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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

CURRENT ECONOMIC POSITION AND PROSPECTS
OF
FINLAND

August 6, 1962

CURRENCY EQUIVALENT

Before September 15, 1957:

U.S. \$1 - 230 markkas

After September 15, 1957:

U.S. \$1 - 320 markkas
1 markka - 0.31 U.S. cents
1 billion markkas - U.S. \$3.1 million

CURRENT ECONOMIC POSITION AND PROSPECTS OF FINLAND

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STATISTICAL APPENDIX

FINLANDBASIC DATAArea: 130,000 square milesPopulation (1961): 4.5 million
Annual rate of growth: 1%Gross National Product (1960): 1,436 billion markkas
Per Capita: \$1,000

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
<u>Net Domestic Product</u> (in billion markkas at current factor cost)	770	868	906	965	1020	1159	1285
of which, in percentages,							
Agriculture and Forestry	23.9	22.5	20.7	20.9	20.5	21.2	21.4
Industry	32.4	31.2	31.5	31.2	30.5	31.1	31.1
Construction	9.1	9.7	9.7	9.8	10.1	10.0	10.0

<u>Volume of Net Domestic Product</u> (1954 = 100)	106	108	109	109	116	126	132
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<u>Gross Fixed Asset Formation</u> Percentage of Gross Dom. Product	26	28	27	26	26	29	30
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<u>Foreign Trade</u>							
<u>Exports</u> (in million U.S. \$)	788	774	838	775	835	989	1,054
<u>Imports</u> (c.i.f.) " " "	769	885	901	729	835	1,062	1,151

Imports and Exports of Goods and Services in Per Cent of Gross National Product (average 1959-60): 25

<u>Wholesale Prices</u> (1954 = 100)	99	104	113	123	122	126	128
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External Public Debt

December 31, 1961:

Net of Undisbursed: \$316 million

Including undisbursed: \$382 million (of which \$69.3 million credits from Soviet Union)

Service 1961: \$29 million

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>April 1962</u>
<u>Foreign Exchange Reserves</u> (million U.S. \$, end of period)					
Gold and Foreign Exchange Assets of Bank of Finland (including Foreign Securities held by Treasury)	250	316	325	344	339
Short-term Foreign Exchange Liabilities of Bank of Finland	-7	-7	-13	-4	-4
Net Foreign Exchange Position of Commercial Banks	<u>21</u>	<u>16</u>	<u>27</u>	<u>-2</u>	<u>-33</u>
Net total	264	325	339	338	302

SUMMARY AND CONCLUSIONS

1. Thanks to the successful stabilization of its currency and finances and to the large increase in Western European demand for wood products, especially pulp and paper, Finland has, since 1959, been able to combine a rapid growth of production and incomes with a considerable degree of price stability and a sound external position. During the three years 1959 to 1961 industrial production increased by 32 per cent, the net domestic product by 21 per cent and exports by 26 per cent. Wholesale prices increased by 4 per cent and the cost of living by 6 per cent, which compares favorably with price developments in most other European countries.
2. As was to be expected, the liberalization of trade and relaxation of exchange controls, together with rapid economic expansion and a further increase in the already high rate of investment, have been accompanied by a very large increase in imports (38 per cent during 1959 to 1961). The resulting current account deficits, of \$42 million in 1960 and \$72 million in 1961, were covered by drawings on IBRD loans and other foreign borrowing.
3. Two facts, however, make the present situation somewhat less satisfactory than this over-all picture indicates. First, foreign borrowing other than from IBRD during the last two years has been mainly in the form of suppliers' and commercial credits which have created large repayment obligations for the next few years. Second, the present net foreign exchange holdings of the Bank of Finland and of the commercial banks, at some \$300 million, correspond to only three months' imports, and their composition has recently somewhat deteriorated, with holdings of Eastern Bloc and bilateral currencies rising and holdings of convertible currencies declining.
4. Finland needs to maintain a vigorous pace of industrial growth in order to provide employment for the excessive manpower still engaged in agriculture and for a growing labor force, and in order to offset the other disadvantages under which its economy is operating, including those inherent in the magnitude of its bilateral trading.
5. Finland's public external debt is small and remained at about the same level throughout the 1950's. Only recently have new borrowings exceeded repayments. In 1961 the service of the debt amounted to \$29 million, corresponding to 2.4 per cent of current foreign exchange earnings in that year. If the debt in western currencies is compared with current earnings in such currencies, the ratio was still only 3 per cent. Thus Finland can prudently undertake additional

foreign debt obligations. The natural disadvantages of Finland's cold climate and extensive area necessitate heavy investment in the public sector and housing, which absorbs most of the domestic savings, even though they are high. If the economy is to grow at a satisfactory rate without inflationary strains and without a weakening of the country's competitive position, an inflow of foreign capital is needed.

6. Finland's economic prospects are good and its record as a debtor outstanding, but the political risks involved in investing in a country which seems to rely for its independence on Soviet restraint have, so far, been an obstacle to borrowing in foreign capital markets or attracting direct investments. For the time being, Finland must continue to look to the Bank as the principal source of the long-term external financing obviously required by its economy.

7. Finland's investment needs are greater than can be financed from domestic resources alone and she has the capacity to service additional foreign debt. Barring unforeseen changes that would affect Finland's ability to maintain her independence of action, she is creditworthy for the amount of external borrowing contemplated.

