



BANK OF FINLAND

Monthly Bulletin

On the occasion of the closing of the
1970 accounts

The Finnish commercial banks

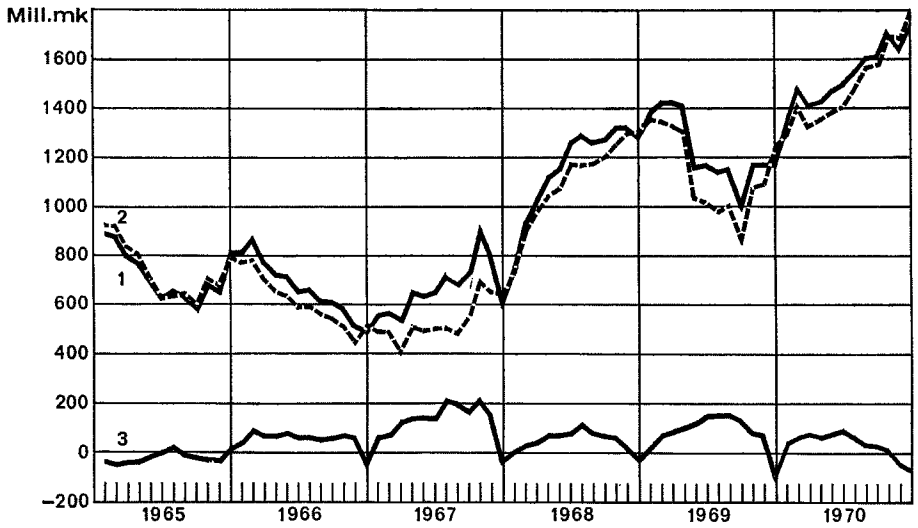
Supplementary budgets

Revised regulations for the Bank of Finland

JANUARY 1971

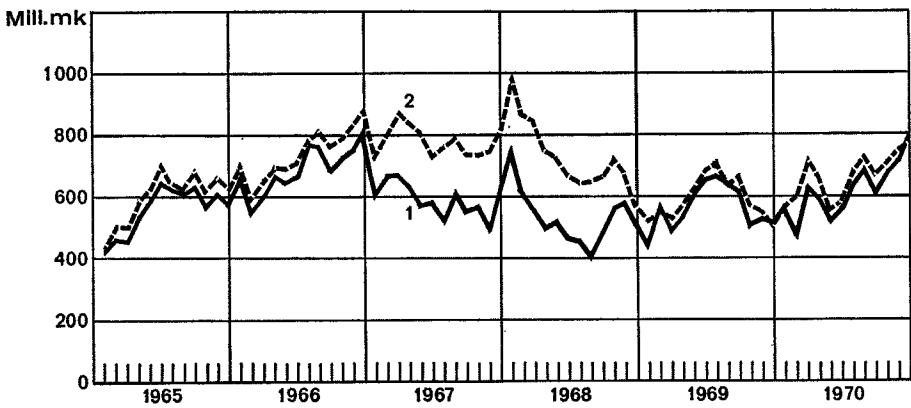
Vol. 45 No. 1

Bank of Finland foreign exchange reserve, 1965-1970



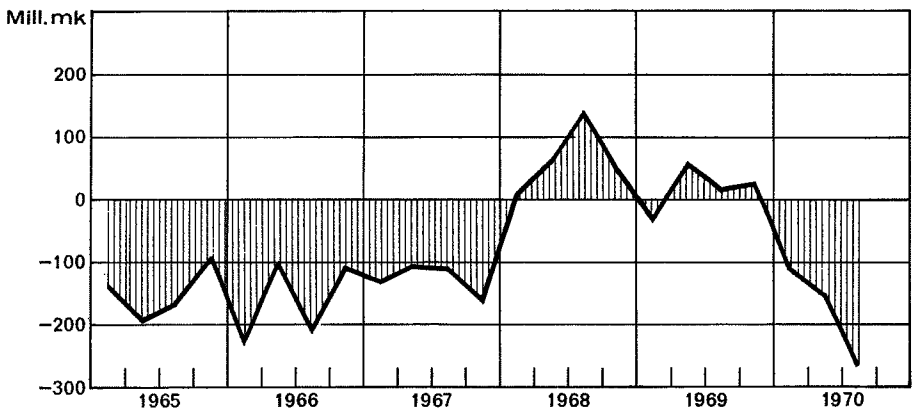
- 1. Total gold and foreign exchange
- 2. Gold and convertible currencies
- 3. Other currencies

Bank of Finland's position in regard to the banks, 1965-1970



- 1. Net claims on the banks
 - 2. Discounted and rediscounted bills
- Seasonally adjusted end of month figures

Balance of payments current account surplus/deficit, 1965-1970



Seasonally adjusted quarterly figures

ON THE OCCASION OF THE CLOSING OF THE 1970 ACCOUNTS

the Governor of the Bank of Finland, Dr. Mauno Koivisto, has made the following statement

A high rate of economic growth, accompanied by relatively stable price and cost developments, continued in Finland throughout 1970. Due to the rapid rise in total demand, the purpose of economic policy was to prevent the emergence and aggravation of internal and external disequilibria. However, this policy was not completely successful. Buoyant investment and consumption demand has given rise to increased imports and during the autumn the foreign trade deficit has become larger and balance of payments forecasts have caused more concern.

The Bank of Finland has endeavoured to prevent overheating in the economy by curbing the growth in bank lending and, also towards the end of the year, by restricting the use of short-term import credit in certain cases. In the instructions given to the banks the importance of selective lending has been emphasized, both for balance of payments reasons and to safeguard structural changes which are important for stable economic growth.

As a result of the arrangements introduced towards the end of 1969 intended to improve the scope for counter-cyclical policies almost 300 million marks of counter-cyclical and investment deposits, mainly collected from industry, have accrued at the Bank of Finland in 1970. Since firms are allowed to deduct their counter-cyclical deposits and investment fund transfers from their taxable business income, the public sector has at the same time in effect postponed collecting corresponding tax revenue to the future. The State has in addition to these measures supported the counter-cyclical policy by transferring 100 million marks to its own counter-cyclical fund and by improving its liquidity position.

The total effects of these policies can be assessed only after it has been seen how success-

ful will be the timing and allocation of the use of the funds. It seems at the moment that the collection of reserves, which formed the first stage of the policy, did not check the overheating to the desired extent: private investment activity has continued to be strong and investment projects have not been sufficiently postponed to a time when the economic growth rate will be lower. The counter-cyclical reserves have not had the full effect on real investment as a considerable part of the transfers have been financed by loans. Therefore the margin created in the balance of payments is not sufficient for an effective counter-cyclical policy: the foreign trade deficit has increased as well as borrowing from abroad. On the other hand the collection of counter-cyclical reserves has successfully prevented an undesirable easing in the financial market in the midst of a boom.

In spite of the growth in the foreign trade deficit, the foreign exchange reserves of the whole country are estimated to have remained roughly unchanged in 1970. The gold and foreign exchange reserves of the Bank of Finland rose by 563 million marks, including the Special Drawing Rights in the International Monetary Fund, equivalent to 88 million marks, which were allocated to Finland at the beginning of the year. This was, however, counter-balanced by an almost equivalent increase in the foreign exchange liabilities of other authorized banks. The fact that the country's total foreign exchange reserves have not experienced any marked change is largely due to a large increase in foreign borrowing, partly in the form of short-term liabilities. This development was facilitated by the greater tranquillity in the international financial markets at the beginning of 1970 after unrest in the autumn of 1969.

The liabilities of the commercial banks to the Bank of Finland increased sharply in 1970. The

net claims on the commercial banks — taking into account the decline in special loans due to the discontinuation of the index linkage system and the refunding of cash reserve deposits — rose from 536 million marks to 838 million. As a result of the technical reform at the beginning of the year the banks' liabilities were almost entirely in the form of discounted instead of rediscounted bills. In addition, a part of the banks' need for central bank credit was satisfied through purchases of bonds under a repurchase obligation and through mutual credit arrangements between the banks.

The Treasury repaid the remaining 100 million marks of the 300 million mark loan granted to it by the Bank of Finland in 1966. The amount of unused export levy funds declined from 196 million marks at the beginning to 118 million at the end of 1970.

The Bank's lending to private customers was reduced by 44 million marks during the year under review. At the end of the year, outstanding drawings on 'new export' credits totalled 66 million marks and the amount drawn on loans granted for domestic suppliers' credits totalled 97 million marks.

As for other items in the Bank's balance sheet, the sales of deposit certificates, which like counter-cyclical reserves, are included in »Domestic term liabilities» amounted to 203 million marks at the end of the year. The portfolio of domestic bonds was reduced by 62 million marks. The capital of the Bank was raised by a parliamentary decision from 300 million marks to 600 million marks. The Bank of Finland's profits for 1970 amounted to 63 million marks.

January 4, 1971.

BANK OF FINLAND

Mill. mk

	1969		1970			
	Dec. 31	Nov. 30	Dec. 8	Dec. 15	Dec. 23	Dec. 31
Assets						
Gold and other foreign assets	1 433.1	1 847.3	1 843.7	1 844.4	1 918.6	1 964.6
Gold	189.4	189.5	121.3	121.3	121.3	121.3
Special drawing rights	—	98.0	98.0	98.0	98.0	98.0
IMF gold tranche	173.3	199.5	267.7	267.7	280.3	280.3
Foreign exchange	905.0	1 250.0	1 247.7	1 247.2	1 301.3	1 344.0
Foreign bills	106.3	80.1	78.8	80.0	81.2	84.7
Foreign bonds	59.1	30.2	30.2	30.2	36.5	36.3
Claims on domestic banks	637.1	871.6	891.4	937.4	986.4	839.0
Discounted bills	—	817.5	865.4	911.3	954.4	827.0
Rediscounted bills	550.3	7.7	6.4	6.4	4.1	8.8
Cheque accounts	86.8	46.4	19.6	19.7	27.9	3.2
Other lending	317.6	262.8	266.0	267.3	268.3	282.9
Inland bills discounted						
In foreign currency	7.3	—	—	—	—	—
In Finnish marks	191.6	134.4	138.1	139.5	137.2	136.6
Loans	118.7	128.4	127.9	127.8	131.1	146.3
Other assets	627.0	787.4	920.0	912.2	770.0	689.2
Finnish bonds	126.5	415.4	343.4	337.6	209.4	64.1
Finnish coin	5.5	13.5	12.3	11.8	6.9	7.7
Currency subscription to Finland's quota in the IMF	351.7	325.5	530.3	530.3	517.6	517.7
Other claims	143.3	33.0	34.0	32.5	36.1	99.7
Total	3 014.8	3 769.1	3 921.1	3 961.3	3 943.3	3 775.7
Liabilities						
Notes in circulation	1 298.4	1 279.0	1 347.1	1 410.2	1 450.1	1 343.8
Liabilities payable on demand	123.5	204.7	99.8	102.0	130.6	125.6
Foreign exchange accounts	81.0	73.2	71.8	73.1	100.0	94.1
Mark accounts of holders abroad	12.2	11.4	11.5	11.5	11.9	11.6
Cheque accounts						
Treasury	3.7	61.5	1.8	3.1	4.3	2.1
Post Office Bank	3.6	45.0	0.8	0.9	0.5	3.7
Private banks	10.1	—	—	—	—	1.1
Other	1.0	2.3	2.5	2.0	1.7	2.5
Other sight liabilities	11.9	11.3	11.4	11.4	12.2	10.5
Term liabilities	307.6	798.1	793.0	762.9	712.0	632.6
Foreign	7.7	—	—	—	—	—
Domestic	299.9	798.1	793.0	762.9	712.0	632.6
IMF mark accounts	351.7	325.5	530.3	530.3	517.7	517.7
Allocations of special drawing rights	—	88.2	88.2	88.2	88.2	88.2
Equalization accounts	405.6	513.4	501.7	505.8	481.5	404.1
Bank's own funds	528.0	560.2	561.0	561.9	563.2	663.7
Capital	300.0	300.0	300.0	300.0	300.0	600.0
Reserve fund	172.7	200.3	200.3	200.3	200.3	0.3
Profits undisposed	—	—	—	—	—	—
Earnings less expenses (Dec. 31, Net profit)	55.3	59.9	60.7	61.6	62.9	63.4
Total	3 014.8	3 769.1	3 921.1	3 961.3	3 943.3	3 775.7

BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Treasury		
	Gold and foreign exchange	Liabilities on foreign exchange and mark accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Claims on Treasury	Liabilities, Cheque account	Net claims on the Treasury (7-8)
	1	2	3	4	5	6	7	8	9
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	10.4	39.8	— 29.4
1967	701.1	74.7	626.4	97.7	353.6	370.5	— 6.5	4.4	— 10.9
1968	1 352.5	62.1	1 290.4	124.9	33.8	1 381.5	—354.3	3.0	—357.3
1969	1 267.7	92.4	1 175.3	517.1	360.2	1 332.2	—196.1	3.7	—199.8
1970	1 843.6	105.7	1 737.9	638.7	517.7	1 858.9	—118.3	2.1	—120.4
1969									
Oct.	1 246.7	75.9	1 170.8	154.3	18.1	1 307.0	—238.4	2.9	—241.3
Nov.	1 257.3	83.6	1 173.7	159.4	18.1	1 315.0	—224.7	2.8	—227.5
Dec.	1 267.7	92.4	1 175.3	517.1	360.2	1 332.2	—196.1	3.7	—199.8
1970									
Jan.	1 393.7	56.6	1 337.1	514.8	359.4	1 492.5	—187.2	1.1	—188.3
Feb.	1 541.8	54.0	1 487.8	515.7	359.4	1 644.1	—184.5	18.2	—202.7
March	1 468.8	53.7	1 415.1	524.1	359.4	1 579.8	—175.2	12.1	—187.3
April	1 484.5	57.4	1 427.1	545.6	356.4	1 616.3	—169.6	6.8	—176.4
May	1 536.6	59.5	1 477.1	538.7	356.4	1 659.4	—166.5	1.2	—167.7
June	1 586.0	85.2	1 500.8	515.2	351.7	1 664.3	—163.2	0.6	—163.8
July	1 642.0	83.3	1 558.7	450.9	330.7	1 678.9	—159.5	1.6	—161.1
Aug.	1 684.8	77.9	1 606.9	439.7	330.7	1 715.9	—149.4	1.0	—150.4
Sept.	1 696.0	78.4	1 617.6	448.3	335.5	1 730.4	—146.7	2.8	—149.5
Oct.	1 787.5	74.2	1 713.3	431.4	325.5	1 819.2	—141.3	70.3	—211.6
Nov.	1 737.0	84.6	1 652.4	435.8	325.5	1 762.7	—137.3	61.5	—198.8
Dec.	1 843.6	105.7	1 737.9	638.7	517.7	1 858.9	—118.3	2.1	—120.4

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1969			Net holdings, Nov. 30, 1970			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Nov.	Jan.-Nov.
	Gold	189	—	189	190	—	190	+ 1
Special drawing rights	—	—	—	98	—	98	—	+ 98
IMF gold tranche	173	—	173	199	—	199	—	+ 26
Convertible currencies	893	—98	795	1 201	—385	816	+122	+ 21
Other currencies	—80	5	—75	—36	— 4	—40	— 48	+ 35
Total	1 175	—93	1 082	1 652	—389	1 263	+ 75	+181

BANK OF FINLAND

Mill. mk

End of year and month	Domestic banks						Other				Notes in circulation
	Dis-counted bills	Redis-counted bills	Cheque accounts ¹	Liabilities, Cheque accounts		Net claims on the banks (1+2+3-4-5)	Inland bills in Finnish marks	Other advances	Liabilities	Net claims on the rest of economy (7+8-9)	
				Private banks ²	Post Office Bank ²						
	1	2	3	4	5	6	7	8	9	10	11
1964	—	448.4	—	16.4	49.6	382.4	78.5	91.6	2.2	167.9	1 002.7
1965	—	640.6	—	11.9	8.3	620.4	76.2	71.7	31.8	116.1	1 028.5
1966	—	915.2	—	13.8	17.3	884.1	180.3	84.8	71.9	193.2	1 106.2
1967	—	867.5	—	154.7	34.5	678.3	197.3	382.5	56.0	523.8	1 052.1
1968	—	617.7	107.4	163.3	16.3	545.5	186.3	195.3	43.4	338.2	1 159.6
1969	—	550.3	86.8	92.8	12.2	532.1	191.6	269.3	25.4	435.5	1 298.4
1970	827.0	8.8	3.2	1.1	3.7	834.2	136.6	246.0	527.3	-144.7	1 343.8
1969											
Oct.	—	597.2	102.1	121.3	11.7	566.3	184.2	200.3	26.4	358.1	1 144.0
Nov.	—	601.0	96.7	82.7	14.0	601.0	181.4	197.3	25.9	352.8	1 191.4
Dec.	—	550.3	86.8	92.8	12.2	532.1	191.6	269.3	25.4	435.5	1 298.4
1970											
Jan.	462.4	36.1	74.6	82.7	12.8	477.6	183.3	189.2	157.4	215.1	1 177.5
Feb.	467.9	8.7	62.7	63.6	82.6	393.1	178.9	196.6	165.0	210.5	1 208.9
March	584.8	4.2	98.1	41.4	50.2	595.5	167.4	191.6	449.6	-90.6	1 189.6
April	552.8	7.3	58.3	41.4	15.2	561.8	157.2	178.8	437.1	-101.1	1 205.1
May	531.4	8.3	43.8	41.4	7.8	534.3	151.3	176.0	466.5	-139.2	1 258.3
June	589.7	6.5	40.4	41.4	5.2	590.0	150.7	167.6	549.0	-230.7	1 264.8
July	683.2	3.7	17.3	47.0	5.9	651.3	163.3	169.0	579.0	-246.7	1 226.1
Aug.	664.1	12.4	27.5	—	1.1	702.9	162.2	160.8	552.8	-229.8	1 237.6
Sept.	686.6	7.8	22.6	—	2.5	714.5	146.7	162.0	550.5	-241.8	1 225.7
Oct.	736.7	8.5	12.6	—	3.2	754.6	150.1	155.6	662.8	-357.1	1 262.8
Nov.	817.5	7.7	46.4	—	45.0	826.6	134.4	161.4	674.4	-378.6	1 279.0
Dec.	827.0	8.8	3.2	1.1	3.7	834.2	136.6	246.0	527.3	-144.7	1 343.8

¹ Including special index accounts.² Including cash reserve accounts.

SELLING RATES FOR FOREIGN EXCHANGE

Mk

Dec. 31, 1970

New York	1 \$	4.176	Frankfurt o. M.	100 DM	114.60	Vienna	100 S	16.18
Montreal	1 \$	4.135	Amsterdam	100 Fl	116.12	Lisbon	100 Esc	14.64
London	1 £	9.995	Brussels	100 Fr	8.405	Reykjavik	100 Kr	4.76
Stockholm	100 Kr	80.90	Zurich	100 Fr	96.90	Madrid	100 Pta	6.03
Oslo	100 Kr	58.55	Paris	100 FF	75.65	Moscow ¹	1 Rbl	4.6799
Copenhagen	100 Kr	55.78	Rome	100 Lit	0.6700	Clearing dollars ²	1 Cl \$	4.212

¹ Clearing account; also Bucharest.² Berlin, Budapest, Sofia.

DEPOSITS BY THE PUBLIC

Mill. mk

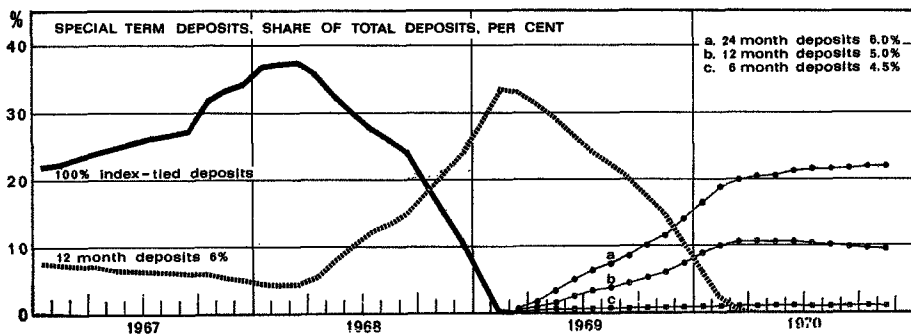
End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1962	656.6	800.8	168.5	2 281.2	2 210.8	1 314.7	606.6	293.2	6 706.7	7 676.0
1963	729.1	876.0	250.3	2 451.6	2 336.6	1 437.5	648.5	310.7	7 185.0	8 311.3
1964	697.2	855.4	296.5	2 834.0	2 614.7	1 664.1	713.8	331.4	8 158.2	9 310.1
1965	676.9	843.7	309.4	3 182.6	2 954.4	1 931.0	773.2	357.2	9 198.6	10 351.7
1966	639.8	849.4	318.0	3 660.9	3 329.9	2 202.1	863.6	380.7	10 437.3	11 604.7
1967	661.5	834.0	340.9	4 103.1	3 644.6	2 417.3	941.2	431.3	11 537.9	12 712.8
1968	856.2	1 087.6	428.4	4 597.8	3 966.4	2 683.1	1 027.2	465.0	12 739.8	14 255.8
1969	1 057.4	1 373.9	520.8	5 236.3	4 333.1	3 021.6	1 116.0	521.6	14 228.7	16 123.4

1969

Oct.	985.6	1 238.5	425.6	4 922.5	4 184.0	2 906.1	1 073.2	497.8	13 583.9	15 248.0
Nov.	946.1	1 190.5	445.8	4 954.8	4 218.9	2 946.0	1 080.5	507.0	13 707.4	15 343.7
Dec.	1 057.4	1 373.9	520.8	5 236.3	4 333.1	3 021.6	1 116.0	521.6	14 228.7	16 123.4

1970

Jan.	1 060.3	1 324.0	568.1	5 299.1	4 389.7	3 068.9	1 139.0	528.6	14 425.3	16 317.4
Feb.	1 060.9	1 315.7	575.2	5 381.2	4 450.4	3 131.5	1 164.4	535.9	14 663.4	16 554.3
March	1 098.3	1 371.4	542.4	5 416.5	4 475.8	3 159.0	1 172.9	541.6	14 765.8	16 679.6
April	1 133.1	1 390.8	572.7	5 489.3	4 502.0	3 193.2	1 188.0	544.0	14 916.5	16 880.0
May	1 074.0	1 344.3	563.8	5 562.7	4 540.9	3 219.0	1 188.3	545.3	15 056.2	16 964.3
June	1 110.4	1 376.7	555.2	5 591.5	4 522.5	3 186.6	1 186.6	540.5	15 027.6	16 959.5
July	1 067.9	1 345.3	529.3	5 605.5	4 540.7	3 202.4	1 192.7	540.0	15 081.3	16 955.9
Aug.	1 001.4	1 291.1	554.9	5 641.9	4 584.3	3 240.4	1 198.4	539.2	15 204.2	17 050.2
Sept.	1 094.7	1 409.7	522.6	5 691.9	4 632.3	3 288.6	1 210.9	553.1	15 376.8	17 309.1
Oct.	1 047.8	1 351.0	499.2	5 714.9	4 656.9	3 319.3	1 221.3	557.6	15 470.0	17 320.2
Nov.	1 101.0	1 396.0	554.3	5 777.4	4 703.7	3 372.4	1 230.5	559.2	15 643.2	17 593.5



