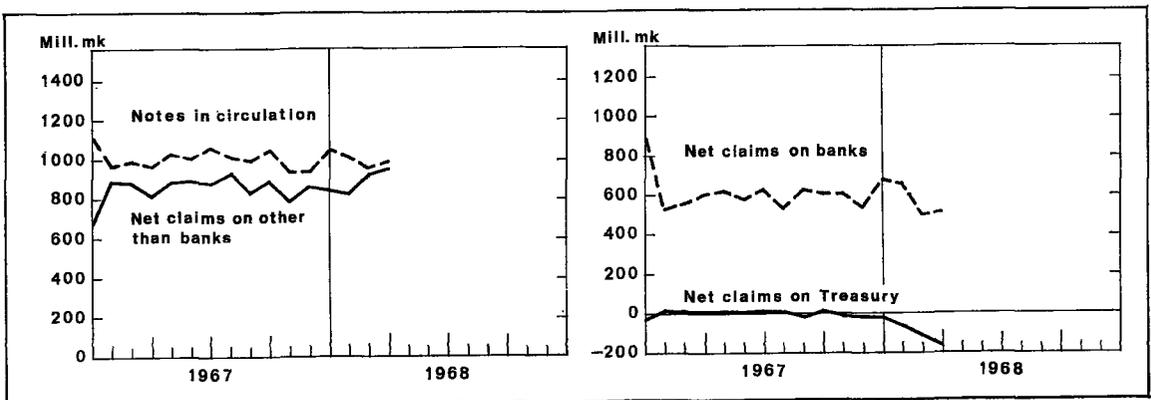
1) Subsequent figures are affected by the change in the par value of the mark from 0.27771 grams of fine gold per mark (equivalent to 3.20 marks per U.S. dollar) to 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per U.S. dollar), effective Oct. 12, 1967.

BANK OF FINLAND

Mill. mk

End of year and month	Finnish credit institutions					Other				Notes in circulation
	Rediscounted bills	Liabilities, Cheque accounts			Net claims on the banks (1-2-3-4)	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the rest of economy (6+7-8)	
		Private banks ¹⁾	Post Office Savings Bank ²⁾	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
1961	294.6	44.7	4.4	12.5	233.0	70.8	107.3	2.9	175.2	837.1
1962	401.2	— 4.0	53.3	0.8	351.1	33.5	99.6	4.1	129.0	774.4
1963	325.3	1.3	3.0	1.2	319.8	57.2	94.4	1.7	149.9	943.7
1964	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1965	640.6	11.9	8.3	0.2	620.2	26.0	121.9	31.6	116.3	1 028.5
1966	915.2	13.8	17.3	— 1.3	885.4	112.2	152.9	73.2	191.9	1 106.2
1967	867.5	154.7	34.5	+ 0.0	678.3	140.7	439.1	56.0	523.8	1 052.1
1967										
Feb.	637.9	64.5	14.7	— 0.7	559.4	88.0	152.5	55.4	185.1	991.7
March	728.5	101.4	29.7	— 1.0	598.4	98.2	158.1	59.9	196.4	964.9
April	753.2	115.6	28.8	— 1.3	610.1	107.9	155.7	60.0	203.6	1 033.5
May	774.2	120.7	75.6	— 5.0	582.9	95.8	166.8	60.8	201.8	1 010.6
June	775.1	125.4	22.7	— 1.3	628.3	82.3	203.8	58.5	227.6	1 062.1
July	761.6	79.2	143.8	+ 0.0	538.6	85.3	214.9	55.1	245.1	1 019.8
Aug.	772.6	93.7	54.2	0.1	624.6	85.1	216.8	55.5	246.4	1 000.9
Sept.	749.4	116.4	18.7	+ 0.0	614.3	97.6	214.3	58.8	253.1	1 047.9
Oct.	750.0	103.0	33.0	+ 0.0	614.0	109.2	226.8	57.5	278.5	938.6
Nov.	780.2	170.9	69.1	0.2	540.0	113.9	295.5	51.8	357.6	937.9
Dec.	867.5	154.7	34.5	+ 0.0	678.3	140.7	439.1	56.0	523.8	1 052.1
1968										
Jan.	833.9	153.9	19.5	0.1	660.4	149.3	362.3	49.8	461.8	1 010.3
Feb.	682.9	163.8	18.4	0.1	500.6	136.5	283.6	49.1	371.0	956.6
March	697.0	167.4	21.2	0.2	508.2	137.3	258.5	48.6	347.2	979.1

¹⁾ Including cash reserve accounts in 1961 and from February 1967.



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
1958	395.7	495.8	167.7	1 222.6	1 312.6	742.7	381.7	191.9	3 851.8	4 515.3
1959	557.5	678.1	140.9	1 505.5	1 525.5	860.3	431.2	219.1	4 541.9	5 360.9
1960	550.8	680.7	135.9	1 813.6	1 768.6	1 052.5	485.2	254.3	5 404.5	6 221.1
1961	577.9	720.8	143.8	2 105.9	2 079.6	1 241.0	558.2	285.3	6 270.3	7 134.9
1962	649.0	800.8	168.5	2 270.4	2 210.8	1 325.5	606.6	293.2	6 706.7	7 676.0
1963	715.3	876.0	250.3	2 441.0	2 336.6	1 448.0	648.5	310.7	7 185.0	8 311.3
1964	683.3	855.4	296.5	2 816.7	2 614.7	1 681.4	713.8	331.4	8 158.2	9 310.1
1965	665.7	843.7	309.4	3 160.1	2 954.4	1 953.5	773.2	357.2	9 198.6	10 351.7
1966	625.5	849.4	318.0	3 637.2	3 329.9	2 225.8	863.6	380.7	10 437.3	11 604.7
1967*	649.8	833.8	340.9	4 080.8	3 652.5	2 437.7	941.2	431.3	11 543.7	12 718.4
1967*										
Feb.	649.8	823.8	381.9	3 700.9	3 413.2	2 275.9	897.9	389.1	10 677.2	11 882.9
March	616.5	801.3	340.1	3 723.5	3 448.5	2 312.3	906.8	399.1	10 783.2	11 924.6
April	559.8	731.8	351.6	3 758.3	3 466.1	2 323.7	908.0	394.2	10 850.5	11 933.9
May	596.1	777.8	337.6	3 782.6	3 596.1	2 348.4	908.3	392.1	10 928.7	12 044.1
June	548.1	720.5	361.6	3 766.3	3 463.5	2 306.2	906.1	387.2	10 829.5	11 911.6
July	581.9	755.5	316.5	3 775.0	3 464.2	2 316.0	908.5	386.0	10 849.9	11 921.9
Aug.	601.9	789.1	295.9	3 808.2	3 491.9	2 328.2	910.3	385.4	10 924.2	12 009.2
Sept.	572.2	763.1	286.2	3 821.0	3 520.7	2 348.8	914.4	393.2	10 998.2	12 047.5
Oct.	708.3	910.9	312.4	3 857.1	3 522.3	2 350.2	909.9	395.9	11 035.6	12 258.9
Nov.	663.0	850.5	310.9	3 879.2	3 543.0	2 354.7	912.2	398.5	11 087.8	12 249.2
Dec.	649.8	833.8	340.9	4 080.8	3 652.5	2 437.7	941.2	431.3	11 543.7	12 718.4
1968*										
Jan.	622.3	788.2	444.8	4 049.8	3 645.9	2 432.7	954.9	422.7	11 506.3	12 739.3
Feb.	672.5	841.1	407.1	4 148.5	3 704.1	2 475.8	967.4	421.8	11 717.9	12 966.1
March	664.0	837.9	353.5	4 167.7	3 736.9	2 498.4	978.0	421.1	11 802.3	12 993.7

End of month	Index-tied deposits		High-interest deposits
	100 % clause	50 % clause	
1967*			
May	2 748.4	1.1	748.5
June	2 810.1	0.2	731.5
July	2 891.9	0.2	711.1
Aug.	2 961.7	—	699.2
Sept.	3 049.4	—	687.2
Oct.	3 529.1	—	680.0
Nov.	3 745.1	—	645.1
Dec.	4 001.2	—	612.3
1968*			
Jan.	4 272.0	—	561.9
Feb.	4 409.0	—	525.3
March	4 458.0	—	545.4

Selling rates for foreign exchange			
April 29, 1968			
		mk	mk
New York	1 \$	4.1890	Zurich 100 Fr 96.50
Montreal	1 \$	3.8830	Paris 100 FF 84.90
London	1 £	10.0400	Rome 100 Lit 0.6715
Stockholm ..	100 Kr	81.01	Vienna 100 S 16.22
Oslo	100 Kr	58.67	Lisbon 100 Esc 14.66
Copenhagen ..	100 Kr	56.20	Reykjavik 100 Kr 7.38
Frankfurt o. M.	100 DM	105.08	Madrid 100 Pta 6.03
Amsterdam ..	100 Fl	115.75	Moscow, clear. ¹⁾ 1 Rbl 4.6799
Brussels	100 Fr	8.4300	Clearing dollars ²⁾ 1 Cl \$ 4.212

¹⁾ Also Bucharest.²⁾ Berlin, Budapest, Prague, Sofia, Warsaw.

