



BANK OF FINLAND

MONTHLY BULLETIN

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APRIL

1966

RECENT DEVELOPMENTS

INDUSTRIAL PRODUCTION

The average rate of growth of the volume of industrial production in the first two quarters of 1965 was around 7—8 per cent, the same as the 1964 average. In the third quarter the rate of growth slackened, and in the last few months of 1965 production (adjusted for seasonal variations¹) showed a slight decline. The main factor responsible for the decrease in industrial production towards the end of the year was the unfavourable development of economic trends in Finland's principal export markets, particularly England and West Germany, which in turn resulted in a slackening of demand for wood and paper industry products and in a running down of stocks. Thus, in the last quarter of 1965 the volume of production in the wood industry decreased by almost 3 per cent on the previous quarter and that of the paper industry by almost 6 per cent (see diagram on page 15). The increase in domestic demand also slowed down, partly as a result of the slackening in the growth of bank advances, which had influenced economic activity since the middle of 1965. In the first few months of 1966 the exceptionally severe winter created

additional difficulties; the sawmills and shipping were specially badly hit, the latter being brought almost to a standstill at times. In January the output of the paper industry continued to decrease: the volume was 7 per cent lower than the average of last year. The volume of wood industry products was somewhat larger in January than in December, although it was almost 5 per cent lower than the average of last year.

In the other important branch of industry, the investment goods industry, the volume of production grew by 6—7 per cent at the beginning of 1965. The growth rate decelerated to some extent with the slackening in the growth of investment later in the year; in spite of this, however, the rate of growth remained relatively high. This was because of an increase in exports to the countries of the Eastern Bloc. Even though exports of metal industry products to the Eastern Bloc, on the basis of the 5-year agreement, will remain at a relatively low level this year, the growth in the production of investment goods is likely to accelerate slightly in view of the fact that the production of the large deliveries for 1967 and 1968 are to be started in 1966. Nevertheless, in January the volume of production

¹ In the following the figures for changes in production are all seasonally adjusted.

On page 18, *The Finnish Economy in 1965*

of the investment goods industry was roughly at the same level as the average of last year.

In comparison to the other major groups of industry, the volume of production of consumer goods grew relatively steadily, i.e. by 3 per cent in 1965. The stepped-up purchases of winter clothes and footwear necessitated by the exceptionally early and severe winter, together with the strike threats, raised the production of consumer goods in December 1965 and in January 1966 to a new high.

The average rate of growth in the raw material industries (excluding the wood and paper industries) was relatively vigorous in the first quarter of 1965, but stopped almost completely in the third quarter. In the last quarter production decreased slightly on the previous quarter. On the whole, the volume of production in the raw material industries increased by 5.7 per cent, so that it was the most expansive of all the above-mentioned industries.

The most important groups of the other raw material industries are studied in greater detail below. The rate of growth of the chemical industry, which has been expanding vigorously in the last few years, temporarily slackened at the beginning of the year. By the end of 1965 a slight acceleration in the rate of growth of this industry was noticeable, and it is expected that this trend will continue in the course of this year when the new plants under construction have been completed. Another branch of industry that has expanded rapidly in recent years is the base metals industry, in which the volume

of production grew by almost 14 per cent in 1965. The rate of growth is expected to be sustained at a high level, although some slackening in comparison to last year is likely. In contrast, the output of the immediate metal industry products was not very substantial, the rate of expansion being mere 4 per cent last year. In January this year production fell markedly below the average of last year. As a consequence of the vigorous growth in building activity the volume of production of the clay, glass and stone industry grew by 9.1 per cent last year. Again, with the decline in the growth of residential building during the latter half of the year, the rate of growth of this branch of industry slackened. In December 1965 and in January 1966 production was below the average of previous years. On the contrary, the rate of growth of output of electricity, gas and water, 6.1 per cent, was above average. The mining industry, which has displayed a slow growth rate since the latter half of 1962, rose only by 3.6 per cent in 1965 also. The volume of production of the textile industry which suffers from a hard competition abroad, decreased by 10 per cent last year. This trend is expected to continue, though slightly less marked.

In the first quarter of this year, the volume of total industrial output is estimated to amount to slightly less than the average of last year. The postponed deliveries will probably go into production in the second quarter, and therefore total output is expected to substantially exceed that of the first quarter.

March 28, 1966

BANK OF FINLAND

Mill. mk

	1965		1966			
	Dec. 31	Feb. 27	Feb. 28	March 8	March 15	March 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	944.7	1 056.5	996.0	988.2	954.9	942.4
Gold	267.5	189.7	267.6	267.6	267.6	213.2
IMF gold tranche	45.6	—	45.6	45.6	45.6	100.0
Foreign exchange	547.8	792.5	601.0	594.0	561.2	548.6
Foreign bills	54.7	27.7	52.7	51.9	51.4	51.5
Foreign bonds	29.1	46.6	29.1	29.1	29.1	29.1
<i>Supplementary note cover</i>	712.1	519.2	571.7	596.3	599.6	698.0
Inland bills discounted						
In foreign currency	45.5	54.2	45.5	45.5	45.5	45.5
In Finnish currency	26.0	48.4	41.6	42.0	40.7	41.8
Rediscounted bills	640.6	416.6	484.6	508.8	513.4	610.7
<i>Other assets</i>	119.5	90.3	189.2	147.2	153.5	120.4
Finnish bonds	36.9	14.4	94.7	44.7	44.8	9.4
Cheque accounts	1.9	2.4	1.5	2.4	2.9	3.7
Finnish coin	6.2	6.0	8.7	8.6	9.0	9.1
Other claims	74.5	67.5	84.3	84.5	96.8	98.2
Total	1 776.3	1 666.0	1 756.9	1 724.7	1 708.0	1 760.8
Liabilities						
<i>Notes in circulation</i>	1 028.5	959.2	968.4	924.9	925.3	937.4
<i>Liabilities payable on demand</i>	98.3	166.5	87.5	93.1	74.9	107.0
Foreign exchange accounts	44.8	104.3	39.8	42.7	41.7	43.1
Mark accounts of holders abroad	10.9	16.3	7.2	7.0	6.8	25.2
Cheque accounts						
Treasury	1.1	1.4	2.5	0.7	0.9	2.4
Post Office Savings Bank	8.3	1.6	3.2	9.2	1.4	10.2
Private banks	11.9	18.1	7.7	11.2	2.2	3.4
Other	1.2	0.6	2.9	1.7	1.5	2.1
Other sight liabilities	20.1	24.2	24.2	20.6	20.4	20.6
<i>Term liabilities</i>	57.2	65.9	82.5	82.5	82.2	82.2
Foreign	45.6	54.3	45.6	45.6	45.6	45.6
Finnish	11.6	11.6	36.9	36.9	3.66	36.6
<i>Equalization accounts</i>	165.1	259.0	186.8	191.7	19.22	200.0
<i>Bank's own funds</i>	427.2	215.4	431.7	432.5	433.4	434.2
Capital	300.0	100.0	300.0	300.0	300.0	300.0
Reserve fund	97.9	97.9	112.6	112.6	112.6	112.6
Profits undisposed	—	13.2	14.7	14.7	14.7	14.7
Earnings less expenses	29.3	4.3	4.4	5.2	6.1	6.9
Total	1 776.3	1 666.0	1 756.9	1 724.7	1 708.0	1 760.8
STATEMENT OF NOTE ISSUE						
Right of note issue						
<i>Ordinary cover</i>	944.7	1 056.5	996.0	988.2	954.9	942.4
<i>Supplementary cover</i> (Upper limit 500 mill. mk)	500.0	500.0	500.0	500.0	500.0	500.0
Total	1 444.7	1 556.5	1 496.0	1 488.2	1 454.9	1 442.4
Note issue						
Notes in circulation	1028.5	959.2	968.4	924.9	925.3	937.4
Liabilities payable on demand	98.3	166.5	87.5	93.1	74.9	107.0
Undrawn on cheque credits	5.1	4.6	5.6	4.7	4.1	3.3
Unused right of note issue	312.8	426.2	434.5	465.5	450.6	394.7
Total	1 444.7	1 556.5	1 496.0	1 488.2	1 454.9	1 442.4