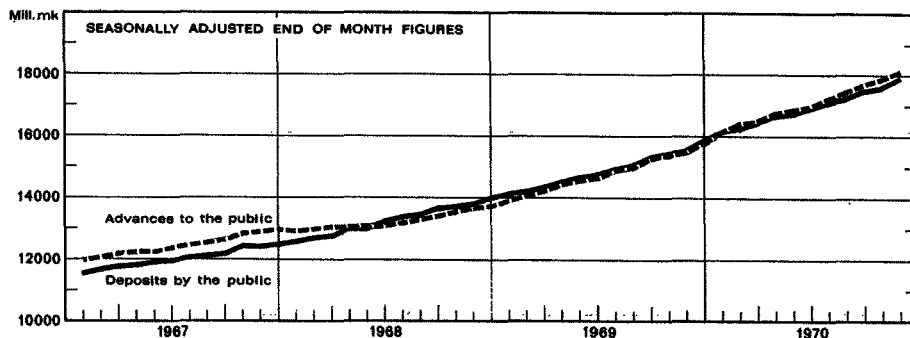
ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Post Office Bank	Co-op. banks	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1962	3 425.7	2 018.5	508.7	1 474.8	614.7	7 680.8	361.6	8 042.4	1 722.5
1963	3 621.3	2 134.5	544.0	1 608.9	664.3	8 226.2	346.8	8 573.0	1 986.5
1964	4 153.2	2 318.0	607.7	1 820.7	829.4	9 320.5	408.5	9 729.0	2 042.5
1965	4 597.4	2 609.2	716.5	2 030.6	899.4	10 439.6	413.5	10 853.1	2 085.0
1966	5 205.4	2 951.4	783.9	2 261.0	908.8	11 630.7	479.8	12 110.5	2 221.7
1967	5 558.9	3 247.7	869.0	2 424.3	1 026.9	12 598.9	527.9	13 126.8	2 183.1
1968	5 865.5	3 448.4	940.3	2 600.5	1 053.0	13 419.5	488.2	13 907.7	2 668.7
1969	6 892.2	3 802.8	1 049.1	2 922.1	1 290.4	15 375.0	581.6	15 956.6	3 138.1

1969									
Oct.	6 640.0	3 746.8	1 037.3	2 870.5	1 228.3	14 911.9	611.0	15 522.9	2 760.7
Nov.	6 739.5	3 794.8	1 044.8	2 911.3	1 243.9	15 093.5	640.8	15 734.3	2 792.0
Dec.	6 892.2	3 802.8	1 049.1	2 922.1	1 290.4	15 375.0	581.6	15 956.6	3 138.1

1970									
Jan.	6 944.4	3 834.9	1 070.5	2 948.1	1 317.7	15 516.9	598.7	16 115.6	3 164.3
Feb.	7 060.6	3 853.6	1 089.5	2 978.1	1 318.6	15 667.0	633.4	16 300.4	3 216.5
March	7 100.3	3 883.0	1 098.1	2 994.2	1 333.5	15 770.7	638.4	16 409.1	3 455.7
April	7 300.5	3 947.2	1 119.0	3 029.7	1 317.8	16 005.4	708.8	16 714.2	3 534.3
May	7 336.5	3 991.9	1 119.3	3 068.4	1 337.2	16 185.9	667.4	16 853.3	3 555.5
June	7 433.1	4 022.0	1 130.3	3 095.3	1 355.8	16 348.0	688.5	17 036.5	3 627.5
July	7 464.0	4 064.8	1 154.5	3 137.1	1 379.3	16 503.9	695.8	17 199.7	3 595.0
Aug.	7 522.5	4 115.0	1 166.5	3 177.7	1 380.9	16 661.2	701.4	17 362.6	3 556.5
Sept.	7 683.2	4 185.1	1 184.4	3 237.1	1 378.1	16 964.0	703.9	17 667.9	3 628.3
Oct.	7 867.8	4 263.9	1 199.6	3 307.6	1 380.8	17 286.0	733.7	18 019.7	3 698.8
Nov.	7 929.1	4 321.3	1 225.6	3 366.9	1 431.2	17 556.6	717.5	18 274.1	3 829.1



STATE FINANCES

Mill. mk

Revenue	Jan.—Oct.		Expenditure	Jan.—Oct.	
	1969	1970		1969	1970
Income and property tax (net)	2 151	2 537	Wages, salaries, pensions etc.	1 363	1 491
Gross receipts	(4 954)	(5 810)	Repair and maintenance	207	231
Refunds & local authorities	(—2 803)	(—3 273)	Other consumption expenditure	535	612
Other taxes on income and property	47	52	Total consumption expenditure	2 105	2 334
Employers' child allowance payments	490	542	State aid to local authorities	1 132	1 266
Sales tax	1 920	2 227	State aid to industries	866	1 125
Revenue from Alcohol Monopoly	425	536	of which: agric. price subsidies	(652)	(822)
Customs duties & import charges	330	380	Child allowances	237	233
Export levy	129	—	Share in national pensions and health insurance	341	344
Excise duty on tobacco	366	353	Other transfer expenditure	779	867
» » on liquid fuel	465	518	Total transfer expenditure	3 355	3 835
Other excise duties	196	230	Machinery and equipment	213	252
Tax on autom. and motor cycles	248	275	House construction	232	215
Stamp duties	166	186	Land and waterway construction	619	536
Special diesel etc. vehicles tax	38	42	Total real investment	1 064	1 003
Other taxes and similar revenue	52	124	Interest on State debt	204	199
Total taxes	7 023	8 002	Index compensations	33	24
Miscellaneous revenue	403	413	Net deficit of State enterprises	94	51
Interest, dividends etc.	130	151	Other expenditure	4	6
Sales and depreciation of property	59	65	Total other expenditure	335	280
Redemptions of loans granted	141	141	Increase in inventories	+1	+12
Total revenue	7 756	8 772	Lending	573	547
Foreign borrowing	212	0	Other financial investment	118	211
Domestic borrowing	507	484	Total expenditure	7 551	8 222
Total borrowing	719	484	Redemption of foreign loans	114	113
Deficit (+) or surplus (—)	—268	—438	Redemption of domestic loans	542	483
			Total redemptions	656	596
			Total	8 207	8 818

State debt	1967	1968	1969	1970			
	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.
Foreign debt	1 844	2 074	1 656	1 532	1 505	1 497	1 490
Loans	2 013	2 160	2 316	2 301	2 289	2 309	2 314
Compensatory obligations	5	5	4	3	3	3	3
Short-term credit	167	320	158	53	54	53	46
Cash debt (net)	— 12	— 256	— 217	—317	—435	—557	..
Domestic debt	2 173	2 229	2 261	2 040	1 911	1 808	..
Total State debt	4 017	4 303	3 917	3 572	3 416	3 305	..
Total debt, mill. \$	955	1 028	933	855	818	791	..

FOREIGN TRADE

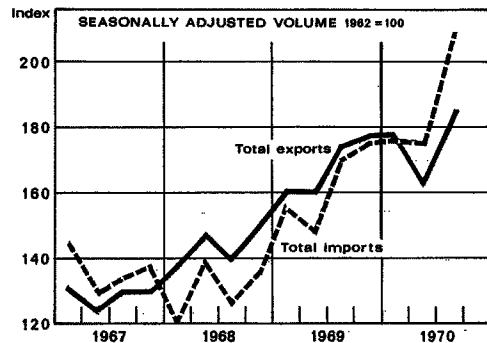
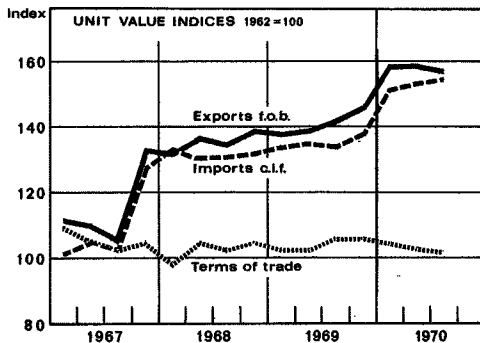
Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1965	4 566.0	5 265.1	-699.1
1966	4 816.9	5 524.4	-707.5
1967	5 231.2	5 794.4	-563.2
1968	6 874.2	6 710.9	+163.3
1969	8 344.8	8 495.0	-150.2
1969			
Sept.	733.0	782.1	- 49.1
Oct.	884.9	865.0	+ 19.9
Nov.	714.4	747.3	- 32.9
Dec.	845.9	922.4	- 76.5
1970*			
Jan.	758.0	768.1	- 10.1
Feb.	597.1	741.8	-144.7
March	731.2	792.9	- 61.7
April	813.7	982.5	-168.8
May	822.0	908.7	- 86.7
June	806.0	825.3	- 19.3
July	782.3	866.1	- 83.8
Aug.	824.5	798.1	+ 26.4
Sept.	876.0	1 019.6	-143.6
Oct.	912.0	964.7	- 52.7
Jan.-Oct.			
1969*	6 784.5	6 825.4	- 40.9
1970*	7 922.8	8 667.8	-745.0

Indices of exports and imports 1962 = 100

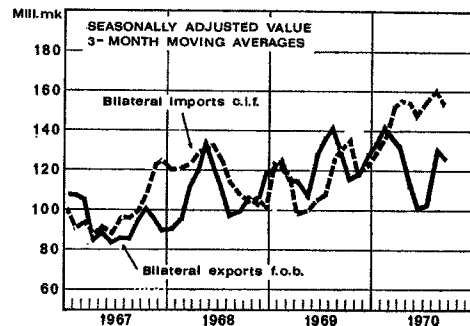
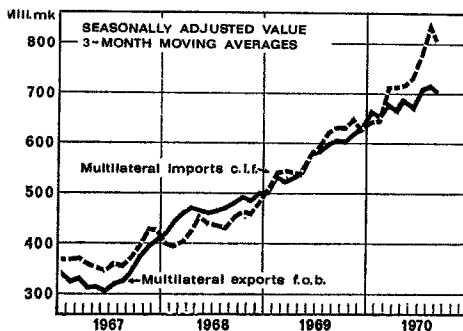
Period	Indices of exports and imports 1962 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1965	114	129	113	104	109
1966	122	135	112	104	108
1967	129	135	115	110	105
1968	143	129	136	132	103
1969	167	160	141	135	104
1967					
July-Sept.	134	124	106	103	103
Oct.-Dec.	139	144	133	128	104
1968					
Jan.-Mar.	120	116	132	133	99
Apr.-June	150	141	137	131	105
July-Sept.	142	116	135	131	103
Oct.-Dec.	161	145	139	132	105
1969					
Jan.-Mar.	140	147	138	134	103
Apr.-June	164	151	139	135	103
July-Sept.	174	153	142	134	106
Oct.-Dec.	190	187	146	138	106
1970*					
Jan.-Mar.	148	154	159	152	105
Apr.-June	173	180	159	154	103
July-Sept.	178	176	158	155	102



