



BANK OF FINLAND

MONTHLY BULLETIN

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NOVEMBER

1965

RECENT DEVELOPMENTS

THE MONEY MARKET AND THE BALANCE OF PAYMENTS

In response to the weakening in the balance of payments, the Bank of Finland last spring instructed the banking institutions to pursue an even more restrained credit policy, and, in addition, suggested certain other measures to the Government that would, either directly or indirectly, curtail the growth of imports or promote exports. (See Bulletin No. 6). The measures implemented between April and June have in fact had a favourable effect. The banking institutions that were instructed by the Bank of Finland to limit the increase in their advances to below 9 per cent in January—October, have followed a remarkably restrained credit policy. The increase in advances, which in January—April this year was 85 per cent more than in the corresponding period last year, in January—September was only 27 per cent higher than last year. Of the other measures introduced last spring, special attention may be given to the rise in the tax on passenger cars and to the stricter hire-purchase terms, which have caused a considerable decline in the import of motor cars and in the demand for both cars and other consumer durables on hire-purchase.

These measures, however, have not produced the intended effects on the balance of payments and the foreign exchange reserves so far. The deficit in the balance of trade, which totalled 322 million marks in January—March, grew to 610 million marks in January—August. It was thus 88 million marks more than in the corresponding period last year. The deficit in the balance of payments on current account including invisible items, which was 565 million marks last year, is likely to be approximately 100 million marks more this year.

It has been difficult to finance the deficit in the balance of payments on current account through foreign credit to the same extent as last year. Gross long-term credit from abroad amounted to only 260 million marks in January—September, while the corresponding figure last year was 564 million marks. Taking amortization into account, net long-term credit totalled 45 million marks only, against 390 million marks in the previous year. The shortage of long-term credit is the result of the tightening in the foreign capital markets, from which Finland usually obtains credit.

It has therefore been necessary to finance

On page 18, Local Government Sector in the Finnish Economy

the deficit in the balance of payments on current account mainly through the foreign exchange reserves. The gold and foreign exchange reserves of both the Bank of Finland and the banking institutions (see table on page 4), which amounted to 945 million marks at the beginning of the year, decreased by 117 million marks between January and April. The reserves have continued to decrease since then so that at the end of September total reserves were 665 million marks, or 280 million marks less than at the beginning of the year. In autumn the normal seasonal movement stabilised the declining trend in the reserves. In addition, the situation was also eased by a bond issue of 15 million dollars in the United States in October (see Item). However, it is expected that towards the end of the year the reserves will again decline.

The loss of foreign exchange reserves and the gap between the deposits and the advances of the banking institutions have naturally resulted in a considerable shift in the composition of the supply of central bank money. During the first few months of 1965 the credit allowed by the Bank of Finland to the banks amounted to 300—400 million marks, but at present the rediscounts of the banks have already reached the level of 600—700 million marks.

In view of the present situation and the limited prospects of an improvement next year, the Bank of Finland has considered it necessary to continue a strict credit policy. The Bank of Finland thus announced on September 11, that the banking institutions should maintain the growth rate of advances below 6 per cent from November 1, on which date the new instructions took effect. The period during which the latest instructions will be operative has been fixed at November 1965—April 1966. The banking institutions were instructed that at the end of April 1966 advances should be no more than 13

per cent above the level at the end of 1964. In arriving at this limit, the fact that seasonal requirements of credit are greater in spring than in autumn was given due consideration. The rediscounting banks will be allowed to exceed the previous rediscounting limits only on condition that they comply with these requests. In that case, the savings banks and the co-operative credit societies will each be dealt with as separate groups. If the rediscounting banks adhere to these rules, the penalty interest charged within the specified period will be repaid, and if rediscounts remain below this limit, they will be allowed reductions on the basic rate of interest for rediscounts.

The new credit policy instructions will in all probability slow down the growth of total demand and thus indirectly induce an improvement in the balance of payments. On the other hand, it is obvious that when monetary policy becomes more restrained, its deflationary effects will be pronounced. For this reason, other measures to reduce expenditure on imports, as well as travel expenditure abroad (see Item), have been implemented. At the same time there are plans for more effective incentives to stimulate exports. At present, however, the need for measures is dependent on certain important developments in the near future that will affect the economy. What the budget, now being debated by Parliament, will contain its final form is by far the most relevant factor. Another significant factor relates to the collective wage agreements which will expire at the end of the year. New wage negotiations are already under way. Although it is not possible to forecast the outcome of these negotiations, it is fairly obvious that the increase in wage rates will decisively affect price developments next year, and thus the conditions under which domestic industry will be operating in 1966.

November 5, 1965

BANK OF FINLAND

Mill. mk

	1964		1965			
	Dec. 31	Sept. 30	Sept. 30	Oct. 8	Oct. 15	Oct. 23
BALANCE SHEET						
Assets						
<i>Ordinary note cover</i>	1 049.7	946.0	742.7	760.3	756.2	782.3
Gold	189.6	144.9	187.9	187.9	187.9	188.0
Foreign exchange	783.8	734.2	475.9	493.5	489.3	515.5
Foreign bills	29.7	24.8	48.9	48.9	49.0	48.8
Foreign bonds	46.6	42.1	30.0	30.0	30.0	30.0
<i>Supplementary note cover</i>	570.7	472.9	767.2	714.1	714.3	763.8
Inland bills discounted						
In foreign currency	55.2	60.4	49.9	49.9	48.7	48.2
In Finnish currency	67.1	24.3	16.6	18.7	20.6	25.9
Rediscounted bills	448.4	388.2	700.7	645.5	645.0	689.7
<i>Other assets</i>	97.4	109.4	139.7	141.9	128.1	131.8
Finnish bonds	35.8	34.6	36.5	32.8	34.0	34.8
Cheque accounts	2.5	4.2	1.7	2.5	2.6	3.0
Finnish coin	3.8	9.7	6.1	6.2	6.4	6.4
Other claims	55.3	60.9	95.4	100.4	85.1	87.6
Total	1 717.8	1 528.3	1 649.6	1 616.3	1 598.6	1 677.9
Liabilities						
<i>Notes in circulation</i>	1 002.7	927.3	962.9	957.9	952.3	959.3
<i>Liabilities payable on demand</i>	186.8	69.3	132.0	124.8	125.0	144.0
Foreign exchange accounts	84.7	19.2	69.6	77.4	73.8	77.0
Mark accounts of holders abroad	28.5	26.9	13.2	12.9	12.8	12.7
Cheque accounts						
Treasury	5.4	4.3	15.1	1.2	1.7	2.0
Post Office Savings Bank	49.6	14.2	8.3	5.8	3.9	20.4
Private banks	16.4	—	0.2	4.1	9.4	8.8
Other	0.7	2.8	2.7	1.3	1.3	1.1
Other sight liabilities	1.5	1.9	22.9	22.1	22.1	22.0
<i>Term liabilities</i>	55.4	59.7	60.0	60.0	60.0	60.0
Foreign	54.3	58.6	48.4	48.4	48.4	48.4
Finnish	1.1	1.1	11.6	11.6	11.6	11.6
<i>Equalization accounts</i>	261.8	268.3	274.1	252.3	239.3	292.1
<i>Bank's own funds</i>	211.1	203.7	220.6	221.3	222.0	222.5
Capital	100.0	100.0	100.0	100.0	100.0	100.0
Reserve fund	84.8	84.8	97.9	97.9	97.9	97.9
Profits undisposed	—	—	—	—	—	—
Earnings less expenses	26.3	18.9	22.7	23.4	24.1	24.6
Total	1 717.8	1 528.3	1 649.6	1 616.3	1 598.6	1 677.9
STATEMENT OF NOTE ISSUE						
Right of note issue						
Ordinary cover	1 049.7	946.0	742.7	760.3	756.2	782.3
Supplementary cover						
(Upper limit 500 mill. mk)	500.0	472.9	500.0	500.0	500.0	500.0
Total	1 549.7	1 418.9	1 242.7	1 260.3	1 256.2	1 282.3
Note issue						
Notes in circulation	1 002.7	927.3	962.9	957.9	952.3	959.3
Liabilities payable on demand	186.8	69.3	132.0	124.8	125.0	144.0
Undrawn on cheque credits	5.0	5.0	5.3	4.5	4.4	4.0
Unused right of note issue	355.2	417.3	142.5	173.1	174.5	175.0
Total	1 549.7	1 418.9	1 242.7	1 260.3	1 256.2	1 282.3