INTRODUCTION

1. The last economic report on Finland (issued in July 1961) described the economic situation during 1958-1960 and appraised the country's creditworthiness in the light of that situation. The present report brings the information up to date and reviews Finland's position and prospects as they have been affected by developments during the past year. Aspects of the Finnish economy where no change has taken place are not covered again.

2. Finland's development as a modern economy is more recent than that of the other Scandinavian countries, with the exception of Iceland. As late as 1920, 64 per cent of the Finnish population were still engaged directly in farming, deriving a meagre livelihood from a naturally infertile soil under an unfavorable climate. Over two-thirds of exports consisted of timber and agricultural products while pulp and paper accounted for less than one-fifth of the total. Per capita income was around 40 per cent of the level in the other Scandinavian countries. During the interwar period, however, Finland experienced a more rapid economic growth than most other European countries due to the rising world demand for pulp and paper which continued even during the depressed 1930's. This development had a greater impact on a country whose major national resource is its forests than on other timber producing countries. Finland was in a particularly good position to exploit this opportunity thanks to the high levels of education and efficiency of its population and to the stability of its institutions. By 1939 per capita income was about half that of the other Scandinavian countries.

3. Five years of war and its aftermath imposed staggering burdens on Finnish energies and resources, but within a decade Finland had succeeded, through a vigorous production effort and continued self-denial, in liquidating most of the legacy of war and defeat. By 1955 industrial production had more than doubled compared with 1938, and the volume of exports was some 40 per cent higher than before the war, while foreign exchange reserves had been rebuilt to a total of \$218 million, corresponding to three months' imports.

4. These results were not, however, attained without cost. The strain which the tasks of reconstruction imposed on Finnish resources resulted in a severe inflation which was intensified by the demands of labor and farmers for higher incomes than the economy could ensure to them and by an effort to expand simultaneously social services and social welfare programs. Finland retained the whole armory of price controls, subsidies, import restrictions and other direct governmental interventions longer than most other European countries, and there was strong opposition from both the left and the agrarians, who accounted for two-thirds of the seats in Parliament, to a return to a free economy. By 1957, however, it had

become clear that steadily rising prices and an overvalued currency were seriously undermining Finland's economic prospects, especially since most of the advanced European countries had by then rehabilitated their currencies.

5. A stabilization program adopted in September 1957 was drastic enough to make possible within a short time the lifting of the bulk of quantitative import restrictions and the restoration of external convertibility. The substantial dose of deflation with which the authorities sought to ensure the success of the program coincided with a slump in the world pulp and paper market, causing a decline in industrial production and a considerable increase in unemployment in 1958 and in the first part of 1959. In the last two years, however, the strong recovery in world demand for pulp and paper and the expanded capacity and enhanced competitiveness of the Finnish woodworking industry enabled Finland to increase its exports by a total of 25 per cent. The resulting improvement in foreign exchange earnings allowed in turn a relaxation of financial policies which provided the foundation for a strong economic expansion, unattended this time by inflation. During 1960 and 1961 industrial output increased by an average of 11.5 per cent per annum and the gross national product by 7 per cent per annum. Prices rose by 2.5 per cent per annum, a rise similar to that in the other Scandinavian countries. A very large increase in imports has caused some decline in net foreign exchange reserves during 1962 but this was to be expected in a period of boom and following a very extensive liberalization of trade. Thus during the last few years Finland has been able to combine economic expansion with financial stability to an extent that only a short while ago appeared beyond the country's reach. Per capita income at present is about two-thirds of the average in the other Scandinavian countries.

I. PROBLEMS AND PROSPECTS

Agriculture

6. Finland is unique among the advanced countries of the world in the high proportion of its manpower engaged in feeding its population. In 1950, the last year for which census data are available, 46 per cent of total employment was provided by agriculture and forestry. The corresponding figures for Sweden and Norway were 25 and 31 per cent respectively. Forestry accounted for between one-fifth and one-fourth of the combined work performed by the Finnish agricultural population, which means that the production of the country's food supply employed nearly one-third of the labor force. The results of the 1960 census have not yet been published but estimates based on sample surveys show that in 1961 agriculture still provided 29 per cent and forestry another 7 per cent of total employment. In terms of full-time work agriculture accounted for 23 per cent and forestry for 7 per cent of employment while their share in the net domestic product was 12 and 9 per cent respectively.

7. The reasons for the low output per person employed in Finnish agriculture are to be found in the unfavorable natural conditions and the smallness of farms, not in any lack of efficiency among the agricultural population. Finnish farmers are hard-working and progressive and are organized in a highly developed cooperative system. Natural conditions are relatively more favorable for dairy farming and Finland has traditionally been an exporter of butter. At present world prices, however, butter exports require heavy subsidization, hence have become uneconomic. In order to prevent a further increase in milk surpluses the Government has in recent years encouraged the expansion of bread grain production and this, in combination with good weather, has resulted in near self-sufficiency in cereals, (though at high cost), and in difficulties in absorbing imports from the Soviet Union under the existing trade agreement.

