



# BANK OF FINLAND

## MONTHLY BULLETIN

Vol. 35 No. 3

MARCH

1961

### RECENT DEVELOPMENTS

#### BUDGETARY POLICY

On the whole, the development of State finances during 1960 was quite satisfactory. For January—November, the revenue was 13 per cent but the expenditure only 7 per cent higher than that for 1959. The cash surplus amounted to 9 500 million marks, exceeding the result of the previous year by more than 10 000 million. The annual (December) figure, even if slightly less, will not alter the picture. The yield of taxes grew throughout by some 10—20 per cent, while many items of expenditure remained close to or even below their previous level. The most notable increases in current expenditure were registered in State aid to communal and private schools, the maintenance of roads, and in subsidies. The capital expenditure was running at about 6 per cent higher than the year before. The most significant rise was in railway investments.

The favourable trend in finances afforded the Government some scope for collecting reserves and the planning of anti-cyclical action. Long-term aspects of fiscal policy are currently under discussion. The Government has been authorized to invest some of the surplus funds in short-term assets, to act as a buffer reserve against a possible setback. Another step in the same direction was the setting up of a special Finance Planning Committee last year, in response to the need for a long-term financial plan

to support the annual fiscal budget. The committee has to draw up a tentative five-year plan, with special reference to future investment needs that will tie up funds for several successive years. Simultaneously, it has to examine how far the timing of public works and fiscal rates can be adjusted so as to counteract a possible depression.

The budget for 1961 (see item in Bulletin No. 2, 1961), drawn up in time of boom, is characterized by a growing volume of social and investment costs. Social expenditure is increased on child allowances, national pensions and payments to the war-disabled. The share of education and research has also been raised. There has been a substantial expansion in railway investment, with a view to modernization of rolling stock and fixed assets. This programme is partly financed by credit from the Soviet Union.

The maintenance of employment has always taken the lion's share in the budget. On this occasion, the grants earmarked for actual unemployment works, such as construction of roads and waterways, are less than before. The present and forthcoming incidence of unemployment is highly chronic and regional in nature, and consequently comparatively independent of the boom enjoyed elsewhere. This is now to be coped with by the Unemployment Compensation

*On page 18, The Finnish Economy in 1960*

Act (see item in Bulletin No. 7, 1960) of last year, in order to alleviate the financial burden of the State. The question of principle, of whether priority be given to costly public works or to unemployment compensation, is still subject to controversy.

The income tax rates for private persons were reduced for 1961 to remove the progression caused by the rising level of wages and prices. With effect from February 1, the excise duty on tobacco was lowered for some types of cigarettes so as to level out the assessment of taxes on different tobacco products. This measure at the same time prevented a crucial rise in the cost of living index, which would have necessitated index compensation in national pensions.

To balance the budget, the item of ordinary loans has been entered at 61 000 million marks. However, the actual need is expected to be much less than this amount.

A supplementary budget is already being planned to cover a general rise in salaries and wages of Government employees — the actual extent of the rise is still under debate in the Diet — plus the cost of rearranging the remuneration schedule for some groups of employees. Whether more funds will be given to unemployment works will depend on the outcome of the works/compensation issue referred to above.

To promote private saving, the State has issued 2 000 million marks' worth of a new type of bond (see also item in Bulletin No. 1, 1961). The bonds mature in six years. The interest paid on them rises gradually from 5 to 7½ per cent, and a bonus of 4½ per cent of capital is added on maturity. Tax exemption is granted to this type of bond loan, but no index clause is attached.

#### PRICES AND WAGES

Rising production and employment characterized the Finnish economy during the past year. However, in the second quarter

of the year there were signs of a slowing down of the growth rate, as the limit of capacity was being reached. Employment remained high, and in October unemployment represented less than one per cent of the labour force.

During 1960, the cost of living and wholesale prices moved more or less at an equal pace. Their annual rise was slightly less than 3 per cent. As the following figures indicate, wholesale prices showed a comparatively strong upward tendency during the last two quarters of 1959 and the first quarter of 1960. Subsequently, and to the end of the year, the rate of increase was clearly lower than one year earlier.

WHOLESALE PRICE INDEX				
AVERAGE MONTHLY CHANGES IN PER CENT				
	1st qr.	2nd qr.	3rd qr.	4th qr.
1959 .....	-0.3	+0.1	+0.6	+0.4
1960 .....	+0.3	+0.0	+0.3	+0.2

The development of prices was ascribable to both internal and external factors. According to preliminary estimates, the general level of earnings rose in 1960 by 5.5 per cent and the productivity by 4 per cent, which caused only a slight increase in the unit wage costs. On the other hand, the import prices were almost stable throughout the year, and the rise in agricultural prices in autumn 1960 was a moderate one. Consequently, the cost push remained small.

In accordance with an agreement of autumn 1960 between the central labour market organizations, a rise of about 4.3 per cent, including fringe benefits, was effected in wages at the beginning of January. In view of the probable increase in productivity, only a slight rise in the unit wage costs is expected. As the stability of import prices is likely to continue, it seems reasonable to assume, bearing in mind the cost factors mentioned above, that prices will remain fairly stable in 1961.

*February 14, 1961.*

## BANK OF FINLAND

Mill. mk

	1960		1961			
	Jan. 30	Dec. 31	Jan. 23	Jan. 31	Feb. 8	Feb. 15
<b>BALANCE SHEET</b>						
<b>Assets</b>						
<i>Ordinary note cover</i> .....	74 794	75 305	78 406	78 224	78 879	78 638
Gold .....	8 455	9 120	9 120	9 120	9 120	9 120
Foreign exchange .....	62 709	59 482	62 660	62 477	62 245	61 998
Foreign bills .....	415	870	793	794	787	793
Foreign bonds .....	3 215	5 833	5 833	5 833	6 727	6 727
<i>Supplementary note cover</i> .....	24 858	41 992	35 693	31 959	31 141	30 009
Inland bills discounted						
In foreign currency .....	11 553	10 496	10 496	10 496	10 314	10 314
In Finnish currency .....	4 002	7 232	7 746	7 012	7 069	7 047
Rediscounted bills .....	2 428	20 514	13 701	10 701	10 008	8 898
Treasury bond loan .....	6 875	3 750	3 750	3 750	3 750	3 750
<i>Other assets</i> .....	17 982	7 822	6 893	7 336	6 791	7 971
Finnish bonds .....	3 726	3 070	2 043	2 573	1 891	1 541
Cheque accounts .....	462	418	417	312	455	408
Finnish coin .....	805	719	796	823	822	842
Other claims .....	12 989	3 615	3 637	3 628	3 623	5 180
<b>Total</b>	<b>117 634</b>	<b>125 119</b>	<b>120 992</b>	<b>117 519</b>	<b>116 811</b>	<b>116 618</b>
<b>Liabilities</b>						
<i>Notes in circulation</i> .....	62 949	72 735	68 380	69 588	69 869	69 830
<i>Short-term liabilities</i> .....	19 503	16 676	16 913	12 065	11 238	10 934
Foreign exchange accounts .....	2 228	4 057	3 022	3 306	3 247	3 046
Mark accounts of holders abroad .....	4 736	4 241	4 497	4 541	4 560	4 587
Cheque account of the Treasury .....	11 625	6 187	8 420	2 239	1 409	973
Cheque accounts of banks .....	—	1 683	161	572	931	1 553
Other cheque accounts .....	567	167	374	935	456	295
Other short-term liabilities .....	347	341	439	472	635	480
<i>Long-term liabilities</i> .....	14 015	10 633	10 633	10 621	10 440	10 440
Foreign .....	11 060	10 030	10 030	10 030	9 849	9 849
Finnish .....	2 955	603	603	591	591	591
<i>Equalisation accounts</i> .....	6 089	9 085	8 954	9 100	9 090	9 200
<i>Bank's own funds</i> .....	15 078	15 990	16 112	16 145	16 174	16 214
Capital .....	10 000	10 000	10 000	10 000	10 000	10 000
Reserve fund .....	4 362	4 362	5 176	5 176	5 176	5 176
Profits undisposed .....	624	—	814	814	814	814
Earnings less expenses .....	92	1 628	122	155	184	224
<b>Total</b>	<b>117 634</b>	<b>125 119</b>	<b>120 992</b>	<b>117 519</b>	<b>116 811</b>	<b>116 618</b>
<b>STATEMENT OF NOTE ISSUE</b>						
<b>Right of note issue</b>						
<i>Ordinary cover</i> .....	74 794	75 305	78 406	78 224	78 879	78 638
<i>Supplementary cover</i> (Upper limit 50 000 mill. mk) .....	24 858	41 992	35 693	31 959	31 141	30 009
<b>Total</b>	<b>99 652</b>	<b>117 297</b>	<b>114 099</b>	<b>110 183</b>	<b>110 020</b>	<b>108 647</b>
<b>Note issue</b>						
<i>Notes in circulation</i> .....	62 949	72 735	68 380	69 588	69 869	69 830
<i>Short-term liabilities</i> .....	19 503	16 676	16 913	12 065	11 238	10 934
<i>Undrawn on cheque credits</i> .....	898	978	979	1 084	941	988
<i>Unused right of note issue</i> .....	16 302	26 908	27 827	27 446	27 972	26 895
<b>Total</b>	<b>99 652</b>	<b>117 297</b>	<b>114 099</b>	<b>110 183</b>	<b>110 020</b>	<b>108 647</b>