Rediscount rate since April 28, 1962, 7 per cent

BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net claims on the Treasury (7+8-9)
	1	2	3	4	5	6	7	8	9	10
1958	575.6	21.8	553.8	126.2	160.1	519.9	90.3	— 51.6	71.5	— 32.8
1959	730.7	21.2	709.5	92.5	158.4	643.6	103.3	37.6	64.2	76.7
1960	686.0	40.6	645.4	67.0	142.7	569.7	37.5	32.4	61.9	8.0
1961	691.5	13.4	678.1	87.5	128.4	637.2	27.7	5.9	1.1	32.5
1962	637.7	17.1	620.6	67.7	114.9	573.4	—	28.9	5.5	23.4
1963	752.2	18.2	734.0	65.6	100.5	699.1	—	18.9	0.2	18.7
1964	973.4	84.7	888.7	76.3	82.8	882.2	—	8.9	5.4	3.5
1965	860.9	44.8	816.1	83.8	56.5	843.4	—	— 1.1	1.1	— 2.2
1965										
Feb.	982.2	104.3	877.9	74.3	70.6	881.6	—	8.9	1.4	7.5
March	904.8	102.0	802.8	69.0	70.0	801.8	—	8.9	—	8.9
April	866.8	94.6	772.2	70.6	67.9	774.9	—	8.9	1.6	7.3
May	776.5	74.4	702.1	67.5	65.9	703.7	—	8.9	—	8.9
June	688.9	55.8	633.1	86.9	64.3	655.7	—	8.9	28.9	— 20.0
July	697.3	39.1	658.2	83.4	64.7	676.9	—	8.9	1.4	7.5
Aug.	710.2	70.9	639.3	82.2	64.0	657.5	—	8.9	6.1	2.8
Sept.	663.8	69.6	594.2	78.9	61.6	611.5	—	8.9	15.1	— 6.2
Oct.	770.9	85.5	685.4	78.6	60.8	703.2	—	8.9	11.6	— 2.7
Nov.	756.4	97.2	659.2	78.3	60.1	677.4	—	— 1.1	1.2	— 2.3
Dec.	860.9	44.8	816.1	83.8	56.5	843.4	—	— 1.1	1.1	— 2.2
1966										
Jan.	861.5	42.3	819.2	82.6	56.3	845.5	—	— 1.1	1.6	— 2.7
Feb.	914.2	39.8	874.4	81.8	52.8	903.4	—	— 1.1	2.5	— 3.6

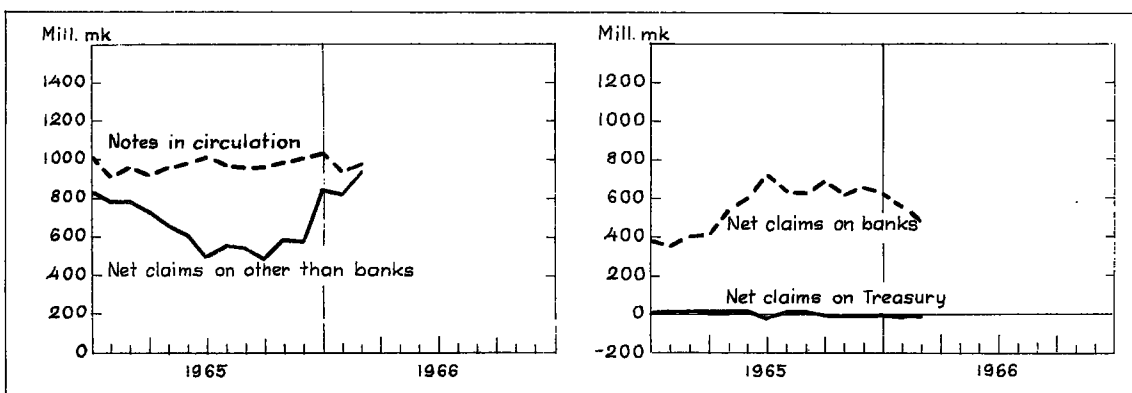
Foreign exchange situation, mill. mk

	Net holdings, Dec. 31, 1965			Net holdings, Feb. 28, 1966			Change in	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	February	Jan.—Feb.
Gold	267	—	267	267	—	267	—	—
Convertible currencies	483	—155	328	468	—156	312	—23	—16
Other currencies	20	1	21	93	4	97	+52	+76
IMF gold tranche	46	—	46	46	—	46	—	—
Total	816	—154	662	874	—152	722	+29	+60

BANK OF FINLAND

Mill. mk

End of year and month	Finnish credit institutions					Other				Notes in circulation
	Redis-counted bills	Liabilities, Cheque accounts			Net claims on the banks (1-2-3-4)	Inland bills in Finnish currency	Other advances	Liabilities	Net claims on the rest of economy (6+7-8)	
		Private banks	Post Office Savings Bank	Mortgage Bank of Finland Oy						
	1	2	3	4	5	6	7	8	9	10
1958	187.1	14.7	—	20.8	151.6	88.2	143.0	5.3	225.9	650.8
1959	47.2	38.6	—	2.5	6.1	38.9	105.0	3.9	140.0	694.4
1960	205.1	16.8	—	1.6	186.7	72.3	109.5	3.5	178.3	727.4
1961	294.6	44.7 ¹⁾	4.4 ¹⁾	12.5	233.0	70.8	107.3	2.9	175.2	837.1
1962	401.2	— 4.0	53.3	0.8	351.1	33.5	99.6	4.1	129.0	774.4
1963	325.3	1.3	3.0	1.2	319.8	57.2	94.4	1.7	149.9	943.7
1964	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1965	640.6	11.9	8.3	0.2	620.2	26.0	121.9	31.6	116.3	1 028.5
1965										
Feb.	416.6	18.1	1.6	1.1	395.8	48.4	114.1	34.2	128.3	959.2
March	431.7	19.5	0.6	2.0	409.6	40.0	134.2	32.3	141.9	921.3
April	548.5	0.8	19.3	1.4	527.0	23.6	125.0	31.9	116.7	958.1
May	596.8	— 0.8	0.8	1.1	595.7	11.8	141.6	32.2	121.2	983.7
June	776.8	10.0	41.6	2.1	723.1	7.6	134.6	32.6	109.6	1 010.3
July	646.1	4.4	10.7	2.2	628.8	9.5	138.5	32.6	115.4	965.5
Aug.	644.7	1.2	7.0	2.7	633.8	7.0	137.3	31.5	112.8	957.5
Sept.	700.7	0.2	8.3	2.1	690.1	16.6	137.0	34.0	119.6	962.9
Oct.	641.2	2.0	21.8	0.1	617.3	29.8	119.4	32.2	117.0	980.2
Nov.	657.7	3.6	5.9	0.0	648.2	34.5	135.3	32.5	137.3	1 001.8
Dec.	640.6	11.9	8.3	0.2	620.2	26.0	121.9	31.6	116.3	1 028.5
1966										
Jan.	569.7	12.1	3.9	1.2	552.5	24.8	136.5	59.4	101.9	943.1
Feb.	484.6	7.7	3.2	1.5	472.2	41.6	131.3	61.4	111.5	968.4

¹⁾ Including cash reserve accounts

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 ^a	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1955	365.9	442.8	118.5	977.9	1 085.4	611.4	330.7	152.6	3 158.4	3 719.7
1956	386.1	459.6	138.4	968.1	1 124.0	635.3	341.6	160.1	3 229.5	3 827.5
1957	377.1	461.4	139.3	1 032.2	1 178.6	671.1	339.6	168.2	3 390.1	3 990.8
1958	395.7	495.8	167.7	1 222.6	1 312.6	742.7	381.7	191.9	3 851.8	4 515.3
1959	557.5	678.1	140.9	1 505.5	1 525.5	860.3	431.2	219.1	4 541.9	5 360.9
1960	550.8	680.7	135.9	1 813.6	1 798.6	1 052.5	485.2	254.3	5 404.5	6 221.1
1961	577.9	720.8	143.8	2 105.9	2 079.6	1 241.0	558.2	285.3	6 270.3	7 134.9
1962	649.0	800.8	168.5	2 270.4	2 210.8	1 325.5	606.6	293.2	6 706.7	7 676.0
1963	715.3	876.0	250.3	2 441.0	2 336.6	1 448.0	648.5	310.7	7 185.0	8 311.3
1964	683.3	855.4	296.5	2 816.7	2 614.7	1 681.4	713.8	331.4	8 158.2	9 310.1
1965*	665.7	849.5	309.4	3 160.1	2 959.0	1 953.6	773.2	357.2	9 203.3	10 362.2
1965*										
Feb.	632.2	775.8	367.3	2 885.6	2 715.3	1 760.2	734.6	339.9	8 435.8	9 578.9
March	680.4	837.5	320.1	2 917.3	2 756.0	1 800.1	744.5	344.9	8 562.9	9 720.5
April	629.5	783.0	294.8	2 936.0	2 760.1	1 815.0	739.6	343.5	8 594.4	9 672.2
May	678.6	853.8	296.0	2 959.6	2 765.6	1 831.7	732.2	341.9	8 631.2	9 781.0
June	661.7	823.9	279.2	2 954.1	2 733.2	1 811.8	726.4	339.1	8 564.8	9 667.9
July	646.7	803.4	247.5	2 979.8	2 750.6	1 803.2	731.1	338.5	8 620.9	9 671.8
Aug.	695.1	866.7	239.6	2 980.9	2 767.5	1 832.6	728.5	337.9	8 647.4	9 753.7
Sept.	688.3	866.7	248.9	2 987.9	2 790.6	1 852.5	732.7	343.4	8 707.2	9 822.8
Oct.	598.7	766.8	232.8	2 992.2	2 809.2	1 860.0	735.4	347.7	8 744.5	9 744.1
Nov.	674.2	852.0	266.6	3 017.2	2 858.6	1 887.2	743.4	351.3	8 857.8	9 976.4
Dec.	665.7	849.5	309.4	3 160.1	2 959.0	1 953.6	773.2	357.2	9 203.3	10 362.2
1966*										
Jan.	652.2	813.8	305.1	3 181.5	2 990.0	1 989.7	787.7	360.2	9 309.3	10 428.2
Feb.	642.8	800.9	356.6	3 144.3	3 039.3	2 038.7	798.4	364.8	9 485.7	10 643.2