8. A committee on agriculture appointed four years ago has just issued a comprehensive report which recommends a series of measures designed to put Finland's agriculture on a healthier basis. The principal recommendations include the cessation of further land reclamation, measures to prevent further fragmentation of farms, the limiting of price supports to the present volume of production, the replacement of present differential price subsidies to small farms by a cash subsidy per acre, and the shifting of Government grants and loans from agriculture to forestry. These recommendations have already met with strong opposition from farm interests and their chances of adoption do not as of now appear particularly good.

9. Since 1955 the movement of labor out of agriculture appears to have slowed down, but it is difficult to determine how far present agricultural policies have contributed to this. Until 1959 unemployment was a major problem, and there was substantial emigration, which indicated that opportunities for the movement of labor out of agriculture were limited. In 1961, however, a state of full employment was reached in industry and services, but it is too early to detect any repercussions on the agricultural sector.

10. The high food prices and large transfers of income from the urban to the rural population which are involved in present agricultural policies have been a major factor in the financial difficulties of the past and still constitute a serious threat to price stability. This is so because trade unions are seeking a level of real income for their members which is not attainable so long as part of money wages have to be transferred to the large numbers engaged in agriculture in the form of higher food prices and high taxes.

11. A slow movement out of agriculture will mean that financial stability in Finland will continue to be precarious and that the development of the economy will be held back. A more rapid movement on the other hand

will be possible only if the tempo of industrialization is stepped up which in turn will increase the already heavy investment needs for industrial installations, housing and other urban facilities. Thus, whether it stays on the farms or moves out, the excessive manpower which at present characterizes Finnish agriculture is likely to pose serious problems for the economy for at least another decade.

Forestry

12. Unlike agriculture, forestry in Finland operates under unusually favorable natural conditions and the forests are truly Finland's major source of wealth. This is vividly expressed in the Finnish saying that "Finland without woods would be like a bear without skin".

13. A question of decisive importance to Finland's economic prospects is the extent to which the supply of raw material for the woodworking industry can be increased in the coming years.

14. Although the forests are largely owned by small farmers, who account for the bulk of the annual cut, scientific and efficient exploitation is the rule and practices are being constantly improved. It is estimated that under present conditions of exploitation the annual growth would gradually increase from the present level of some 46 million m³ to 66 million m³ or by 43% in one rotation (about 90 years). It is believed that the expansion of the forest area through drainage, replanting, building of access roads, etc., the use of fertilizers and insecticides and the adoption of new techniques could lead to a doubling of the annual growth in one rotation.

15. Another source of additional supplies for the woodworking industry would be the diversion of wood from less productive uses. In 1959 wood used as fuel accounted for 30% of the total cut and exports of logs for another 9%, compared with 54% for industry.

Industry

16. The woodworking industry employs less than 5 per cent of the labor force but provides some 10 per cent of the national income and nearly 70 per cent of exports. These figures reveal both the high productivity of this industry and its importance in the Finnish economy.

17. Finland lost 25 per cent of its chemical pulp capacity, 14 per cent of its mechanical pulp capacity and 5 per cent of its paper capacity at the end of the war through the cession of territory to the Soviet Union. During the first postwar years reparations and the resettlement of refugees were the overriding priorities and investments in pulp and paper, the most important sectors of the woodworking industry, had to await their

turn. Thus it was only in 1951 that prewar levels of production were reached in pulp and newsprint, while in other paper the prewar levels had already been considerably exceeded. In the same period production of pulp and newsprint had doubled in Canada and had increased by 10 and 27 per cent respectively in Sweden.

18. In 1952 the Finnish woodworking industry embarked on a large program of expansion which within five years increased its pulp and newsprint capacity by some 50 per cent and more than doubled its capacity for other paper. This was a considerably greater expansion than in the other exporting countries, and by 1958 Finland had regained the ground lost. A new program of expansion and modernization was adopted in 1958 and was further enlarged at the end of 1960. Thus around 1965 Finland is expected to have increased the capacity of its pulp and paper industry as follows:

	<u>End 1959</u>	<u>Mid-1965</u>	<u>Per cent</u>
	000 tons		<u>increase</u>
Mechanical pulp	1,230	1,870	52
Sulphite pulp	1,340	1,630	21
Sulphate pulp	1,180	2,262	91
Newsprint	865	1,487	70
Other paper	650	942	44
Board	510	910	78

19. The large investments made in the pulp and paper industry have been financed mainly out of retained earnings, including in recent years generous depreciation allowances, loans from banks and insurance companies, suppliers' credits and loans from IBRD, (loans from IBRD during 1949-1959 totalled \$68.3 million). In 1959, the last year for which figures are available, new investment in the pulp and paper industry amounted to \$70 million, representing 24 per cent of total new industrial investment.

20. The leaders of the Finnish woodworking industry believe that in view of the large additions to capacity currently being made a further considerable expansion will not be justified for some time. This has already raised the question in Finland of how the growth of the economy will be maintained if the prime mover of expansion during the 1950's can no longer be relied upon to play that role in the 1960's. Thus it is widely felt that Finland will have to undertake a major effort to develop new industrial products for export. It is also believed that the metalworking industries, the chemical industries and some consumer goods industries could, through specialization and modernization, become important export industries.