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

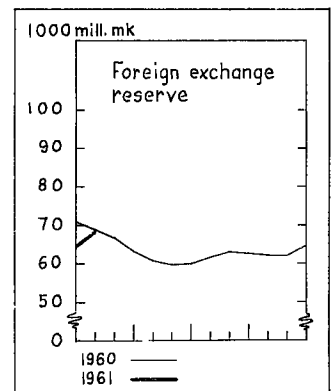
## BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Finnish credit institutions			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1—2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4—5)	Redis-counted bills	Liabilities		
								Cheque accounts of banks	Account of the Mortgage Bank of Finland Oy	Net claims on the banks (7—8—9)
	1	2	3	4	5	6	7	8	9	10
1952	22 099	13 141	8 958	7 024	5 524	10 458	17 217	2 088	—	15 129
1953	27 898	8 737	19 161	8 329	9 237	18 253	8 268	2 157	—	6 111
1954	36 573	7 017	29 556	8 206	10 102	27 660	8 465	2 187	—	6 278
1955	35 938	3 855	32 083	9 427	11 617	29 893	22 628	8 383 <sup>1)</sup>	—	14 245
1956	29 410	4 601	24 809	11 271	15 337	20 743	33 665	1 167	280	32 218
1957	38 429	4 569	33 860	17 642	20 185	31 317	24 912	2 405	— 42	22 549
1958	57 558	2 178	55 380	12 619	16 013	51 986	18 707	1 474	2 080	15 153
1959	73 065	2 116	70 949	9 249	15 840	64 358	4 718	3 856	252	610
1960	68 602	4 057	64 545	6 703	14 271	56 977	20 514	1 683	158	18 673
1960										
Jan.	71 164	2 228	68 936	9 035	15 796	62 175	2 428	— 164	309	2 283
Feb.	69 135	2 329	66 806	8 410	15 179	60 037	3 054	85	52	2 917
March	66 821	3 658	63 163	7 982	15 153	55 992	4 620	749	179	3 692
April	64 550	3 854	60 696	9 710	14 978	55 428	13 072	56	237	12 779
May	63 921	4 085	59 836	9 495	14 487	54 844	13 811	951	71	12 789
June	63 865	3 865	60 000	9 167	14 351	54 816	18 493	691	179	17 623
July	65 468	3 904	61 564	9 659	14 330	56 893	16 046	294	83	15 669
Aug.	66 894	3 993	62 901	9 187	14 106	57 982	16 028	332	169	15 527
Sept.	66 270	3 870	62 400	10 304	14 251	58 453	17 699	105	309	17 285
Oct.	65 938	3 786	62 149	9 459	14 180	57 428	18 660	— 26	267	18 419
Nov.	66 048	3 998	62 050	9 632	14 175	57 507	16 977	208	138	16 631
Dec.	68 602	4 057	64 545	6 703	14 271	56 977	20 514	1 683	158	18 673
1961										
Jan.	71 597	3 306	68 291	6 627	14 571	60 347	10 701	572	351	9 778

<sup>1)</sup> Including cash reserve accounts 6 677

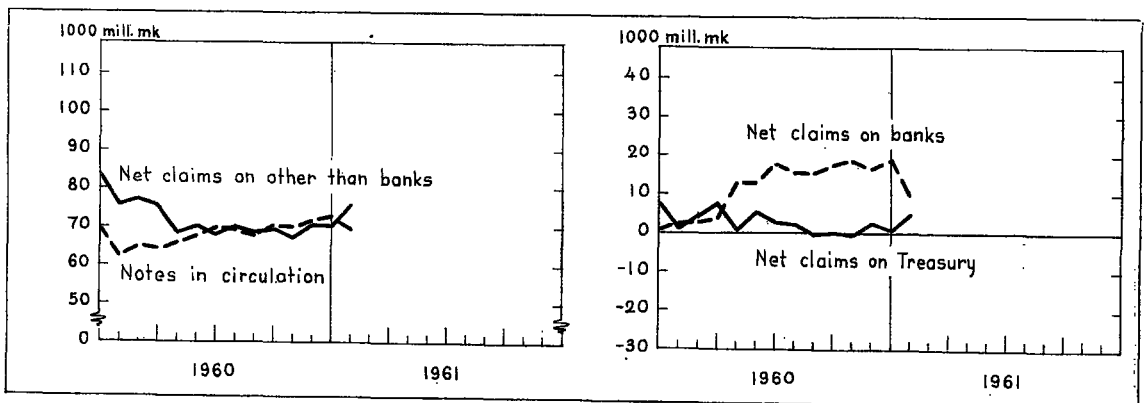
Category of currency	Foreign exchange reserve (col. 3 above) 1 000 mill. mk				
	1959	1960	1960		1961
	Dec. 31	Dec. 31	Oct. 31	Nov. 30	Jan. 31
Gold .....	8.4	9.1	9.1	9.1	9.1
Convertible .....	49.7	44.2	39.5	40.9	45.9
Non-transferable EMA ..	4.7	3.2	3.6	3.5	3.9
Eastern Block .....	4.4	1.7	3.4	2.4	3.1
Other .....	3.7	6.3	6.5	6.2	6.3
Total	70.9	64.5	62.1	62.1	68.3



## BANK OF FINLAND

Mill. mk

End of year and month	Treasury					Trade and industry				Notes in circulation
	Bills and bonds	Advances for stand-by stocks	Liabilities		Net claims on the Treasury 1+2-3-4	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the public (6+7-8)	
			Cheque account	Long-term						
	1	2	3	4	5	6	7	8	9	10
1952	14 738	—	—	—	14 738	14 678	5 672	2 185	18 165	46 153
1953	21 662	—	7 281	—	14 381	13 812	7 405	2 314	18 903	45 019
1954	21 662	—	15 470	—	6 192	11 940	6 895	791	18 044	47 902
1955	21 660	—	9 816	1 294	10 550	14 437	9 306	7 357	16 386	55 883
1956	19 160	—	10 550	2 310	6 300	14 922	10 547	5 205	20 264	60 735
1957	16 021	—	5 145	3 965	6 911	12 909	14 425	561	26 773	60 640
1958	9 033	4 335	7 146	9 502	- 3 280	8 823	14 296	525	22 594	65 075
1959	10 326	6 786	6 418	3 029	7 665	3 888	10 500	392	13 996	69 435
1960	3 750	3 587	6 187	343	807	7 232	10 942	350	17 824	72 735
1960										
Jan.	10 326	5 431	11 625	2 955	1 177	4 002	10 553	605	13 950	62 949
Feb.	10 014	4 024	7 238	2 678	4 122	5 120	10 367	560	14 927	64 854
March	8 764	4 035	3 388	2 041	7 370	5 694	10 422	323	15 793	64 013
April	7 244	4 134	9 251	1 734	393	6 078	10 376	251	16 203	65 815
May	7 244	4 265	4 808	1 565	5 136	6 832	10 245	446	16 631	67 376
June	7 244	4 597	8 129	1 344	2 368	7 000	10 051	497	16 554	69 698
July	7 244	5 037	9 107	1 224	1 950	6 498	10 248	409	16 337	69 463
Aug.	7 244	5 158	11 851	1 120	- 569	6 042	9 983	541	15 484	67 967
Sept.	5 994	5 269	10 254	1 019	- 10	5 897	10 052	585	15 364	70 391
Oct.	5 994	5 365	11 414	536	- 591	5 353	9 855	441	14 767	69 990
Nov.	5 994	5 526	8 632	359	2 529	6 027	10 090	610	15 507	71 531
Dec.	3 750	3 587	6 187	343	807	7 232	10 942	350	17 824	72 735
1961										
Jan.	3 750	3 593	2 239	331	4 773	7 012	10 843	1 056	16 799	69 588