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
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	1 080.6	584.7	2 545.9	668.2	1 462.8	1 117.5
1968	327.1	55.5	1 157.7	2 994.0	1 566.4	773.5	3 023.1	874.0	1 524.2	1 289.6
1969	360.2	71.9	1 400.4	3 373.9	2 011.8	1 126.6	3 683.4	948.3	2 229.4	1 633.9
1969*										
Sept.	24.7	9.8	150.4	287.0	147.1	114.0	344.6	119.3	173.4	144.8
Oct.	24.9	7.9	158.6	337.2	235.1	121.2	366.9	96.9	243.8	157.4
Nov.	26.2	8.5	130.6	291.7	144.2	113.2	337.1	99.4	146.0	164.8
Dec.	58.8	5.3	121.4	301.8	256.8	101.8	434.0	71.9	234.9	181.6
1970*										
Jan.	53.4	1.4	112.0	295.4	199.4	96.4	330.8	133.5	166.2	137.6
Feb.	26.5	1.7	64.3	253.2	147.0	104.4	314.5	69.9	203.0	154.4
March	47.0	0.7	62.7	308.3	191.0	121.5	332.8	54.8	245.5	159.8
April	29.0	3.1	94.9	333.4	219.6	133.7	443.7	73.4	250.8	214.6
May	37.3	9.4	131.4	325.6	212.2	106.1	409.4	110.0	222.8	166.5
June	27.1	10.7	150.6	316.7	192.6	108.3	395.9	89.9	200.1	139.4
July	25.1	10.9	163.1	311.6	182.1	89.5	416.8	72.4	221.9	155.0
Aug.	30.8	12.4	154.2	343.2	163.3	120.6	336.1	142.4	181.7	137.9
Sept.	43.6	12.9	150.0	323.1	202.6	143.8	479.8	109.1	243.7	187.0
Oct.	24.6	11.0	161.5	340.6	230.9	143.4	419.3	117.2	245.6	182.6
Jan.-Oct.										
1969*	275.2	58.1	1 148.4	2 780.4	1 610.8	911.6	2 912.4	777.0	1 848.5	1 287.5
1970*	344.4	74.2	1 244.7	3 151.1	1 940.7	1 167.7	3 879.1	972.6	2 181.3	1 634.8



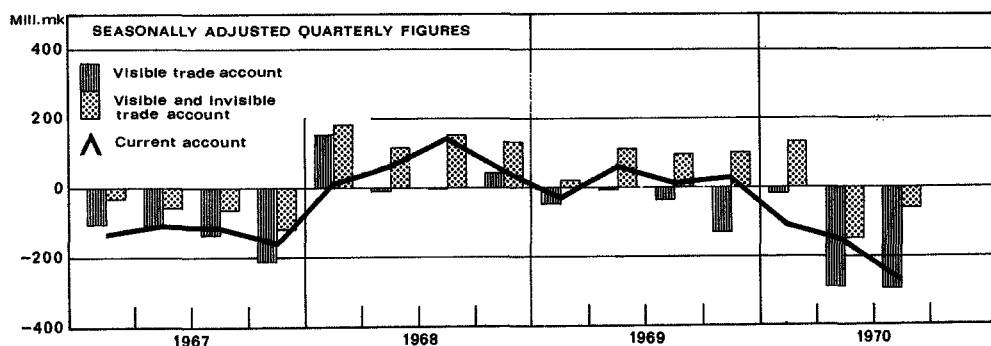
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—October				January—October			
	1969		1970		1969		1970	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	68.0	4 611.1	71.4	5 652.3	72.8	4 970.0	73.6	6 383.0
Austria	0.6	39.6	0.8	64.9	1.1	77.6	1.3	117.1
Belgium-Luxembourg	2.5	167.7	2.0	156.7	1.9	130.6	2.0	177.7
Denmark	4.0	269.5	4.1	327.6	3.4	234.0	3.2	281.0
France	4.1	281.1	3.8	298.4	3.6	243.4	3.5	301.9
Federal Republic of Germany	9.9	669.8	10.8	855.3	16.4	1 119.9	17.1	1 481.7
Italy	2.7	185.3	2.4	186.8	2.2	147.0	2.0	171.3
Netherlands	4.5	304.8	4.6	363.4	3.8	255.0	3.6	316.0
Norway	2.2	150.3	3.8	304.1	2.9	200.0	2.4	206.0
Portugal	0.3	17.2	0.4	28.5	0.6	41.5	0.8	65.0
Spain	1.0	65.2	1.0	83.0	0.3	18.9	0.3	27.3
Sweden	13.6	920.9	16.2	1 280.0	16.3	1 113.4	17.7	1 535.3
Switzerland	1.9	133.6	1.8	144.3	3.3	225.3	3.5	300.5
United Kingdom	18.6	1 263.3	17.9	1 415.5	16.8	1 146.9	15.9	1 378.4
Other	2.1	142.6	1.8	143.8	0.2	16.5	0.3	23.6
OECD countries outside Europe	7.1	482.5	6.0	477.9	6.3	427.6	5.9	514.0
Canada	0.6	39.7	1.0	78.2	0.3	17.3	0.3	28.0
Japan	0.2	17.5	0.3	22.3	1.8	121.9	2.0	169.5
United States	6.3	425.3	4.7	377.4	4.2	288.4	3.6	316.5
Eastern Bloc	17.7	1 201.9	14.8	1 173.1	16.4	1 119.6	16.4	1 422.2
Czechoslovakia	0.4	30.5	0.6	43.8	0.6	41.0	0.5	42.0
Democratic Republic of Germany	0.6	37.8	0.6	51.1	0.7	46.1	0.6	54.5
People's Republic of China	0.2	17.3	0.6	43.7	0.3	22.2	0.2	20.4
Poland	1.6	108.1	1.2	97.0	1.3	90.5	1.5	132.9
Soviet Union	14.2	962.6	11.0	871.2	12.9	879.5	12.8	1 103.8
Other	0.7	45.6	0.8	66.3	0.6	40.3	0.8	68.6
Latin America	3.0	202.8	2.6	206.5	2.4	168.9	2.4	204.5
Argentina	0.7	47.4	0.7	53.9	0.2	14.2	0.1	11.7
Brazil	0.4	29.5	0.5	38.2	0.8	56.4	0.7	55.4
Colombia	0.3	16.8	0.2	14.9	0.7	48.8	0.8	69.1
Other	1.6	109.1	1.2	99.5	0.7	49.5	0.8	68.3
Other	4.2	286.2	5.2	413.0	2.1	139.3	1.7	144.1
GRAND TOTAL	100.0	6 784.5	100.0	7 922.8	100.0	6 825.4	100.0	8 667.8
of which								
EFTA countries	41.2	2 794.4	45.1	3 574.6	44.5	3 038.4	44.9	3 889.7
EEC countries	23.7	1 608.9	23.5	1 860.7	27.8	1 895.9	28.2	2 448.6
OECD countries	75.1	5 093.6	77.4	6 130.2	79.1	5 397.6	79.6	6 897.0

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
1967	5 194	5 816	-622	+416	- 88	+17	-277	-209	- 3	-489
1968	6 832	6 730	+102	+481	- 8	-25	+550	-276	- 5	+269
1969	8 296	8 528	-232	+579	+ 4	-13	+338	-323	+72	+ 87
Jan.-Mar										
1967	1 088	1 347	-259	+ 98	- 24	- 2	-187	- 57	- 1	-245
1968	1 385	1 515	-130	+103	- 16	+ 7	- 36	- 58	+ 1	- 93
1969	1 696	1 944	-248	+128	- 20	-11	-151	- 57	+80	-128
1970	2 074	2 309	-235	+167	- 9	- 3	- 80	- 86	-11	-177
Apr.-June										
1967	1 242	1 398	-156	+ 97	- 34	+ 6	- 87	- 39	+ 1	-125
1968	1 808	1 829	- 21	+133	- 12	+ 2	+102	- 67	- 1	+ 34
1969	2 002	2 008	- 6	+140	- 17	- 6	+111	- 84	- 7	+ 20
1970	2 429	2 721	-292	+140	+ 10	+ 0	-142	- 96	+ 1	-237
July-Sept.										
1967	1 241	1 256	- 15	+114	- 18	- 3	+ 78	- 63	+ 3	+ 18
1968	1 680	1 500	+180	+147	+ 32	+ 0	+359	- 67	- 1	+291
1969	2 168	2 022	+146	+116	+ 38	-14	+286	- 80	+ 1	+207
1970	2 471	2 690	-219	+196	+109	- 4	+82	-110	- 1	- 29
Oct.-Dec.										
1967	1 623	1 815	-192	+107	- 12	+16	- 81	- 50	- 6	-137
1968	1 959	1 886	+ 73	+ 98	- 12	-34	+125	- 84	- 4	+ 37
1969	2 430	2 554	-124	+195	+ 3	+18	+ 92	-102	- 2	- 12

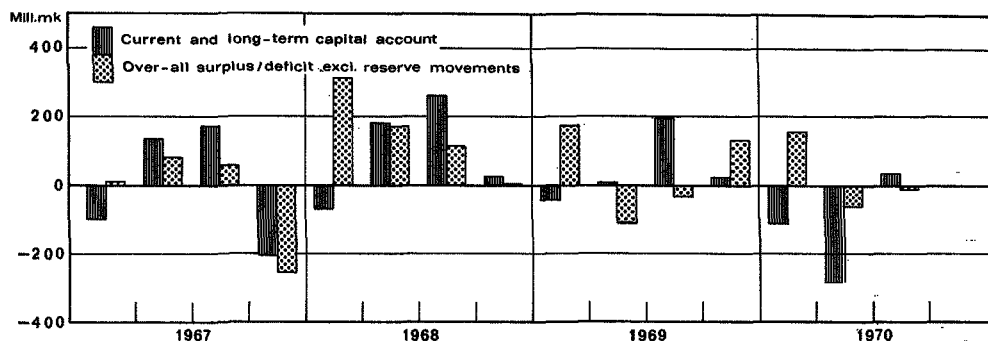


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+ 910	-406	- 33	+13	+484	- 5	-112	- 56	+ 65	-108	+ 84	+ 24
+1 245	-868	-167	-81	+129	+398	+235	- 64	+ 28	+597	-664	+ 67
+1 055	-723	-180	-51	+101	+188	+284	-311	- 6	+155	+115	-270
+ 192	- 66	+ 12	+ 5	+143	-102	- 48	+ 85	+ 74	+ 9	- 50	+ 41
+ 214	-140	- 54	+ 4	+ 24	- 69	+168	+191	+ 24	+314	-401	+ 87
+ 311	-201	- 8	-15	+ 87	- 41	+112	+147	- 46	+172	-135	- 37
+ 278	-158	- 51	+ 1	+ 70	-107	- 9	+225	+ 48 ²	+157	-240	+ 83
+ 315	- 62	+ 2	+ 4	+259	+134	+ 44	+ 71	-169	+ 80	-105	+ 25
+ 396	-214	- 18	-18	+146	+180	+190	-144	- 56	+170	-233	+ 63
+ 279	-155	- 98	-39	- 13	+ 7	- 23	- 92	- 6	-114	+252	-138
+ 220	-191	- 69	- 4	- 44	-281	+144	+ 52	+ 24	- 61	- 86	+147
+ 251	- 92	- 13	+ 4	+150	+168	- 95	- 53	+ 38	+ 58	- 77	+ 19
+ 226	-212	- 14	-29	- 29	+262	- 98	- 27	- 25	+112	- 18	- 94
+ 146	-146	- 17	+ 6	- 11	+196	+ 34	-284	+ 19	- 35	+151	-116
+ 359	-175	- 60	-58	+ 66	+ 37	+ 86	- 2	-129	- 8	-116	+124
+ 152	-186	- 34	+ 0	- 68	-205	- 13	-159	+122	-255	+316	- 61
+ 409	-302	- 81	-38	- 12	+ 25	- 25	- 84	+ 85	+ 1	- 12	+ 11
+ 319	-221	- 57	- 3	+ 38	+ 26	+161	- 82	+ 27	+132	-153	+ 21

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

¹ Including Direct investment net.