21. Finland had to set up new metal working and engineering plants in order to meet its reparations payments to the U.S.S.R. Because of the

wide range of products they covered and the conditions under which they were brought into being, these industries could not be expected to prove competitive in world markets and they have been able to continue in production only because trade agreements with the Soviet Union, subsequent to the completion of reparations payments, have provided an outlet for their products. In 1959 exports of machinery and transportation equipment amounted to \$130 million compared with a gross value of production of \$400 million. The Soviet Union took \$85 million and other bilateral trading countries a considerable part of the remaining exports. In the short run, this exchange with the Soviet Union has been beneficial to Finland because it has prevented a serious dislocation in industry following the end of reparations and has reduced the import bill from free currency markets. In the longer run, however, high cost production and bilateral exchanges affect adversely an economy because they tend to weaken its competitive position.

22. Some branches of the Finnish metal industry, and especially those producing machinery for pulp and paper, are, however, highly competitive and the industry as a whole meets nearly half of domestic requirements with only moderate protection. Exports of metal and engineering products to Western European markets (EFTA and EEC) increased from \$13 million in 1959 to \$30 million in 1961. It is believed that by concentrating on a smaller number of products, in which Finnish skills and technical ability would give it a competitive advantage, this industry could gradually develop into an important exporter of specialized products.

23. Finland has a relatively small chemical industry which provides some exports, mainly sulphuric acid and tall oil, and meets a large part of domestic requirements for oil products, fertilizers, paints and dyes and pharmaceuticals. It is felt that this industry too could develop into an export industry if it concentrated on a small number of products requiring high technical standards.

24. As in other countries, increased protection during the 1930's made Finland largely self-supporting in manufactured consumer goods. Import duties range from 15 to 50 per cent, being nearer the upper limit for finished products and nearer the lower limit for semi-manufactures. In addition to this protection, the import restrictions of the postwar period, together with inflationary demand, provided great scope for expansion in these industries and some difficulties were experienced when imports were liberalized and internal demand brought under control. The fact, however, that these industries have shared in the expansion of the last three years suggests that they have been able to adjust to the more competitive conditions that have prevailed since 1958. At the same time, however, imports of consumer manufactures have increased considerably, indicating that the high degree of self-sufficiency of the 1950's was partly artificial.

25. The agreement between the European Free Trade Association and Finland signed in March 1961 recognized that some of the Finnish home market industries would require a longer period to adjust to increased foreign competition than the comparable industries in EFTA countries and granted Finland special treatment in respect of a number of products. While some concern was expressed at that time about the ability of a number of these industries to survive without protection, it was generally believed in Finland that the period of transition was long enough to permit the necessary readjustments to be made without undue hardship or dislocation and that the agreement with EFTA would open up opportunities for the development of new export products. Subsequent developments in the European movement towards integration, and especially the prospect that the principal members of EFTA might join the European Economic Community, have created considerable uncertainty in Finland, since it is difficult to foresee the outcome of current negotiations and especially how it is likely to affect Finland's position.

26. Assuming, however, that present difficulties will be successfully resolved, one may conclude that the progress of industrialization in Finland during the 1960's will depend to a much smaller extent than in the 1950's on the woodworking industry and the expansion of protected industries and will require the development of new competitive and export-oriented industries in fields where Finland's advantages are not as obvious as in woodworking. This means that a major effort will again be required to maintain the impetus of the 1950's.

Savings and Investment

27. In the postwar period gross investment has absorbed over a quarter of the gross national product, and in 1959-61 the ratio was 29 per cent. These high investment ratios are explained by the need for large expenditures on public facilities, including housing, in a northern and sparsely populated country and by the capital-intensive character of Finland's main industries and of its agriculture. In 1959, for instance, expenditures on roads corresponded to \$25.3 per capita in Finland, which was similar to per capita expenditures on roads in Sweden and Norway, but compared with only \$13.7 in Denmark and \$14.3 in France. Another comparison that can be made is between construction expenditures, including housing, in Finland, which corresponded to \$111.5 per capita in 1959, and in countries like Denmark and the Netherlands, where they corresponded to \$66.4 and \$68.1 per capita respectively. Finally, the relatively greater importance of the public sector and agriculture in Finnish investment may be seen in the following table:

Composition of Gross Domestic Capital Formation in 1958

(Per Cent of Total)

	<u>Public Sector</u>	<u>Housing</u>	<u>Agriculture and Forestry</u>	<u>Other</u>
Finland	23.1	21.0	10.3	45.6
Sweden	16.4	25.0	3.9	54.7
Denmark	12.3	14.6	5.8	67.3
Netherlands	16.4	21.6	3.5	58.5
France	10.7	24.8		64.5

28. In Finland all public investment, including investment in railroads, has been financed out of taxation and, in addition, tax revenue has been used to finance part of investment in housing, power, agriculture, mining, and manufacturing. During 1956-1961 tax revenue financed half of total new investment and this explains the burden of taxation in Finland, which is among the heaviest in the world.

29. Net personal saving has been high, averaging 9.5 per cent of the net national product during 1956-1959 but the principal motivation for this high rate of saving has been the strong desire for home ownership, and the principal use of the savings has been for down payments and amortization on dwellings.

30. With public facilities, agriculture and housing absorbing such a high proportion of total resources, the business sector, and especially industry, has had to rely for its investments mainly on retained earnings, bank credit (representing in part personal saving and in part business saving) and foreign borrowing and has been complaining of a shortage of capital.

31. Not all public investment expenditures have been directly productive and part of them is motivated by social rather than strictly economic considerations. This is especially true of the large expenditures made for the development of the north, which represent an effort to prevent a depopulation of these inhospitable regions. It is significant, however, that the public has been willing to pay high taxes to finance these investments.