Rediscount rate since April 28, 1962, 7 per cent

BANK OF FINLAND

Mill. mk

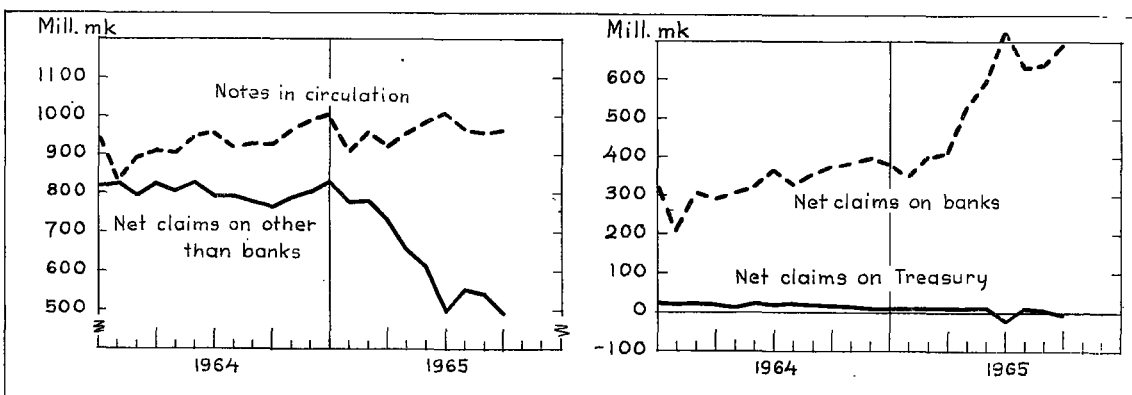
End of year and month	Gold and foreign accounts						Treasury			
	Gold and foreign exchange	Liabilities on foreign exchange accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Bills and bonds	Other claims, net	Liabilities, Cheque account	Net claims on the Treasury (7+8-9)
	1	2	3	4	5	6	7	8	9	10
1957	384.3	45.7	338.6	176.5	201.9	313.2	160.2	— 39.7	51.4	69.1
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
1964										
Aug.	901.0	19.0	882.0	64.3	86.3	860.0	—	18.9	3.3	15.6
Sept.	879.1	19.2	859.9	66.9	85.5	841.3	—	18.9	4.3	14.6
Oct.	894.4	20.8	873.6	71.8	82.8	862.6	—	18.9	7.7	11.2
Nov.	913.0	40.1	872.9	77.6	85.7	864.8	—	8.9	4.7	4.2
Dec.	973.4	84.7	888.7	76.3	82.8	882.2	—	8.9	5.4	3.5
1965										
Jan.	991.6	94.7	896.9	75.1	70.8	901.2	—	8.9	2.5	6.4
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

	Foreign exchange situation, mill. mk							
	Net holdings, Dec. 31, 1964			Net holdings, Sept. 30, 1965			Change in	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	September	Jan.-Sept.
Gold	273	—	273	271	—	271	—	—2
Convertible currencies	708	—74	634	418	—60	358	—35	—276
Other currencies	—9	1	—8	—12	2	—10	—3	—2
Gold and foreign exchange	972	—73	899	677	—58	619	—38	—280
Gold tranche position in IMF ..			46			46	—	—
Total			945			665	—38	—280

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
1957	249.1	24.1	—	-0.4	225.4	129.1	144.2	5.6	267.7	606.4
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
1964										
Aug.	389.7	3.7	30.8	1.6	353.6	17.9	104.7	1.3	121.3	928.2
Sept.	388.2	-1.6	14.2	1.3	374.3	24.3	103.9	3.4	124.8	927.3
Oct.	407.7	-7.1	33.5	0.9	380.4	41.6	105.8	0.9	146.5	964.0
Nov.	394.2	-6.8	5.4	1.0	394.6	55.6	111.2	3.1	163.7	989.9
Dec.	448.4	16.4	49.6	0.6	381.8	67.1	103.0	1.6	168.5	1 002.7
1965										
Jan.	357.3	5.9	2.5	1.2	347.7	48.3	118.8	32.9	134.2	910.2
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

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	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1954	349.1	421.1	132.2	834.4	921.7	520.5	300.8	134.2	2 712.0	3 265.3
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
1964										
Sept.	667.5	826.8	281.0	2 610.9	2 469.8	1 583.8	667.8	316.1	7 648.5	8 756.3
Oct.	643.6	791.4	256.2	2 630.2	2 483.0	1 591.5	673.1	320.5	7 698.5	8 746.1
Nov.	668.8	833.3	284.8	2 662.7	2 515.4	1 621.2	676.7	323.4	7 800.0	8 918.1
Dec.	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*										
Jan.	669.9	822.1	285.0	2 849.8	2 666.0	1 711.1	723.5	334.6	8 285.2	9 392.3
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

End of month	Index-tied deposits		High-interest deposits
	100 % clause	50 % clause	
1964			
Dec.	1 167.9	118.9	591.7
1965*			
Jan.	1 312.9	113.3	592.5
Feb.	1 386.5	99.1	591.0
March	1 462.8	82.4	603.3
April	1 506.3	75.3	611.6
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