² Including Allocations of special drawing rights 88 million.



PRICE INDICES

Period	Wholesale prices 1949 = 100									Building cos 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 pro- cessed goods	More elab- orately processed goods			
1967	248	254	225	246	241	253	276	236	240	114	121	107
1968	275	280	259	271	276	281	301	264	268	126	133	115
1969	285	288	271	283	291	285	313	276	273	131	139	119
1970												
Feb.	295	298	285	297	308	289	327	289	280	138	146	126
March	296	299	285	297	308	291	329	290	280	138	146	126
April	297	300	286	300	310	291	330	293	281	138	146	126
May	297	299	287	299	313	289	326	293	281	138	146	126
June	296	298	286	297	313	289	324	291	281	138	146	127
July	298	301	285	300	313	292	333	290	282	138	146	127
Aug.	298	302	285	300	314	292	332	291	283	138	146	127
Sept.	298	302	285	300	316	292	332	289	284	138	146	127
Oct.	299	301	290	300	331	289	331	287	287	138	146	127
Nov.	299	301	289	299	331	290	333	285	287	138	146	127

Period	Consumer prices 1967 = 100											
	Cost of living Oct. 1961 = 100	Con- sumer prices Oct.-Dec. 1967 = 100	Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1967	195	153	100	100	100	100	100	100	100	100	100	100
1968	212	166	109	111	110	106	107	108	109	110	108	109
1969	217	170	112	115	111	108	111	109	110	110	110	112
1970												
Feb.	221	173	114	115	116	109	115	116	112	112	112	114
March	221	174	114	115	116	109	115	118	113	112	113	114
April	222	174	114	116	114	109	116	119	113	112	113	114
May	222	174	114	116	114	109	116	118	113	113	113	114
June	222	174	114	116	114	109	116	119	113	113	113	115
July	223	175	115	117	114	109	116	118	113	113	113	115
Aug.	223	175	115	118	114	109	116	118	114	113	113	116
Sept.	224	176	115	118	114	110	115	121	114	112	113	116
Oct.	224	176	115	117	114	110	115	125	114	113	114	116
Nov.	225	176	116	117	114	111	115	129	114	114	114	117

WAGES

Index of salary and wage earnings 1964 = 100

Period	By industries			By institutional sectors			All salary earners	All wage earners	All employees	
	Wage earners in			Employees in services	State employees	Municipal employees				Employees in private sector
	Agriculture	Manufacturing	Construction							
1968	151	142	136	147	141	149	139	142	140	141
1969*	164	154	143	156	151	158	150	150	150	150
1970*	186	169	170	162	159	165	163	155	169	163
1969*										
Jan.-Mar.	163	151	141	155	149	158	147	150	148	149
Apr.-June	160	153	144	156	151	158	151	150	150	150
July-Sept.	167	154	144	156	152	158	152	151	151	151
Oct.-Dec.	167	157	144	156	152	158	152	151	151	151
1970*										
Jan.-Mar.	178	166	167	162	159	165	160	155	165	160
Apr.-June	187	169	169	162	159	165	163	155	171	164
July-Sept.	187	171	171	162	159	165	164	155	171	164
Oct.-Dec.	193	171	172	162	159	165	164	155	170	163

PRODUCTION

Volume indices of production 1964=100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	House construction	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1967	110	115	95	89	117	106	109	113	114	114	114
1968	113	121	97	93	109	108	114	111	118	119	119
1969	122	136	98	102	124	104	124	123	123	123	126
1970	130	150	95	111	134	97	132	133	129	128	132
1969											
July-Sept.	124	127	173	46	157	103	129	121	124	123	126
Oct.-Dec.	126	147	67	101	150	98	129	134	125	125	128
1970*											
Jan.-Mar.	126	149	65	155	93	99	121	121	127	127	131
Apr.-June	130	151	76	127	125	99	133	132	127	127	132
July-Sept.	132	139	169	56	164	98	136	132	129	128	132
Oct.-Dec.	134	160	69	105	155	94	136	145	132	130	135

PRODUCTION

Index of industrial production 1959 = 100

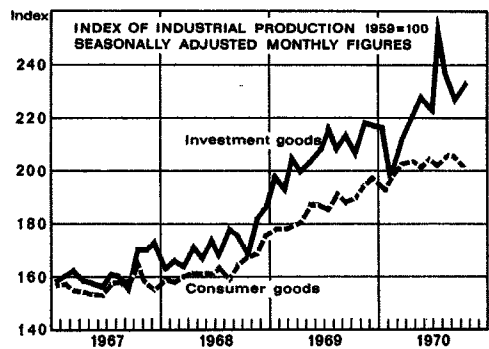
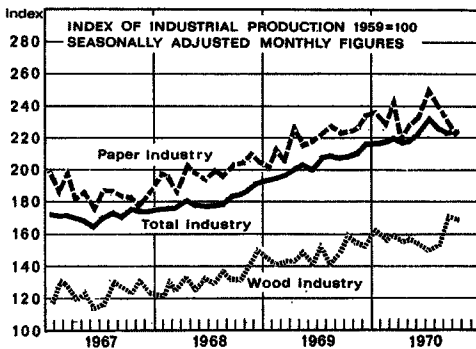
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1966	167	160	175	151	151	153	191	214	219	163	166
1967	172	163	180	158	160	125	187	233	224	168	172
1968	182	175	191	164	163	132	202	253	240	177	181
1969*	205	210	212	187	175	148	222	278	274	199	205

1969*

May	209	212	213	198	179	169	213	280	288	205	204
June	189	198	190	185	176	129	193	240	271	188	202
July	156	112	170	135	184	134	220	229	256	106	209
Aug.	203	187	209	195	183	118	238	263	281	182	209
Sept.	216	230	221	199	181	142	235	283	294	216	208
Oct.	232	242	239	211	211	165	245	288	305	229	201
Nov.	220	232	230	194	203	146	235	304	284	218	212
Dec.	214	222	293	190	162	145	216	317	291	215	217

1970*

Jan.	227	234	239	197	163	168	242	328	270	221	217
Feb.	217	219	228	194	155	161	226	336	269	212	218
March	222	228	230	201	162	166	238	305	287	219	220
April	239	256	240	231	195	193	238	327	310	243	217
May	220	225	226	204	178	168	225	306	296	216	220
June	215	223	215	210	195	145	209	306	306	211	223
July	174	133	192	147	189	131	247	270	288	127	234
Aug.	220	212	226	209	189	128	248	300	309	199	228
Sept.	232	245	238	216	186	162	243	309	318	232	225
Oct.	240	260	249	215	217	168	239	349	325	245	225



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Total labour force, 1 000 persons	Employed 1 000 persons	Labour input 1 000 man-years/months	Unemployment, % of total labour force	Commercial timber fellings 1 000 piled cu. m	Retailers' sales volume index 1968 = 100	Wholesalers' volume index 1968 = 100	Indicator of traffic activity 1964 = 100
1966	2 215	2 180	1 904	1.6	46 507	104
1967	2 209	2 146	1 845	2.9	44 963	103
1968	2 188	2 100	1 754	4.0	47 733	100	100	106
1969	2 189	2 127	1 752	2.8	52 725	108	117	117
1969								
Sept.	2 186	2 147	1 767	1.8	2 778	108	132	124
Oct.	2 171	2 131	1 805	1.8	3 906	117	134	130
Nov.	2 164	2 120	1 773	2.0	4 171	108	121	117
Dec.	2 164	2 113	1 771	2.4	5 724	149	138	121
1970*								
Jan.	2 133	2 074	1 730	2.8	5 012	94	103	116
Feb.	2 130	2 073	1 689	2.7	6 210	93	113	111
March	2 129	2 075	1 713	2.5	5 531	100	122	118
April	2 130	2 078	1 760	2.4	4 718	111	134	129
May	2 175	2 137	1 840	1.7	11 972	117	130	127
June	2 323	2 284	..	1.7	2 567	118	130	127
July	2 347	2 315	..	1.4	1 351	115	124	130
Aug.	2 300	2 265	..	1.5	2 523	109	128	..
Sept.	2 180	2 152	..	1.3	3 600	116	146	..
Oct.	2 171	2 142	..	1.3	4 324

HOUSE CONSTRUCTION

Period	Building permits granted					Buildings completed					Building works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1967	28.82	11.51	3.08	8.90	3.02	31.34	12.42	2.93	10.83	3.49	31.40
1968	31.58	14.00	2.95	9.56	3.06	26.44	11.72	2.58	9.15	1.35	34.09
1969*	38.95	15.38	3.88	15.29	2.12	31.46	12.62	3.05	12.67	1.41	36.49
1969*											
Apr.-June	11.98	4.95	1.88	4.13	0.25	6.26	2.73	0.45	1.84	0.88	37.06
July-Sept.	11.78	4.94	0.86	4.62	0.75	9.69	3.67	0.96	3.04	1.31	38.14
Oct.—Dec.	9.76	3.37	0.55	4.44	0.80	10.66	4.25	1.36	4.27	0.32	36.49
1970*											
Jan.-Mar.	6.58	2.57	0.61	2.81	0.36	5.34	2.50	0.37	1.92	0.39	36.29
Apr.-June	14.25	6.04	1.81	5.26	0.50	7.29	3.37	0.53	2.37	0.66	40.85
July-Sept.	11.52	5.12	0.86	4.25	0.72	10.17	4.17	1.45	2.78	1.03	41.47

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. Since Dec. 31, 1969. *Gold and foreign exchange* = Gold (valued on basis of the par value of the mark) + Special drawing rights + IMF gold tranche + Foreign exchange. *Liabilities on foreign exchange and mark accounts* = Foreign exchange accounts + Mark account of holders abroad. *Other foreign assets* = Foreign bills + Foreign bonds + Currency subscription to Finland's quota in the IMF. *Other foreign liabilities* = Foreign term liabilities + IMF mark accounts. *Claims on Treasury* = Treasury bills covering certain IMF and IBRD accounts + Advances for stand-by stocks — Export levies (net). *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 discounted in foreign currency + Loans + Other claims (excl. Treasury's IMF and IBRD bills and Advances for stand-by stocks). *Liabilities* = Other cheque accounts + Other sight liabilities + Domestic term liabilities — Cash reserve accounts — Export levies (net).

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 banks, and mortgage banks. *Term deposits in all credit institutions* includes a small amount of deposits in mortgage banks.

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 figures computed by the Economic Department of the Ministry of Finance. First date of publication: Bulletin No. 8, 1968. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations. Index-tied bond loans are taken at nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to the Post Office Bank less cash holdings (net) of State departments and funds.

FOREIGN TRADE

Pages 9—11. Figures supplied by the Board of Customs. *Indices* (p. 9): The indices are calculated according to the Laspeyres formula. At the end of the year the arithmetic mean of the Laspeyres indices corresponds to the annual level of the Fisher index formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries* (p. 11): imports by countries of purchase, exports by countries of sale.

BALANCE OF PAYMENTS

Pages 12—13. 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.

PRICE INDICES

Page 14. All indices calculated by the Central Statistical Office.