32. Given the magnitude of the expenditures required for public facilities and housing, the resources made available to the business sector from the rest of the economy were bound to fall short of what was required

to finance industrial expansion. It is, therefore, a general shortage of capital rather than any organizational weaknesses, that accounts for the difficulties experienced by industry in financing new investment. It is true that the Finnish capital market is a rather simple one, with most savings taking the form of deposits and most borrowings taking the form of bank credits, but this seems to reflect the preferences of the public rather than any deficiency that could be corrected through Government action. Thus when bond issues were strictly controlled it might have been felt that this represented an obstacle to adequate industrial financing but the fact that the relaxation of controls has not been accompanied by any significant increase in such issues strongly suggests that Finnish business prefers bank credit, which it finds more flexible and more convenient, to public issues. Whether tax exemption tends to divert funds from industrial bonds to savings deposits is difficult to determine but the view in Finland is that the main effect of tax exemption is to stimulate personal saving rather than discriminate against a type of investment with which the general Finnish public is unfamiliar. It is probable that a more sophisticated capital market will evolve over the years but this can happen only gradually as the economy develops.

33. Investment requirements are unlikely to be smaller during the next five to ten years than they have been in the past. While expenditures on agriculture should decline, expenditures on forestry should rise sharply to assure the future expansion of the country's main source of wealth, housing construction is expected to continue at recent levels and public investment is likely to decline only moderately, if at all. Within industry, woodworking will require much smaller investments than at present when the current program is completed by 1965 but the need to rationalize and expand other industries and provide employment for the rising labor force and for the manpower released by agriculture will mean that overall industrial investment may have to be higher than at present.

34. The financing of these investments is likely to prove more rather than less difficult than in the 1950's, first, because personal saving, which has been unusually high, may decline to more normal levels now that consumer durables are becoming more widely available, second, because profits under more competitive conditions may be lower, third, because pressure may develop to reduce taxation, and, fourth, because a considerable part of the savings which financed investment during the 1950's were in the nature of forced saving, generated by inflation.

Fiscal and Credit Policies

35. With the exception of the years 1955 and 1956, the budget has not

on the whole, been an inflationary factor in postwar Finland. In fact, during 1957-1960, the net effect of Government operations on the economy was contractive.

36. This fiscal discipline is not so much the result of deliberate policy but rather of the Bank of Finland's strong resistance to lending to the Government and of the Government's inability to borrow more than modest amounts from the public.

37. Budget making in Finland is a process of adjusting the many pressures for increased Government spending to expected revenues under the existing tax structure, with little regard to the over-all requirements of the country's financial position. The absence of strong parliamentary majorities is an important factor in this situation. The result is that, in good times when revenue rises, expenditures rise even more sharply, thereby further stimulating the boom while in periods of recession the lack of buoyancy in revenue is reflected in restraint in spending which in turn may prolong the recession.

38. During 1957-1960 net borrowing by the Government was small and was more than offset by increased Government cash balances. The large over-all surplus achieved in 1960 in particular was due mainly to the fact that the sharp rise in tax revenue resulting from the boom (13 per cent) had not been anticipated and Government spending had not yet been expanded accordingly (it rose by only 10 per cent). In 1961, however, expenditures more than caught up with rising revenues (they increased by 19 per cent compared with an increase in revenue of only 7 per cent) and the over-all surplus of 12 billion Fmk achieved in 1960 was converted into a deficit of 8 billion Fmk in 1961. Thus the Government sector contributed significantly to monetary expansion during 1961.

39. Budget proposals for 1962 imply a further fiscal deterioration, with proposed increases in expenditures considerably greater than expected increases in revenue. It is, however, generally felt that the inability to finance the resulting deficit will force a downward adjustment of expenditures and some increase in taxation. Developments during the first months of 1962 indicate that this is already happening.

40. Thus, while taking the past five years as a whole, the Government sector has not been an inflationary factor in the economy, fiscal operations have tended to magnify rather than even out year to year fluctuations and the result has been that the responsibility for maintaining financial stability has fallen mainly on the Bank of Finland, whose means of control are limited.

41. The two principal instruments available to the Bank of Finland for regulating credit are the fixing of interest rates and the levying of

penalty rates on rediscounts by commercial banks. In boom periods neither instrument has proved fully or immediately effective and this has been particularly true during the recent boom.

42. Lending by the commercial banks increased as follows during 1958-1962:

<u>End</u> <u>First Quarter</u>	<u>Billion Fmk</u>	<u>Increase</u>
1958	394	
1959	435	10%
1960	529	22%
1961	641	21%
1962	757	19%

43. The Bank of Finland began to take corrective action in early 1960 by raising penalty rates and allowing banks to charge higher interest rates on credits for less essential purposes, but the rising volume of rediscounts and deteriorating foreign exchange position forced the Bank to seek other means of checking credit expansion. For some years, the Bank of Finland had recommended to the Government that a system of variable reserve requirements should be introduced by law but the necessary legislation had failed to receive parliamentary approval. With the use of persuasion, however, the Bank succeeded in April 1961 in reaching a one-year agreement with financial institutions (commercial banks, Post Office Savings Bank, savings banks, cooperative credit societies) concerning extraordinary cash reserves. As a result largely of this arrangement, deposits in the Bank of Finland increased from 0.6 billion Fmk in April 1961 to 6.1 billion Fmk in April 1962. Meanwhile, rediscounts at the Bank of Finland rose steadily, in spite of high penalty rates, from 18.2 billion Fmk in April 1961 to 38.7 billion Fmk in April 1962. In recent months, the Bank of Finland attempted to raise the discount rate from 6.75 per cent to 8 per cent, but its action was rescinded by the Parliamentary Committee of Bank Supervisors. The agreement with financial institutions was, however, renewed.