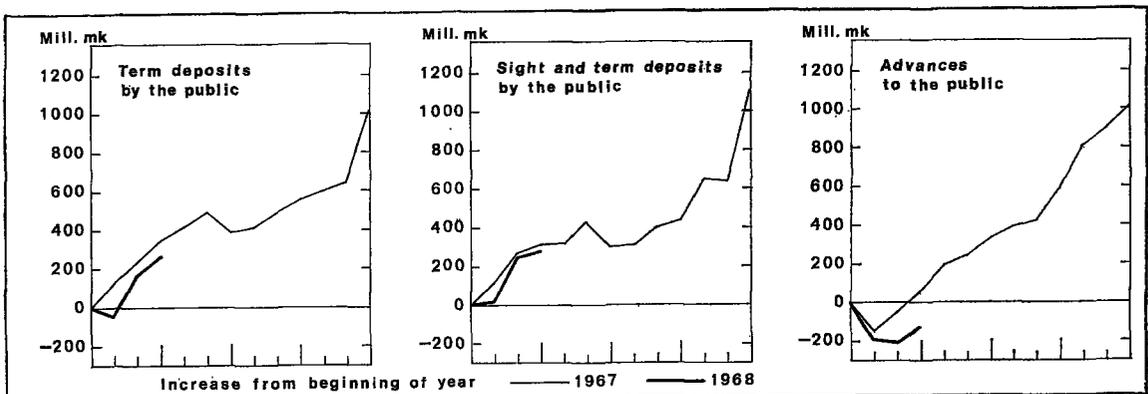
ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Post Office Savings Bank	Co-op. credit societies & their central bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1958	1 745.4	1 154.8	290.3	835.1	219.3	4 011.5	233.4	4 244.9	1 302.3
1959	2 096.9	1 327.2	331.4	967.3	325.8	4 772.7	275.9	5 048.6	1 448.4
1960	2 604.6	1 549.3	395.0	1 176.0	452.2	5 861.9	315.2	6 177.1	1 494.6
1961	3 048.0	1 817.6	436.8	1 462.7	515.2	6 928.2	352.1	7 280.3	1 646.1
1962	3 299.9	2 018.5	508.7	1 600.6	614.7	7 680.8	361.6	8 042.4	1 722.5
1963	3 472.5	2 134.5	544.0	1 757.7	664.3	8 226.2	346.8	8 573.0	1 986.5
1964	3 916.4	2 318.0	607.7	2 057.5	829.4	9 320.5	408.5	9 729.0	2 042.5
1965	4 279.6	2 609.2	716.5	2 348.4	899.4	10 439.6	413.5	10 853.1	2 085.0
1966	4 867.7	2 951.4	783.9	2 598.7	908.8	11 630.7	479.8	12 110.5	2 213.7
1967*	5 203.7	3 247.0	869.0	2 778.4	1 026.9	12 598.1	526.9	13 125.0	2 183.0
1967*									
Feb.	4 793.3	2 969.8	804.6	2 590.2	901.2	11 570.9	488.2	12 059.1	2 112.8
March	4 857.3	2 978.6	819.1	2 600.9	901.0	11 632.5	524.4	12 156.9	2 042.7
April	4 912.3	3 011.0	830.0	2 616.2	926.2	11 766.6	529.1	12 295.7	2 084.7
May	4 920.4	3 044.2	825.7	2 633.5	928.7	11 846.7	505.8	12 352.5	2 080.8
June	5 014.7	3 063.0	832.8	2 601.5	924.4	11 882.8	553.6	12 436.4	2 105.1
July	5 028.9	3 092.9	838.8	2 614.8	924.7	11 970.8	529.3	12 500.1	2 035.9
Aug.	5 012.4	3 121.5	851.9	2 636.4	921.0	12 031.8	511.4	12 543.2	2 039.5
Sept.	5 083.9	3 163.3	860.6	2 677.0	918.2	12 150.6	552.4	12 703.0	2 016.1
Oct. 1)	5 073.5	3 206.2	859.6	2 740.9	1 043.8	12 443.0	481.0	12 924.0	2 075.6
Nov.	5 114.3	3 238.7	861.0	2 764.8	1 033.6	12 504.5	507.9	13 012.4	2 059.7
Dec.	5 203.7	3 247.0	869.0	2 778.4	1 026.9	12 598.1	526.9	13 125.0	2 183.0
1968*									
Jan.	5 140.2	3 242.5	876.0	2 648.7 ²⁾	1 026.1	12 437.6	495.9	12 933.5	2 201.7
Feb.	5 130.9	3 242.3	890.8	2 632.7	1 019.0	12 413.6	502.1	12 915.7	2 173.7
March	5 201.6	3 241.8	903.8	2 629.7	1 017.3	12 441.3	552.9	12 994.2	2 150.2

1) See footnote on page 4.

2) New series.



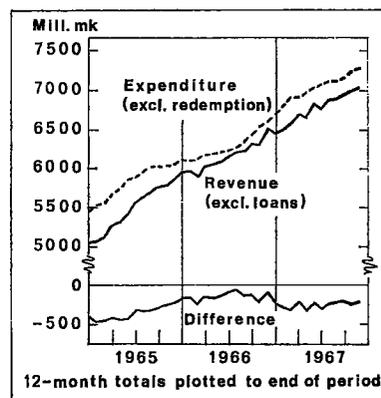
STATE FINANCES

Mill. mk

Revenue	Jan.—Nov.		Expenditure	Jan.—Nov.	
	1966	1967		1966	1967
Income and property tax (net)	1 632	1 817	Interest on State debt	161	195
Gross receipts	(3 812)	(4 374)	Child allowances	299	309
Refunds and communal income tax	(-2 180)	(-2 557)	The State's share in national pensions	251	278
Other direct taxes	31	33	The State's share in national health insurance	57	43
Sales tax	1 278	1 497	Compensations to war-disabled	135	148
Import duties	466	431	Subsidies	546	556
Revenue from Alcohol Monopoly ..	434	477	Net payments of price equalization	54	70
Excise duty on tobacco	339	396	State aid to agriculture	53	40
Excise duty on liquid fuel	407	438	State aid to communal and private schools	499	574
Other excise duties	96	133	Net loss of State enterprises	67	74
Tax on automobiles and motor cycles	157	165	Maintenance of roads	154	163
Tax on motor vehicles	47	54	Other current expenditure	2 153	..
Stamp duties	156	163	Current expenditure	4 429	..
Employers' payments for child allowances	402	435	Real investments ¹⁾	1 036	1 003
Other revenue similar to taxes	81	92	Other capital expenditure	617	..
Total taxes	5 526	6 131	Capital expenditure	1 653	..
Interest and dividends	90	105	Total expenditure	6 082	6 656
Other current revenue	242	230	Redemption of external loans	81	60
Current revenue	5 858	6 466	Redemption of internal loans	287	395
Capital revenue proper	144	152	Redemption of indemnity bonds etc.	1	1
Decrease in inventories	39	11	Index premiums	15	16
Capital revenue	183	163	Redemptions	384	472
Total revenue	6 041	6 629	Total	6 466	7 128
External loans	70	149			
Internal loans	607	425			
Loans	677	574			
Short-term credit (increase +) ..	-314	-6			
Deficit (+) or surplus (-)	+ 62	-69			
Total	6 466	7 128			

¹⁾ According to the calculations by the Economic Department of the Ministry of Finance.

Debt	1966			1967			1968		
	Dec.	Nov.	Dec.*	Jan.*	Feb.*	March*	Jan.*	Feb.*	March*
External debt	1 337	1 869	1 844	1 845	1 839	1 820			
Ordinary loans	1 980	2 010	2 016	1 970	1 969	1 962			
Indemnity bonds etc.	93	2	2	2	2	2			
Short-term credit ..	95	109	160	..	..	..
Cash debt (net)	-119	-187	..	..	..	..
Internal debt	2 049	1 934	..	..	..	..
Total debt	3 386	3 803	..	..	..	..
Total debt, mill. \$	1 050	905	..	..	..	..