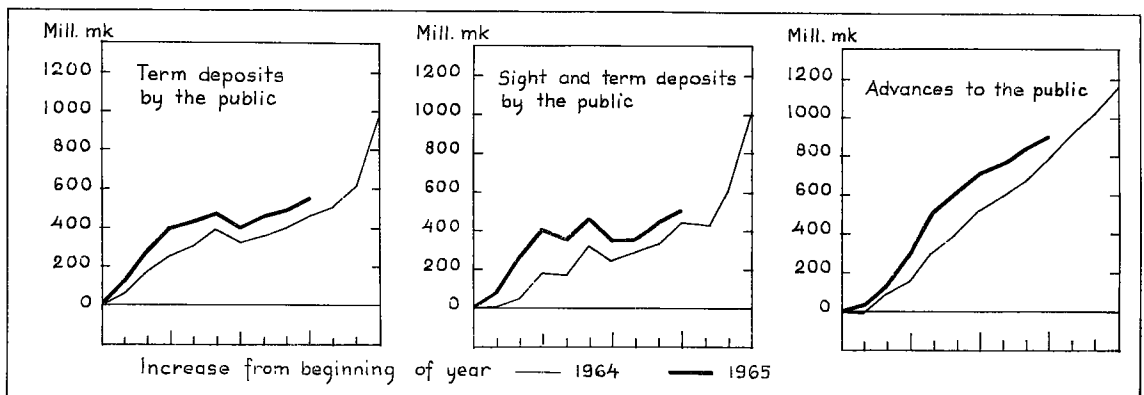
Selling rates for foreign exchange			
Oct. 30, 1965			
		mk	mk
New York ...	1 \$	3.224	Zurich 100 Fr 74.64
Montreal	1 \$	3.000	Paris 100 FF 65.80
London	1 £	9.040	Rome 100 Lit 0.5163
Stockholm ...	100 Kr	62.39	Vienna 100 S 12.49
Oslo	100 Kr	45.14	Lisbon 100 Esc 11.27
Copenhagen ..	100 Kr	46.75	Reykjavik 100 Kr 7.50
Frankfurt o.M.	100DM	80.60	Madrid 100 Pta 5.42
Amsterdam ...	100 Fl	89.56	Moscow, clear. ¹⁾ 1 Rbl 3.5667
Brussels	100 Fr	6.492	Clearing dollars ²⁾ 1 Cl \$ 3.21

¹⁾ Bucharest, Peking.²⁾ Ankara, 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
1954	1 289.6	824.5	221.2	647.0	127.7	2 915.1	194.9	3 110.0	995.6
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
1964									
Sept.	3 761.2	2 268.8	601.3	1 949.4	787.2	8 967.3	400.6	9 367.9	1 946.3
Oct.	3 791.0	2 296.0	611.6	1 983.7	810.2	9 067.4	425.1	9 492.5	1 933.0
Nov.	3 819.3	2 322.2	607.8	2 028.0	824.7	9 203.3	398.7	9 602.0	2 012.2
Dec.	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*									
Jan.	3 900.7	2 337.6	614.6	2 078.1	827.5	9 342.4	416.1	9 758.5	1 939.8
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

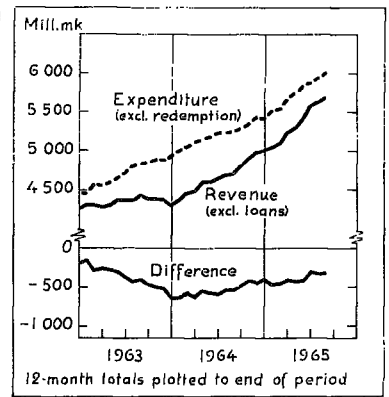


STATE FINANCES

Mill. mk

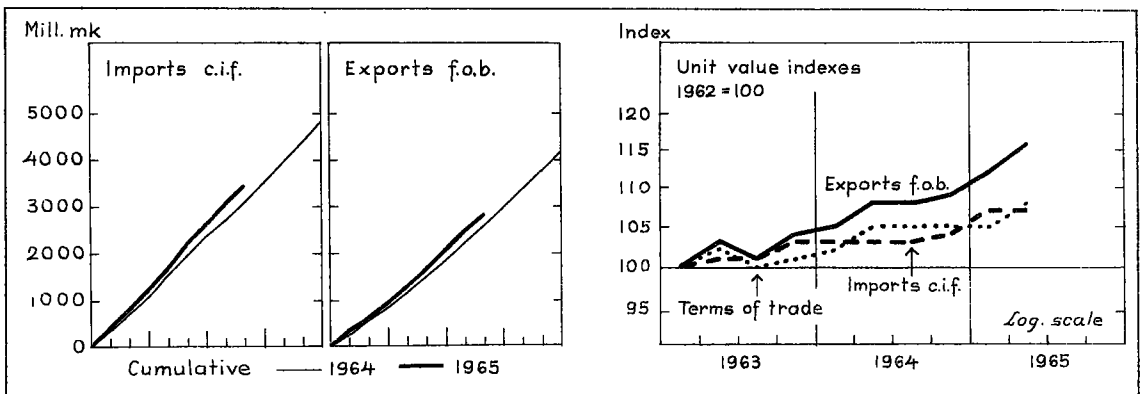
Revenue	Jan. - Aug.		Expenditure	Jan. - Aug.	
	1964	1965		1964	1965
Income and property tax (net)	1 011	1 141	Interest on State debt	87	117
Gross receipts	(2 105)	(2 442)	Child allowances	227	227
Refunds and communal income tax	(-1 094)	(-1 301)	The State's share in national pensions	152	166
Other direct taxes	12	11	Compensations to war-disabled	87	92
Sales tax	603	896	Subsidies	363	373
Import duties	322	344	Net payments on price equalization by extra-budgetary funds	—	4
Revenue from Alcohol Monopoly	255	290	State aid to agriculture	39	39
Excise duty on tobacco	190	201	State aid to communal and private schools	303	350
Excise duty on liquid fuel	129	215	Net loss of State enterprises	41	68
Other excise duties	62	57	Maintenance of roads	85	102
Tax on automobiles and motor cycles	109	135	Other current expenditure	1 198	1 427
Purchase tax on motor vehicles	—	31	Current expenditure	2 582	2 965
Stamp duties	168	109	Real investments	727	811
Employers' payments for child allowances	230	271	Other capital expenditure	283	400
Net receipts of price equalization by extra-budgetary funds	2	—	Capital expenditure	1 010	1 211
Other revenue similar to taxes	49	59	Total expenditure	3 592	4 176
Total taxes	3 142	3 760	Redemption of external loans	27	70
Interest and dividends	51	72	Redemption of internal loans	149	238
Other current revenue	106	138	Redemption of indemnity bonds etc.	3	3
Current revenue	3 299	3 970	Index premiums	11	21
Capital revenue proper	77	108	Redemptions	190	332
Decrease in inventories	68	47	Total	3 782	4 508
Capital revenue	145	155			
Total revenue	3 444	4 125			
External loans	180	13			
Internal loans	212	295			
Loans	392	308			
Short-term credit (increase +)	+24	+34			
Deficit (+) or surplus (-)	-78	+41			
Total	3 782	4 508			

Debt	1962	1963	1964	1965			
	Dec.	Dec.	Dec.	June	July	Aug.	Sept.*
External debt	803	963	1 184	1 154	1 140	1 130	1 122
Ordinary loans	936	1 109	1 205	1 238	1 226	1 261	1 289
Indemnity bonds etc.	18	11	7	204	204	204	203
Short-term credit	61	160	325	396	362	359	356
Cash debt (net)	-125	78	23	35	74	73	..
Internal debt	890	1 358	1 560	1 873	1 866	1 897	..
Total debt	1 693	2 321	2 744	3 027	3 006	3 027	..
Total debt, mill. \$	525.4	720.8	852.8	938.8	932.4	938.8	..