WAGES — PRODUCTION

Pages 15—16. Figures supplied by the Central Statistical Office. Page 16. *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 indices: food industry ISIC no. 20, weight 11.2, wood industry no. 25, weight 6.6, paper industry no. 27, weight 13.1, chemical industry no. 31, weight 5.2, non-metallic mineral industry no. 33, weight 3.6 and metal industry nos. 34—38, weight 23.5

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — TRAFFIC — HOUSE CONSTRUCTION

Page 17. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Ministry of Labour. Since July 1965 figures have been adjusted by the Bank of Finland Institute for Economic Research. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Indicator of traffic activity* calculated by the Bank of Finland Institute for Economic Research. Figures are weighted averages of the sea, air, railway and road traffic. *House construction* figures calculated by the Central Statistical Office.

SYMBOLS USED

* Preliminary 0 Less than half the final digit shown . Logically impossible .. Not available — Nil

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden and was raised in 1556 to the dignity of a Grand Duchy. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke 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 1970 were as follows: Social Democrats 52, Conservatives 37, Centre Party 36, People's Democrats 36, Finnish Farmers' Party 18, Swedish Party 12, Liberal Party 8 and Christian League 1.

INTERNATIONAL ORGANIZATIONS

Finland became a member of BIS 1930, IMF 1948, IBRD 1948, GATT 1950, UN 1955, IFC 1956, IDA 1960, EFTA 1961, ADB 1966 and OECD 1969.

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 (1969): 4.7 million. Sweden 8.0, Switzerland 6.2, Denmark 4.9 and Norway 3.9 million.

DENSITY OF POPULATION (1969): In South Finland 26.3, in North Finland 4.2 and in the whole country an average of 15.4 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1969): 50% of the population inhabit the rural areas, 50% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 534 000 inhabitants, Tampere (Tammerfors) 155 600, Turku (Åbo) 154 700.

EMPLOYMENT (1969): Agriculture and forestry 24%, industry and construction 34%, commerce 15%, transport and communications 7%, services 20%.

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

EDUCATION (1969): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 7 colleges of university standard, and 2 teacher training colleges, besides teacher training departments in two of the universities.

CHANGE OF POPULATION (1969): births 14.5‰, deaths 9.8‰, increase 1.8‰, net emigration 3.0‰. Deaths in France 11.7‰ and Great Britain 11.9‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1969, in million marks). Gross domestic product at factor cost by industrial origin: agriculture 2 773 (8%), forestry and fishing 2 255 (7%), manufacturing 11 026 (32%), construction 3 147 (9%), transport and communication 2 471 (7%), commerce, banking and insurance 4 228 (12%), public administration 1 550 (5%), ownership of dwellings 2 081 (6%), services 4 781 (14%), total 34 312. Index of real domestic product 129 (1964 = 100).

FOREST RESOURCES (1960—1969): The growing stock comprised 1 450 million of solid cu. m incl. bark (51 210 million cu.ft), of which pine 43% and spruce 38%, the rest 19% being broad-leaf-trees, chiefly birch. Of the growing stock 17 411 million cu. ft, 48% of them pine, was up to the standard required for logs. The annual growth is 47 million solid cu. m green wood excl. bark (1 660 mill. cu. ft). The total removal in 1970 calculated according to the use of wood was 51 million cu. m excl. bark (1 758 million cu. ft).

AGRICULTURE (1969): Cultivated land 2.6 million hectares. Number of holdings 297 000, of which 188 000 are of more than 5 ha. Index of agricultural production 100 for 1969 (1964 = 100). Measure of self-sufficiency in bread cereals 100% in the crop year 1968/69.

INDUSTRY (1968): Gross value of industrial production 26 033 mill. marks, number of workers 353 526, salaried employees 89 973, motive power (1968) 4.4 mill. kW. Index of industrial production 205 for 1969 (1959 = 100).

STATE RAILWAYS (Jan. 1, 1971): Length 5 874 km.

MERCHANT FLEET (Dec. 31, 1970): Steamers 53 (65 002 gross reg. tons), motor vessels 391 (599 242 gross reg. tons), tankers 56 (705 132 gross reg. tons), sailing vessels with auxiliary engines 9 (1 274 gross reg. tons). Total 509 (1 370 650 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1969): Passenger cars 643 100, lorries and vans 96 900, buses 7 900, others 4 700. Total 752 600.

FINNISH AIRCRAFT (April, 1970): Finnish airlines. Finnair and Kar-Air have in use 2 DC-8-62s, 3 DC-6s, 8 Super Caravelles and 9 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 23 airports and to 16 domestic airports.

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). Since Oct. 12, 1967, the par value of the mark is 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per U.S. dollar).

THE CENTRAL BANK. The Bank of Finland (estab. 1811) 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, 1970). There are two big and five small commercial banks with in all 825 offices, 327 savings banks, 445 co-operative banks, six mortgage banks, and Post Office Bank. The co-operative stores accept deposits from their members. The National Pension Institute and sixtyone private insurance companies also grant credits.

RATES OF INTEREST (Jan 1, 1970). Bank of Finland discount rates 6—9%, the rate for discounts or rediscounts for banks 7%. Other credit institutions: term deposits 4%, 6 month deposits 4 ½%, 12 month deposits 5%, 24 month deposits 6%; highest lending rate 10%.

THE FINNISH COMMERCIAL BANKS

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HISTORICAL BACKGROUND AND NATURE OF COMMERCIAL BANKS

As industry and commerce expanded in the middle of the 19th century the establishment of commercial banks — an idea that had already previously been considered — became possible. The first Finnish commercial bank was founded in 1862 (Suomen Yhdyspankki — Föreningsbanken i Finland). By the turn of the century as many as nine commercial banks had started operations. The number reached its maximum in 1920; at that time 25 commercial banks were in operation. Altogether 39 commercial banks have existed in Finland, including those functioning at present.

A comparatively large number of Finnish commercial banks have been rather short-lived. In 1933 there were only nine commercial banks, i.e. the same number as at the turn of the century. However, no more than five commercial banks have gone bankrupt while 27 of them have discontinued operations because of an amalgamation with either another commercial bank or through the merger of two or more banks to form a new commercial bank. As a result commercial banking is heavily concentrated in Finland. This phenomenon has been much more pronounced in Finland than in other Nordic countries or in the Western World in general.

The sole legal form for commercial banks is that of a joint stock company. This means in practice that where there are no regulations for commercial banks they follow the provisions laid down for the joint stock companies. The joint stock company was the legal form actually adopted by the first Finnish commercial bank although no law on joint stock

companies let alone commercial banks existed at that time. The present law governing commercial banks was enacted in 1969.

The highest decision-making authority in a commercial bank is the stockholders meeting; this chooses the supervisory board, which in its turn selects the board of management of the bank. The members of both these bodies have to be Finnish residents living permanently in the country. In this connection it may be noted that none of the stockholders can use a voting right exceeding 1/20 of the total amount of votes represented in the stockholders' meeting.

The main task of the supervisory board is to supervise the operations and management of the bank. In addition, it appoints the members of the board of management, decides on the establishment and closing down of branch offices, the selling and buying of real estate etc. The board of management is responsible for the general management of the bank in accordance with the law, the bank's articles of association and the decisions of the stockholders and the supervisory board.

THE STRUCTURE OF THE COMMERCIAL BANK SYSTEM

In the beginning of the 1960's only five commercial banks were in operation: Kansallis-Osake-Pankki (KOP), Pohjoismaiden Yhdyspankki Oy — Nordiska Föreningsbanken Ab (PYP — NFB), Helsingin Osakepankki — Helsingfors Aktiebank (HOP — HAB), Ålands Aktiebank (ÅAB) and the Central Bank of the Savings Banks (SKOP). Since then, however, the number of commercial banks has increased by two. In 1963 Peruspankki Oy was founded with the support of the trade union movement.

At the beginning of 1970 the Central Bank of the Co-operative Banks (OKO) was transformed into a commercial bank on the basis of the new bank legislation. At present, there are thus five actual commercial banks and two banks that act as the central banks of their own institutional groups. Of the first five only three are in fact spread all over the country, for one of them, Ålands Aktiebank, which operates in the archipelago of Åland—Ahvenanmaa, is a distinctly provincial bank and Peruspankki Oy, operating in only one office, is just as clearly a local bank. It should be said here that the two largest commercial banks account for approximately three-quarters of the total business of commercial banks in Finland.

Despite the fact that there has been strong concentration in commercial banking the number of branch offices has continuously increased. This can be partly explained by geographical factors, by the collection of deposits of the commercial banks and by competitive considerations. A great number of branches is necessary not only because the country is large and thinly populated in many areas but also because the banks collect their funds mainly in the form of rather small deposits from all over the country. In population centres on the other hand new branches have, especially in the 1960's, been founded because new types of bank services have been introduced and banking activities in general have expanded. The branches of the commercial banks accounted for approximately 13 per cent of the total number of bank offices in the whole country at the end of 1969, including the branches of the Post Office Bank.

At the moment the commercial banks employ approximately 10 000 people, of whom roughly three-quarters are women. The following table gives the number of employees as well as the number of commercial banks and their branch offices at the end of 1959 and 1969.

	Dec. 31, 1959 ¹	Dec. 31, 1969 ¹
Number of commercial banks	6	7
Number of their branches	565	825
Number of employees	5 898	9 705

¹ The Central Bank of the Co-operative Banks is included

THE NATURE AND EXPANSION OF COMMERCIAL BANK ACTIVITIES

Like commercial banks abroad, the Finnish commercial banks try to provide as good a range of banking services as possible and have specialized primarily in serving industry and commerce. It is, however, clear that the emphasis between various activities may vary considerably from one country to another. The following analysis of the commercial banks' activities is based on their balance sheet totals and its break-down into various types of assets and liabilities.

SOURCES OF FUNDS

We shall first review the liabilities side of the balance sheet in order to identify the sources of commercial bank funds.

TABLE 1. BREAK-DOWN OF THE COMMERCIAL BANKS' TOTAL LIABILITIES

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Deposits made by				
the public	2 083.1	66.1	6 293.7	55.8
Liabilities to the				
Bank of Finland	47.1	1.5	551.2	4.9
Liabilities to other				
domestic banks	337.3	10.7	1 249.8	11.1
Foreign liabilities	90.3	2.9	703.2	6.2
Domestic liabilities in				
foreign currency	—	—	269.1	2.4
Own funds	205.5	6.5	561.5	5.0
Other liabilities	390.5	12.3	1 646.5	14.6
Total	3 153.8	100.0	11 275.0	100.0

Total commercial banks' liabilities amounted to 11 275 million marks at the end of 1969. This figure equalled 29 per cent of the GNP at the 1969 market prices while the corresponding figure for 1959 was approximately 22 per cent.

The major part of the commercial banks' funds is collected in the form of deposits from the public. The Finnish commercial banks can thus be characterized by the international term »de-

posit bank». However, the share of deposits in total liabilities has declined from 66 per cent in 1959 to 56 per cent in 1969.

The almost permanent indebtedness of the commercial banks to the central bank is a characteristic, if not an institutional feature of Finnish banking. On the other hand it is a sign of the scarcity of credit, the demand for which is usually considerably greater than supply. The degree of this »illiquidity» of course varies to some extent depending e.g. on cyclical developments. The table above reveals that at the end of 1969 the liability of the commercial banks to the Bank of Finland accounted for about 5 per cent of the total and that ten years earlier the corresponding figure was only 1.5 per cent. The 1969 situation may, however, be regarded as more normal in this respect.