BALANCE OF PAYMENTS

Mill. mk

Period	Exports f.o.b.	Imports c.i.f.	Trade balance	Transportation, net	Travel, net	Other services, net	Balance of goods and services	Investment income, net	Transfer payments, net	Balance of current transactions
1962	3 515	3 948	-433	+201	-112	+ 71	-273	- 47	+ 5	-315
1963	3 658	3 878	-220	+220	-100	+ 74	- 26	- 70	+ 6	- 90
1964	4 109	4 831	-722	+306	-115	+ 42	-489	-101	+ 3	-587
1965	4 542	5 287	-745	+318	-108	+ 21	-514	-131	+ 15	-630
1966	4 784	5 542	-758	+326	- 96	+ 12	-516	-150	+ 3	-663
1967*	5 196	5 812	-616	+353	- 88	- 7	-358	-204	+ 0	-562
Jan.-Mar.										
1965	924	1 246	-322	+ 58	- 23	+ 15	-272	- 31	+ 1	-302
1966	879	1 247	-368	+ 66	- 23	+ 10	-315	- 38	+ 0	-353
1967	1 088	1 347	-259	+ 91	- 24	- 2	-194	- 57	- 1	-252
Apr.-June										
1965	1 141	1 406	-265	+ 90	- 34	+ 12	-197	- 31	+ 3	-225
1966	1 247	1 397	-150	+108	- 31	- 8	- 81	- 36	- 2	-119
1967	1 242	1 398	-156	+ 90	- 34	+ 6	- 94	- 39	+ 1	-132
July-Sept.										
1965	1 210	1 281	- 71	+ 85	- 25	+ 13	+ 2	- 25	+ 0	- 23
1966	1 275	1 359	- 84	+ 67	- 17	+ 1	- 33	- 40	+ 2	- 71
1967	1 241	1 256	- 15	+107	- 18	- 3	+ 71	- 63	+ 3	+ 11
Oct.-Dec.										
1965	1 267	1 354	- 87	+ 85	- 26	- 19	- 47	- 44	+ 11	- 80
1966	1 383	1 539	-156	+ 85	- 25	+ 9	- 87	- 36	+ 3	-120
1967*	1 625	1 811	-186	+ 65	- 12	- 8	-141	- 45	- 3	-189

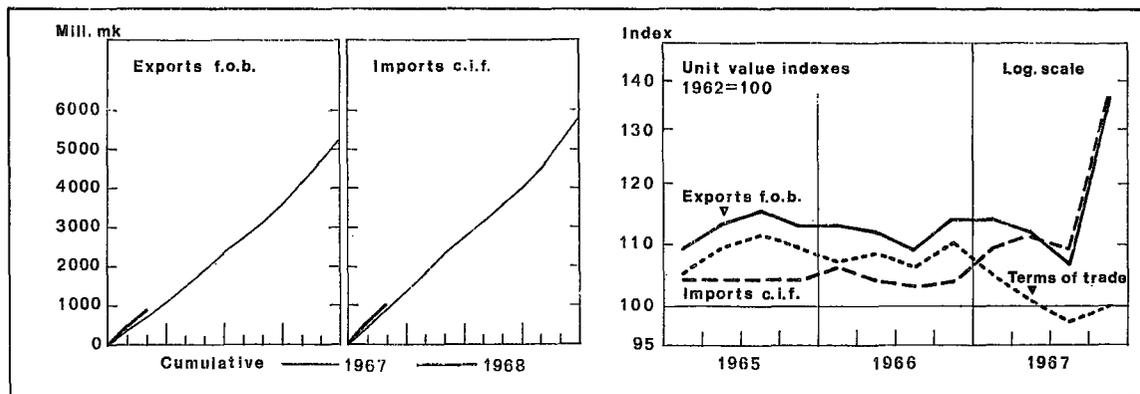
Period	Drawings of long-term loans	Amortiza- tions of long-term loans	Long- term export credits, net	Miscella- neous long-term capital items, net ¹⁾	Basic balance	Short-term import credits and pre- payments, net	Short-term export credits and pre- payments, net	Miscella- neous short- term capital items incl. errors and omissions	Over-all balance	Reserve movements	
										Bank of Finland	Other foreign exchange holders
1962	+271	-134	..	- 9	-187	- 74	- 43	+261	- 43	+ 43	..
1963	+513	-164	..	- 23	+236	-109	- 22	+ 7	+112	-112	..
1964	+762	-228	- 31	- 11	- 95	+112	+ 55	+107	+179	-179	..
1965	+434	-273	- 66	+ 3	-532	+146	+ 34	+ 69	-283	+202	+ 81
1966	+518	-271	- 61	- 32	-509	+ 53	-114	+215	-355	+321	+ 34
1967*	+910	-406	- 33	+ 8	- 83	-112	- 56	+143	-108	+ 84	+ 24
Jan.-Mar.											
1965	+121	- 79	- 2	+ 3	-259	+ 51	+137	+ 1	- 70	+ 86	- 16
1966	+ 89	- 60	+ 2	- 15	-337	+ 43	+243	+ 18	- 33	+ 38	- 5
1967	+192	- 66	+ 12	+ 5	-109	- 48	+ 85	+ 81	+ 9	- 50	+ 41
Apr.-June											
1965	+ 84	- 49	- 16	+ 5	-201	+108	- 48	+ 7	-134	+170	- 36
1966	+116	- 52	- 36	+ 3	- 88	+ 19	-114	+ 69	-114	+121	- 7
1967	+315	- 62	+ 2	+ 4	+127	+ 44	+ 71	-162	+ 80	-105	+ 25
July-Sept.											
1965	+ 55	- 88	+ 2	- 6	- 60	+ 25	- 70	+ 29	- 76	+ 39	+ 37
1966	+111	- 67	- 9	+ 20	- 16	- 3	-121	+ 49	- 91	+ 45	+ 46
1967	+251	- 92	- 13	+ 4	+161	- 95	- 53	+ 45	+ 58	- 77	+ 19
Oct.-Dec.											
1965	+174	- 57	- 50	+ 1	- 12	- 38	+ 15	+ 32	- 3	- 93	+ 96
1966	+202	- 92	- 18	- 40	- 68	- 6	-122	+ 79	-117	+117	± 0
1967*	+152	-186	- 34	- 5	-262	- 13	-159	+179	-255	+316	- 61

Assets: increase —, decrease +. Liabilities: increase +, decrease —.

¹⁾ Including Direct investment net.

FOREIGN TRADE

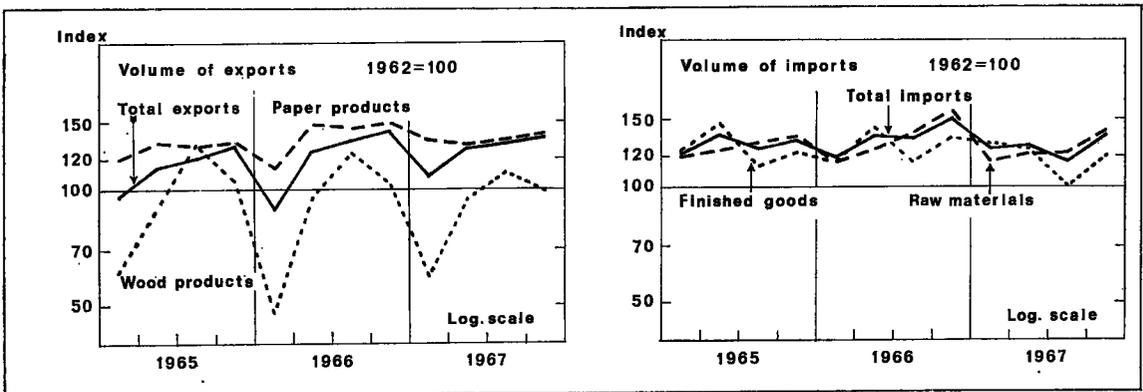
Period	Value mill. mk			Unit value indexes 1962 = 100						
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
1963	3 678.0	3 866.9	-188.9	102	96	104	100	105	101	101
1964	4 131.9	4 816.5	-684.6	108	109	111	104	113	103	105
1965	4 566.0	5 265.1	-699.1	113	115	123	106	119	104	109
1966	4 816.9	5 524.4	-707.5	112	112	122	105	119	104	108
1967*	5 230.3	5 794.4	-564.1	116	112	124	111	119	114	102
Jan.-Feb.										
1966	538.6	797.3	-258.7							
1967*	709.0	911.1	-202.1							
1968*	857.6	999.7	-142.1							
1967*										
Jan.	365.1	467.7	-102.6	114	108	119	106	130	109	105
Feb.	343.9	443.4	-99.5							
March	378.5	434.0	-55.5							
April	397.4	487.3	-89.9	112	110	118	106	120	111	101
May	404.4	481.9	-77.5							
June	457.5	421.8	+35.7							
July	372.8	400.7	-27.9	107	109	118	106	101	109	98
Aug.	411.3	430.7	-19.4							
Sept.	465.6	420.3	+45.3							
Oct.	561.6	541.5	+20.1	136	134	140	127	153	136	100
Nov.	529.9	615.8	-85.9							
Dec.	542.3	649.3	-107.0							
1968*										
Jan.	458.6	534.3	-75.7							
Feb.	399.0	465.4	-66.4							