End of month	Index-tied deposits		High-interest deposits
	100 % clause	50 % clause	
1965*			
May	1 484.1	73.5	628.8
June	1 454.9	73.8	654.4
July	1 473.8	72.3	664.8
Aug.	1 492.4	70.1	674.5
Sept.	1 489.1	77.9	690.2
Oct.	1 506.4	78.5	700.8
Nov.	1 535.1	78.4	703.1
Dec.	1 594.7	75.7	708.0
1966*			
Jan.	1 648.9	68.5	729.8
Feb.	1 677.7	69.3	755.9

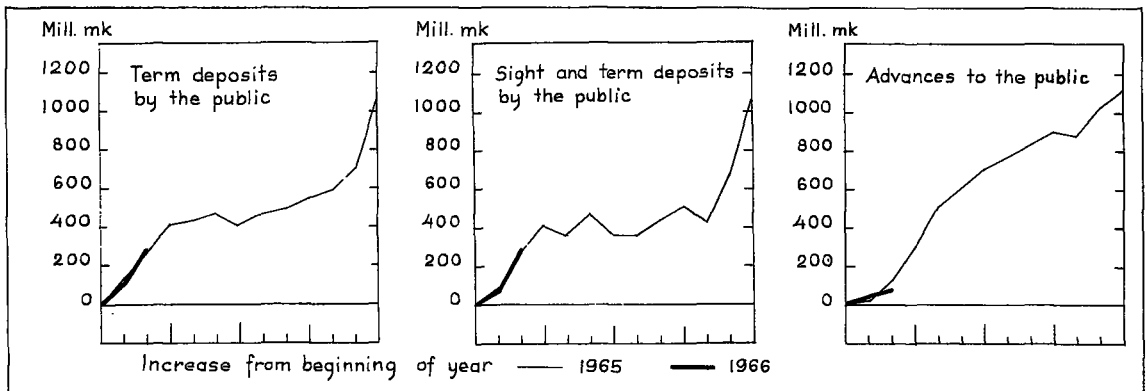
Selling rates for foreign exchange			
March 28, 1966			
		mk	mk
New York ...	1 \$	3.224	Zurich 100 Fr 74.34
Montreal	1 \$	2.997	Paris 100 FF 65.80
London	1 £	9.010	Rome 100 Lit 0.5163
Stockholm ...	100 Kr	62.60	Vienna ... 100 S 12.48
Oslo	100 Kr	45.10	Lisbon 100 Esc 11.24
Copenhagen ..	100 Kr	46.79	Reykjavik 100 Kr 7.50
Frankfurt o.M.	100 DM	80.42	Madrid 100 Pta 5.42
Amsterdam ...	100 Fl	89.04	Moscow, clear. ¹⁾ 1 Rbl 3.5667
Brussels	100 Fr	6.482	Clearing dollars ²⁾ 1 Cl \$ 3.21

¹⁾ Bucharest, Peking.²⁾ Athens, Berlin, Bogota, Budapest, Prague, Sofia, Warsaw.

ADVANCES TO THE PUBLIC - MONEY SUPPLY

Mill. mk

End of year and month	Granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	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
1955	1 554.4	964.5	248.7	728.7	136.0	3 398.0	234.3	3 632.3	1 043.0
1956	1 626.6	1 028.3	262.3	767.6	146.9	3 578.0	253.7	3 831.7	1 160.0
1957	1 603.8	1 066.4	260.5	780.6	157.2	3 630.0	238.5	3 868.5	1 170.7
1958	1 745.4	1 154.8	290.3	835.1	219.3	4 011.5	233.4	4 244.9	1 302.3
1959	2 096.9	1 327.2	331.4	967.3	325.8	4 772.7	275.9	5 048.6	1 448.4
1960	2 604.6	1 549.3	395.0	1 176.0	452.2	5 861.9	315.2	6 177.1	1 494.6
1961	3 048.0	1 817.6	436.8	1 462.7	515.2	6 928.2	352.1	7 280.3	1 646.1
1962	3 299.9	2 018.5	508.7	1 600.6	614.7	7 680.8	361.6	8 042.4	1 722.5
1963	3 472.5	2 134.5	544.0	1 757.7	664.3	8 226.2	346.8	8 573.0	1 986.5
1964	3 916.4	2 318.0	607.7	2 057.5	829.4	9 320.5	408.5	9 729.0	2 042.5
1965*	4 279.6	2 607.4	716.5	2 347.1	899.4	10 437.4	412.6	10 850.0	2 087.4
1965*									
Feb.	3 944.4	2 357.1	623.6	2 100.4	830.1	9 437.5	418.1	9 855.6	2 009.2
March	4 049.1	2 379.6	633.0	2 128.6	838.0	9 594.4	433.9	10 028.3	1 996.6
April	4 187.6	2 396.9	637.0	2 170.2	843.0	9 786.3	448.4	10 234.7	1 947.9
May	4 196.4	2 433.6	647.6	2 208.7	850.4	9 917.8	418.9	10 336.7	2 039.1
June	4 234.0	2 448.2	655.5	2 240.9	862.8	9 994.7	446.7	10 441.4	2 023.9
July	4 202.3	2 473.6	681.0	2 270.7	868.0	10 066.1	429.5	10 495.6	1 946.9
Aug.	4 210.8	2 492.5	689.2	2 302.2	871.7	10 120.3	446.1	10 566.4	1 990.0
Sept.	4 184.9	2 547.9	697.3	2 323.4	876.2	10 186.7	443.0	10 629.7	1 999.5
Oct.	4 160.1	2 584.3	713.8	2 261.7	893.2	10 140.8	472.3	10 613.1	1 909.0
Nov.	4 215.5	2 608.6	714.0	2 304.1	913.3	10 334.0	421.5	10 755.5	2 043.8
Dec.	4 279.6	2 607.4	716.5	2 347.1	899.4	10 437.4	412.6	10 850.0	2 087.4
1966*									
Jan.	4 293.6	2 613.2	715.3	2 361.7	903.3	10 462.9	424.2	10 887.1	2 002.6
Feb.	4 310.7	2 630.2	721.6	2 376.4	900.3	10 486.8	452.7	10 939.5	2 079.3