## DEPOSITS BY THE PUBLIC - FOREIGN EXCHANGE RATES

Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. credit societies & their cen- tral bank	Post Office Savings Bank	Savings depart- ments of co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1950	24 460	28 248	10 537	36 579	39 366	20 175	13 892	5 356	115 373	154 158
1951	42 768	48 063	11 203	46 678	51 790	29 710	18 243	8 443	154 870	214 136
1952	28 020	33 410	10 765	59 742	65 344	37 223	23 562	10 798	196 706	240 881
1953	32 112	37 907	11 048	70 455	76 709	42 537	27 074	11 951	228 762	277 717
1954	34 913	42 108	13 451	83 444	92 174	52 050	30 079	13 415	271 195	326 754
1955	36 588	44 281	11 795	97 794	108 541	61 139	33 073	15 255	315 842	371 918
1956	38 614	45 963	15 265	96 807	112 402	63 531	34 162	16 013	322 953	384 181
1957	37 708	46 138	14 912	103 223	117 859	67 111	33 960	16 823	339 009	400 059
1958	39 568	49 575	18 277	122 256	131 260	74 272	38 167	19 191	385 175	453 027
1959	55 749	67 809	15 667	150 548	152 546	86 033	43 120	21 913	454 189	537 665
1960	55 083	68 034	15 060	181 355	180 069	105 241	48 524	25 434	540 654	623 748
1959										
Nov.	52 776	64 676	12 319	142 703	146 558	82 608	41 442	21 172	434 512	511 507
Dec.	55 749	67 809	15 667	150 548	152 546	86 033	43 120	21 913	454 189	537 665
1960*										
Jan.	50 344	60 407	10 424	152 020	154 071	87 069	43 474	22 303	458 966	529 797
Feb.	51 520	61 375	14 471	155 066	156 103	88 975	44 261	22 710	467 137	542 983
March	51 761	62 736	14 481	158 941	159 110	91 527	44 716	23 093	477 410	554 627
April	49 694	60 447	11 985	160 943	160 117	92 599	44 681	23 219	481 583	554 015
May	53 991	65 801	13 195	163 190	161 794	93 929	44 750	23 278	486 965	565 961
June	54 253	65 426	13 784	163 976	161 612	93 361	44 773	23 205	486 956	566 166
July	53 943	65 041	12 673	165 457	162 867	93 882	45 098	23 324	490 655	568 369
Aug.	54 126	67 424	13 284	166 963	165 110	94 973	45 513	23 464	496 050	576 758
Sept.	57 022	70 090	14 342	167 902	166 663	96 568	45 628	23 951	500 741	585 173
Oct.	55 268	67 740	12 430	169 665	168 997	97 918	46 278	24 229	507 119	587 289
Nov.	58 138	70 967	13 179	172 009	172 051	100 128	46 685	24 580	515 483	599 629
Dec.	55 083	68 034	15 060	181 355	180 069	105 241	48 524	25 434	540 654	623 748

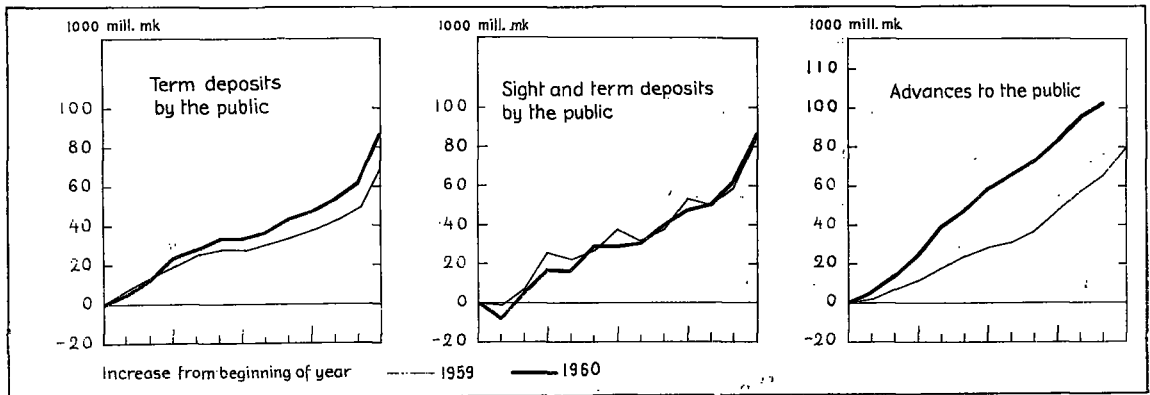
End of month	Index-tied deposits		
	1958	1959	1960
Jan.	85 733	79 991	24 350
Feb.	87 884	76 797	21 413
March	89 735	72 012	19 079
April	89 777	65 620	18 100
May	90 611	61 022	17 718
June	91 041	56 605	17 429
July	91 386	52 298	17 143
Aug.	91 543	48 628	16 979
Sept.	87 640	41 179	16 395
Oct.	85 954	34 207	16 054
Nov.	84 711	30 560	15 624
Dec.	83 290	28 057	15 128

Selling rates for foreign exchange			
Jan. 31, 1961			
		mk	mk
New York ...	1 \$	320:—	Brussels ..... 100 Fr 644: 50
Montreal .....	1 \$	324: 85	Zurich ..... 100 Fr 7 448:—
London .....	1 £	900:—	Paris ..... 100 NF 6 550:—
Stockholm ...	100 Kr	6 215:—	Rome ..... 100 Lit 51: 64
Oslo .....	100 Kr	4 490:—	Vienna ... .. 100 Sch 1 233:—
Copenhagen ..	100 Kr	4 650:—	Lisbon ..... 100 Esc 1 122:—
Frankfurt o.M.	100DM	7 692:—	Reykjavik .... 100 Kr 843:—
Amsterdam ..	100 G	8 489:—	Prague, clear... 100 Kč 4 458:—
			Moscow, clear. 100 Rbl 356: 67

ADVANCES TO THE PUBLIC - MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Post Office Savings Bank	Co-op. credit societies & their cen- tral bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1950	67 438	35 511	4 507	35 048	3 830	135 309	11 025	146 334	67 975
1951	85 578	45 554	8 508	41 849	4 425	172 003	13 911	185 914	98 877
1952	104 881	59 824	13 402	50 694	5 379	217 141	17 039	234 180	87 480
1953	105 659	70 511	18 782	56 765	9 847	245 275	16 289	261 564	92 122
1954	128 955	82 447	22 123	64 697	12 773	291 506	19 489	310 995	99 557
1955	155 436	96 454	24 866	72 868	13 599	339 797	23 426	363 223	104 298
1956	162 663	102 830	26 232	76 761	14 690	357 802	25 374	383 176	116 001
1957	160 379	106 639	26 047	78 064	15 717	363 000	23 846	386 846	117 065
1958	174 542	115 481	29 027	83 511	21 931	401 155	23 337	424 492	130 226
1959	209 686	132 725	33 138	96 730	32 578	477 264	27 593	504 857	144 835
1960	260 460	154 780	39 495	117 441	45 216	585 964	31 428	617 392	149 616
1959									
Nov.	200 782	131 592	32 626	94 833	30 241	463 309	26 765	490 074	140 073
Dec.	209 686	132 725	33 138	96 730	32 578	477 264	27 593	504 857	144 835
1960*									
Jan.	211 026	134 342	33 510	97 496	33 337	480 821	28 890	509 711	131 713
Feb.	217 135	135 681	33 884	98 116	34 089	488 705	30 200	518 905	134 079
March	222 749	137 133	33 984	100 212	35 225	499 743	29 560	529 303	136 298
April	230 904	139 152	34 484	102 531	37 049	513 265	30 855	544 120	134 231
May	232 510	141 062	35 356	104 208	38 826	522 430	29 532	551 962	140 806
June	239 831	142 505	36 316	104 888	39 657	531 162	32 035	563 197	143 023
July	241 923	144 324	35 974	106 948	40 506	538 136	31 539	569 675	143 374
Aug.	243 093	146 999	37 447	108 866	41 315	546 517	31 203	577 720	143 820
Sept.	246 811	149 369	38 110	111 436	42 166	556 602	31 290	587 892	150 869
Oct.	251 340	151 323	39 610	114 280	43 178	567 483	32 248	599 731	144 189
Nov.	254 279	153 391	40 020	115 927	43 972	576 411	31 178	607 589	150 260
Dec.	260 460	154 780	39 495	117 441	45 216	585 964	31 428	617 392	149 616