44. Normally, an excessive credit expansion in a country like Finland tends to be self-correcting since, by causing a decline in foreign exchange reserves, it reduces the liquidity of the banking system and hence its ability to satisfy the existing demand for credit. The difficulty at present is that, while holdings of convertible currencies have been declining during the past year, Eastern Bloc and bilateral balances have been rising with the result that the over-all effect on the liquidity of the banking system has been negligible. Moreover, commercial banks have been borrowing abroad in order to maintain their liquidity.

45. The main hope is that the levelling off of the boom, which seems to be under way, will reduce automatically the demand for credit without the need for further action by the authorities, assuming, of course, that the budgetary situation is kept under control.

46. This is the first time since the end of the war that Finland is being confronted with a situation where the checking of a decline in reserves has to be accomplished exclusively through fiscal and credit control measures instead of through a tightening up of import restrictions and exchange controls as well. This is why it is difficult to foresee how the situation will be handled, assuming that it does not correct itself in the coming months. The need is, however, clear for more effective instruments of credit control and for greater coordination between credit and fiscal policy. It is in this sector, rather than in the organization of the capital market, that improvements are most urgently needed.

Prices and Wages

47. In spite of the imperfections of fiscal and credit policy the combination of lower import prices, greater wage restraint, rising productivity and a larger import surplus has enabled Finland to maintain a much greater degree of price stability during 1959-1961 than appeared possible only a few years ago and one that compares favourably with the performance of other countries.

48. Wholesale prices, which had remained unchanged in 1959, increased by 4.1 per cent in 1960 and rose only fractionally in 1961. In the first quarter of 1962 they were still only slightly over the level in the corresponding quarter of 1961. The cost of living, which had increased by 1.5 per cent in 1959, rose by another 3 per cent in 1960 and by only 1.5 per cent in 1961. The collective wage agreements for 1960 had raised wage rates by only 3.5 per cent, a remarkably modest increase compared with the past. Towards the end of 1960 the wage agreements were renewed for two years instead of the customary one and provided for wage increases of 4.3% in 1961 and another 3.5% in 1962. Actual earnings, as is usually the case during booms, increased considerably more, by an estimated 5.5% in 1960 and 8% in 1961, but the sharp rise in productivity allowed a large part of these increases to be absorbed by business.

49. Because of the link between wages and farm prices the restraint shown by trade unions in the last three years has also kept the increase in food prices relatively moderate. In the past this link had been a major factor in the wage-price spiral. Between the first quarter of 1959 and the first quarter of 1962 farm prices rose by 7 per cent or by only 2 per cent per annum.

50. Whether the relative price stability of the last three years can be maintained in the future will depend largely on whether trade unions will continue to show restraint and on whether production and productivity will continue to rise and thus help offset the effect of rising wages on

production costs. The experience of the last three years is promising but not conclusive. The fact, however, that similar pressures on prices are facing most countries makes the task of keeping the economy competitive less formidable than it would otherwise have been.

Foreign Trade and the Balance of Payments

51. During 1956-1961 exports increased in value by 36 per cent or by an average of $6\frac{1}{2}$ per cent per annum. About 80 per cent of the total increase was provided by forestry and woodworking. Exports of virtually all forest products increased vigorously during this period, but the largest increases were in paper and paper products. Last year's Economic Report pointed out that exports of roundwood and of sawn wood and plywood were unlikely to increase much further in the future and that consequently the continued expansion of Finland's foreign trade depended primarily on pulp and paper. The program under way in this sector would enable Finland to increase its share in world production and trade by 1964 - 1965 and no marketing difficulties were likely to arise. Since then, increased competition has resulted in some weakening of prices and cutbacks in production in the Scandinavian countries, but the steady growth of world demand for pulp and paper should ensure that these difficulties will be only temporary. Finland's competitive position in pulp and paper remains strong and, if internal financial stability is maintained, should continue to do so in the future. Beyond 1965, however, the rise in exports of wood products should taper off as, according to present plans, the Finnish woodworking industry will not undertake a further major expansion in capacity for a while. This is why the Finns consider it vitally important that other export products be developed to sustain a continued growth in the economy.

52. Exports to the Soviet Union have not increased during the last three years and, in view of the expansion in total exports, this has meant that the share of the Soviet Union in Finland's exports has declined, from 18.5 per cent in 1955-1958 to 14.3 per cent in 1959-1961. Exports to the remaining countries of the Eastern Bloc have accounted for another 6 per cent of total Finnish exports. Last year's Economic Report pointed out that the upper limit to trade with the Soviet Union was set by the availability of fully competitive processed products in the Soviet Union and the reluctance of Finnish firms to get too dependent upon the Soviet Union for spare parts and servicing. Consequently, it was expected that the share of the Soviet Union in Finland's trade would continue to decline, albeit slowly. More recent indications, however, are that the Soviet Union has taken note of this development and is seeking to strengthen its position in Finnish trade.