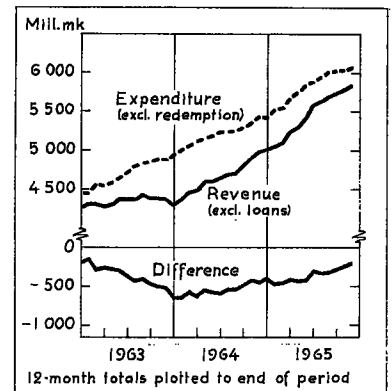


STATE FINANCES

Mill. mk

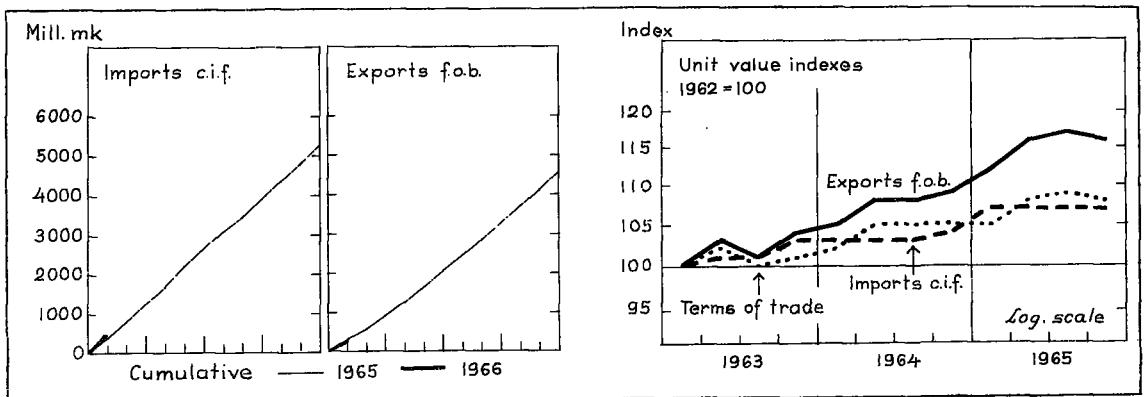
Revenue	Jan. - Nov.		Expenditure	Jan. - Nov.	
	1964	1965		1964	1965
Income and property tax (net)	1 276	1 421	Interest on State debt	109	141
Gross receipts	(2 858)	(3 261)	Child allowances	304	302
Refunds and communal income tax	(-1 582)	(-1 840)	The State's share in national pensions	211	228
Other direct taxes	22	22	Compensations to war-disabled	120	124
Sales tax	913	1 257	Subsidies	543	553
Import duties	448	477	Net payments on price equalization by extra-budgetary funds	16	0
Revenue from Alcohol Monopoly ...	350	394	State aid to agriculture	62	62
Excise duty on tobacco	266	284	State aid to communal and private schools	405	458
Excise duty on liquid fuel	189	313	Net loss of State enterprises	23	35
Other excise duties	87	78	Maintenance of roads	128	145
Tax on automobiles and motor cycles	131	160	Other current expenditure	1 706	2 001
Purchase tax on motor vehicles ...	—	39	Current expenditure	3 627	4 049
Stamp duties	224	151	Real investments	943	1 076
Employers' payments for child allow- ances	321	372	Other capital expenditure	419	488
Other revenue similar to taxes	60	73	Capital expenditure	1 362	1 564
Total taxes	4 287	5 041	Total expenditure	4 989	5 613
Interest and dividends	73	85	Redemption of external loans	40	84
Other current revenue	153	196	Redemption of internal loans	188	273
Current revenue	4 513	5 322	Redemption of indemnity bonds etc.	4	4
Capital revenue proper	114	142	Index premiums ..	13	22
Decrease in inventories	56	44	Redemptions	245	383
Capital revenue	170	186	Total	5 234	5 996
Total revenue	4 683	5 508			
External loans	183	70			
Internal loans	237	377			
Loans	420	447			
Short-term credit (increase + ..	+111	-10			
Deficit (+) or surplus (-)	+20	+51			
Total	5 234	5 996			

Debt	1963	1964	1965		1966	
	Dec.	Dec.	Nov.	Dec.*	Jan.*	Feb.*
External debt ...	963	1 184	1 172	1 177	1 172	1 186
Ordinary loans ...	1 109	1 205	1 310	1 433	1 388	1 436
Indemnity bonds etc.	11	7	203	203	203	193
Short-term credit .	160	325	315	393	397	364
Cash debt (net) ..	78	23	83	..	..	..
Internal debt	1 358	1 560	1 911	..	..	..
Total debt	2 321	2 744	3 083	..	..	..
Total debt, mill. \$	720.8	852.8	956.2	..	..	..



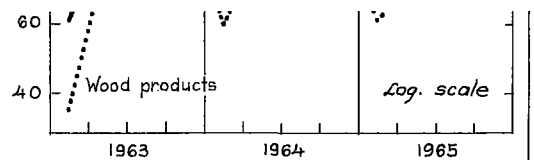
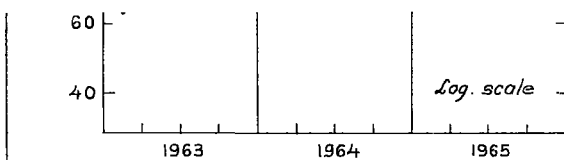
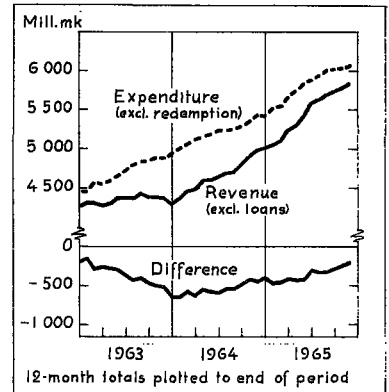
FOREIGN TRADE

Period	Value mill. mk			Unit value indexes 1962 = 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		
1961	3 690.2	3 374.0	-316.2	102	99	103	104	100	99	103
1962	3 928.7	3 533.1	-395.6	100	100	100	100	100	100	100
1963	3 866.9	3 678.0	-188.9	102	96	104	100	105	101	101
1964	4 816.5	4 131.9	-684.6	108	109	111	104	113	103	105
1965*	5 266.1	4 565.8	-700.3	115	117	123	106	126	106	108
1964										
Oct.	418.8	400.8	- 18.0	109	116	115	105	112	104	105
Nov.	432.8	367.2	- 65.6							
Dec.	448.8	383.9	- 64.9							
1965*										
Jan.	383.9	317.3	- 66.6	112	114	118	105	119	107	105
Feb.	405.2	267.8	-137.4							
March	455.1	337.5	-117.6							
April	434.8	341.3	- 93.5	116	119	123	106	136	107	108
May	530.0	395.2	-134.8							
June	434.0	404.8	- 29.2							
July	428.7	398.2	- 30.5	117	121	125	107	135	107	109
Aug.	387.2	386.8	- 0.4							
Sept.	463.7	425.3	- 38.4							
Oct.	428.8	432.4	+ 3.6	116	115	124	107	131	107	108
Nov.	446.9	387.5	- 59.4							
Dec.	467.8	471.7	+ 3.9							
1964*										
Jan.	429.2	308.4	-120.8							



Revenue from alcohol monopoly	350	394				
Excise duty on tobacco	266	284			Subsidies	543 553
Excise duty on liquid fuel	189	313			Net payments on price equalization by extra-budgetary funds	16 0
Other excise duties	87	78			State aid to agriculture	62 62
Tax on automobiles and motor cycles	131	160			State aid to communal and private schools	405 458
Purchase tax on motor vehicles	—	39			Net loss of State enterprises	23 35
Stamp duties	224	151			Maintenance of roads	128 145
Employers' payments for child allow- ances	321	372			Other current expenditure	1 706 2 001
Other revenue similar to taxes	60	73			Current expenditure	3 627 4 049
Total taxes	4 287	5 041			Real investments	943 1 076
Interest and dividends	73	85			Other capital expenditure	419 488
Other current revenue	153	196			Capital expenditure	1 362 1 564
Current revenue	4 513	5 322			Total expenditure	4 989 5 613
Capital revenue proper	114	142			Redemption of external loans	40 84
Decrease in inventories	56	44			Redemption of internal loans	188 273
Capital revenue	170	186			Redemption of indemnity bonds etc.	4 4
Total revenue	4 683	5 508			Index premiums ..	13 22
External loans	183	70			Redemptions	245 383
Internal loans	237	377				
Loans	420	447			Total	5 234 5 996
Short-term credit (increase + ..	+111	-10				
Deficit (+) or surplus (-)	+20	+51				
Total	5 234	5 996				

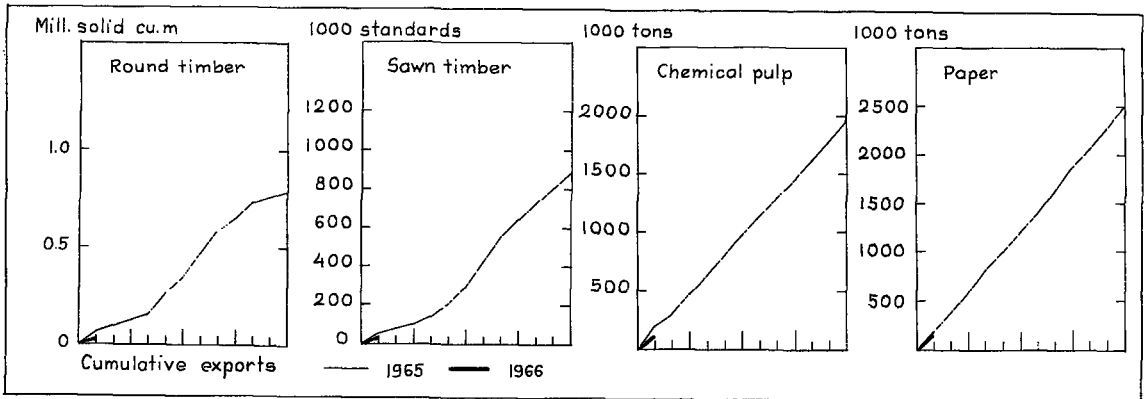
Debt	1963	1964	1965		1966	
	Dec.	Dec.	Nov.	Dec.*	Jan.*	Feb.*
External debt ...	963	1 184	1 172	1 177	1 172	1 186
Ordinary loans	1 109	1 205	1 310	1 433	1 388	1 436
Indemnity bonds etc.	11	7	203	203	203	193
Short-term credit .	160	325	315	393	397	364
Cash debt (net) ..	78	23	83	..	..	..
Internal debt	1 358	1 560	1 911	..	..	..
Total debt	2 321	2 744	3 083	..	..	..
Total debt, mill. \$	720.8	852.8	956.2	..	..	..