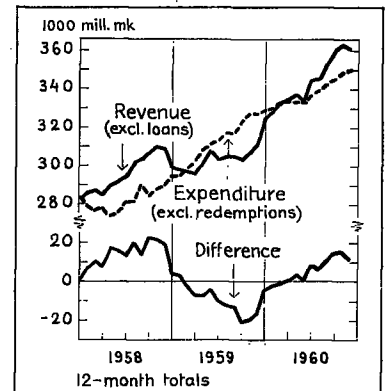


## STATE FINANCES

1000 mill. mk

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

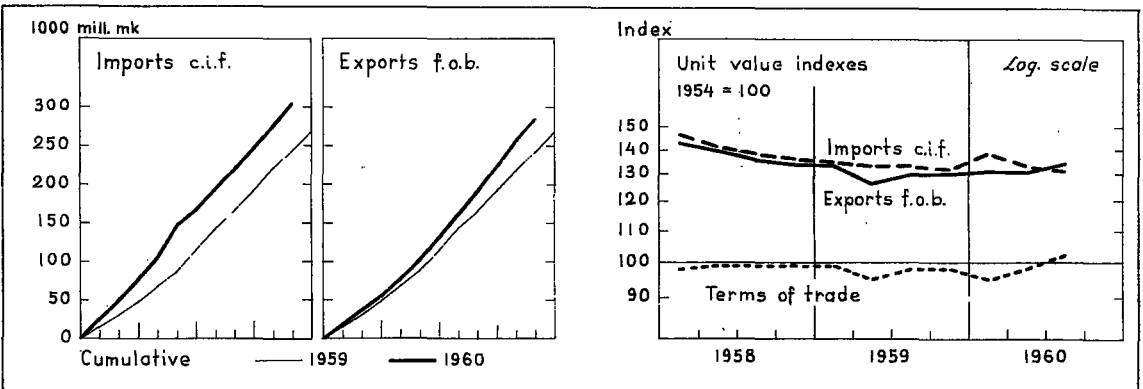
Debt	1957	1958	1959	1960		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
<b>External debt</b> .....	81.8	79.0	76.6	74.5	74.4	73.8
Ordinary loans .....	52.9	61.5	72.2	74.5	74.1	74.2
Indemnity bonds etc. ..	7.4	7.3	6.5	4.7	4.6	4.5
Short-term credit .....	—	1.2	4.1	0.2	1.2	2.1
Cash debt (net) .....	9.6	-1.7	-5.8	-8.9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





FOREIGN TRADE

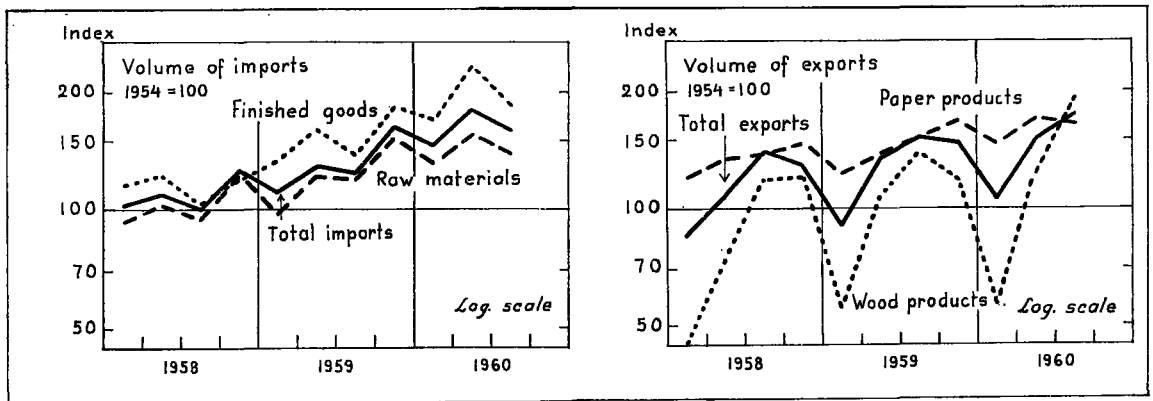
Period	Value, mill. mk			Unit value indexes 1954 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products		
1952	182 186	156 829	-25 357	130	165	99	147	118	121	107
1953	121 860	131 555	+ 9 695	98	111	95	91	109	106	92
1954	152 137	156 618	+ 4 481	100	100	100	100	100	100	100
1955	176 960	181 259	+ 4 299	106	110	105	105	115	100	106
1956	203 558	177 987	-25 571	106	110	104	109	106	105	101
1957	227 927	212 385	-15 542	116	118	113	119	120	122	95
1958	233 302	247 934	+14 632	138	139	133	139	153	140	99
1959*	266 789	267 241	+ 452	130	120	121	131	152	133	98
Jan. - Nov.										
1958	210 872	226 265	+15 393							
1959*	236 042	242 650	+ 6 608							
1960*	305 978	285 139	-20 839							
1960*										
Jan.	24 687	18 395	- 6 292	131	114	124	130	159	138	95
Feb.	24 704	18 641	- 6 063							
March	26 504	17 552	- 8 952							
April	29 031	21 937	- 7 094	131	122	129	132	136	133	98
May	40 796	24 458	-16 338							
June	20 863	30 889	+10 026							
July	26 794	30 427	+ 3 633	134	124	132	133	153	131	102
Aug.	25 539	29 630	+ 4 091							
Sept.	26 902	31 082	+ 4 180							
Oct.	29 182	35 589	+ 6 407							
Nov.	30 976	26 539	- 4 437							



## FOREIGN TRADE BY MAIN GROUPS

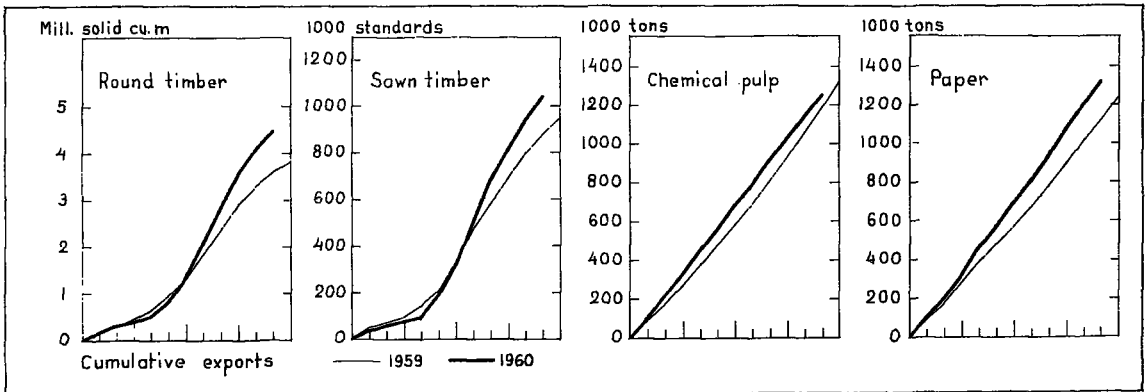
Mill. mk

Period	Imports, c.i.f.				Exports, f.o.b.					
	Raw materials and accessories	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods
			Producer goods	Consumer goods						
1952	97 500	21 952	35 664	27 072	5 185	28 441	42 891	65 350	11 094	3 868
1953	65 148	15 879	24 029	16 804	4 719	10 251	43 671	47 926	20 936	4 052
1954	86 420	17 337	28 797	19 581	5 152	13 582	49 730	61 662	20 988	5 504
1955	94 919	21 540	34 225	26 276	3 880	19 905	51 321	75 793	24 803	5 557
1956	104 284	27 464	43 357	28 453	6 206	17 243	40 485	81 780	25 125	7 148
1957	117 424	40 238	41 353	28 912	10 169	17 095	48 287	97 638	30 433	8 763
1958	119 502	32 658	48 797	32 345	10 651	19 346	57 818	115 173	34 036	10 910
1959*	133 808	28 118	67 043	37 820	14 853	16 290	63 662	117 003	44 068	11 365
Jan. - Nov.										
1958	107 463	29 319	44 590	29 500	9 340	18 580	52 320	105 470	30 475	10 080
1959*	119 103	24 203	59 890	32 846	12 790	15 296	58 254	105 353	40 733	10 224
1960*	149 022	29 454	84 432	43 070	14 357	19 364	76 737	120 409	40 934	13 338
1960*										
Jan.	13 226	2 149	5 967	3 345	1 364	662	3 203	8 797	3 556	813
Feb.	12 025	2 890	6 459	3 330	1 616	615	2 876	9 703	3 161	670
March	12 569	2 089	7 903	3 943	1 093	303	2 633	10 770	1 809	944
April	13 648	1 993	8 719	4 671	1 225	607	3 451	12 950	2 756	948
May	18 965	2 939	13 875	5 017	1 447	1 383	7 209	10 161	3 064	1 194
June	9 952	1 779	5 457	3 675	1 272	2 307	9 125	11 331	5 346	1 508
July	12 679	2 733	8 049	3 333	1 399	3 147	11 033	10 194	3 209	1 445
Aug.	12 480	2 703	6 843	3 513	808	3 302	10 447	11 237	2 484	1 352
Sept.	13 687	3 493	6 174	3 548	1 446	3 133	9 722	12 456	2 759	1 566
Oct.	14 202	3 503	7 538	3 939	1 648	2 268	8 856	11 723	9 816	1 278
Nov.	15 589	3 183	7 448	4 756	1 039	1 637	8 182	11 087	2 974	1 620