FOREIGN TRADE

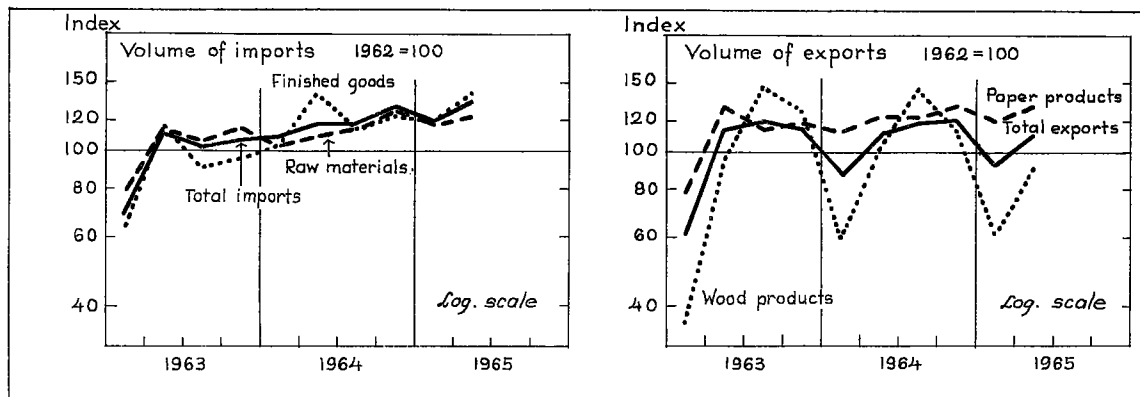
Period	Value mill. mk			Unit value indexes 1962 = 100						
	Imports c. i. f.	Exports f. o. b.	Surplus of imports (-) or exports (+)	Articles of export f. o. b.					Articles of import c. i. f.	Terms of Trade
				Total	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering 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	4 816.1	4 132.0	-684.1	108	109	111	104	113	103	105
Jan.-Aug.										
1963	2 465.5	2 269.7	-195.8							
1964	3 093.7	2 571.7	-522.0							
1965*	3 458.5	2 848.9	-609.6							
1964										
July	362.9	368.6	+ 5.7	108	111	112	105	113	103	105
Aug.	390.2	349.3	- 40.9							
Sept.	422.3	408.4	- 13.9							
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	428.3	398.2	- 30.1							
Aug.	387.2	386.8	- 0.4							



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

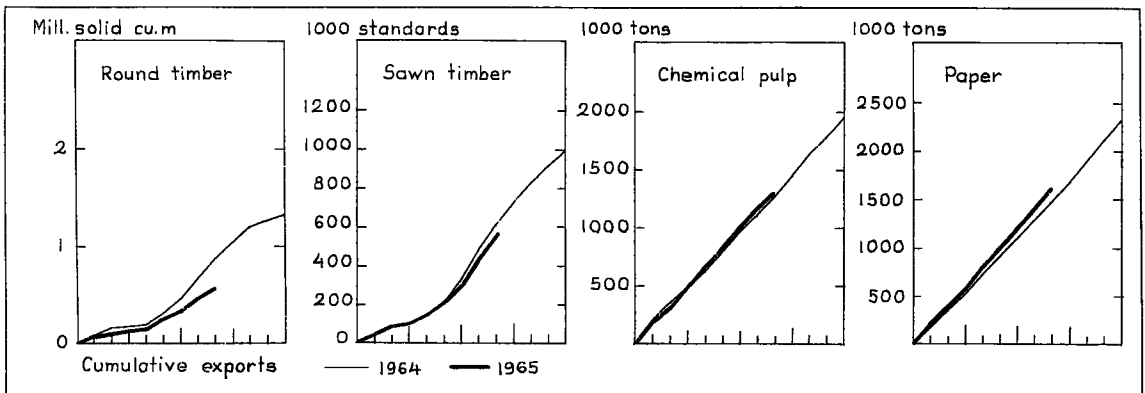
Period	Imports, c. i. f.				Exports, f. o. b.					
	Raw materials and producer goods	Fuels and lubricants	Finished goods		Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal engineering industry products	Other goods
			Investment goods	Consumer goods						
1961	1 711.2	329.9	1 034.4	614.7	153.5	295.8	840.8	1 539.1	386.3	158.5
1962	1 762.6	371.2	1 144.9	650.0	144.5	189.5	770.3	1 588.8	662.6	177.4
1963	1 827.5	373.3	1 004.3	661.8	164.8	112.8	811.8	1 752.2	613.8	222.6
1964	2 110.7	508.4	1 395.8	801.2	230.4	89.8	895.8	2 019.5	610.5	286.0
Jan.-Aug.										
1963	1 160.9	212.9	660.8	430.9	102.3	71.0	463.2	1 122.3	383.7	127.2
1964	1 337.2	321.3	913.8	521.3	156.4	57.6	548.0	1 287.9	351.6	170.2
1965*	1 521.5	328.0	1 040.3	568.7	158.8	40.5	573.4	1 409.1	454.9	212.2
1964										
April	162.3	34.1	148.5	103.9	27.9	2.3	49.5	165.1	75.6	19.1
May	167.7	50.6	114.9	65.5	23.1	7.1	67.5	173.7	37.2	26.7
June	182.9	31.0	126.7	71.8	17.5	8.4	97.1	163.0	55.0	25.4
July	164.7	31.4	114.7	52.1	18.1	13.3	116.9	156.6	40.9	22.8
Aug.	182.4	48.0	109.6	50.2	19.9	14.9	95.7	166.8	28.1	23.9
Sept.	187.8	44.4	123.4	66.7	17.2	11.6	97.4	186.1	68.2	27.9
Oct.	179.1	36.4	131.7	71.6	16.7	9.0	89.0	192.1	67.5	26.5
Nov.	202.8	54.7	105.9	69.4	11.7	6.7	86.2	173.3	56.9	32.4
Dec.	203.9	51.5	121.3	72.1	28.4	4.9	75.2	180.1	66.2	29.1
1965*										
Jan.	184.9	33.2	110.4	55.4	24.3	3.7	60.3	169.0	39.9	20.1
Feb.	172.2	31.4	128.1	73.5	13.7	2.6	40.4	143.9	45.2	22.0
March	199.2	46.0	126.7	83.2	25.6	2.2	37.6	188.7	60.7	22.7
April	177.6	47.8	138.2	71.2	17.2	2.4	55.2	195.8	46.4	24.3
May	209.1	34.4	188.1	98.4	29.2	6.2	69.9	173.4	84.5	32.0
June	195.1	48.7	124.1	66.1	18.4	6.1	89.2	185.0	73.1	33.0
July	203.8	35.2	128.0	61.3	16.0	9.4	116.5	170.6	58.6	27.1
Aug.	179.6	51.3	96.7	59.6	14.4	7.9	104.3	182.7	46.5	31.0



March 1963 figures are affected by strikes.