FOREIGN TRADE BY MAIN GROUPS

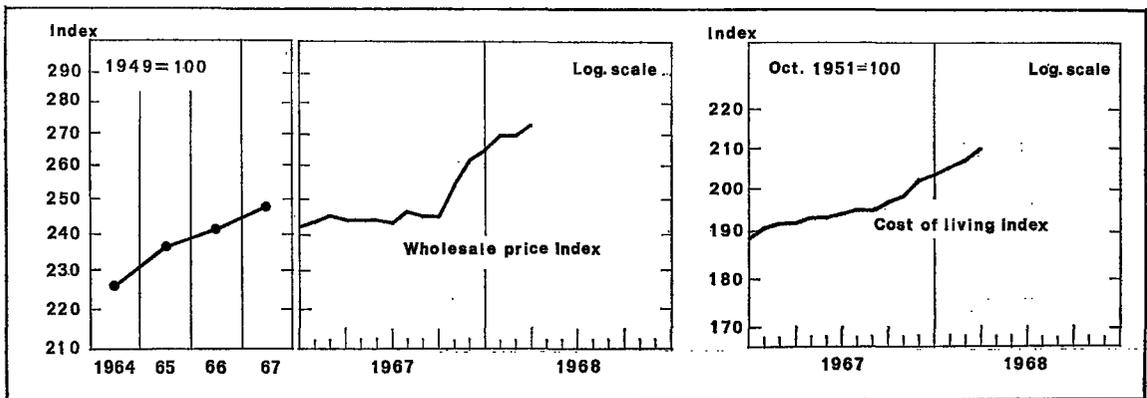
Mill. mk

Period	Exports, f.o.b.						Imports, c.i.f.			
	Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods	
									Investment goods	Consumer goods
1963	164.8	112.8	811.8	1 752.2	613.8	222.6	1 827.5	373.3	1 004.3	661.8
1964	230.4	89.8	895.8	2 019.5	610.3	286.1	2 110.7	508.4	1 396.2	801.2
1965	251.8	60.3	919.8	2 165.6	800.3	368.2	2 362.4	514.7	1 511.4	876.6
1966	264.0	59.0	863.5	2 297.0	877.2	456.2	2 450.5	589.8	1 448.5	1 035.6
1967*	261.4	54.3	865.7	2 384.5	1 079.7	584.7	2 545.9	668.2	1 462.8	1 117.5
Jan.-Feb.										
1966	50.3	4.6	85.3	286.3	66.6	45.5	362.2	79.8	204.5	150.8
1967*	41.7	4.3	93.5	369.1	133.1	67.3	379.8	100.9	248.6	181.8
1968*	42.3	5.1	107.9	407.1	197.1	98.1	441.3	150.3	203.8	204.3
1967*										
Jan.	30.1	2.2	52.5	188.6	58.7	33.0	203.0	62.4	114.5	87.8
Feb.	11.6	2.2	41.0	180.5	74.4	34.2	176.9	38.5	134.0	94.0
March	15.6	3.2	41.5	199.0	79.0	40.2	176.8	41.4	121.8	94.0
April	30.9	5.8	56.9	187.1	72.1	44.6	203.1	54.6	128.7	100.9
May	15.0	5.2	71.6	190.0	78.1	44.5	212.2	49.0	129.7	91.0
June	24.6	5.0	85.6	175.7	118.5	48.1	184.6	46.3	120.6	70.3
July	12.6	5.2	85.2	177.9	61.4	30.5	181.6	47.8	105.1	66.2
Aug.	14.4	7.9	88.1	189.1	58.7	53.1	203.6	53.1	88.8	85.2
Sept.	19.7	4.9	76.5	194.5	112.1	57.9	194.1	51.8	94.6	79.8
Oct.	25.4	5.5	91.5	228.0	137.6	73.6	252.7	61.3	119.2	108.3
Nov.	19.5	4.1	96.3	231.1	120.2	58.7	289.0	86.1	119.0	121.7
Dec.	42.0	3.1	79.0	243.0	108.9	66.3	268.3	75.9	186.8	118.3
1968*										
Jan.	28.8	4.0	66.2	205.4	105.7	48.5	236.1	96.0	103.4	98.8
Feb.	13.5	1.1	41.7	201.7	91.4	49.6	205.2	54.3	100.4	105.5



FOREIGN TRADE BY COUNTRIES

Area and country	Exports, f.o.b.					Imports, c.i.f.				
	Whole year		Jan.-Feb.			Whole year		Jan.-Feb.		
	1966	1967*	1967*	1968*		1966	1967*	1967*	1968*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	22.6	22.8	21.5	22.9	196.6	16.6	15.8	15.0	13.3	133.3
United Kingdom	20.5	20.9	19.5	21.3	182.8	16.1	15.2	14.5	13.0	130.1
Other OECD countries										
in Europe	46.7	44.0	45.8	50.7	434.5	53.8	53.9	55.8	54.5	544.7
Austria	0.4	0.5	0.5	0.5	4.6	0.9	1.0	0.8	1.1	10.5
Belgium-Luxembourg	3.1	2.6	2.2	2.3	19.6	1.9	2.0	1.9	2.0	20.1
Denmark	3.5	3.8	3.8	3.6	30.5	3.5	3.3	3.0	3.6	36.1
France	4.5	4.3	4.7	4.5	38.0	4.3	3.7	5.5	3.6	36.2
Western Germany	11.0	8.6	9.1	9.8	84.1	17.0	16.2	17.2	15.2	152.9
Italy	3.0	3.1	3.6	2.9	25.0	2.0	2.0	2.3	2.2	21.8
Netherlands	5.8	5.1	5.9	5.3	45.4	3.6	3.8	3.8	3.4	33.8
Norway	1.9	2.4	2.0	6.3	54.0	2.1	2.3	1.9	2.4	24.0
Portugal	0.4	0.2	0.3	0.3	2.4	0.3	0.4	0.5	0.6	5.6
Spain	1.2	1.0	1.1	0.7	6.2	0.4	0.4	0.7	0.5	5.3
Sweden	8.8	9.7	9.7	11.0	94.3	14.1	15.4	14.6	15.9	159.3
Switzerland	0.9	1.0	1.0	1.5	13.1	3.1	3.0	3.1	3.4	33.5
Eastern Bloc	18.7	21.2	21.3	14.9	127.9	19.8	20.4	20.7	22.9	228.9
China	0.6	0.8	0.2	0.1	1.0	0.5	0.6	0.7	0.2	2.0
Czechoslovakia	0.8	0.5	0.5	0.4	3.2	0.6	0.6	0.5	0.9	9.1
Eastern Germany	1.0	0.7	0.7	0.6	4.8	0.9	0.9	0.8	1.0	9.5
Poland	1.4	1.3	1.1	0.6	5.1	1.6	1.5	1.1	1.1	11.1
Soviet Union	14.1	17.1	17.9	12.4	106.9	15.5	16.1	17.0	18.8	188.6
U.S. and Canada	6.6	6.0	6.3	6.4	55.2	4.9	4.2	4.4	4.4	43.8
United States	6.4	5.8	6.2	6.2	53.7	4.5	3.9	3.8	4.2	41.8
Latin America	2.9	2.9	2.5	3.0	25.4	2.7	2.7	1.8	2.3	22.9
Argentina	1.0	1.0	0.8	0.7	6.1	0.3	0.2	0.0	0.0	0.4
Brazil	0.4	0.7	0.5	0.7	5.7	1.2	1.1	0.9	1.3	12.6
Colombia	0.6	0.3	0.2	0.4	3.5	0.7	0.8	0.5	0.6	6.2
Other	2.5	3.1	2.6	2.1	18.0	2.2	3.0	2.3	2.6	26.1
Grand total	100.0	100.0	100.0	100.0	857.6	100.0	100.0	100.0	100.0	999.7
of which										
EFTA countries	36.4	38.5	36.9	44.5	381.6	40.0	40.6	38.4	39.9	399.2
EEC countries	27.5	23.5	25.5	24.7	212.1	28.8	27.7	30.7	26.5	264.9