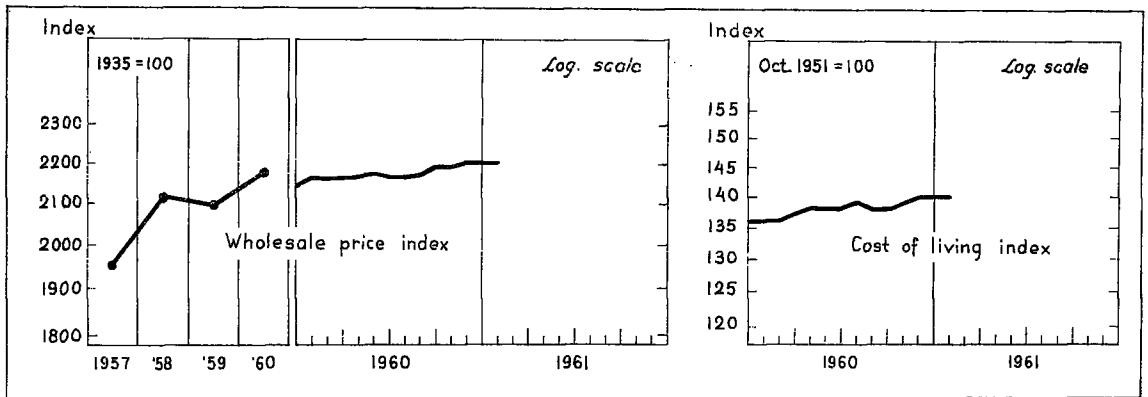
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber 1 000 solid cu. m	Sawn timber 1 000 stds	Veneers and plywood 1 000 cu. m	Mechanical pulp 1 000 tons	Sulphite pulp 1 000 tons	Sulphate pulp 1 000 tons	Board 1 000 tons	Fibre building board 1 000 tons	Newsprint 1 000 tons	Paper, all kinds 1 000 tons
1952	5 112	611	222	143	477	245	65	44	392	569
1953	2 388	688	216	204	464	323	76	45	402	677
1954	3 620	733	298	193	580	375	101	59	392	751
1955	4 977	786	321	183	682	447	110	61	470	905
1956	4 424	648	230	186	679	452	106	49	537	997
1957	4 063	719	260	165	697	474	134	60	551	1 108
1958	3 861	762	239	143	725	476	145	83	585	1 147
1959*	3 812	950	296	139	770	549	142	110	576	1 244
Jan. - Nov.										
1958	3 704	677	215	129	660	426	132	76	533	1 051
1959*	3 604	881	265	122	689	499	128	99	515	1 118
1960*	4 452	1 045	322	161	808	446	136	117	629	1 318
1960*										
Jan.	160	36	24	10	67	35	10	9	43	95
Feb.	152	25	28	14	67	40	12	10	56	105
March	65	17	31	13	81	45	14	12	49	106
April	134	24	36	16	83	43	16	12	75	155
May	301	99	29	20	65	37	12	12	55	112
June	502	134	33	20	85	40	12	10	50	118
July	752	176	23	9	69	33	12	11	58	111
Aug.	772	165	21	15	75	38	11	7	59	128
Sept.	733	139	31	15	78	48	13	10	66	137
Oct.	524	125	26	16	73	38	13	11	65	132
Nov.	357	105	40	13	65	49	11	13	53	119



FOREIGN TRADE BY COUNTRIES

Area and country	Imports c. i. f.					Exports f. o. b.				
	Whole year		Jan. — Nov.			Whole year		Jan. — Nov.		
	1958	1959*	1959*	1960*		1958	1959*	1959*	1960*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
<b>Sterling area</b> .....	17.9	16.3	16.7	16.9	51 710	25.6	26.7	26.8	28.0	79 859
United Kingdom .....	17.2	15.7	16.1	16.2	49 686	22.1	23.3	23.4	24.7	70 336
<b>Other OEEC countries</b> ..	45.2	49.4	49.5	53.2	162 867	37.5	36.5	36.4	40.3	114 721
Austria .....	0.5	0.6	0.6	0.9	2 554	0.2	0.2	0.2	0.2	449
Belgium-Luxembourg ....	2.8	2.5	2.6	3.1	9 554	3.6	3.7	3.7	3.8	10 860
Denmark .....	2.4	2.3	2.3	2.5	7 726	3.0	3.3	3.4	3.6	10 282
France .....	4.7	5.1	5.2	5.9	18 088	6.2	4.7	4.7	4.8	13 556
Western Germany .....	16.5	17.9	18.1	19.4	59 411	10.8	10.9	10.8	11.6	33 076
Italy .....	1.5	1.8	1.8	1.7	5 197	1.8	1.8	1.7	2.0	5 596
Netherlands .....	4.3	4.5	4.6	4.3	13 089	4.4	5.4	5.4	6.1	17 297
Norway .....	1.2	1.6	1.6	1.4	4 369	0.7	0.7	0.7	1.3	3 700
Portugal .....	0.1	0.2	0.1	0.2	540	0.1	0.1	0.1	0.1	244
Spain .....	0.6	0.5	0.4	0.6	1 935	1.1	0.2	0.2	0.2	549
Sweden .....	8.3	9.2	9.3	10.4	31 921	3.6	3.2	3.2	4.9	14 029
Switzerland .....	1.7	2.3	2.3	2.3	6 971	0.7	0.4	0.4	0.5	1 546
<b>Eastern Bloc</b> .....	25.6	24.5	24.3	20.2	61 638	24.8	23.5	23.6	19.1	54 429
China .....	0.5	0.5	0.5	0.2	639	1.1	2.0	2.2	0.6	1 619
Czechoslovakia .....	1.2	1.4	1.5	1.2	3 699	1.2	0.7	0.7	0.9	2 528
Eastern Germany .....	1.7	1.6	1.7	1.4	4 336	1.7	1.3	1.2	1.3	3 756
Poland .....	3.1	2.4	2.7	2.4	7 373	2.6	2.1	2.2	1.7	4 982
Soviet Union .....	18.0	17.9	17.3	14.2	43 409	17.3	16.7	16.7	13.9	39 672
<b>U.S. and Canada</b> .....	5.5	5.4	4.9	6.0	18 423	4.7	5.9	5.7	5.2	14 783
United States .....	5.3	5.1	4.6	5.7	17 521	4.6	5.8	5.6	5.1	14 406
<b>Latin America</b> .....	4.4	3.5	3.6	2.8	8 505	4.5	4.9	5.1	5.1	14 671
Argentina .....	0.3	0.5	0.5	0.5	1 502	1.0	0.9	1.0	1.1	3 298
Brazil .....	3.7	2.5	2.7	1.8	5 656	2.4	2.8	2.9	2.9	8 256
<b>Others</b> .....	1.4	0.9	1.0	0.9	2 835	2.9	2.5	2.4	2.3	6 676
Grand total	100.0	100.0	100.0	100.0	305 978	100.0	100.0	100.0	100.0	285 139
of which										
EFTA countries .....	31.3	31.8	32.3	33.9	103 767	30.3	31.3	31.5	35.3	100 586
EEC countries .....	29.8	31.8	32.2	34.4	105 339	26.9	26.5	26.3	28.2	80 385



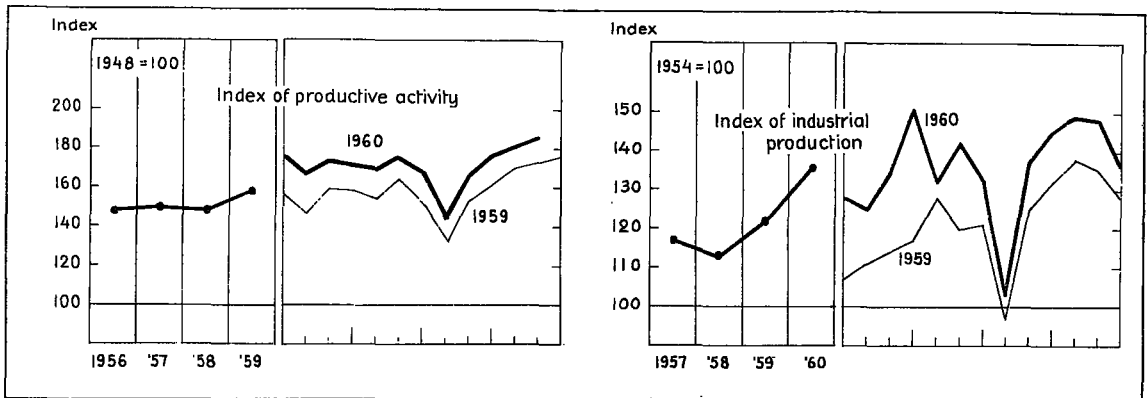
## PRICE INDEXES

Period	Wholesale prices 1935 = 100						Building costs 1951 = 100		
	Total index	Finnish goods				Imported goods	Total	Building material	Workers' average hourly earnings
		Total	Products of agriculture	Products of forestry	Products of industry				
1958	2 113	2 125	2 193	3 106	1 773	2 085	117	112	124
1959	2 096	2 134	2 198	3 060	1 801	2 016	118	110	128
1960	2 178	2 253	2 338	3 313	1 868	2 016	122	114	135
1960									
Jan.	2 161	2 221	2 352	3 200	1 849	2 033	119		
Feb.	2 163	2 228	2 351	3 199	1 862	2 022	120	112	128
March	2 166	2 231	2 367	3 196	1 861	2 029	120	112	130
April	2 168	2 234	2 373	3 205	1 863	2 026	120	114	129
May	2 171	2 238	2 356	3 230	1 865	2 028	121	113	129
June	2 168	2 239	2 338	3 242	1 868	2 017	122	113	132
July	2 170	2 246	2 360	3 243	1 873	2 010	123	114	134
Aug.	2 173	2 247	2 294	3 307	1 875	2 014	123	114	136
Sept.	2 191	2 275	2 285	3 452	1 875	2 011	124	115	135
Oct.	2 192	2 283	2 281	3 495	1 875	1 998	126	114	140
Nov.	2 205	2 299	2 368	3 495	1 873	2 003	125	114	145
Dec.	2 202	2 296	2 333	3 495	1 879	2 002	125	114	143
								114	142
1961									
Jan.	2 203	2 295	2 312	3 494	1 885	2 006	125	114	141