53. Finland's association with EFTA was discussed in last year's Economic Report, and it was concluded that, while the bulk of Finnish exports

to EFTA countries would not be affected by the agreement as they were already being admitted duty free or at very low rates of duty, the gradual reduction in relatively high duties on quality paper and paper products should result in improved marketing prospects for such products and that exports of manufactured goods, other than woodworking, would probably also be slowly stimulated by the agreement. Since then, the British decision to seek admission into the European Economic Community has created considerable uncertainty in Finland. It is virtually certain that Finland cannot become a member of an enlarged EEC and the terms of any Finnish association with such a group would depend on the attitude of the Soviet Union, on the one hand, and on the willingness of European countries to make special allowance for Finland's international position, on the other. Very little can be said about the probable outcome at this time, but it seems unlikely that the West will ignore Finland's needs.

54. One of the most important structural changes in the Finnish economy in the last two years has been the emergence of a substantial import surplus under conditions of internal financial stability and of rapid growth in exports. Thus, in 1961 imports had increased by 38 per cent since 1959 compared with an increase in exports of 26 per cent. The principal factors in this development have been the gradual effect of trade liberalization and the relaxation of restrictions on the use of foreign commercial credits.

55. The increase in the import bill came from increased imports of industrial materials, equipment and finished consumer goods. There was no increase from food imports and only a small increase from imports of fuel:

	<u>1959</u>	<u>1961</u>	<u>Change</u>
		million U.S.	\$
Food	113	110	-3
Materials for production	300	420	+120
Fuel	87	100	+13
Finished consumer goods	118	193	+75
Finished investment goods	212	325	+113
Total:	<u>830</u>	<u>1,148</u>	<u>+318</u>

56. The size of the import bill in the coming years, which will largely determine the country's balance of payments position, will depend mainly on the levels of economic activity and of investment. If we assume, as we may, that the 1961 import bill was not inflated by the building up of inventories, we may conclude that under conditions of high economic activity and high levels of investment, on the one hand, and internal financial stability and continued freedom of external transactions,

on the other, the import surplus, which was \$76 million in 1960 and \$96 million in 1961, would remain within that range for the next few years.

57. This, in turn, would mean a current account deficit of the order of \$50 million per annum, since net invisibles are unlikely to exceed \$30 million per annum.

58. In 1960 and 1961 a current account deficit of this magnitude was financed as follows:

	Million \$	
	<u>1960</u>	<u>1961</u>
A. Current account	-42	-72
B. Capital account		
1. <u>Central and Local Govern-</u> <u>ment borrowing</u>		
Loans received	4	27
Repayments	<u>-14</u>	<u>-13</u>
Net	-10	14
2. <u>IBRD loans</u>		
Drawn	18	17
Repaid	<u>-4</u>	<u>-4</u>
Net	14	13
3. <u>Other</u>		
Kreditanstalt f. WA	3	7
Export Import Bank	4	1
Private Short-term (net)	25	11
Private long-term (mainly suppliers' credits, in- cluding Government guaranteed debt)		
Drawn	34	42
Repaid	<u>-20</u>	<u>-22</u>
Net	14	20
Other	-4	1
Net Capital	46	67

59. The preceding table reveals the following characteristics in Finland's external borrowing during the last two years: (a) debt repayments, official and private, amounted to nearly \$40 million per annum; (b) official loans, other than from IBRD, were small in 1960 but increased in 1961 due mainly to the drawing down of a credit from the Soviet Union and to a not too successful bond issue of 30 million Swiss francs; (c) drawings on IBRD loans met 40 per cent of the current account deficit in 1960 and about a quarter of the deficit in 1961; (d) most of the remaining financing was in the form of short-term and suppliers' credits.

60. Thus the experience of 1960 and 1961 points up both the decisive importance of IBRD loans in permitting Finland to finance sound economic expansion and the precarious character of the other sources of external financing.

61. On April 30, 1962 net gold and foreign exchange holdings of the Bank of Finland and the commercial banks amounted to \$302 million, corresponding to only three months' imports. It is clear that reserves of such a size cannot be allowed to decline much further. In the absence of a continued inflow of foreign capital Finland might be faced in the coming years with the two equally distasteful alternatives of internal deflation or reintroduction of exchange controls and import restrictions.

II. CONCLUSIONS - CREDITWORTHINESS

62. Finland was able to recover from the crushing burdens of war and defeat mainly through the vigor of its production effort. The problems facing the country during the 1960's are undoubtedly less formidable but, in comparison with other Western European countries, Finland is still laboring under serious handicaps and will be able to meet the challenges with which it is faced only if it can exploit the opportunities to expand production to the limits of its capacity.

63. Finland's economic prospects are good and its record as a debtor outstanding, but the political risks involved in investing in a country which seems to rely for its independence on Soviet restraint have, so far, been an obstacle to borrowing in foreign capital markets or attracting direct investments. For the time being, Finland must continue to look to the Bank as the principal source of the long-term external financing obviously required by its economy.