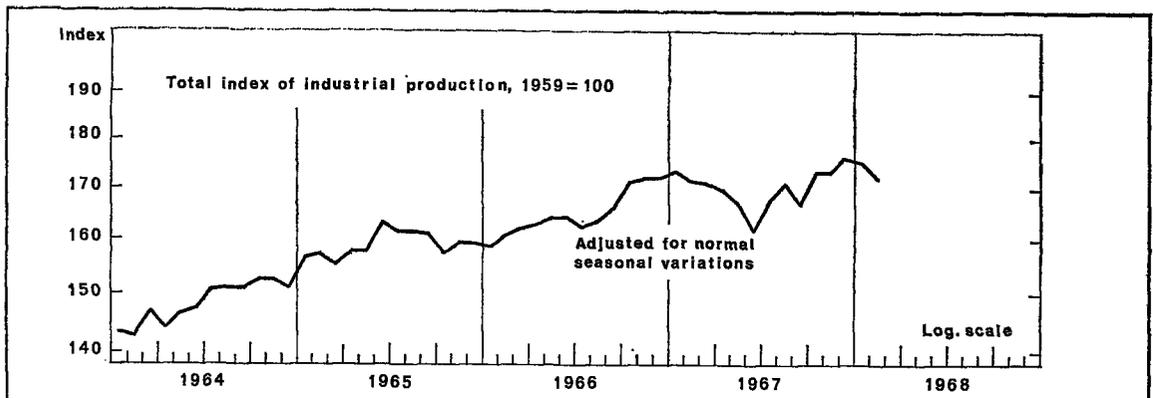
PRICE INDEXES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply processed goods	More elab- orately processed goods			
1965	236	242	214	241	224	232	266	228	223	105	106	104
1966	241	247	216	245	228	238	271	233	228	108	112	104
1967	248	254	225	246	241	253	276	236	240	114	121	107
1967												
March	244	251	216	243	233	248	273	232	235	112	119	106
April	244	251	216	242	236	248	271	231	235	112	119	105
May	244	251	216	242	236	248	273	230	235	112	119	105
June	243	250	217	242	236	247	271	231	234	114	123	106
July	246	254	216	241	235	254	279	230	236	114	123	106
Aug.	245	253	216	241	235	254	277	230	236	114	123	106
Sept.	245	252	216	241	235	252	272	234	236	114	123	105
Oct.	254	257	242	251	254	259	282	242	246	117	123	109
Nov.	262	264	256	260	262	265	285	252	255	119	123	111
Dec.	264	265	258	262	266	266	285	254	258	120	123	112
1968												
Jan.	269	272	258	265	273	273	294	257	262	124	130	113
Feb.	269	273	257	265	273	274	290	257	265	124	130	113
March	273	277	256	267	276	279	295	262	266	125	130	114

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
1965	178	195	377	115	109	173	140	144	140	111	135	141
1966	185	202	392	119	111	182	145	149	145	116	138	148
1967	195	212	408	130	115	196	153	156	151	126	143	160
1967												
March	192	206	403	128	115	194	151	152	149	125	143	158
April	193	207	403	129	115	194	151	152	149	125	143	158
May	193	209	403	129	115	195	152	153	149	125	143	159
June	194	210	403	129	115	194	152	154	149	125	143	158
July	195	212	407	129	115	195	153	156	151	126	143	159
Aug.	195	212	407	130	115	195	153	156	151	126	143	159
Sept.	197	216	407	130	116	196	154	159	151	126	143	160
Oct.	198	217	419	130	116	197	156	159	155	126	144	161
Nov.	202	223	419	132	117	202	159	164	155	128	146	164
Dec.	203	222	419	140	118	203	159	163	155	136	147	165
1968												
Jan.	205	223	424	141	120	207	161	164	157	137	149	169
Feb.	207	224	424	142	121	208	162	165	157	138	150	170
March	210	231	424	142	124	210	165	169	157	138	154	172

PRODUCTION—INTERNAL TRADE

Period	Index of industrial production 1959 = 100									Commercial timber fellings 1 000 piled cu. m	Wholesale trade volume index 1954 = 100
	Total	Invest- ment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					Wood industry	Paper industry	Metal industry	Other			
1965	159	160	166	142	133	182	161	152	159	51 905	170
1966	166	159	173	154	118	191	162	165	165	46 507	174
1967*	170	165	176	162	119	189	163	171	170	44 963	181
1966											
Sept.	178	173	184	168	121	206	176	177	166	2 630	199
Oct.	186	176	196	169	111	215	181	189	172	3 116	188
Nov.	182	176	191	167	104	208	181	186	172	3 048	188
Dec.	168	168	176	151	107	186	169	168	172	3 688	200
1967*											
Jan.	176	173	185	161	111	203	174	173	173	3 835	140
Feb.	170	175	176	159	130	187	175	166	171	5 079	161
March	174	181	180	165	134	196	177	168	171	5 029	177
April	181	177	187	170	140	205	175	182	170	4 492	191
May	171	168	176	165	136	186	169	171	167	9 435	190
June	157	159	156	160	107	157	157	163	162	2 148	175
July	123	80	136	111	92	185	76	124	167	955	159
Aug.	173	154	177	174	113	196	155	182	171	1 978	189
Sept.	176	170	181	171	117	197	168	180	167	2 488	197
Oct.	190	191	194	182	120	202	187	196	173	3 166	223
Nov.	184	184	192	171	122	188	183	190	173	2 969	184
Dec.	164	168	171	149	108	171	165	162	176	3 389	182
1968*											
Jan.	180	176	187	167	119	201	177	174	175	3 509	137
Feb.	178	178	186	163	133	200	179	172	172	4 977	158

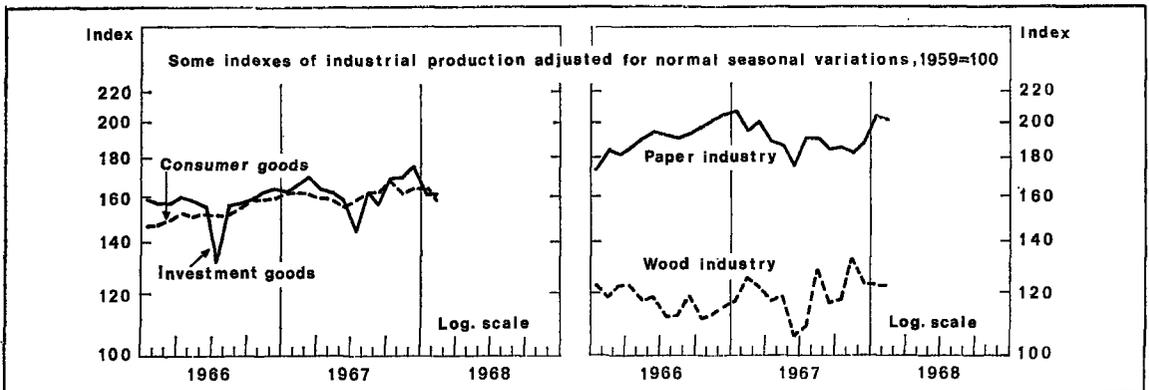


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

BUILDING — WAGES — TRANSPORT — EMPLOYMENT

Period	Buildings completed, mill. cu. m					Buildings under construction at end of period mill. cu. m	Index of salary and wage earners' earnings 1957 = 100			
	Total	Dwelling houses	Farm buildings	Commercial and industrial premises	Official buildings		All salary and wage earners	Wage earners in		
								Agriculture	Forestry	Manufacturing
1964	24.59	10.57	2.43	7.61	2.80	28.75	164	154	172	162
1965	27.04	10.96	2.58	9.20	3.12	31.31	180	177	192	176
1966	26.54	11.26	2.80	8.19	3.00	36.34	192	197	200	190
1967*	..	..	..	..	..	..	207	215	217	207
1966										
July-Sept.	7.15	2.36	0.99	2.09	1.20	38.83	198	197	215	195
Oct.-Dec.	9.92	4.61	1.16	2.91	0.83	35.40	198	200	207	195
1967*										
Jan.-Mar.	6.12	2.47	0.31	2.66	0.50	32.67	201	207	196	201
Apr.-June	..	..	..	..	..	..	207	216	230	206
July-Sept.	..	..	..	..	..	..	209	213	229	210
Oct.-Dec.	..	..	..	..	..	..	210	222	232	210