Period	Cost of living Oct. 1951 = 100						Consumer prices Oct.—Dec. 1957 = 100					
	Total	Food-stuffs	Rent	Heating and lighting	Clothing	Other	Total	Food-stuffs	Rent	Heating and lighting	Clothing	Other
1958	132	140	277	102	83	129	103	103	102	99	103	105
1959	134	141	280	98	85	134	105	103	104	95	105	109
1960	138	147	298	98	86	136	108	108	110	95	107	111
1960												
Jan.	136	144	295	98	85	135	107	106	109	95	106	110
Feb.	136	144	295	98	85	135	107	105	109	95	106	110
March	137	144	295	97	86	136	108	106	109	95	106	111
April	138	146	295	97	86	136	108	107	109	95	106	111
May	138	146	295	97	86	136	108	108	109	94	106	111
June	138	148	295	97	86	136	108	109	109	94	106	111
July	139	149	295	97	86	136	109	110	109	94	107	111
Aug.	138	148	295	97	86	136	109	109	109	94	107	111
Sept.	138	148	295	97	87	136	109	109	109	95	108	111
Oct.	139	146	306	98	87	136	109	107	113	95	108	111
Nov.	140	149	306	98	87	136	110	109	113	95	108	111
Dec.	140	149	306	99	87	137	110	110	113	96	108	111
1961												
Jan.	140	150	306	99	87	137	110	110	113	96	108	112

PRODUCTION - INTERNAL TRADE

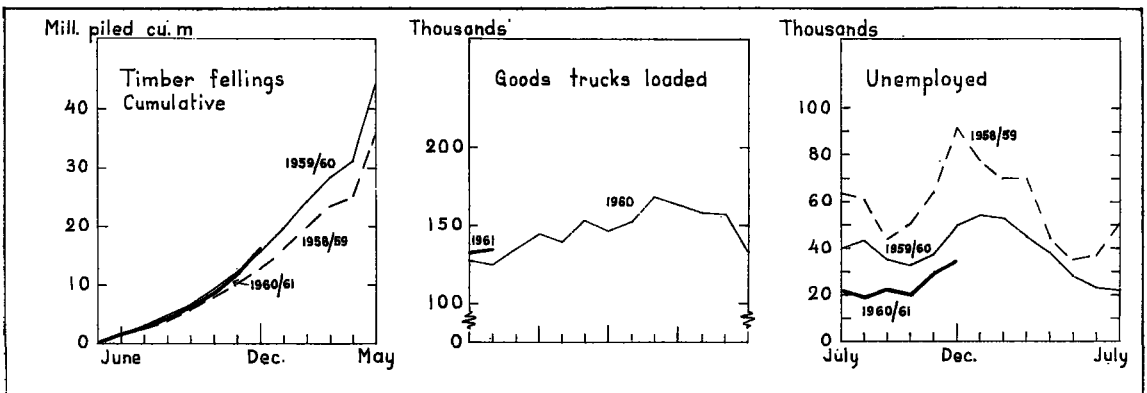
Period	Index of industrial production 1954 = 100								Commercial timber fellings 1 000 piled cu. m	Milk received by dairies 1 000 litres	Wholesale trade volume index 1954 = 100
	Total	Investment goods	Other producer goods	Consumer goods	Special indexes of manufacturing						
					Wood industry	Paper industry	Metal industry	Other			
1952									35 079	1 515	92
1953									29 170	1 609	93
1954	100	100	100	100	100	100	100	100	35 370	1 653	100
1955	111	116	109	113	99	115	111	111	38 600	1 659	116
1956	114	117	110	120	76	122	113	118	36 623	1 977	121
1957	117	119	116	118	82	134	115	117	40 919	2 085	114
1958	113	111	114	112	87	134	106	110	37 981	2 109	109
1959*	122	116	125	121	98	143	118	120	38 100	2 317	121
1960	136	133	140	131	122	166	134	128	44 593	2 492	136
1959*											
Sept.	132	130	134	129	99	162	132	128	1 768	182	135
Oct.	138	129	144	133	102	164	135	136	2 640	166	130
Nov.	135	129	143	125	95	169	131	132	2 809	165	127
Dec.	128	129	132	121	106	147	131	120	3 636	176	136
1960*											
Jan.	125	120	129	120	101	157	122	114	4 094	179	101
Feb.	134	133	137	130	125	162	133	125	4 680	175	119
March	151	152	153	146	145	178	152	141	4 084	196	134
April	132	125	133	134	132	148	127	129	2 597	223	139
May	142	136	145	141	139	171	139	135	13 081	251	144
June	132	127	133	133	139	144	131	127	1 646	261	132
July	103	84	116	90	115	157	86	89	997	239	124
Aug.	137	126	138	138	110	174	126	135	1 684	235	150
Sept.	145	144	149	139	120	179	145	137	1 870	209	147
Oct.	149	149	156	138	115	187	150	140	2 540	179	147
Nov.	148	154	154	136	115	180	152	139	3 116	166	144
Dec.	136	143	142	125	107	159	144	126	4 204	179	151



**BUILDING – WAGES – TRANSPORT – EMPLOYMENT**

Period	Buildings completed, mill. cu. m					Buildings under construction at end of period mill. cu. m	Index of salary and wage earners' earnings 1957 = 100			
	Total	Dwelling houses	Farm buildings	Commercial and industrial premises	Official buildings		All salary and wage earners	Wage earners in		
								Agriculture	Forestry	Manufacturing
1957	20.81	9.56	3.20	4.14	2.68	20.86	100	100	100	100
1958	19.29	8.46	3.08	3.57	2.93	20.38	105	103	103	105
1959	19.85	8.36	3.42	4.50	2.39	20.46	110	106	104	111
1959										
Apr.- June	3.10	1.33	0.42	0.72	0.39	21.74	110	107	105	111
July-Sept.	6.23	2.50	1.25	1.12	0.92	22.93	111	106	105	111
Oct.-Dec.	7.33	3.15	1.43	1.82	0.58	20.46	111	104	105	112
1960*										
Jan. - Mar.	4.01	1.61	0.33	1.39	0.54	20.66	113	113	107	114
Apr. - June	4.10	1.53	0.52	1.24	0.59	24.77	115	111	108	117
July-Sept.	5.76	2.03	0.91	1.63	0.85	24.98	116	111	109	118

Period	Railways		Foreign shipping				Employment		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed		1 000 persons		% of total labour force	
	1960	1961*	1960*	1961*	1960*	1961*	1959	1960*	1959	1960*
Jan.	124	134	431	450	345	412	1 717	1 751	3.8	2.6
Feb.	135		284		319		1 728	1 781	3.4	2.5
March	144		266		288		1 729	1 777	3.4	2.1
April	138		350		366		1 735	1 778	2.1	2.1
May	153		554		564		1 754	1 834	1.7	1.8
June	147		675		849		1 729	1 803	1.7	1.1
July	153		759		1053		1 608	1 698	1.8	1.0
Aug.	168		736		1006		1 660	1 769	2.0	0.9
Sept.	163		576		812		1 783	1 859	1.7	1.0
Oct.	158		562		683		1 775	1 851	1.6	0.9
Nov.	157		577		575		1 762	1 835	1.8	1.4
Dec.	133		519		568		1 719	1 812	2.4	1.6



## EXPLANATIONS RELATING TO THE STATISTICAL SECTION

### BANK OF FINLAND

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

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

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

### DEPOSITS BY THE PUBLIC— ADVANCES TO THE PUBLIC

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

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

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

### STATE FINANCES

Page 8. Official monthly figures adjusted by the Bank of Finland Institute for Economic Research. *Revenue and expenditure*: All extra-budgetary funds are included, and figures are reported on a payment basis. — Annual figures will be published in separate articles. *Debt*: Index-tied bond loans are given at their nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to the Post Office Savings Bank minus cash holdings (net) of State departments. In principle, the change in this item = surplus (deficit) in the table on revenue and expenditure. The small divergence is due to the fact that the adjustment of the monthly figures is not as accurate as that of the annual (December) figures. *Diagram*. The 12-month totals are plotted to the last month of the respective periods.