Liabilities to the other domestic banks were both in 1959 and 1969 approximately 11 per cent of total liabilities and thus formed quite a considerable item. Much of this is accounted for by the liquid reserves held by the savings and co-operative banks in their own central banks, which are included with the commercial banks. In the last few years short term credits obtained from the other banks have at times also played a significant role. Excluding the central banks of the savings and co-operative banks such credits, however, did not total more than 3 per cent of the commercial banks' total liabilities.

Foreign liabilities increased from roughly 3 to 6 per cent of the total liabilities from 1959 to 69. This item does not convey an accurate picture of the commercial banks' foreign transactions which form an essential part of their activity. They are fully authorized foreign exchange banks, through which almost all payments for trade abroad and other foreign transactions take place.

Domestic liabilities in foreign currency — slightly more than 2 per cent of the balance sheet total in 1969 — are almost entirely composed of the foreign exchange deposits made by domestic enterprises and private persons.

Own funds totalled 6.5 per cent in 1959 and 5 per cent in 1969 of the commercial banks' balance sheet total. The acquisition of funds in the form of share capital is expensive e.g. for reasons relating to taxation. Therefore, the issue of shares is usually effected only to maintain the solvency requirement stipulated by law. According to the law regulating commercial banks a commercial bank's own funds have to total at least 4 per cent of its total liabilities (excluding certain items). It has to be borne in mind that banks usually have considerable »hidden reserves» apart from the own funds appearing in the balance sheet.

**TABLE 2. DEPOSITS MADE BY THE PUBLIC,
ACCORDING TO TYPE OF DEPOSIT**

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Demand deposits				
(chèque accounts)	569.0	27.3	1 057.4	16.8
Term deposits (6				
month deposits)	1 317.2	63.2	3 234.4	51.4
Fixed period				
deposits	196.9	9.5	2 001.9	31.8
Total	2 083.1	100.0	6 293.7	100.0

The above table illustrates the structure of deposits made by the public. As already mentioned in the first article of this series (see Bulletin No. 11/1970, p. 22), the ratio of demand deposits to all bank deposits has always been small in Finland. At the end of 1959 this figure in the commercial banks was as high as 27 per cent due to the exceptionally high liquidity position of firms at that time as against 17 per cent in 1969. However, commercial banks hold nearly 60 per cent of all demand deposits (including postal giro accounts).

The most popular deposit account in the commercial banks — and in Finland in general — is the 6 month deposit account, which at present yields an interest rate of 4 per cent. It is tax exempt and an amount of 3 000 marks can be drawn from this account monthly without notice. The share of this type of deposit in total deposits of the commercial banks has been

more than a half in the last few years; in 1969 e.g. slightly more than 51 per cent. This item includes a small amount of so-called service accounts from which funds can also be drawn by cheque.

Fixed period deposits totalled roughly 32 per cent of the total deposits of the commercial banks at the end of 1969. At the moment there are three main types of these deposits: 6 month, 12 month and 24 month deposits yielding interest rates of 4 ½, 5 and 6 per cent respectively. The index-tied deposits, which were of great significance in the 1950's and 1960's, have been abolished entirely.

There is no detailed information of the distribution of the depositors according to various population groups. Cheque accounts yielding no interest, however, belong exclusively to the business sector. The major part of term deposits and fixed term deposits on the other hand are held by households.

ALLOCATION OF FUNDS

In the above the sources of commercial bank funds were described. The way in which these funds are invested will now be dealt with; again, the basis of this analysis is the balance sheet of these banks.

TABLE 3. BREAK-DOWN OF THE COMMERCIAL BANKS' TOTAL ASSETS

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Loans to the public	2 164.1	68.6	6 892.1	61.1
Shares and bonds	248.1	7.9	685.5	6.1
Cash	139.3	4.4	346.9	3.1
Foreign assets	81.5	2.6	401.4	3.6
Domestic assets in foreign currency	—	—	827.3	7.3
Claims on other domestic banks	276.0	8.7	1 070.2	9.5
Claims on the State	40.0	1.3	—	—
Real estate	45.5	1.4	260.4	2.3
Other assets	159.3	5.1	791.2	7.0
Total	3 153.8	100.0	11 275.0	100.0

The major item in commercial bank lending is loans granted to the public, which accounted for 61 per cent of all the assets of these banks at the end of 1969, the corresponding figure having been 68 per cent ten years earlier. Domestic assets in foreign currency, an item not entered separately in 1959, amounted to 7 per cent of all assets in 1969. These assets form a part of loans granted to the public; e.g. funds accrued as foreign credits or deposits are usually channelled to domestic customers.

Shares and bonds have not played any marked role in the activity of the Finnish commercial banks. Legal restrictions prevent the commercial banks engaging in industry or similar activities, which do not fall within the banking sphere proper. The banks are allowed to own up to 20 per cent of the total capital stock of companies engaged in this type of business. In addition, a bank cannot invest more than 10 per cent of its own capital in industrial shares. The greater part of the shares held by banks are shares of real estate companies which have been purchased to provide branch offices.

The banks' portfolios of bonds are also small, which reflects the underdeveloped nature of the Finnish bond market as a whole. The purchase of government bonds by the commercial banks is not extensive and the same can be said of privately issued bonds, for issues of these have not been very large. The Industrial Mortgage Bank of Finland Ltd, which is owned by the commercial banks, makes bond issues regularly both in Finland and abroad. Since the Finnish bond market is so limited, most of these bonds find their way to the commercial banks' portfolios. Therefore these bonds also form a kind of indirect channel by means of which the banks grant credit to their own customers. In addition the banks purchase by standing arrangements debentures from the Finnish Export Credit Ltd and the Industrialization Fund, in which companies the commercial banks, together with the State, are shareholders.

The banks hold cash only to the extent they need it for their daily transactions. Such cash

usually totals 3—4 per cent of a bank's total assets. Legally the cash forms a part of a bank's liquid reserves, which have to total 20 per cent of its sight liabilities and 5 per cent of other liabilities.

Foreign assets were slightly less than 4 per cent of the balance sheet total and approximately 300 million marks less than the corresponding liabilities at the end of 1969.

Claims on other domestic banks accounted for as much as 9.5 per cent of total assets in 1969. These items, however, consisted almost exclusively of the central banks of the savings and co-operative banks credits to their member banks.

At the end of 1959 the commercial banks still had a small claim on the State but since the beginning of the 1960's there has been no such item. A small part of the credits granted to the public by the commercial banks have originated from state funds (e.g. loans to small industry) or have had state-subsidized interest rates (e.g. study loans).

The commercial banks obviously need to own real estate for their branch offices. These holdings account for about 2 per cent of their assets.

The distribution of credits granted to the public by type of industry completes the picture of the commercial banks' field of activity. Table 4 gives such a classification for the end of 1959 and 1969.

Credits granted by the commercial banks totalled 7 436 million marks at the end of 1969, which was approximately one third of the total credit granted in the country and of which records are kept. The ratio has risen slightly since 1959. The distribution of credits by industry has continuously changed and been diversified in line with the structural change of the economy.

The largest borrower has been manufacturing, mining and quarrying; its share slightly exceeded 30 per cent of total credits in 1969.

TABLE 4. CREDITS GRANTED TO THE PUBLIC, BY INDUSTRY

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Agriculture, forestry and fishing	91.8	4.1	223.3	3.0
Manufacturing, mining and quarrying	767.3	34.3	2 256.5	30.3
Power and electricity	43.8	2.0	52.7	0.7
Construction and real estate	203.7	9.1	928.4	12.5
Trade, communications and other service industries	767.7	34.3	1 956.0	26.3
Municipalities and parishes	56.1	2.5	230.6	3.1
Personal and miscellaneous credits	306.4	13.7	1 788.7	24.1
Total	2 236.8	100.0	7 436.2	100.0

The service industries, trade and communications at the same time, took more than 26 per cent of all commercial bank credit. These two groups are clearly the leading recipients of commercial bank lending. However, their joint share in commercial bank credit has declined from 69 per cent at the end of 1959 to 57 per cent at the end of 1969. The Industrialization Fund and the Finnish Export Credit Ltd, which had only recently started operations in 1959, were founded for the express purpose of providing credit for industry. Commerce on the other hand has to an increasing extent been financed through foreign borrowing. The ratio of commercial bank credit to all industrial credit was roughly one half in 1959 but only 37 per cent in 1969. Of the credit granted to trade, communications and other service industries 62 per cent was raised from the commercial banks in 1959 as against 51 per cent ten years later.

The greatest increase in lending over the period 1959—69 occurred in personal and miscellaneous credits. While credits granted in the other groups trebled during this period, the growth in personal and miscellaneous credits was sixfold and the share of these credits in total

commercial bank lending increased from 14 per cent to 24 per cent. This is due to the fact that competition between the banks has been strongly increasing and long-standing customers have been readily granted credit. Most personal credits are used for housing purposes.

The share of construction and real estate increased from 9 per cent at the end of 1959 to 12.5 per cent over the following decade. These credits are granted either to contractors or real estate companies.

The share of agriculture and forestry in commercial bank lending has always been relatively small; in 1969 it was 3 per cent, which was only one tenth of this sector's total bank credits. Municipalities and parishes have been in roughly the same position. The smallest share has, however, been taken by power and electricity, which is natural because this sector primarily needs long term finance which is not provided by the commercial banks.

TABLE 5. CREDITS GRANTED TO THE PUBLIC, BY TYPE OF CREDIT

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Bills of exchange	1 023.2	47.3	1 700.9	24.7
Loans (granted against promissory notes)	932.3	43.1	4 728.5	68.6
Overdrafts (cheque accounts)	208.6	9.6	462.7	6.7
Total	2 164.1	100.0	6 892.1	100.0

The structure of lending by type of credit has changed considerably during the ten years under review. Only three forms of credit are used in Finland, namely bills of exchange, loans granted against promissory notes and overdrafts. In 1959 as much as 47 per cent of total lending was in the form of bill credits. Short term credits, including cheque accounts, totalled 57 per cent of total credits granted to the public. The share of loans given against promissory notes, which was 43 per cent in 1959 increased to 69 per cent by the end of 1969. By the same date bill credits totalled no more than 25 per cent and

short term credits only slightly more than 30 per cent of total credits.

This development has to some extent involved a lengthening of business credit; credits granted in the form of bills of exchange, which should have been short term, usually for 3 months, were formerly in practice rather longer term because they were constantly renewed. Thus, the relative increase in the proportion of loans in total credit probably does not mean a lengthening of the real average loan period. The loans are seldom granted for a period longer than five years and usually bear one month's term of notice.

Bill credit is subject to more stamp duty than other forms of credit, which is probably one explanation for the relative decline in the share of bill credit in total credit. This tendency may continue in the future for even the commercial banks are not required to rediscount when drawing credit from the central bank since the beginning of 1970. The Bank of Finland grants the major part of its credit to the commercial banks against the banks' own bills of exchange.

It is Finnish practice for bank guarantees to be shown outside the balance sheet. The guarantees, however, play an important role in the commercial banks' obligations. At the end of 1969 bank guarantees totalled 5 006 million marks, which is nearly as much as the total amount of credit granted to the public.

REVENUE AND EXPENDITURE OF FINNISH COMMERCIAL BANKS

The major items of revenue and expenditure for the commercial banks are interest yields from lending and interest payments to depositors. Interest and commission account for more than three quarters of total revenue. There have been no marked changes in the revenue structure during the period under review, i.e. the growth rate of the various revenue items has been roughly the same. However, the share of interest income which exceeded 80 per cent in the early 1960's, has been declining since

1963. Because the average lending rate of the commercial banks has been controlled by the central bank, the banks have not been able to set freely their own prices for credit.