Period	Railways		Foreign shipping				Labour input		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed		1 000 man-months		% of total labour force	
	1967	1968*	1967*	1968*	1967*	1968*	1966	1967*	1966	1967*
Jan.	123	114	840	885	692	772	1 896	1 846	2.2	3.1
Feb.	125	115	615	723	502	603	1 869	1 836	2.4	3.1
March	133	129	756	777	627	687	1 877	1 824	2.1	2.6
April	140		834		676		1 905	1 848	2.0	2.5
May	129		1 119		972		1 953	1 918	1.3	2.1
June	124		1 386		1 240		1 905	1 883	1.0	2.1
July	116		1 511		1 390		1 728	1 656	0.9	2.2
Aug.	130		1 436		1 371		1 833	1 791	1.1	2.4
Sept.	126		1 240		1 063		1 969	1 880	1.0	2.6
Oct.	136		1 169		936		1 955	1 906	1.4	3.3
Nov.	127		1 090		897		1 955	1 889	1.5	3.9
Dec.	105		1 039		870		1 912	1 835	2.0	4.3



EXPLANATIONS RELATING TO THE STATISTICAL SECTION

PRE-1963 VALUES ARE GIVEN IN THE NEW MONETARY UNIT, ONE NEW MARK BEING EQUIVALENT TO ONE HUNDRED OF THE OLD MARKS.

BANK OF FINLAND

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

Page 4. Since Dec. 31, 1965 *Gold and foreign exchange* = Gold (valued on basis of the par value of the mark) + IMF gold tranche + Foreign exchange. *Other foreign assets* = Foreign bills + Foreign bonds. *Other foreign liabilities* = Mark accounts of holders abroad + Foreign term liabilities. *Treasury bills and bonds*: Including Treasury bond loan + Treasury bill covering certain IMF and IBRD accounts (included in Other claims). *Other claims, net* — Advances for stand-by stocks — Finnish term liabilities (Treasury). *Foreign exchange situation*: Gold holdings are valued on basis of the par value of the mark. Gold tranche position measures that part of Finland's quota which may be drawn essentially automatically in convertible exchange against payment in marks.

Page 5. *Other advances* = Inland bills in foreign currency + Cheque accounts (assets) + Other claims excl. Treasury's IMF and IBRD bill and Advances for stand-by stocks. *Liabilities* = Other cheque accounts + Other sight liabilities + Other Finnish term liabilities — Account of the Mortgage Bank of Finland Oy. — Cash reserve accounts. — *Diagrams*. Left: *Net claims on other than banks* = Net foreign assets + Net claims on the Treasury + Net claims on the rest of economy + Finnish bonds + Finnish coin — Equalization accounts = Notes in circulation + Bank's own funds — Net claims on the banks.

DEPOSITS BY THE PUBLIC — ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

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

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

STATE FINANCES

Page 8. Official monthly figures adjusted by the Bank of Finland Institute for Economic Research. *Revenue and expenditure*: All extra-budgetary funds are included, and figures are reported on a payment basis. — Annual figures will be published in separate articles. *Debt*: Index-tied bond loans are given at their nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to the Post Office Savings Bank minus cash holdings (net) of State departments. In principle, the change in this item = surplus (deficit) in the table on revenue and expenditure. The small divergence is due to the fact that the adjustment of the monthly figures is not as accurate as that of the annual (December) figures.

BALANCE OF PAYMENTS

Page 9. Figures are calculated by the Bank of Finland Institute for Economic Research. In addition to the Board of Customs figures, exports include grants in kind but exclude stevedoring expenses and imports include seamen's duty-free imports, non-monetary gold, grants in kind and adjusted allowance for smuggling.

FOREIGN TRADE

Pages 10—12. Figures supplied by the Board of Customs. *The unit value indexes* (p. 10): The indexes are calculated according to the Laspeyres formula. At the end of the year the arithmetic mean of the Laspeyres indexes corresponds to the annual level of the Fisher index formula. Seasonal variations are not eliminated. Terms of trade: the ratio of export indexes to import indexes. *Foreign trade by countries* (p. 12): imports by countries of purchase, exports by countries of sale.

PRICE INDEXES

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

PRODUCTION — INTERNAL TRADE

Page 14. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the international nomenclature (ISIC). The seasonally adjusted series is calculated by the Bank of Finland Institute for Economic Research on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: investment goods weight 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indexes: wood industry ISIC no. 25, weight 6.6, paper industry no. 27, weight 13.1, metal industry nos. 34—38, weight 23.5, and other manufactures nos. 20—24, 26, 28—33, 39, weight 44.0. *Commercial timber fellings* calculated by the Ministry of Communications and Public Works. Beginning June 1964 an additional series has been collected by a new sample method. As the compilation of old series has been ended, the figures since July 1965 have been calculated by extrapolating the level of old series with the percentage changes of the new series. These calculations have been made by the Bank of Finland Institute for Economic Research. *Wholesale trade volume index* calculated by the Ministry of Finance.

BUILDING — WAGES — EMPLOYMENT — TRANSPORT

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

SYMBOLS USED

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

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1154 to 1809 Finland formed a part of the kingdom of Sweden. It then became an autonomous Grand Duchy connected with Russia until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current period, March 1, 1968, to March 1, 1974, is Urho Kekkonen.

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1966 were as follows, numbers in brackets indicating present state of parties: Social Democrats 55, Centre Party 49 (50), People's Democrats 41 (42), Conservatives 26, Swedish Party 12, Liberal Party 9 (8), Social Democratic League 7 (6) and Finnish Farmers' Party 1.

LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. On an average 15.8 % of the land in the South of Finland is cultivated (1960), 2.3 % in the North and 9.2 % of the land as a whole. Of the land area 21.8 mill. ha (53.9 mill. acres), or 71.3 %, are covered by forests.

OWNERSHIP OF LAND (1960): The total land area was distributed among different classes of owners approximately as follows: private 60.9 %, State 31.8 %, joint stock companies etc. 5.6 %, municipalities and parishes 1.7 %

POPULATION

NUMBER OF INHABITANTS (1966): 4.6 million. Sweden 7.8, Switzerland 6.0, Denmark 4.8 and Norway 3.8 million.

DENSITY OF POPULATION (1967): In South Finland 26.0, in North Finland 4.3 and in the whole country an average of 15.3 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1967): 52 % of the population inhabit the rural areas, 48 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 528 300 inhabitants, Tampere (Tammerfors) 150 200, Turku (Åbo) 148 100.

OCCUPATIONS (1960): Agriculture and forestry 32 %, industry and construction 31 %, commerce 9 %, transport and communications 7 %, services 11 %, economically inactive independent persons 11 %.

LANGUAGE (1960): Finnish speaking 92.4 %, Swedish speaking 7.4 %, others 0.2 %.

EDUCATION (1967): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 6 colleges of university standard, and 2 teacher training colleges, besides teacher training departments in two of the universities.

INCREASE OF POPULATION (1966): births 16.7 ‰, deaths 9.4 ‰, increase 5.4 ‰. Deaths in France 10.7 ‰ and Great Britain 11.8 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1966, in million marks) Gross domestic product at factor cost by industrial origin: agriculture 2 144 (9 %), forestry and fishing 1 843 (8 %), manufacturing 7 203 (29 %), construction 2 406 (10 %), transport and communication 1 798 (7 %), commerce, banking and insurance 3 263 (13 %), public administration 1 073 (4 %), other services 4 898 (20 %), total 24 628. Index of real domestic product 170 (1954 = 100).

FOREST RESOURCES (1960—1963): The growing stock comprised 1 410 million of solid cu. m incl. bark (49 797 million

cu. ft.), of which pine 43 % and spruce 38 %, the rest 19 % being leaf-trees, chiefly birch. Of the growing stock 13 300 million cu. ft, 56 % of them pine, was up to the standard required for logs. The annual growth is 43 million solid cu. m green wood excl. bark (1 519 mill. cu. ft.). The total removal in 1963 calculated according to the use of wood was 51 million cu. m excl. bark (1 815 million cu. ft.).