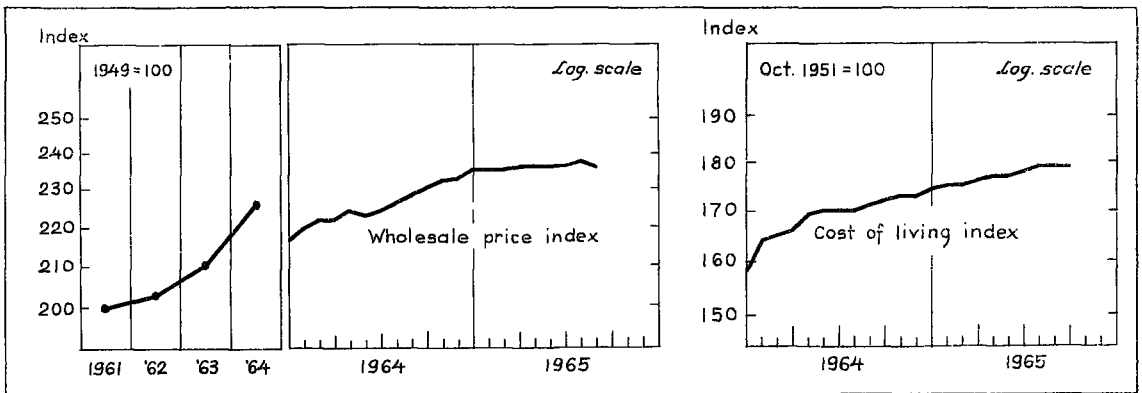
EXPORTS OF SOME IMPORTANT ARTICLES

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	173	861	893	171	161	882	2 126
1964	1 319	990	440	175	971	979	194	165	989	2 309
Jan.-Aug.										
1963	1 379	558	245	112	503	588	111	100	547	1 351
1964	876	611	275	114	647	625	114	107	604	1 478
1965*	575	545	294	104	615	687	115	98	686	1 620
1964										
April	26	42	38	15	81	64	16	16	79	197
May	122	69	43	13	82	97	14	15	81	195
June	143	122	31	20	87	84	15	12	83	182
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



FOREIGN TRADE BY COUNTRIES

Area and country	Imports, c. i. f.					Exports, f. o. b.				
	Whole year		Jan. - Aug.			Whole year		Jan. - Aug.		
	1963	1964	1964	1965*		1963	1964	1964	1965*	
	%	%	%	%	Mill. mk	%	%	%	%	Mill. mk
Sterling area	15.8	15.3	15.5	15.5	537.3	23.6	25.3	26.0	23.9	680.6
United Kingdom	15.3	14.8	15.0	15.0	520.2	21.5	23.0	23.6	21.7	618.8
Other OECD countries in Europe	53.0	52.7	51.8	55.7	1 924.7	43.9	45.9	45.0	44.6	1 269.6
Austria	0.7	0.7	0.7	0.8	26.5	0.3	0.4	0.3	0.2	7.0
Belgium-Luxembourg	2.2	2.0	1.9	2.3	81.2	3.3	3.5	3.4	3.2	92.4
Denmark	3.3	3.0	3.0	3.0	103.0	3.5	3.7	3.7	4.0	113.8
France	4.3	5.5	5.2	4.5	155.0	5.0	5.8	5.5	4.5	128.0
Western Germany	18.0	17.3	17.5	19.7	680.1	12.0	11.6	11.4	11.4	323.9
Italy	2.0	1.8	1.9	1.9	67.4	3.2	3.0	2.9	3.1	87.5
Netherlands	4.7	4.0	3.7	4.1	141.8	6.3	6.8	6.7	6.1	173.2
Norway	1.6	1.5	1.6	1.8	60.9	0.8	0.9	0.8	1.1	80.1
Portugal	0.2	0.2	0.2	0.2	8.2	0.1	0.1	0.1	0.2	6.1
Spain	0.4	0.5	0.5	0.6	19.3	0.9	0.9	0.9	0.9	27.0
Sweden	11.9	12.7	12.2	13.4	465.0	5.7	6.4	6.5	6.9	196.0
Switzerland	2.9	2.8	2.8	2.7	92.7	0.7	0.8	0.8	0.7	18.8
Eastern Bloc	21.7	22.4	22.4	18.8	651.6	20.8	17.5	17.0	19.9	566.2
China	0.2	0.4	0.5	0.4	13.6	0.5	0.5	0.4	0.5	14.7
Czechoslovakia	0.7	0.6	0.7	0.7	25.1	0.9	0.4	0.5	0.6	16.0
Eastern Germany	1.1	1.0	1.0	0.9	31.9	1.0	1.0	1.1	0.9	25.2
Poland	2.0	2.0	1.8	1.6	56.5	1.7	2.0	1.9	2.6	75.1
Soviet Union	16.9	17.6	17.6	14.6	503.6	16.0	12.1	11.5	14.3	407.3
U.S. and Canada	5.3	5.0	5.3	5.4	185.1	5.4	5.9	6.3	6.4	183.0
United States	4.9	4.8	5.1	5.2	180.3	5.2	5.7	6.1	6.2	176.5
Latin America	2.9	3.0	3.2	2.3	79.9	2.9	2.7	2.8	2.7	76.4
Argentina	0.5	0.3	0.5	0.4	14.0	0.6	0.8	0.7	0.9	26.3
Brazil	1.6	1.6	1.7	1.1	36.7	0.7	0.5	0.5	0.4	9.9
Other	1.3	1.6	1.8	2.3	79.9	3.4	2.7	2.9	2.5	73.1
Grand total	100.0	100.0	100.0	100.0	3 458.5	100.0	100.0	100.0	100.0	2 848.9
of which										
<i>EFTA countries</i>	36.0	35.8	35.6	36.9	1 276.6	32.6	35.4	35.9	34.8	990.6
<i>BEC countries</i>	31.2	30.5	30.2	32.5	1 125.6	29.8	30.6	29.9	28.3	806.0