March 1963 figures are affected by strikes.

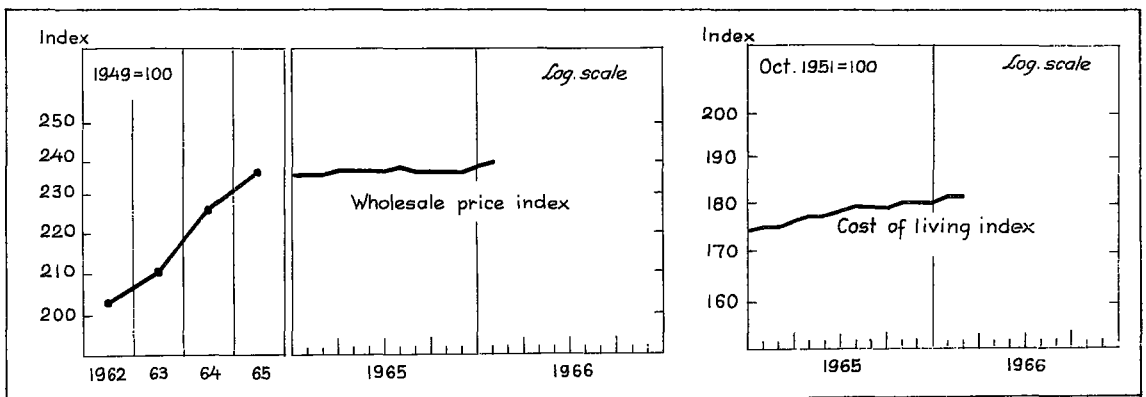
EXPORTS OF SOME IMPORTANT ARTICLES

Period	Round timber	Sawn timber	Veneers and plywood	Mechanical pulp	Sulphite pulp	Sulphate pulp	Board	Fibre building board	Newsprint	Paper, all kinds
	1 000 solid cu. m.	1 000 stds.	1 000 cu. m.	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons	1 000 tons
1961	5 955	1 106	329	160	872	569	154	146	846	1 806
1962	3 681	1 010	357	150	828	731	153	152	870	1 980
1963	2 108	977	384	172	861	893	171	161	882	2 126
1964	1 320	990	440	175	971	980	194	165	989	2 309
1965*	781	870	461	149	931	1 037	174	144	1 101	2 500
1964										
July	218	156	31	11	69	67	13	10	76	195
Aug.	202	125	27	12	90	75	15	10	76	188
Sept.	169	116	39	14	82	91	15	13	96	201
Oct.	140	97	41	17	86	97	17	15	100	219
Nov.	76	93	41	13	77	73	20	15	97	219
Dec.	58	73	44	17	79	93	28	15	93	192
1965*										
Jan.	62	52	44	13	91	95	13	14	83	189
Feb.	35	25	37	15	60	54	14	14	75	190
March	26	22	37	15	92	82	15	10	81	209
April	31	41	41	16	78	91	16	16	101	225
May	109	63	40	11	68	100	15	12	80	198
June	79	91	39	14	74	94	14	13	93	203
July	131	137	24	9	75	81	14	8	79	193
Aug.	102	114	32	11	77	90	14	11	94	213
Sept.	77	94	42	11	80	79	17	8	104	231
Oct.	78	94	43	11	79	85	14	16	100	215
Nov.	29	72	37	11	74	88	11	12	107	204
Dec.	22	65	45	12	83	98	17	10	104	230
1966*										
Jan.	18	44	42	9	42	76	12	11	78	182



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c. i. f.					Exports, f. o. b.				
	Whole year		January			Whole year		January		
	1964	1965*	1965*	1966*		1964	1965*	1965*	1966*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	15.2	15.8	14.9	13.5	58.0	25.3	22.8	26.8	26.5	81.7
United Kingdom	14.8	15.3	14.5	13.1	56.3	23.0	20.7	24.2	24.9	76.8
Other OECD countries										
in Europe	52.7	55.5	57.2	53.5	229.5	45.9	44.8	48.4	48.8	150.4
Austria	0.7	0.8	0.7	0.8	3.5	0.4	0.2	0.3	0.5	1.4
Belgium-Luxembourg	2.0	2.2	2.2	2.1	9.1	3.5	3.3	3.8	3.6	11.0
Denmark	3.0	3.1	3.2	2.9	12.3	3.7	3.9	4.1	3.2	9.9
France	5.5	4.2	4.1	4.2	17.9	5.8	4.5	5.6	5.1	15.8
Western Germany	17.3	18.9	18.6	19.3	83.0	11.5	11.2	12.4	11.4	35.1
Italy	1.9	1.9	2.2	2.7	11.4	3.0	3.0	3.6	4.6	14.1
Netherlands	4.0	4.2	5.0	4.4	18.7	6.8	6.0	6.1	5.8	18.1
Norway	1.5	1.9	2.1	1.9	8.2	0.9	1.1	0.8	2.0	6.2
Portugal	0.2	0.2	0.2	0.3	1.2	0.1	0.2	0.0	0.3	0.8
Spain	0.5	0.5	0.9	0.6	2.6	0.9	1.1	1.1	0.9	2.9
Sweden	12.7	14.0	14.4	10.1	43.5	5.5	7.5	6.8	8.4	25.9
Switzerland	2.8	2.9	3.1	3.1	13.2	0.8	0.7	0.7	1.4	4.3
Eastern Bloc	22.5	18.9	18.0	22.0	94.3	17.4	21.0	10.6	11.0	33.9
China	0.4	0.3	0.6	0.9	3.7	0.5	0.6	0.6	0.3	1.0
Czechoslovakia	0.7	0.7	0.7	0.4	1.9	0.4	0.5	0.5	0.5	1.6
Eastern Germany	1.0	0.9	1.1	0.8	3.3	1.0	0.8	0.5	0.7	2.2
Poland	2.0	1.9	2.6	2.0	8.6	2.0	2.3	2.8	1.3	3.8
Soviet Union	17.6	14.4	12.5	17.1	73.2	12.0	15.9	5.2	6.4	19.8
U.S. and Canada	5.0	5.2	6.0	6.8	29.0	6.0	6.2	8.1	7.7	23.8
United States	4.8	5.0	5.9	6.5	27.8	5.8	6.0	7.9	7.5	23.1
Latin America	3.0	2.9	1.4	1.8	7.9	2.7	2.9	3.1	2.6	8.2
Argentina	0.3	0.3	0.2	0.1	0.3	0.8	0.9	1.4	1.2	3.6
Brazil	1.6	1.2	0.8	1.0	4.4	0.5	0.3	0.3	0.4	1.3
Colombia	0.6	0.6	0.2	0.6	2.6	0.5	0.7	0.6	0.6	2.0
Other	1.6	1.7	2.5	2.4	10.5	2.7	2.3	3.0	3.4	10.4
Grand total	100.0	100.0	100.0	100.0	429.2	100.0	100.0	100.0	100.0	308.4
of which										
EFTA countries	35.8	38.2	38.3	32.2	138.1	35.4	34.3	36.9	40.6	125.3
EEC countries	30.5	31.4	32.1	32.6	140.1	30.6	28.0	31.4	30.5	94.1