AGRICULTURE (1960): Cultivated land 2.6 million hectares of which holdings of less than 5 ha. amount to 17 %, 5 to 15 ha. 48 %, 15 to 50 ha. 30 % and more than 50 ha. 5 %. Number of holdings 388 000, of which 184 000 are of more than 5 ha. Index of agricultural production 137 for 1965 (1954 = 100). Measure of self-sufficiency in bread cereals 91 % in the crop year 1964/65.

INDUSTRY (1965): Gross value of industrial production 19 400 mill. marks, number of workers 352 500, salaried employees 80 800, motive power (1965) 4.0 mill. kW. Index of industrial production 159 for 1965 (1959 = 100).

RAILWAYS (Jan. 1, 1968): Length 5 636 km, of which 5 607 km are State and 29 km private railways.

MERCHANT FLEET (March 31, 1968): Steamers 90 (146 266 gross reg. tons), motor vessels 413 (943 974 gross reg. tons), sailing vessels with auxiliary engines 17 (2 448 gross reg. tons). Total 520 (1 092 688 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1967): Passenger cars 551 200, lorries and vans 92 900, buses 7 400, others 4 200. Total 655 700.

SCHEDULED AIR TRAFFIC OF FINNISH COMPANIES (1967): Kilometres flown 15.7 million, passengers carried 897 605, passenger kilometres 455.0 million, and ton kilometres of freight and mail 7.5 million.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). From Oct. 12, 1967, the par value of the mark has been changed from 0.27771 grams of fine gold per mark (equivalent to 3.20 marks per U.S. dollar) to 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per U.S. dollar). Finland has been a member of the International Monetary Fund since 1948.

MUNICIPAL FINANCES. In the finance accounts for 1966 expenditure amounted to 4 115 mill. marks. Total revenue was 4 141 million, of which income from taxation 2 133 million. The municipal income tax (non-progressive) averaged 12.45 % of the ratepayers' taxable income.

THE CENTRAL BANK. The Bank of Finland functions under the guarantee and supervision of Parliament. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1967). There are two big and four small commercial banks with in all 809 offices, 353 savings banks, 479 cooperative credit societies and their central bank, six mortgage societies, and POSB. The savings departments of the cooperative stores accept deposits from the public. The National Pension Institute and sixty-four private insurance companies also grant credits.

RATES OF INTEREST (June 1, 1966). Bank of Finland discount rates 6—7 ½ %. Other credit institutions: term deposits 4 ½ %, 12 months' deposits 6 %, 100 per cent index-tied deposits 3 %, 50 per cent index-tied deposits 4 %; highest lending rate 10 %.

FINLAND'S FOREIGN TRADE IN 1967

BY

RALF PAULI, Mag. Pol.

FELLOW OF THE BANK OF FINLAND INSTITUTE FOR ECONOMIC RESEARCH

INTERNATIONAL BACKGROUND

In 1967 the rate of growth of GNP in industrial countries was the slowest since the recession in 1958, averaging only 2 per cent in the West European countries. Economic activity in Western Europe was characterized by unemployment and by the stagnation of productive investment.

The behaviour of individual countries was, however, very divergent. Of the two most important Western export markets for Finland, the growth of GNP declined further in the UK and ceased altogether in Western Germany. In France and Italy the growth of GNP remained on a relatively high level, 4 and 5 per cent respectively, while in the Scandinavian countries and the Netherlands there was a slight increase in growth. In the United States a faster rate of growth was resumed in the last two quarters of the year, but the increase in the GNP over the year as a whole was not more than 2.5 per cent as against 5.5 per cent in 1966. The persistent disequilibrium in the United Kingdom balance of payments and the faltering confidence in the pound sterling culminated in November in the devaluation of the pound by 14.3 per cent.

DEVALUATION OF THE FINNISH MARK

In 1965, 1966 and in the first half of 1967 the growth rate of the value of exports was slightly higher than that of the value of imports. But due to the substantial differ-

ence between the absolute levels, which arose mainly in 1964, there has, nevertheless, been a considerable deterioration in Finland's international liquidity position in the last three years. In view of this development and in order to ease the pressure of imports the Government decided to lower the international par value of the mark in terms of gold by 23.8 per cent, effective from October 12, 1967. Rates of foreign exchange in terms of domestic currency were correspondingly raised by 31.2 per cent.

In the long run the purpose of the devaluation was to create prerequisites for an economic growth and development policy and for structural changes aimed at improving Finland's international competitive position. To make this development possible an Export Levy Act was passed, the main purposes of which were to contain the pressure on prices and costs, and at the same time to provide financing for investment projects of primary importance. According to the act and the subsequent amendments of October and December an export levy ranging from full exemption to 5—14 per cent depending on the share of imports in the export value had to be paid by Finnish exporters. By the end of the year the average export levy was estimated to be 10—11 per cent. (See front articles in Bulletins Nos. 11, 12, 1967 and the items "Export Levy Act" and "Certain Reductions in the Export Levy" in Bulletins No. 11, 1967 and No. 1, 1968 respectively.)

FOREIGN TRADE AND ECONOMIC
DEVELOPMENT IN FINLAND

The geographical pattern of business cycle fluctuations, with a marked stagnation in Western Germany and the United Kingdom, was reflected in Finnish exports primarily in the diminishing volume of the wood-processing industry, our most important export sector. These two countries take nearly 40 per cent of the exports of wood-processing industry products. Of the metal industry products nearly one half was delivered through bilateral agreements to the Eastern Bloc and only 10 per cent to the United Kingdom and Western Germany.

Due to the considerable expansion of trade with the centrally planned economies the volume of total exports increased in 1967 by 5 per cent in comparison with 7 per cent in the previous year. The volume of exports to market economies remained roughly on the same level as in 1966.

The slackening in demand was reflected in the price development as well. The average level of export prices expressed in Finnmarks did rise by 3—4 per cent, but this includes the price effect of the devaluations which averaged approximately 6 per cent over the whole year. If this effect is excluded, there was a fall of 2—3 per cent in the prices expressed in dollars.

In 1967 the volume of imports decreased by approximately 3 per cent as compared with an increase of more than 3 per cent in the previous year (see chart on p. 11). Not since 1963 has the annual change been negative. The decline reflects above all the low rate of growth of total output, which ceased altogether in the second and third quarters of 1967 and the rather restrictive economic policy pursued by the Government since 1965. The annual change in total output was no more than 2 per cent, or the same as in 1966. On the demand side investment activity was particularly slack; there was a sharp drop in

residential building and in purchases of new machinery and equipment. Private consumption demand, on the other hand, continued to rise in real terms at an annual rate of 3—4 per cent in spite of governmental measures to check its growth. Aimed directly at import demand the cash payment regulations requiring that imports of certain consumer goods be paid for before clearance at the customs were extended in April to cover one fifth of total imports consisting mainly of finished consumer goods. (See front article in Bulletin No. 12, 1967).

The price level of imports expressed in dollars rose by 2 per cent on 1966 and by 8.5 per cent in terms of Finnmarks. As export prices rose correspondingly by only 3.5 per cent the terms of trade deteriorated for the second year in succession, and fell to 102 from 108 in the previous year. (1962 = 100)

Finland's foreign trade in 1967 resulted in a deficit of 564 million marks as against an average of 700 million marks in the three previous years. The relative improvement was due to the fact that the value of exports increased by 8.6 per cent while the rise in the value of imports was only 4.9 per cent (of the percentage changes roughly 6 percentage units are attributable to the price effects of the devaluations). Of the deficit almost 100 million marks accrued from bilateral trade as against 180 million in 1966. The multilateral deficit improved by no more than 60 million marks. (See table 1)

TABLE 1. BALANCE OF TRADE IN 1962—1967,
EXPORTS FOB — IMPORTS CIF ¹⁾

	Bilateral trade	Multilateral trade	Total trade
	Million marks		
1962	57	— 453	— 396
1963	— 54	— 135	— 189
1964	— 353	— 331	— 684
1965	— 6	— 693	— 699
1966	— 181	— 526	— 707
1967	— 97	— 467	— 564

¹⁾ Exports by countries of sale, imports by countries of purchase.