TABLE 6. DISTRIBUTION OF THE COMMERCIAL BANKS' REVENUE AND EXPENDITURE

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Revenue:				
Interest income and commission on lending	145.7	76.8	594.9	77.5
Interest income and commission on other investment	13.4	7.1	48.4	6.3
Profit on foreign exchange	10.3	5.4	36.2	4.7
Other revenue	20.4	10.7	88.0	11.5
Total	189.8	100.0	767.5	100.0
Expenditure:				
Interest expenses	88.2	46.5	403.3	52.5
Salaries	39.3	20.7	157.2	20.5
Taxes	15.3	8.1	39.3	5.1
Depreciation	1.9	1.0	22.4	2.9
Other expenditure	27.2	14.3	111.0	14.5
Profit for the year	17.9	9.4	34.3	4.5
Total	189.8	100.0	767.5	100.0

The composition of expenditure has not changed overmuch in the 1960's; the structure in 1959 may rather be regarded as slightly exceptional. The share of interest expenditure has varied quite substantially, from 45 per cent to 51 per cent, which is mainly due to the fact that commercial banks have used considerable amounts of the relatively expensive central bank credit. Salaries still account for around one fifth of all expenses but at the same time, a good deal has had to be spent on automation. The improvement and maintenance of branches require much investment in a thinly populated country like Finland. Thus institutional factors have had an important role in the determination of the structure of revenue and expenditure of the commercial banks. The relative share of the annual profits entered in the profit and loss account has declined in the 1960's. The dividends, however, have been continuously kept rather high, exceeding 10 per cent for most banks.

TABLE 7. AVERAGE LENDING AND DEPOSIT RATES OF INTEREST AND THE DIFFERENCE BETWEEN THEM ¹

	Dec. 31, 1959	Dec. 31, 1969
	Per cent	
Average lending rate of interest	6.90	7.37
Average interest rate on deposits	3.67	3.91
Interest margin	3.23	3.46

¹ Excluding the Central Bank of the Co-operative Banks.

The average interest rate on deposits in the commercial banks varied from 3.5 to 4.0 per cent in the 1960's. Longer period and better-yielding deposits have gained in popularity. As long as index accounts were used this did not raise the average rate of interest for the banks paid a relatively low rate of interest on indexed deposits and, on the other hand, index compensations paid when prices rose did not strain the banks' finances because these index payments were collected from the borrowers. As the acceptance of index deposits was discontinued in connection with the stabilization measures in March 1968, funds from these accounts began to be transferred to high-interest deposit accounts. In 1968 the average rate of interest on deposits increased by more than half a percentage unit. This development weakened the position of the banks and as a result the interest rate on deposits was reduced by ½—1 percentage unit in all groups of banking institutions.

The average lending rate of interest, which with that on deposits, is calculated on the last day of the year, has been between 6.95 per cent and 7.48 per cent in the 1960's. Until 1964 the maximum average interest rate allowed by the Bank of Finland was 7 per cent for the commercial banks. Since 1965 it has been 7 ½ per cent. Thus the possibilities to differentiate the interest rates are rather small. The present interest rate on bills of exchange is mostly 7 ½—10 per cent, that for loans usually 8 per cent while overdrafts bear a rate of 5 ½ per cent plus a 2 ½ per cent commission.

The difference between lending and deposit rates of interest of the commercial banks has varied from 3.1 to 4.0 per cent in the 1960's. It reached its maximum in 1965—1967; the average lending rate had been raised by the above mentioned half a percentage unit because it was necessary to curb the demand for credit and, in addition, the index-tied deposits, which were favourable to the banks, were extensively held at that time. After that the difference between these two interest rates has again fallen roughly to the level that prevailed in the first part of the 1960's.

CO-OPERATION BETWEEN THE COMMERCIAL BANKS

The common interests of the Finnish commercial banks are supervised by the Finnish

Bankers' Association founded in 1914. Its most important tasks are to maintain contacts with the State, other banking institutions and industrial organisations. This is primarily done by giving statements and by making proposals. In addition, it deals with technical problems arising in banking and disseminates information both to its own members and to others.

The member banks are represented on the board of governors of the Finnish Bankers' Association, which is the decision-making organ. Each member bank sends its general manager and his substitute to serve as members of the Association. The Finnish Bankers' Association represents the commercial banks in the Joint Delegation of the Banking Institutions, which discusses questions common to all the different groups of banking institutions.

ITEMS

Supplementary budgets. The fourth supplementary budget for 1970 was passed by Parliament in October. In it, Parliament decided to accept an increase in Finland's quota in the International Monetary Fund from \$ 125 million to \$ 190 million (see Item in Bulletin No. 12, 1970). This did not, however, mean any addition to government expenditure, because the quota had been transferred to the accounts of the Bank of Finland. The only new expenditure was 1.5 million marks for the Finnish forces serving with the U.N. in Cyprus.

The fifth and last supplementary budget for the fiscal year 1970 was approved by Parliament in December. The expenditure side totalled 488 million marks. In spite of measures designed to cut agricultural overproduction 140 million marks still had to be granted for the marketing promotion of agricultural produce. The greatest part of these funds was

appropriated for export subsidies. Further 14 million marks were earmarked to compensate for the increase in the world market price of sugar and thus keep the domestic consumer price stable. The bulk of the 86 million marks for education expenditure was spent on elementary schools, in the form of state aid. Spending on social and health services was increased by 92 million marks, of which 40 million marks went to the communal health service in the form of state aid. — The employment situation is, as a whole, rather good. The winter season causes, however, seasonal unemployment, and in addition to that, there is especially in Northern and Eastern Finland considerable structural unemployment in spite of much emigration. Therefore 56 million marks were appropriated for investment designed to reduce unemployment. — Finland is also a member of the Nordic industrialization fund established to aid development in Iceland.

Finland's share of its basic capital stock is equivalent to \$ 2.7 million. In this supplement Parliament granted 3 million marks for the first installment; the remainder will be paid over three years in equal installments.

On the revenue side, Parliament budgeted for an extra 683 million marks, of which 618 million was additional tax revenue. The biggest increases accrued from income and property tax (220 million), sales tax (185 million), customs duties (65 million) and from the tax on automobiles and motorcycles (51 million). The additions did not follow from changes in fiscal policy. Revenue was exceeding expectations because economic activity was greater than anticipated.

This made the total budgeted expenditure for 1970, 11 070 million marks, which was 7.5 per cent more than that of the ordinary budget. Total revenue amounted to 11 042 million marks.

Revised regulations for the Bank of Finland. On the initiative of the Bank, a Bill relating to a revision of the Regulations for the Bank of Finland was placed before Parliament on October 2, 1970. The Act incorporating the amendment was issued on December 11, 1970. It provides for an increase in the capital of the Bank from 300 million to 600 million marks. According to the Act, at least one half of the annual profit is to be transferred to the reserve fund until the capital and the reserve fund total 1 000 million marks (the former limit was 500 million). After this total has been reached the amount of the annual profit to be transferred is at least one third.

In accordance with the revision in the regulations, the Bank of Finland raised its capital to 600 million marks, utilizing the reserve funds and the funds of the equalization accounts for this purpose. This amendment is shown in the latest statement of the Bank of Finland on page 3.

BANK OF FINLAND

Board of management

Mauno Koivisto

Governor

A. Simonen

Ahti Karjalainen

Absent as Prime Minister

Heikki Valvanne

Jaakko Lassila

Timo Helelä

ad int.

Directors

Jouko J. Voutilainen

Timo Helelä

Jorma Aranko

Senior officials

Pertti Tammivuori

Administration

P.-E. Österlund

*Invisible transactions and
capital transfers*

A. Kajantie

Organization

Helge Lindström

Credits

A. Nenonen

Foreign correspondence

K. Eirola

Automatic Data Processing

K. Ignatius

Personnel

Eino Suomela

Internal Audit

Stig Törnroth

Cash

Institute for economic research

Pertti Kukkonen

Director

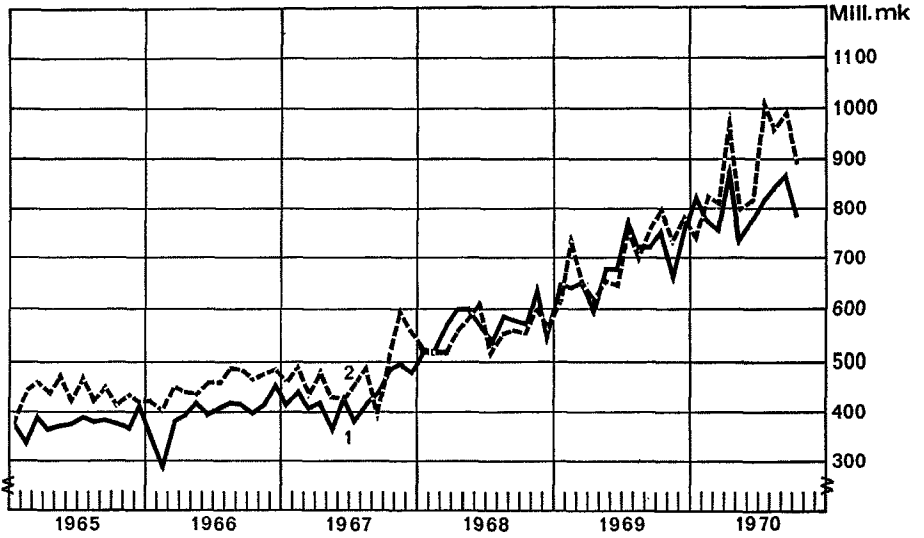
Markku Puntila

Head of department

Foreign trade, 1965-1970

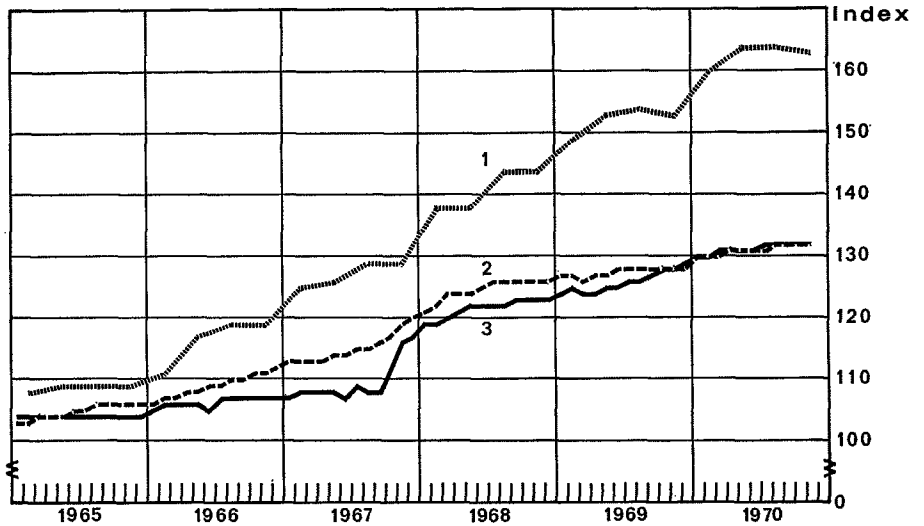
1. Exports f.o.b.
2. Imports c.i.f.

Seasonally adjusted monthly figures



Prices and wages, 1965-1970

1. Index of salary and wage earnings 1964 = 100, quarterly
2. Cost of living index 1964 = 100, monthly
3. Wholesale price index 1964 = 100, monthly



Production, 1965-1970

1. Total index of industrial production 1964 = 100, seasonally adjusted monthly figures
2. Volume index of gross domestic product 1964 = 100, seasonally adjusted quarterly figures