### FOREIGN TRADE

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

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

### PRICE INDEXES

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

### PRODUCTION — INTERNAL TRADE — WORK CESSATIONS

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

### BUILDING — WAGES — EMPLOYMENT — TRANSPORT

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

### SYMBOLS USED

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

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



## SOME PARTICULARS ABOUT FINLAND

### FORM OF GOVERNMENT

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

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

### LAND

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

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

### POPULATION

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

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

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

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

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

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

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

### TRADE AND COMMUNICATIONS

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

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

AGRICULTURE (1950): Cultivated land 2.4 million hectares of which holdings of less than 5 ha amount to 17 %, 5 to 15 ha 46 %, 15 to 50 ha 32 % and more than 50 ha 5 %. Number of holdings 357 000, of which 162 000 are of more than 5 ha. Index of agricultural production 98 for 1958 (1954 = 100). Measure of self-sufficiency in the crop year 1958/59: bread cereals 52 %, animal products 120 %.

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

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

MERCHANT FLEET (Dec. 31, 1960): Steamers 216 (313 552 gross reg. tons), motor vessels 217 (477 981 gross reg. tons), sailing vessels with auxiliary engines 88 (9 183 gross reg. tons). Total 521 (800 716 gross reg. tons).

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

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

### FINANCE AND BANKING

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

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

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1960). There are two big and three small commercial banks with in all 599 offices, 390 savings banks, 537 cooperative credit societies and their central bank, six mortgage societies, and the Post Office Savings Bank. The savings departments of the cooperative stores accept deposits from the public.

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

# THE FINNISH ECONOMY IN 1960

BY

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## PRESSURE OF DEMAND

The economic revival which set in during the latter half of 1958 reached the stage of expansion in the following year, with fixed investment and exports as the predominant expansive factors. At the beginning of 1960, the rate of expansion had attained its peak. Total production exceeded by 15 per cent the volume recorded in the spring of 1958, when the recession had touched bottom. Although production rose rapidly, and the economic resources raised no obstacles to a further expansion, it was evident that total demand was growing still more rapidly, thus causing excess demand.

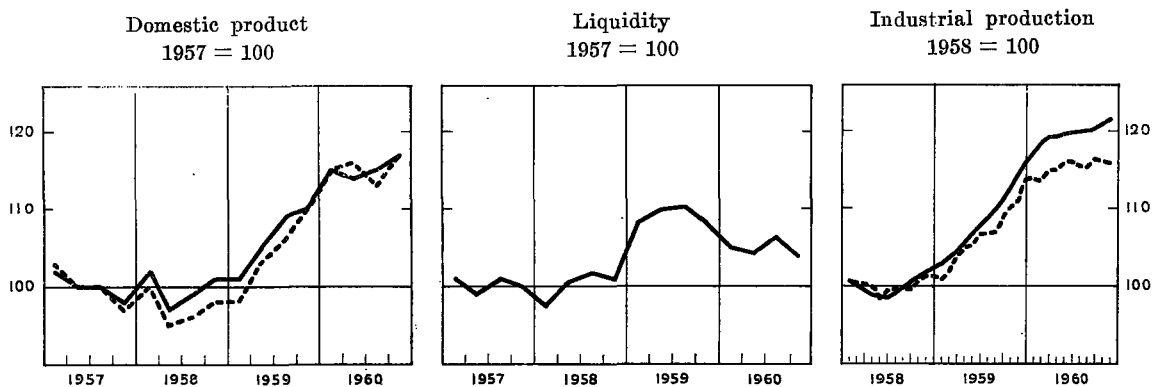
During the early months of 1960, fixed investment was still centred on house construction. Industrial building was particularly brisk. Residential building, which had been lagging behind, was now clearly speeding up. As for commercial building, it appeared that the most intensive phase of the expansion had been passed. During those months, investment in machinery and equipment was slower than building investment. At the same time optimistic expectations had stimulated entrepreneurs in most sectors of the economy to making a substantial accumulation of stocks. On the other hand, private consumption was observed to grow at a slower pace than total income. Nevertheless, there was a continued shift in the structure of consumption in favour of consumer durables; doubtlessly the growing

demand for such goods was partly ascribable to the extended use of instalment credit. In addition to these internal expansionary factors, international trade conditions were also favourable to Finnish exports, and optimism was high among exporters.

Production grew so rapidly, that in the second quarter the factors of production, labour in particular, began to be fully utilised, which resulted in a fall of the growth rate. During the spring, unemployment fell to its minimum, amounting to only about one per cent of the labour force. The fall in unemployment was also evident in the official registers. This favourable development also permitted a substantial reduction in the employment works financed from public funds, primarily road and waterway construction.

Simultaneously with the deceleration of the growth rate of production, some significant changes occurred in the structure of demand. More and more of the fixed investment projects began to reach the stage at which was needed machinery and equipment rather than building. Furthermore, there are indications that investment in stocks began to centre more upon raw materials and semi-manufactures, while the increases in stocks of consumer goods now became of minor importance.

If we consider the general development during the first six months in the light of



Adjusted for seasonal variations by the Bank of Finland Institute for Economic Research.

*Domestic product.* — The volume of the domestic product. - - - - - The same, excluding agriculture, general government, and road and waterworks.

*Liquidity.* Real liquidity of the public, defined as a ratio between the money supply and the total production at current prices.

*Industrial production.* — Industrial production in Finland. - - - - - Combined index of industrial production in Belgium, France, Netherlands, Denmark, Sweden, United Kingdom, the USA and Western Germany (Source: OEEC Statistical Bulletin); the weights are proportionate to these countries' shares in Finnish exports.

production statistics, one thing we find is that the domestic product (seasonally adjusted) grew by 5 per cent during the first quarter, but fell by one per cent during the second. In industry, the (seasonally adjusted) monthly growth rate during the first quarter was still about one per cent, whereas for the second quarter it was clearly lower. The importance of the various demand components from the view-point of expansion is also reflected in these figures: in the wood-processing industry, working for export, the growth rate was higher than in the industry directed mainly at the home markets, and further, in the investment goods industry the growth rate was about twice that in the consumer goods industry. Fellings also attained a record figure; during January—May they rose by 27 per cent above the corresponding level for 1959.

While production continued to grow, the pressure of demand also occasioned an unexpected large increase in imports during the

first half-year. Due to a relatively high import-content, it is quite evident that investment in stocks, in machinery and equipment, as well as the demand for consumer durables, added further to the import demand. The rise in imports was such that the trade balance for January—June showed a deficit of 35 000 million marks, despite the favourable development of exports; by the end of June 1959 the deficit had been but 8 000 million marks. At the same time, the high demand obviously also to some extent unsettled the price level (see p. 2).

On the basis of the liquidity index shown in the above diagram, it may be concluded that the liquidity of the economy had risen by so much during 1959 that in itself it permitted a steep rise in demand during the early months of 1960. At the same time, the rise in demand was closely connected with very generous bank lending. During the first half of 1960, advances by credit institutions increased by 58 000 million

marks, whereas in 1959 the corresponding rise had been 28 000 million marks. Both relatively and absolutely the commercial banks took the largest share in the increase, 30 000 million in 1960 and 10 000 million in 1959.

Despite this development of bank lending, the increase in the supply of money slowed down, for the lack of balance between total demand and total production was the origin of the excess of imports, and accordingly reduced the foreign exchange reserve; at the same time the expansion created a surplus in the State finances (see p. 1). Thus in a way the expansion itself, by lowering the liquidity of the economy, narrowed down the monetary margin for further expansion.

#### FULL EMPLOYMENT

As was mentioned above, full employment was attained before the summer months, when holidays normally occasion a drop in production. During the present period of expansion, the state of full employment was arrived at much earlier, in relation to the previous trough, than in the period of 1953—1956. It seems probable that this was mainly due to the comparatively late start of fixed investments: as they did not get under way until the second half of 1959, their capacity-increasing effect still remained relatively slight during the first half of 1960.

Shortly after mid-1960, some new features appeared in the picture of demand. For one thing, the rate of growth of demand clearly fell off, and to an even greater extent than total production; this meant that the appreciable imbalance of the previous 12-month period was gradually diminishing. The change of direction of the demand was largely due to investment activity. Although statistical data are not available, it seems evident that the deceleration of building operations was here the main factor. The

assumption may be ventured that the (seasonally adjusted) volume of house building did not during the latter half-year rise appreciably above the level achieved during the first six months. Consequently, what rise there was in fixed investment during the second half-year was primarily concerned with machinery and equipment, while the growth rate of fixed investment as a whole fell off. As the months proceeded, it became increasingly evident that also investment in stocks was not only slowing down, but actually decreasing.