EXPORTS

Indicative of a semi-industrialized country Finnish exports are heavily dependent on the processing of only one raw material, wood. The last three years have, however, seen a clear change with greater diversification of Finnish exports which have, therefore, become less susceptible to variations in demand conditions. At the beginning of the decade the share in total exports of round and hewn timber and wood and paper industry products was more than three fourths. In 1967 the share had fallen to 63 per cent as against 67 per cent in the previous year. (See table 2)

TABLE 2. THE STRUCTURE OF FOREIGN TRADE BY COMMODITY GROUPS, AVERAGE IN 1959—1961, 1966 AND 1967

	Average in 1959—1961	1966	1967
	Per cent		
<i>Exports</i>			
Agricultural products	5.1	5.5	5.0
Round and hewn timber ..	7.1	1.2	1.0
Wood industry products ..	25.1	17.9	16.6
Paper industry products ..	43.9	47.7	45.6
Metal and engineering industry products	14.3	18.2	20.6
"New exports"	4.5	9.5	11.2
	100.0	100.0	100.0
<i>Imports</i>			
Raw materials	48.5	44.4	43.9
Fuels and lubricants	9.7	10.7	11.5
Investment goods	24.4	21.7	21.5
Consumer goods	14.9	18.7	19.3
Passenger cars	2.5	4.5	3.8
	100.0	100.0	100.0

Simultaneously the importance in Finnish exports of the metal and engineering industries, in recent years strongly backed by consumer goods industries, has been growing. After a fairly slow increase in the export share in the early 1960's explained by the vigorous expansion of the wood-processing

industry, since 1965 there has been a marked structural shift. Products of the metal and engineering and consumer goods industries constituted 32 per cent of the export value in 1967 against only 22 per cent in 1964 and 19 per cent at the beginning of the sixties. During the last three years seven tenths of the increase (expressed in million marks) in total exports can be attributed to these commodity groups. In 1967 altogether eight tenths of the total value increase in exports accrued within these industries.

The volume of exports of wood-processing industry products, the growth of which has lately been decelerating, fell in 1967 by 2.5 per cent. The decline was about the same for the woodworking and paper industry products, but as the price development was less favourable in the case of the former there was a further shift in terms of value towards paper industry products and particularly towards those with a greater degree of processing. The export earnings in marks of the wood-processing industry increased by 2.8 per cent but the corresponding dollar value decreased by approximately 3 per cent.

The contraction in exports of sawn goods continued in 1967; there was a decrease of 8 per cent from 810 000 standards to 745 000 standards. The volume of exports of chemical and mechanical pulp also declined — by 4 per cent against an increase of 6 per cent in the previous year. The weak demand was also reflected in the slight fall in prices obtained.

The volume of paper exports diminished by 2.5 per cent. Mainly due to the recession in Western Germany the demand for newsprint in particular fell off considerably. But, indicative of the long-run structural shift, the exports of paper manufactures increased by 9 per cent. Likewise there was a substantial growth in exports of veneers, plywood and finished woodworking products in general.

The volume of exports of metal industry products increased by a good 20 per cent.

The trade with the Eastern Bloc, mainly the Soviet Union, accounted for the whole increase while exports to the EEC and EFTA decreased. The demand was particularly slack in Western Germany and Sweden, the two most important export markets in the EEC and EFTA respectively for Finnish metal industry products.

The steadily rising trend for the remaining group of industrial exports, often called the "new exports", continued in 1967. The increase in value was 28 per cent against 24 per cent in 1966. The textile and chemical industries accounted for the largest increase in terms of marks, amounting to almost 100 million marks. The vigorous growth of exports of textile industry products to the Soviet Union practically ceased while exports to the EFTA countries, on the other hand, advanced noticeably. Within the group of other products (see table 3) there was a distinct increase in exports of furniture of which the share of the Soviet Union rose to nearly one half. Exports of footwear, which doubled in 1966, grew by only 25 per cent in 1967.

TABLE 3. VALUE OF "NEW EXPORTS" IN 1966 AND 1967

	1966	1967	Change in value on 1966, per cent
	Mill. mk		
Textile industry products ..	187	236	+ 26
Mining and mineral industry	81	79	— 4
Chemical industry products .	117	164	+ 39
Foodstuffs and stimulants ..	17	35	+100
Other products	54	72	+ 32
Total "new exports"	456	586	+ 28

The structural shift in exports of agricultural products continued in 1966. Deliveries of the traditional products, butter and cheese, fell by about 10 per cent in mark value terms, but this development was partly offset by an increase in other agricultural exports, mainly meat and eggs. As a whole, the value

of agricultural exports declined by one per cent.

IMPORTS

In view of the recession phase, import payment restrictions and the devaluation in October it is not surprising that a substantial running down of stocks evidently took place in 1967 in all main groups of imports except for fuels and lubricants. Such long-run changes in the structure of imports as slightly increasing shares of consumer goods and fuels at the expense of raw materials and investment goods, were also visible. (See table 2)

Imports of raw materials, which accounted for 44 per cent of total imports, decreased in volume by 4.5 per cent against an increase of 5 per cent in 1966. Import expenditure on raw materials, however, grew by 4 per cent since the average price level rose by 9 per cent mainly due to the devaluation of the mark but also due to a "normal" rise in prices. The decline in real terms in imports of raw materials was greatest in agriculture, and in the textile, leather and metal industries. There was, on the other hand, an increase in imports of raw materials for the food-processing industry.

In contrast to other imported goods, imports of fuels and lubricants have not followed the general pattern of economic activity to any great extent. Last year the volume of imports of fuels and lubricants increased by 7 per cent or by the average long-term rate.

For the second year in succession the volume of imports of investment goods dropped — in 1967 by 4—5 per cent. The largest fall took place in the metal and certain other industries. Fairly marked increases in the import of business machines and in imports in the textile and wood industries reflect rationalisation efforts which in the last few years have been considerable in these branches.

THE REGIONAL PATTERN

The volume of imports of consumer goods was only slightly smaller than in 1966. The average prices of consumer goods rose by around 3 per cent to which a devaluation effect of roughly 6 percentage units over the whole year has to be added. Import expenditure on consumer goods thus increased by 8 per cent as against 18 per cent in 1966, and the rise in value was approximately the same in the case of durable and non-durable consumer goods. There was a further reduction in imports of passenger cars; in 1967 the number of imported passenger cars was reduced by 16 per cent, as against 24 per cent in 1966.

Consideration of Finland's exports and imports by countries of sale and purchase respectively reveals that exports to EFTA countries increased last year by 15 per cent and imports from these countries by 6 per cent. Further, there was a 7 per cent reduction in exports to the EEC countries, whereas imports grew by one per cent. Finland's deliveries to Eastern European countries advanced by 23 per cent and imports by 8 per cent. Exports to countries outside Europe increased by 7 per cent against a rise in imports of one per cent. (See table on page 12 for relative shares of trade blocs and some selected countries).

ITEMS

The Economic Special Powers Act has been passed by Parliament and will be in force from April 10, 1968 to December 31, 1969. The Act authorizes the Government to control prices, rents, different charges and wages and provides for the gradual abolition of index linkages in the financial market. See front articles in Bulletin No. 4 and in this issue.

*

Domestic bond issues. The Government has announced the following bond issues.

The 1968 issue of 8 per cent bonds amounting to 25 million marks for subscrip-

tion by the banking institutions. The bonds are dated February 1, 1968, and will mature in five years. The loan is issued at par.

The 1968 II issue of 8 $\frac{3}{4}$ per cent bonds of 100 million marks. The currency period is two years starting May 2. The loan is intended for public subscription and it is issued at par.

The Government also launched in February and March two bond issues, a 7 per cent issue of 30 million marks for public subscription and a 6 $\frac{1}{2}$ per cent issue of 25 million for subscription by the banks. As both of these loans carried index clauses the sale of the bonds was terminated on March 21 according to the Economic Special Powers Act.

BANK OF FINLAND

BOARD OF MANAGEMENT

MAUNO KOIVISTO,
Governor (Absent as Prime Minister)

REINO ROSSI,
Acting Governor

ESKO K. LEINONEN

A. SIMONEN
*(Absent as a member of
Government)*

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

HEIKKI VALVANNE
ad int.

JOUKO J. VOUTILAINEN
ad int.

DIRECTORS

HEIKKI VALVANNE

JOUKO J. VOUTILAINEN

SECRETARIES

PERTTI TAMMIVUORI

K. IGNATIUS

PAULI KANERVA

HEADS OF DEPARTMENT

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

P. BLOMQUIST,
Central Accounting

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

A. KAJANTIE,
Internal Audit

HELGE LINDSTRÖM,
Credits

A. NENONEN,
Foreign correspondence

K. EIROLA,
Accounts

EINO SUOMELA,
Office

STIG TÖRNROTH,
Cash

INSTITUTE FOR ECONOMIC RESEARCH

TIMO HELELÄ,
Director

LAURI KORPELAINEN,
Head of department