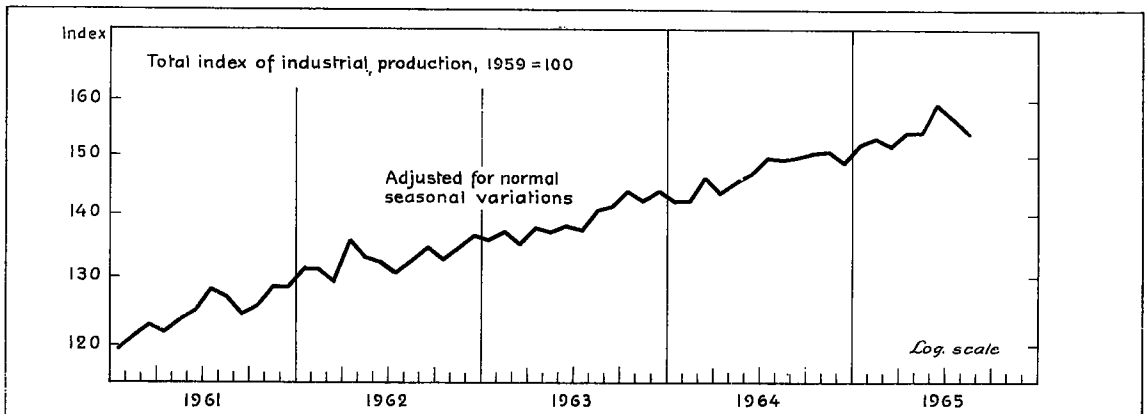
PRICE INDEXES

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	Mach- inery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply processed goods	More elab- orately processed goods			
1962	203	205	196	209	203	197	217	200	198	132	114	156
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
1964												
Sept.	230	235	212	233	217	230	256	222	220	152	121	198
Oct.	232	237	212	236	217	230	260	223	220	153	122	200
Nov.	233	238	213	238	220	230	260	225	222	153	123	198
Dec.	235	240	213	238	222	233	263	225	224	154	123	199
1965												
Jan.	235	240	216	240	222	231	264	228	222	156	123	202
Feb.	235	240	216	240	222	232	264	228	222	156	123	204
March	236	242	216	240	222	235	266	229	223	157	125	207
April	236	242	213	240	222	234	268	222	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	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
1962	147	156	327	103	90	143	115	115	121	100	112	117
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
1964												
Sept.	172	188	361	114	108	167	135	138	134	111	134	136
Oct.	173	187	372	114	108	167	135	137	138	111	134	136
Nov.	173	188	372	114	108	167	136	138	138	111	134	136
Dec.	174	189	372	114	109	168	136	139	138	111	135	137
1965												
Jan.	175	189	372	114	109	170	137	139	138	111	135	139
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

PRODUCTION - INTERNAL TRADE

Period	Index of industrial production 1959 = 100									Commer- cial timber fellings 1 000 piled cu. m	Wholesale trade volume index 1954 = 100
	Total	Invest- ment goods	Other producer goods	Consumer goods	Special indexes of manufacturing				Total, adjusted for normal seasonal variations		
					Wood industry	Paper industry	Metal industry	Other			
1962	133	151	133	127	114	141	144	126	133	47 499	160
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
1963 Dec.	132	134	138	119	121	149	131	124	144	4 534	201
1964*											
Jan.	147	155	152	132	121	164	153	136	142	5 552	114
Feb.	146	153	150	133	132	164	151	135	142	6 031	143
March	144	147	150	131	125	163	147	136	146	6 500	142
April	156	159	159	147	155	171	158	151	144	5 469	161
May	142	141	147	133	131	165	139	136	146	11 353	154
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	129	127	176	154	136	152	4 822	120
Feb.	152	163	158	134	136	174	161	139	153	6 095	147
March	168	177	176	149	157	197	174	156	152	6 342	168
April	152	155	157	140	144	168	154	145	154	5 674	188
May	158	156	166	143	147	186	158	148	154	11 698	181
June	147	159	149	140	133	150	158	144	159	2 162	164
July	120	97	131	103	118	174	96	110	157	1 408	155
Aug.	155	142	161	146	112	187	144	154	154	2 122	173

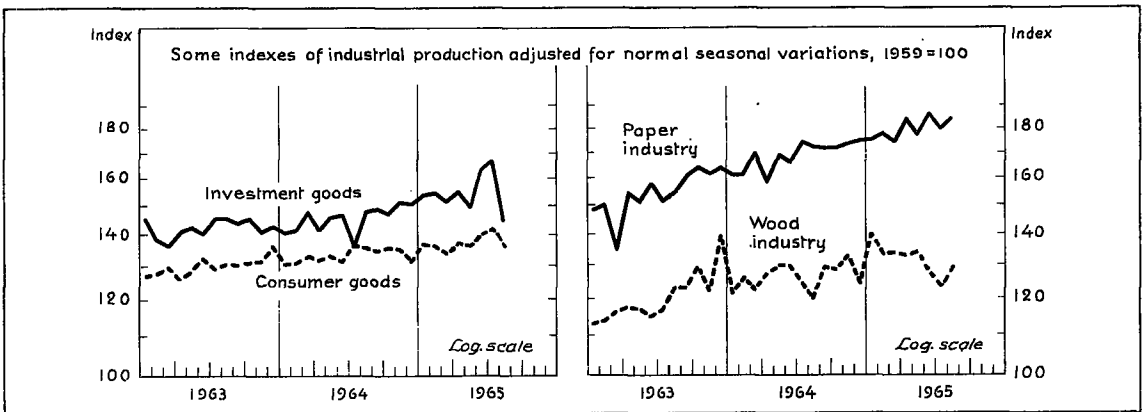


March 1963 figures are affected by strikes. Seasonally adjusted series are corrected for estimated strike effects.

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
1962	23.18	10.61	2.15	7.11	2.31	25.53	132	120	128	134
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	28.55	164	156	172	162
1964										
Apr.-June	4.93	1.83	0.31	1.91	0.66	29.45	164	154	177	162
July-Sept.	6.57	2.47	0.85	1.74	1.05	30.77	165	149	180	163
Oct.-Dec.	8.68	3.97	1.04	2.60	0.69	28.55	169	165	164	167
1965*										
Jan.-Mar.	4.56	1.93	0.23	1.77	0.50	28.08	176	176	180	174
Apr.-June	5.57	2.03	0.40	1.72	1.18	32.67	178	173	181	177

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	
	1964	1965	1964	1965*	1964	1965*	1964	1965*	1964	1965*
Jan.	125	118	576	690	526	549	1 854	1 877	2.7	2.0
Feb.	124	124	544	549	457	451	1 851	1 860	2.3	1.6
March	122	144	533	679	388	493	1 839	1 839	1.8	1.7
April	138	138	588	721	488	601	1 882	1 884	1.5	1.7
May	125	132	755	969	707	772	1 920	1 940	1.1	1.1
June	128	129	994	1 188	963	1 109	1 906	1 955	1.2	1.0
July	128	134	1 156	1 387	1 252	1 313	1 772	1 797	1.1	1.2
Aug.	132	138	1 072	1 357	1 109	1 255	1 862	1 893	1.0	1.2
Sept.	138	143	861	1 124	873	956	1 924		1.0	
Oct.	140		843		760		1 928		1.3	
Nov.	135		909		682		1 905		1.5	
Dec.	116		822		683		1 866		1.7	



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. *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 — MONEY SUPPLY

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

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

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

STATE FINANCES

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

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 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 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 1962 are as follows: Agrarians 53, People's Democrats 47, Social Democrats 38, Conservatives 32, Swedish Party 14, Finnish People's Party 13, Social Democratic League 2 and Liberal League 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 %, communes and parishes 1.7 %.