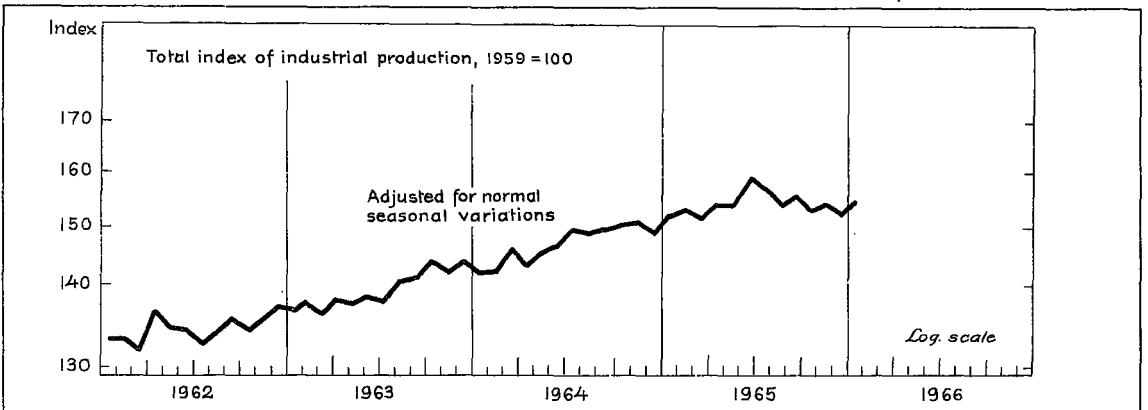
PRICE INDEXES

Period	Wholesale prices 1949 = 100									Building costs 1951 = 100		
	Total index	Origin		Purpose			Stage of processing			Total	Building material	Workers' average hourly earnings
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply processed goods	More elab- orately processed goods			
1963	210	212	201	214	211	205	226	203	205	140	118	171
1964	226	231	210	228	214	227	250	218	218	150	120	192
1965	236	242	214	241	224	232	266	228	223	158	125	208
1965												
March	236	242	216	240	222	235	266	229	223	157	125	207
April	236	242	213	240	222	234	268	228	222	158	125	210
May	236	242	213	242	223	231	268	229	222	159	125	212
June	236	242	213	242	223	231	266	229	222	159	125	212
July	237	243	213	242	224	233	269	228	223	159	125	209
Aug.	236	242	214	242	224	232	267	228	223	159	125	212
Sept.	236	241	213	241	224	231	265	228	223	159	125	209
Oct.	236	242	213	242	224	231	266	228	223	159	125	210
Nov.	236	242	213	242	224	231	266	228	223	158	125	206
Dec.	237	243	213	242	227	231	266	229	224	158	125	206
1966												
Jan.	238	244	213	243	227	234	269	230	224	159	125	207
Feb.	..	..	..	..	..	..	..	..	..	160	126	210

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
1963	154	164	346	108	93	151	121	120	128	105	115	123
1964	170	184	364	114	107	164	133	135	135	110	132	134
1965	178	195	377	115	109	173	140	144	140	111	135	141
1965												
Feb.	175	190	372	114	109	170	137	140	138	111	136	139
March	176	194	372	114	108	171	138	142	138	111	135	139
April	177	194	373	115	108	171	139	142	138	111	135	140
May	177	195	373	114	108	172	139	143	138	111	135	140
June	178	197	373	114	109	172	140	145	138	111	135	140
July	179	199	375	115	109	173	141	146	139	111	135	141
Aug.	179	199	375	115	109	173	141	146	139	111	135	141
Sept.	179	197	375	115	110	174	140	145	139	111	136	142
Oct.	180	198	387	115	110	174	142	146	143	111	136	142
Nov.	180	197	387	115	110	176	142	145	143	112	136	144
Dec.	180	197	387	115	110	176	142	145	143	112	136	144
1966												
Jan.	181	197	387	115	110	177	142	145	143	112	136	145
Feb.	181	198	387	117	110	178	142	145	143	113	136	145

PRODUCTION - INTERNAL TRADE

Period	Index of industrial production 1959 = 100									Commercial timber fellings 1 000 piled cu. m	Wholesale trade volume index 1954 = 100
	Total	Investment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					Wood industry	Paper industry	Metal industry	Other			
1963	138	144	141	131	121	155	140	133	139	47 780	169
1964*	148	149	154	135	128	170	148	142	147	53 200	156
1965*	155	157	161	139	132	178	156	146	154	51 905	170
1964*											
June	142	149	144	135	141	144	145	140	147	1 863	150
July	115	81	127	100	122	169	85	108	150	1 327	145
Aug.	149	142	152	144	103	175	140	152	149	1 846	170
Sept.	161	167	166	147	125	183	167	154	150	2 335	173
Oct.	165	163	173	147	129	192	165	158	150	2 926	169
Nov.	161	166	170	142	125	184	164	155	151	3 462	164
Dec.	149	162	157	129	127	162	160	138	149	4 536	183
1965*											
Jan.	150	155	159	128	127	176	154	136	152	4 822	120
Feb.	152	163	158	134	136	174	161	138	153	6 095	147
March	168	177	177	148	157	197	174	156	152	6 342	168
April	152	155	157	139	144	168	154	145	154	5 674	188
May	158	156	166	142	147	186	158	148	154	11 698	181
June	148	159	149	139	133	150	158	144	159	2 162	164
July	119	95	131	103	118	174	95	110	157	1 400	155
Aug.	155	140	161	147	112	187	144	154	154	2 082	173
Sept.	167	173	173	152	130	193	172	159	156	2 844	186
Oct.	169	176	177	150	133	193	176	160	153	2 856	184
Nov.	165	168	172	150	121	180	167	161	154	3 317	181
Dec.	152	162	158	139	122	158	164	145	152	3 842	196
1966*											
Jan.	153	158	160	139	116	166	159	144	154	4 219	131

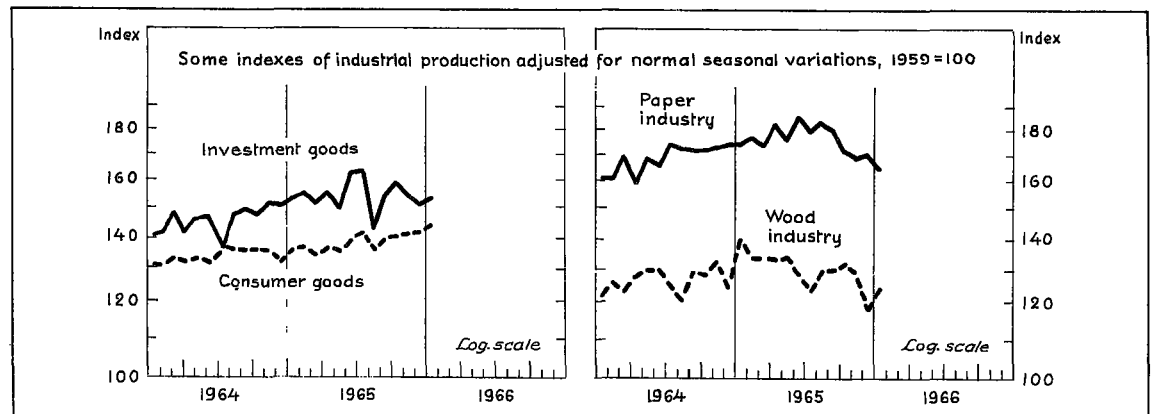


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

BUILDING - WAGES - TRANSPORT - EMPLOYMENT

Period	Buildings completed, mill. cu. m					Buildings under construction at end of period mill. cu. m	Index of salary and wage earners' earnings 1957 = 100			
	Total	Dwelling houses	Farm buildings	Commercial and industrial premises	Official buildings		All salary and wage earners	Wage earners in		
								Agriculture	Forestry	Manufacturing
1963	25.16	12.81	2.29	6.62	2.44	26.28	145	136	144	143
1964	24.59	10.57	2.43	7.61	2.80	28.75	164	156	172	162
1965*	27.04	10.96	2.58	9.20	3.12	31.33	178	177	187	178
1964 Oct.-Dec.	8.68	3.97	1.04	2.60	0.69	28.75	169	165	164	167
1965* Jan.-Mar.	4.56	1.93	0.23	1.77	0.50	28.08	176	176	188	175
1965* Apr.-June	5.57	2.03	0.40	1.72	1.18	32.67	179	173	189	178
1965* July-Sept.	7.15	2.57	0.97	2.27	0.87	35.65	179	177	194	179
1965* Oct.-Dec.	9.76	4.43	0.98	3.44	0.57	31.33	179	180	181	179

Period	Railways		Foreign shipping				Labour input		Unemployment	
	Goods trucks loaded Thousands		Vessels arrived with cargo — 1 000 net reg. tons		Vessels departed 1 000 net reg. tons		1 000 man-months		% of total labour force	
	1965*	1966*	1965*	1966*	1965*	1966*	1964	1965*	1964	1965*
Jan.	118	118	690	724	549	560	1 854	1 877	2.7	2.0
Feb.	124	118	549	434	451	270	1 851	1 860	2.3	1.6
March	144		679		493		1 839	1 839	1.8	1.7
April	138		721		601		1 882	1 884	1.5	1.7
May	132		969		772		1 920	1 940	1.1	1.1
June	129		1 188		1 109		1 906	1 955	1.2	1.0
July	134		1 387		1 313		1 772	1 797	1.1	1.2
Aug.	138		1 357		1 255		1 862	1 893	1.0	1.2
Sept.	143		1 124		956		1 924	1 948	1.0	0.9
Oct.	139		1 090		867		1 928	1 946	1.3	1.2
Nov.	131		1 022		855		1 905	1 933	1.5	1.4
Dec.	115		905		767		1 866	1 899	1.7	1.9



EXPLANATIONS RELATING TO THE STATISTICAL SECTION

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

BANK OF FINLAND

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

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

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

DEPOSITS BY THE PUBLIC —

ADVANCES TO THE PUBLIC — MONY SUPPLY

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

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

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

STATE FINANCES

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

FOREIGN TRADE

Pages 9—12. Figures supplied by the Board of Customs. *The unit value indexes* (p. 9): The indexes are calculated according to the Laspeyres formula. At the end of the year the arithmetic mean of the Laspeyres indexes corresponds to the annual level of the Fisher index formula. Seasonal variations are not eliminated. Terms of trade: the ratio of export indexes to import indexes. *Foreign trade by countries* (p. 12): imports by countries of purchase, exports by countries of sale.