One thing of special note is that private consumer demand took a somewhat different course, with a slightly rising tendency towards the end of the year. This may partly have been because now, in a period of full employment, the income of that part of the population with the higher propensity to consume kept better pace with the total income formation. Another reason may be related to the consumer demand during a boom period generally tending to grow faster than total income, due to the lagged response of consumer demand to changes in income. The foreign demand for Finnish goods was very brisk until the end of the year, although during the second six months the cyclical development abroad did not seem particularly favourable to Finland (see diagram). However, the decline that did occur in the rate of increase in exports was not nearly so marked as in the growth of domestic investment.

The state of full employment is clearly evident from the production statistics for the second half of 1960. During the third quarter, a new seasonal factor operated: the revised act on annual vacations. As this act came into force late in the spring, its effect on production was greater than would have been caused by the mere prolongation of vacations as such. As a result, no noteworthy increase in production was recorded

from the second to the third quarter. Instead, the last-quarter increase was the more marked, or 2 per cent.

If we eliminate the influence of extended holidays, the estimates of industrial production indicate that the rise during the second six months represented an annual growth of 6 per cent. With the changing tendencies in total demand, the production of investment goods, despite retardation, still grew more rapidly than industrial production as a whole. The higher rate of increase in private consumer demand evidenced itself in the activity of the consumer goods industries; during the concluding months of the year their rate of increase was about the same as in all industry, whereas it had been lower during the greater part of the year. A similar development is seen in retail trade, in which the volume increased at an annual rate of 7—8 per cent during the last quarter. The favourable development of exports maintained exporters' optimism. In the wood and paper industries, the rise considerably exceeded that of industry as a whole. For several months of the current felling season, on the other hand, lumbering remained at a lower level than one year previously, owing to a shortage of labour, but later in the autumn the situation improved, so that the cumulative result for June—December was 2 per cent higher than by the end of 1959. In December alone, fellings were nearly 16 per cent more than in December 1959.

During the second six months, the adjustment of total demand to total production checked the rise in both imports and prices. The trade balance showed a surplus of 10 000 million marks, compared with 7 700 million for July—December 1959. The rise in prices was considerably less than in the previous autumn, although the increase in prices of agricultural products, effected in accordance with the law on farm prices,

raised the general price level somewhat, as did the comparatively well-marked price increases for forestry products in the autumn.

After mid-year, the monetary situation became more stringent. However, the liquidity of both the public and the banks remained more or less unchanged until the end of the year. For the banks, this meant restraint in lending, while for the rest of the economy the liquidity remained unaltered, as the rise in prices and production was comparatively slight. During the second six months, bank lending increased by 54 200 million marks, in comparison with 52 100 million during the corresponding period of 1959. The increase in lending now related more to credit institutions other than commercial banks.

#### SUMMARY

At the end of the year, total production had risen from the trough of 1958 by 21 per cent. Excluding agriculture, general government, road and waterworks, the increase was higher, or 24 per cent.

For the whole of 1960, the volume of the gross domestic product was 8 per cent higher than for 1959. The following Table gives a preliminary estimate of the total demand and supply during 1960.

	1960 1 000 mill. marks	Real change in 1960 per cent
<i>Total demand</i>		
Exports of goods and services ..	368	+16
Domestic gross investment ....	525	+15
Consumption		
Private consumption .....	826	+ 8
Public consumption .....	194	+ 4
Net transfers abroad .....	1	—20
	<hr/>	
	Total 1914	+11
<i>Total supply</i>		
Gross domestic product at market prices .....	1 534	+ 8
Imports of goods and services	380	+26
	<hr/>	
	Total 1914	+11

A striking feature of this Table is that gross investment was 34 per cent of the gross domestic product.

The following Table summarises the changes in the volume of production in different industries.

	per cent
Agriculture .....	+ 6
Forestry .....	+14
Manufacturing .....	+11
House building .....	+11
Road and water works .....	- 7
Transport and communication ..	+11
Commerce .....	+ 7
General government .....	+ 3
Other industries .....	+ 4

The strong expansion in imports described above caused a considerable deficit in the balance of trade. The total value of exports of goods was 316 500 million marks, and of imports 339 700 million. As the services yielded a surplus of about 11 000 million marks, the total exchange of goods and services resulted in a deficit of about 12 000 million marks.

## ITEMS

**New terms of rediscounting.** With a view to spurring the banks to greater efforts to raise their liquidity, the Bank of Finland has supplemented its rediscounting terms as from February 1, 1961. A bank will now be exempted from the penalty rate if it raises its liquid funds to meet the targets set by the Bank of Finland. In brief, the exemption from penalty will be granted for any one month at whose end the increase in a bank's liquid funds, reckoned on the end of January figure, represents a minimum percentage of the simultaneous increase in its liabilities. The lower the liquidity ratio is at the end of the month, then the higher the minimum percentage.

To this end, the Bank of Finland determines the liquid funds and the liabilities according to a special formula. The items making up the „liquid funds” include as negative entries both the debt to the Bank of Finland and the short-term debts to other rediscounting banks.

At the same time, the scale of the penalty rate was made evenly progressive throughout; from July 1960 it had risen by stages from the point at which the rediscounts of the bank concerned exceeded its own funds by 25 per cent.

Otherwise, the instructions concerning penalty rates are unchanged. Thus, for those

banks who fail to meet the above described liquidity requirements, the rule applies that if a bank's debt (=average net liability during the calendar month) to the Bank of Finland exceeds 30 per cent of its own funds, the bank has to pay a penalty rate of 2.5 per cent per annum on a sum so calculated that its ratio to the debt equals the ratio between the amount of debt exceeding the said limit, and the bank's own funds. The maximum penalty charged represents 4 per cent of the debt.

These instructions cancel those given in December 1959 (see Bulletin No. 12, 1959).

\*

**Trade agreement.** On January 23, an agreement was signed covering the exchange of goods between Finland and Rumania during 1961. Finland will principally export machinery for the paper, cellulose and fibre-board industry, paper products, chemical wood pulp, hides and dry milk. Finland's import list mainly includes fuel oil and oil products and cereals.

\*

**New bond loans.** On December 29, 1960, the Government issued a bond loan amounting to 2 000 million marks. The bonds are dated January 2, 1961. This loan is to be subscribed by private credit institutions, and

will run for ten years at a rate 2 per cent above the general deposit rate of the two largest commercial banks. Amortization and interest are tied to the cost of living index to the extent of 50 per cent. It was issued at a price of 99,39.

On January 26, 1961, the Government issued the second Savings Bond Loan this year. It amounts to 1 000 million marks and is intended for public subscription. The bonds are dated February 1 and will run for six years. In 1962—1966, the bonds may be redeemed at their nominal value, but those who do not present their bonds for redemption until 1967 will receive, in addition, a capital bonus of  $4\frac{1}{2}$  per cent on the nominal value. The rate of interest will rise evenly from 5 per cent for 1961 to  $7\frac{1}{2}$  per cent for 1966.

On February 2, 1961, the Government issued a bond loan amounting to 1 500 million marks. The bonds are dated February 15 and will run for five years at a rate  $2\frac{1}{4}$  per

cent above the general deposit rate of the two largest commercial banks.

On December 29, 1960, the Government authorized the town of Joviisa to issue a loan of 100 million marks. The bonds are dated December 30, 1960 and will run for 25 years. The rate of interest is  $2\frac{1}{2}$  per cent above the rate applied to six months' deposits in the Central Bank of the Savings Banks. Amortization and interest are tied to the cost of living index to the extent of 50 per cent.

\*

**Publications of the Bank of Finland.** A book on the outstanding Finnish Bond Loans has been published in Finnish and Swedish. It presents a list of all the loans outstanding on December 31, 1958, and detailed descriptions of the conditions of each loan, such as rate of interest, redemption, right of conversion, grantor and other particulars. (Suomen Obligaatiokirja 1959 — Obligationsbok för Finland 1959, Helsinki 1961, 117 p.).

# BANK OF FINLAND

## BOARD OF MANAGEMENT

KLAUS WARIS,  
*Governor*

ESKO K. LEINONEN

A. SIMONEN

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

REINO ROSSI

## SECRETARIES

U. A. VATANEN,  
*Credits*

PERTTI TAMMIVUORI,  
*Administration*

EERO ASP,  
*Foreign affairs*

JOUKO J. VOUTILAINEN,  
*Foreign affairs; Information*

K. IGNATIUS,  
*Administration*

## HEADS OF DEPARTMENT

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*Personnel*

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

P. BLOMQUIST,  
*Accounts*

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

A. KAJANTIE,  
*Documentary credits  
and control*

HELGE LINDSTRÖM,  
*Credits*

ARTHUR ASPELUND,  
*Cash*

EINO JUSSILA,  
*Office*

K. EIROLA,  
*Internal accounts*

A. NENONEN,  
*Foreign correspondence*

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