POPULATION

NUMBER OF INHABITANTS (1963): 4.6 million. Sweden 7.6, Switzerland 5.8, Denmark 4.7 and Norway 3.7 million.

DENSITY OF POPULATION (1963): In South Finland 25.4, in North Finland 4.2 and in the whole country an average of 14.9 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1963): 58 % of the population inhabit the rural areas, 42 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 488 300 inhabitants, Tampere (Tammerfors) 136 200, Turku (Åbo) 135 000.

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 (1963): 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 (1963): births 18.1 ‰, deaths 9.2 ‰, increase 8.6 ‰. Deaths in France 11.7 ‰ and Great Britain 12.2 ‰.

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 130 for 1964 (1954 = 100). Measure of self-sufficiency in bread cereals 69 % in the crop year 1963/64.

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, 1965): Length 5 463 km, of which 5 389 km are State and 74 km private railways. The gauge of State railways 1,524 m.

MERCHANT FLEET (Sept. 30, 1965): Steamers 148 (250 579 gross reg. tons), motor vessels 385 (736 764 gross reg. tons), sailing vessels with auxiliary engines 33 (4 258 gross reg. tons). Total 566 (991 601 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1964): Cars 376 200, lorries and vans 83 000, buses 7 100, others 3 100. Total 469 400.

SCHEDULED AIR TRAFFIC OF FINNISH COMPANIES (1964): Kilometres flown 12.0 million, passengers carried 639 700, passenger kilometres 311.2 million, and ton kilometres of freight and mail 5.4 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 1963 expenditure amounted to 2 776 mill. marks. Total revenue was 2 775 million, of which income from taxation 1 393 million. The municipal income tax (non-progressive) averaged 11.91 % 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, 1964) There are two big and four small commercial banks with in all 721 offices, 378 savings banks, 493 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, 1964). Bank of Finland discount rates 6—7 1/8 %. Other credit institutions: term deposits 4 1/8 %, 12 months' deposits 6 %, 100 per cent index-tied deposits 2 1/2 %, 50 per cent index-tied deposits 4 %; highest lending rate 8 %.

LOCAL GOVERNMENT SECTOR IN THE FINNISH ECONOMY

BY

VEIKKO TATTARI, M. Sc.

One of the most significant changes in the structure of the Finnish economy in the last few decades has been the increase in the activities of the public sector and the steady increase in its share in domestic product and total demand. This development may be partly explained by the increasing importance of the government in the stabilization of economic fluctuations, and by the trend towards a more egalitarian society.

In surveying the public sector the central government has usually been given greater importance while local governments have received less attention, since clearly the scope for local governments to implement economic policies is more limited relative to the scope of the central government. This is partly due to the fact that the local governments are to a certain extent under the financial control of the central government. Moreover, the number of local governments, or municipalities¹, is so high that it is virtually impossible for local governments, acting independently of each other, to influence economic policy.

Nevertheless the significance of local governments in the economy has been increasing steadily. Municipal activity in the provision of social services, which include health and hospitals, education, and social services in general, has particularly displayed a marked

increase. A considerable part of this increase can be attributed to the greater responsibility delegated to local governments by the central government. Although such decentralization has in many cases created financial problems, particularly for local governments with limited resources, this trend can be interpreted as being the result of the central government's confidence in the efficiency of local governments. In addition, the need for greater efficiency has led local governments to establish inter-municipal authorities to undertake certain joint activities such as medical care.

A quantitative evaluation of the development and structure of municipal income and outlay (including inter-municipal authorities) over the last ten years is given below. The figures are compared with the national income and expenditure figures, and also with the corresponding figures of the central government and of the general government sector as a whole.

This article is not concerned with the entire public sector but only that part of the public sector within which general administration, police and public security, and cultural, social and other services are handled. Public enterprises and companies are outside the scope of this investigation as they come under industry (as in the case of electricity and gas boards) or transport (as in the case of railways and transport authorities). Only when a surplus arises from commercial activities of the enterprises, or when the

1. In this article "municipalities", i.e. decision-making units include not only the 546 municipalities which exist for local government but also the 260 authorities established for inter-municipal co-operation.

financing of their investment is involved, have public enterprises been taken into account.

GROSS DOMESTIC PRODUCT OF THE GENERAL GOVERNMENT SECTOR

A clear picture of municipal finances emerges from a comparison of developments in 1954 and in 1964. Thus, municipal expenditure between 1954 and 1964 rose 2.8 times, whole gross domestic product during the same period rose 2.7 times. An even clearer idea of developments can be obtained from examining a breakdown of municipal finances on similar lines to the breakdown of national income.

The following table shows changes in gross domestic product at factor cost, in 1954 prices.

GROSS DOMESTIC PRODUCT, IN 1954 PRICES, MILL. MK				
	1954	1957	1960	1964 ¹
Total economy	7 948	8 868	10 457	12 620
Local government ..	343	413	486	531
Central government ..	326	347	376	465
Share of local government in gross domestic product, per cent	4.3	4.7	4.7	4.6

1. Preliminary information.

CONSUMPTION EXPENDITURE

The method of calculation used, however, means that the gross domestic product figure does not in any way represent the local governments' total use of resources, but rather only the increase in gross value added. In general, the increase in value added in each sector is calculated by deducting goods and services purchased from other sectors from the gross value of production. In principle, this also applies to the general government sector.

However, as the goods produced and the services provided by the general government sector are consumed collectively and

not marketed as in the case of the goods and services of the private sector, the general government sector's expenditure on gross production (gross domestic product plus goods and services purchased from other sectors) remains the final costs of this sector. In terms of national income calculations this expenditure is general government consumption. The following table shows developments in total consumption expenditure, private consumption expenditure and general government consumption expenditure.

CONSUMPTION EXPENDITURE, IN 1954 PRICES, MILL. MK				
	1954	1957	1960	1964 ¹
Total consumption expenditure	6 463	7 257	8 133	10 055
Private consumption expenditure	5 493	6 130	6 839	8 446
General government consumption expenditure	970	1 127	1 294	1 609
Local government consumption expenditure	523	591	704	848
Local government consumption expenditure of total consumption expenditure, per cent	8.1	8.1	8.7	8.4

1. Preliminary information.

In the last ten years, the proportion of local government consumption expenditure in total consumption expenditure has been growing steadily, except in 1963 and 1964, when the volume of both private consumption expenditure and central government consumption expenditure grew faster than local government consumption expenditure. The deceleration in 1963 and 1964 can be partly attributed to the fact that fewer inter-municipal authorities were established than in the earlier years.