PRICE INDEXES

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

PRODUCTION — INTERNAL TRADE

Page 14. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the international nomenclature (ISIC). The weight of each group represents the ratio of its value added to the total value added of industrial production in the base year. 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; for the method of calculation of series adjusted for normal and specific seasonal variations see Bulletin No. 8, 1961, p. 18. Other seasonally adjusted series are calculated according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: investment goods weight 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indexes: wood industry ISIC no. 25, weight 6.6, paper industry no. 27, weight 13.1, metal industry nos. 34—38, weight 23.5, and other manufactures nos. 20—24, 26, 28—33, 39, weight 44.0. *Commercial timber fellings* calculated by the Ministry of Communications and Public Works. Beginning June 1964 an additional series has been collected by a new sample method. As the compilation of old series has been ended, the figures since July 1965 have been calculated by extrapolating the level of old series with the percentage changes of the new series. These calculations have been made by the Bank of Finland Institute for Economic Research. *Wholesale trade volume index*, calculated by the Ministry of Finance. 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.

BUILDING — WAGES — EMPLOYMENT — TRANSPORT

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

SYMBOLS USED

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

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1154 to 1809 Finland formed a part of the kingdom of Sweden. It then became an autonomous Grand Duchy connected with Russia until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current period, March 1, 1962, to March 1, 1968, is Urho Kekkonen.

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1966 are as follows: Social Democrats 55, Centre Party 49, People's Democrats 41, Conservatives 26, Swedish Party 12, Liberal Party 9, Social Democratic League 7 and Finnish Small Farmer's Party 1.

LAND

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

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

POPULATION

NUMBER OF INHABITANTS (1964): 4.6 million. Sweden 7.6, Switzerland 5.8, Denmark 4.7 and Norway 3.7 million.

DENSITY OF POPULATION (1964): In South Finland 25.6, in North Finland 4.2 and in the whole country an average of 15.1 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1964): 57 % of the population inhabit the rural areas, 43 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 497 000 inhabitants, Tampere (Tammerfors) 139 200, Turku (Åbo) 138 300.

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

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

EDUCATION (1964): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 6 colleges of university standard, and 2 teachers' training colleges, besides teacher-training departments in two of the universities.

INCREASE OF POPULATION (1964): births 17.6 ‰, deaths 9.3 ‰, increase 7.8 ‰. Deaths in France 10.7 ‰ and Great Britain 11.3 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1964, in million marks) Gross domestic product at factor cost by industrial origin: agriculture 2 051 (10 %), forestry and fishing 1 953 (9 %), manufacturing 6 160 (29 %), construction 1 969 (9 %), transportation and communication 1 492 (7 %), commerce, banking and insurance 2 739 (13 %), public administration 2 336 (11 %), other services 2 453 (12 %), total 21 153. Index of real domestic product 142 (1957 = 100).

FOREST RESOURCES (1960—1963): The growing stock comprised 1 410 million of solid cu. m incl. bark (49 797 million cu. ft), of which pine 43 % and spruce 38 %, the rest 19 %

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

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

INDUSTRY (1963): Gross value of industrial production 15 500 mill. marks, number of workers 347 000, salaried employees 73 200, motive power (1963) 4.4 mill. HP. Index of industrial production 138 for 1963 (1959 = 100).

RAILWAYS (Jan. 1, 1966): Length 5 532 km, of which 5 458 km are State and 74 km private railways. The gauge of State railways 1.524 m.

MERCHANT FLEET (Feb. 28, 1966): Steamers 138 (236 179 gross reg. tons), motor vessels 391 (746 634 gross reg. tons), sailing vessels with auxiliary engines 29 (3 873 gross reg. tons). Total 558 (986 686 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1965): Passenger cars 454 300, lorries and vans 81 100, buses 7 000, others 3 600. Total 546 000.

SCHEDULED AIR TRAFFIC OF FINNISH COMPANIES (1965): Kilometres flown 13.0 million, passengers carried 721 451, passenger kilometres 370.5 million, and ton kilometres of freight and mail 7.0 million.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). On Jan. 1, 1963, the value of the mark was raised to one hundred times its former value. The official par value of the new unit is 3.20 marks to the U.S. dollar. Finland has been a member of the International Monetary Fund since 1948.

MUNICIPAL FINANCES. In the finance accounts for 1964 expenditure amounted to 3 179 mill. marks. Total revenue was 3 165 million, of which income from taxation 1 575 million. The municipal income tax (non-progressive) averaged 12.00 % of the ratepayers' taxable income.

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1965) There are two big and four small commercial banks with in all 747 offices, 366 savings banks, 489 cooperative credit societies and their central bank, six mortgage societies, and POSB. The savings departments of the cooperative stores accept deposits from the public. The National Pension Institute and sixty-five private insurance companies also grant credits.

RATES OF INTEREST (May 1, 1965). Bank of Finland discount rates 6—7 ½ %. Other credit institutions: term deposits 4 ½ %, 12 months' deposits 6 %, 100 per cent index-tied deposits 2 ½ %, 50 per cent index-tied deposits 4 %; highest lending rate 10 %.

THE FINNISH ECONOMY IN 1965

BY

SEPPO LINDBLOM, Mag. Pol. and KARI PUUMANEN, B. Sc. (Econ.)

FELLOWS OF THE BANK OF FINLAND INSTITUTE FOR ECONOMIC RESEARCH

Economic growth in Finland at the end of 1964 and in the early months of 1965 was rapid, although subsequently there was a marked change in the trend. This was particularly evident in those sectors of the economy which are as a rule most susceptible to cyclical fluctuations (see Fig. 1).

The sharp fall in the growth rate, which is expected to last although for only a short duration, showed a marked change from the pattern followed during the previous two cycles. Many factors were responsible for this development. One of the most important was the large deficit in the balance of payments, which prompted various economic policy measures aimed at restricting imports, both directly and indirectly through discouraging demand.¹ At the same time, however, the willingness to invest continued to be high and the slackening of activity in the principal export markets was slight.

During the second half of 1965 the demand for both consumer and investment goods and for Finland's traditional exports was lower than in the first six months. The adjustment of total supply to this development was realised through a greater deceleration in the growth of imports than in the growth of output (see Fig. 1). This was, in fact, the main objective of the policy

measures. During the second half of 1965 imports fell by as much as 5 per cent per annum.

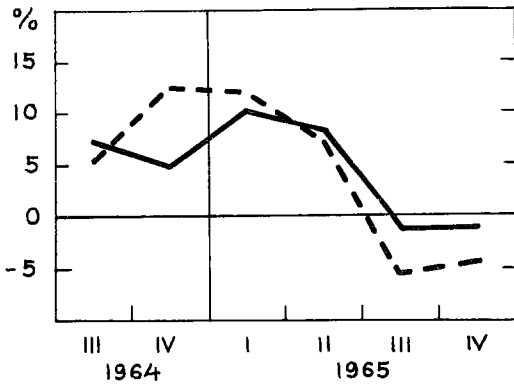
Despite the slower growth of domestic product, unemployment increased only slightly during the year. On an average the rate of unemployment was the same as in 1964, 1.5 per cent.

One of the encouraging developments of 1965 was that inflation, which was as much as 10 per cent in 1964, was curbed because of the absence of additional cost and demand impulses. By the end of 1965 prices had levelled off, as shown by the wholesale price curve in Fig. 2. Similarly the rise in the cost of living index ceased during the latter part of the year. It should be mentioned that the two-year collective agreements concluded at the beginning of 1964 were drawn up in such a way that wage increases resulting from the index mechanism were timed mainly for that year. The average price level was about 5 per cent higher in 1965 than in the previous year.

Investment activity appears to have been greatly affected by the economic policy measures implemented to restrict demand. While the willingness to invest remained high, the state of the money market necessitated the postponement of many projects. Clearly, the growth of productive investment retarded during the second half of 1965. Residential building, which had increased

¹ For monetary policy see "Recent Developments" in Bulletin No. 11, 1965.

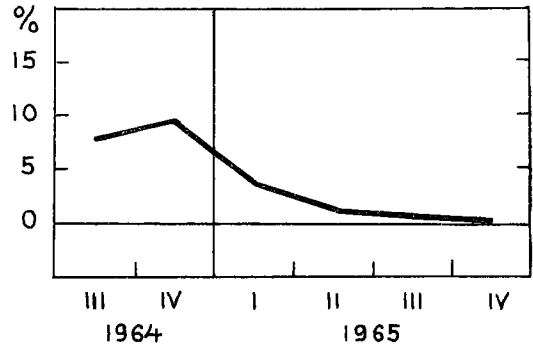
Figure 1. Seasonally adjusted quarterly changes in gross domestic product (excl. agriculture, government and water & road construction) and in the volume of imports, on annual basis



substantially over the greater part of the year, showed signs of levelling off in the concluding months. The volume of permits for dwellings issued, in terms of cubic metres, was much less in the last quarter of 1965 than a year earlier. In 1965, the total increase in the volume of private investment was about 8 per cent: in the first half of the year it had actually given the greatest impetus to growth in the economy. The increase in investment was concentrated in building to greater extent than in 1964, whereas investment in machinery rose about 2 or 3 per cent only. The growth rate of investment in inventories declined.