Corresponding to the breakdown of private consumption expenditure into categories of goods and services, general government consumption expenditure can also be examined in terms of these categories. The following table shows local government consumption expenditure in 1954 and 1962.

	LOCAL GOVERNMENT CONSUMPTION EXPENDITURE, IN 1954 PRICES			
	1954		1962	
	Mill. mk	Per cent	Mill. mk	Per cent
General administration	47	9.1	50	6.1
Justice, police and safety	19	3.7	21	2.6
Health	101	19.2	207	24.9
Social welfare	86	16.5	96	11.5
Education	231	44.1	385	46.2
Other services ¹	39	7.4	73	8.7
Total	523	100.0	832	100.0

1. Other services include maintenance of roads and public areas, ground planning, sanitary services, etc.

It is obvious that some of the changes in local government consumption expenditure can be explained by changes that have taken place as a result of government reorganization and the delegation of responsibilities by the central government to local governments. One explanation of the reduction in the relative figure for general administration, for example, is that the collection of municipal taxes is now undertaken by the central government. Although the local governments must still share the cost of fiscal administration, these costs are now regarded as income transfers from local governments to the central government, which is, in other words, consumption expenditure of the central government.

One important factor increasing the expenditure figure on health and sanitary services is the expansion in hospital services provided by the inter-municipal authorities. Since, at the end of the 1950's and the beginning of the 1960's, the central government handed over a number of large central hospitals to the joint care of the inter-municipal authorities, the local governments and the inter-municipal authorities today account for more than 90 per cent of the expenditure on public hospitals. However, the proportion of costs financed by local governments themselves is not substantial due to the income transfers from the central government.

INVESTMENT EXPENDITURE

The share of local government investment expenditure in total investment expenditure exceeds the share of local government consumption expenditure in total consumption expenditure. The following table shows the development of investment expenditure and the share of local government investment expenditure.

	GROSS INVESTMENT EXPENDITURE ¹ , IN 1954 PRICES, MILL. MK			
	1954	1957	1960	1964 ²
Total gross investment	2 342	2 663	3 532	4 256
Gross private investment	1 887	2 093	2 911	3 420
Gross general government investment	455	569	621	836
Local government investment	263	270	238	359
Local government investment of total gross investment, per cent ..	11.2	10.1	6.7	8.4

1. Gross investment expenditure corresponds to the conception of gross fixed capital formation as proposed in SNA. See "A System of National Accounts and Supporting Tables", Studies in Methods, Series F, No. 2, Rev. 2, United Nations, New York 1964.

2. Preliminary information.

The share of local government investment expenditure in both total gross investment and in gross investment of the general government sector has dropped during the period under review. The fall has probably been the result, at least partly, of the improvement in the level of employment, which has reduced local government expenditure on unemployment, fixed by law (Cf. Bulletin No. 11, 1964). The factors affecting this relative drop in investment include the increased difficulty of obtaining credit, due to the stringency in the money market, and the fact that the central government, because of its own monetary problems, has been unable to finance investment through loans and capital transfers to the same extent as in earlier years.

The above analysis of local government financing has been done in terms of con-

sumption and investment expenditure. It must, however, be pointed out that apart from financing their own consumption and investment demand, local governments also finance private demand. This occurs, for example, when they finance the investment of their own enterprises; such investment is then regarded, according to the method of calculation explained above, as private investment. Local government investment in the private sector in the last few years has amounted to about one-third of gross government investment in this sector. In addition, local governments, to a limited extent, finance private investment by granting loans, particularly for investment in housebuilding. Local governments subsidise private demand by means of income transfers to households and welfare organisations. Income transfers to households are almost entirely in the form of social assistance.

DISPOSABLE INCOME

The local government share in total earnings from production in the economy is negligible. For example, it is estimated that in 1964 the figure was only about 1.7 per cent. For local governments, the only source of such income is the capital invested in production; for instance, from their investment in business in the form of surpluses, interest on loans, etc. Thus, the income of the general government sector is received mainly from income transfers between the public and private sectors. As total disposable income in the economy (net domestic product at market prices plus net factor income pay-

ments to the rest of the world) in 1964 was 21 117 million marks, according to preliminary figures obtained from national income calculations, the share of the general government sector in this sum is 5 035 million marks, i.e. 23.8 per cent, and the share of local governments amounts to 2 387 million marks, i.e. 11.3 per cent. The following table gives greater details of the different components of the general government sector's disposable income.

INCOME TRANSFERS BETWEEN THE GENERAL GOVERNMENT SECTOR AND PRIVATE SECTOR IN 1964, MILL. MK ¹		
	Total general government	Local gov- ernments
+ Taxes	5 980	1 659
+ Other current transfers ..	845	8
+ Interest, dividends, surplus from businesses, etc.	516	316
— Transfers to the private sector	2 276	137
— Income payments to the rest of the world	30	1
+ Income transfers received by local government from the central government	—	542
Total disposable income	5 035	2 387

1. Received (+), paid (—).

Disposable income of the general government sector is used as general government consumption, gross investment and financial investments. However, as disposable income, which is made up of income transfers from various sources, is not sufficient to finance all the above-mentioned expenditure, borrowed capital is used to make up the deficiency, and to meet investment needs. The structure of investment financing does not, however, fall within the scope of this survey.

estimates for 1948—1965 is scheduled for publication early in 1966 as a separate volume in the series of Official Statistics of Finland.

Preliminary results have appeared in the Bank of Finland Monthly Bulletin No. 10, 1965.

In the revised calculations, the existing statistical data have been applied as effectively as possible. The revision also incorporates certain changes in definitions especially relating to the classification of sectors. Importance has been attached to the need for improving Finnish national income statistics as tools of economic analysis, and to the recommendations relating to national accounts by the Statistical Office of the United Nations.

The forthcoming report, in addition to the tables, will contain a description of the

conceptual framework of Finnish national income statistics, and of the statistical sources and methods used in arriving at estimates for different sectors and components.

*

Publications of the Bank of Finland. A new study in series D — Mimeographed Studies — issued by the Bank of Finland Institute for Economic Research, has been published: No. 13, Erkki Laatto, Suomen ulkomaisen tavarakaupan volyyymi-indeksit neljännesvuosittain vuosina 1949—1964 eräistä lyhytaikaisista vaihteluista puhdistettuina (Quarterly Volume Series of Finland's External Trade in Goods between 1949 and 1964, Adjusted for Certain Short-term Fluctuations). It is published in Finnish with a short summary in English.

BANK OF FINLAND

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