The real disposable income of households increased by more than 5 per cent, a figure considerably in excess of the 2 per cent recorded for 1964. This, however, did not result in as considerable an increase in the growth rate of consumption, for the volume of private consumption grew less than 6 per cent compared with nearly 5 per cent in the previous year. In 1964, when inflation was expected to gain speed and hire purchase was expanding, particularly in respect of motor cars, the propensity to consume rose appreciably. In 1965, the marked deceleration of the price rise in conjunction

Figure 2. Quarterly changes in wholesale prices, on annual basis



with the tightening of hire purchase terms tended to reduce the propensity to consume, specially during the second half of the year. To some extent this was probably also due to the fact that the demand for motor cars had reached a very high level in the previous year.

The increases in public consumption and public investment were modest, partly because the employment situation was satisfactory during most of the year. In 1965, both public consumption and public investment increased in volume by 4 per cent.

The slight slackening of economic activity in the main purchaser countries tended to reduce the demand for Finland's primary export commodities, particularly wood and paper industry products. During the first half of the year the value of total commodity exports increased at a rate of 13—14 per cent but in the second half the rate of increase was below 10 per cent. A special feature of developments in 1965 was the fact that average export prices rose by nearly 5 per cent despite the weakening in demand. The volume of exports grew also by 5 per cent. The most favourable results were recorded for the metal industry exports and the so-called "new exports", both of which

increased by more than 30 per cent on 1964.

The value of imports, which had increased by as much as 25 per cent in 1964, rose by 9 per cent last year. Of this about one per cent may be attributed to price increases. The considerable decrease in the growth rate was largely an outcome of the economic policy pursued. In the principal import groups developments were fairly uniform.

As a result of the favourable developments of the first six months, the volume of gross national product increased by almost 5 per cent in 1965 as a whole. Thus the growth rate was only slightly below that recorded for 1964 and approximately equalled the average for the postwar years. The following table shows the increase in the volume of output in different sectors of the economy during the last two years.

	1964	1965
	Per cent	
Agriculture	+ 8	± 0
Forestry	+ 8	+ 3
Manufacturing	+ 7	+ 4
House construction	+ 2	+11
Other construction	+ 3	+ 2
Transport	+ 5	+ 5
Commerce, banking, insurance ...	+ 6	+ 8
General Government	+ 5	+ 4
Other services	+ 4	+ 5
	<hr/>	
Total	+ 6	+ 5

The slackening in the growth rate of manufacturing and forestry was more pronounced than that of total production. Building activity was substantially greater in

1965 than in the previous year, mainly because of intensive residential building. Agricultural output remained at the 1964 level, which had been exceptionally high due to the favourable crop results.

Despite the sharp fall in the growth rate of imports, a substantial deficit in the balance of payments on current account persisted. Since foreign capital was not available to the same extent as in the previous years, the deterioration in the balance of payments led to a marked tightening in the financial markets. The liquidity of the banks decreased as a result of the reduced foreign exchange reserves, and rediscounts grew by 192 million marks. In order to check the increase in rediscounts and ease the pressure on the reserves, the central bank imposed quantitative restrictions on the growth of bank lending last spring. As a result the increase in advances was 11.5 per cent, or much less than in 1964. Deposits grew rapidly during the first half of the year but slowed down considerably towards the end, when the economy was adjusting to the situation created by the balance of payments difficulties. Thus the growth rate of deposits remained at the 1964 level, slightly below 12 per cent, despite the stimulating effect of stable prices. However, an advantageous effect of the stabilisation of prices was that depositors showed less interest in index-tied accounts than they did in the previous year.

ITEMS

New Parliament. The new Parliament was elected on March 20 and 21 for the next four years. Of the 2 854 000 electorate, 83 per cent voted. At the previous elections held in 1962, the percentage was 85. The following table shows the distribution of votes in 1962 and 1966.

	1962		1966*	
	Thou- sand	Per cent	Thou- sand	Per cent
Social Democrats ..	449	19.5	645	27.2
Centre Party ¹ ...	530	23.0	503	21.2
People's Democrats	507	22.0	500	21.1
Conservatives	347	15.1	326	13.8
Swedish Party	148	6.4	141	6.0
Liberal Party ¹ ...	158	6.9	153	6.5
Social Democratic League	100	4.3	64	2.7
Finnish Small Farmers' Party	50	2.2	24	1.0
Others	13	0.6	12	0.5
Total	2 302	100.0	2 368	100.0

¹ An Item on the "Changes in political party names" appeared in Bulletin No. 3, 1966.

The seats in Parliament were divided as follows:

	1962	1966
Social Democrats	38	55
Centre Party	53	49
People's Democrats	47	41
Conservatives	32	26
Swedish Party	14	12
Liberal Party	14	9
Social Democratic League	2	7
Finnish Small Farmers' Party	—	1
Others	—	—
Total	200	200

The new Parliament will assemble for its first session on April 14.

*

Amendments to the Bank Regulations. On the initiative of the Bank, a Bill amending certain Regulations of the Bank of Finland was placed before Parliament on November 19, 1965. The duties of the Bank of Finland relating to monetary, credit, and foreign exchange policy, and the duties towards international financial institutions have increased considerably in the last few years, and this has accordingly increased the responsibilities of the senior officials, immediately subordinate to the Board of Management of the Bank. The Bill thus proposed that one or more permanent posts for Directors be created at the Bank, in accordance with the decision of the Bank Supervisors, who will also make the appointments. The Directors will not be members of the Board of Management. It was also proposed that the designations other than those of Directors and Branch Office Managers, previously decided by Parliament, should be decided by the Bank Supervisors.

The Act incorporating these amendments was passed by Parliament and issued on March 25, 1966.

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Bank of Finland Institute for Economic Research. J. J. Paunio, D. Pol. Sc., Head of the Research Department of the Institute, has been appointed a Professor of Economics at the University of Helsinki. He resigned from the Bank on March 31, 1966.

*

Publications of the Bank of Finland. The 1965 issue of Series A of the Publications issued by the Bank of Finland Institute for Economic Research has appeared in Finnish and Swedish. It contains the following articles: Deposits in Inflationary Conditions, by Kari Puumanen; Estimates of Demand Elasticities of Substitution of Finnish and Swedish Exports, by Jouko Sivander; and Macroeconomic Calculations for Wage Negotiations, by Timo Helelä, Paavo Grönlund and Ahti Molander.

In Series B, the following new publication has appeared: 25, Jaakko Lassila, Rahalaitosten käyttäytymisestä ja luottoekspansioista

yksinkertaisilla rahoitusmarkkinoilla (The Behaviour of Commercial Banks and Credit Expansion in Institutionally Under-developed Financial Markets). Doctoral thesis, published in Finnish with a summary in English. Helsinki 1966, 172 pp.

*

Domestic bond issues. The Government recently announced the following two bond issues:

Second 1966 issue of 8 ¼ per cent bonds, amounting to 30 million marks. The bonds are dated March 1, 1966 and will mature in 4 years. The loan is issued at par.

Second 1966 issue of 7 ½ per cent bonds. The bonds total 50 million marks and are dated April 1, 1966. The loan will run for a period of 3 years and is tied to the cost of living index to the extent of 50 per cent. The bonds are sold to those entitled to redeem the 1965 Tax Payment Certificates. It is issued at par.

BANK OF FINLAND

BOARD OF MANAGEMENT

KLAUS WARIS,
Governor

ESKO K. LEINONEN

A. SIMONEN

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

REINO ROSSI

HEIKKI VALVANNE
ad int.

SECRETARIES

U. A. VATANEN

PERTTI TAMMIVUORI

JOUKO J. VOUTILAINEN

K. IGNATIUS

JORMA ARANKO

HEADS OF DEPARTMENT

G. ENGBERG,
Personnel

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

P. BLOMQUIST,
Central Accounting

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

A. KAJANTIE,
Internal Audit

HELGE LINDSTRÖM,
Credits

ARTHUR ASPELUND,
Cash

A. NENONEN
Foreign correspondence

K. EIROLA,
Accounts

EINO SUOMELA
Office

INSTITUTE FOR ECONOMIC RESEARCH

HEIKKI VALVANNE,
Director

TIMO HELELÄ,
Head of department