64. Finland's public external debt is small and remained at about the same level throughout the 1950's. Only recently have new borrowings exceeded repayments. In 1961 the service of the debt amounted to \$29 million, corresponding to 2.4 per cent of current foreign exchange earnings in that year. If the debt in western currencies is compared with current

earnings in such currencies, the ratio was still only 3 per cent and leaves room for assuming further debt obligations. Barring unforeseen changes that would affect Finland's ability to maintain her independence, she is creditworthy for the amount of external borrowing contemplated.

Washington 25, D.C.
August 6, 1962

STATISTICAL APPENDIX

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ADDENDUM

Statistical Information for 1962

Table 1

Sources of Net Domestic Product (at factor cost) 1/

	<u>1950</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>2/</u>
<u>1. In Billions of Markkas</u>										
<u>at Current Prices</u>										
Agriculture	66	85	92	112	107	118	127	138	146	
Forestry	38	79	92	83	81	85	83	108	129	
Industry	132	221	249	271	285	301	311	361	399	
Construction	38	66	70	84	88	95	103	116	129	
Transportation and Communications	29	46	56	68	75	76	81	91	99	
Other	<u>112</u>	<u>185</u>	<u>211</u>	<u>250</u>	<u>270</u>	<u>290</u>	<u>315</u>	<u>345</u>	<u>383</u>	
Total	415	682	770	868	906	965	1,020	1,159	1,285	
<u>2. In Percent of Total</u>										
Agriculture	15.8	12.5	11.9	12.9	11.8	12.2	12.4	11.9	11.4	
Forestry	9.2	11.6	12.0	9.6	8.9	8.7	8.1	9.3	10.0	
Industry	31.8	32.4	32.4	31.2	31.5	31.2	30.5	31.1	31.1	
Construction	9.2	9.6	9.1	9.7	9.7	9.8	10.1	10.0	10.0	
Transportation and Communications	7.0	6.7	7.3	7.8	8.3	7.9	7.9	7.9	7.7	
Other	<u>27.0</u>	<u>27.2</u>	<u>27.3</u>	<u>28.8</u>	<u>20.8</u>	<u>30.2</u>	<u>31.0</u>	<u>29.8</u>	<u>29.8</u>	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

1/The net domestic product at factor cost is equivalent to national income plus net factor income going abroad (negligible in the case of Finland).

2/ Provisional.

Source: Central Statistical Office of Finland, Bulletin of Statistics.

Table 2

	<u>Gross National Expenditure</u> ^{1/}								
	(at current market prices)								
	<u>1950</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
<u>1. In Billions of Markkas</u>									
Private consumption	319	500	545	619	672	696	739	830	900
Government consumption	59	95	113	134	145	159	178	191	215
Gross fixed capital formation	117	212	236	289	294	303	331	418	488
Exports of goods and services	106	185	216	217	259	292	315	368	396
<u>Less imports of goods and services</u> ^{2/}	<u>-104</u>	<u>-171</u>	<u>-201</u>	<u>-230</u>	<u>-261</u>	<u>-267</u>	<u>-305</u>	<u>-384</u>	<u>-418</u>
Total expenditure on gross national product	497	821	909	1,029	1,109	1,183	1,258	1,423	1,581
<u>2. In Percent of Total</u>									
Private consumption	64	61	60	60	60	58	59	58	57
Government consumption	12	12	12	13	13	13	14	14	14
Gross fixed capital formation	24	26	26	28	27	26	26	29	30
Exports of goods and services	21	22	24	21	23	25	25	26	25
<u>Less imports of goods and services</u>	<u>-21</u>	<u>-21</u>	<u>-22</u>	<u>-22</u>	<u>-23</u>	<u>-22</u>	<u>-24</u>	<u>-27</u>	<u>-26</u>
Total expenditure on gross national product	100	100	100	100	100	100	100	100	100

Note: Total may not equal sum of components because of rounding.

^{1/} Changes in stocks are included in private consumption.

^{2/} Including net payments of factor income to abroad.

Source: Ministry of Finance, Division for Economic Affairs, and Bank of Finland, Institute for Economic Research.

Table 3

Agricultural Production

(in thousand metric tons unless otherwise indicated)

	<u>1950</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Wheat	296	235	190	199	177	215	243	368	460.7
Rye	215	132	119	124	115	111	162	186	126.7
Barley	176	262	262	286	348	406	332	440	365.1
Oats	702	774	643	659	698	798	696	1,109	941.0
Potatoes	1,273	1,090	1,067	1,693	1,255	1,381	1,079	1,717	1,057.0
Field hay	3,017	3,390	3,197	3,222	3,672	3,448	3,313	3,920	4,027.5
Total crop (million fodder units)	3,450	3,607	3,253	3,463	3,685	3,851	3,542	4,842	4,511.0
Milk	n.a.	2,896	2,856	3,085	3,153	3,162	3,322	3,460	3,520.0
Meat	n.a.	97.0	104.4	108.9	111.5	111.4	119.2	111.0	116.2

Sources: Central Statistical Office of Finland, Statistical Yearbook, and Bank of Finland, Institute for Economic Research

Table 4

Balance Sheet of Finland's Forests

(in million solid cubic meters of roundwood without bark)

	<u>1951</u>	<u>1954-57</u> Average	<u>1959</u>	<u>1960</u>
Gross increment	46.0	46.0	46.0	46.5
Natural losses	1.7	1.2	1.2	1.2
Net growth	44.3	44.8	44.8	45.3
Total fellings	45.1	44.2	44.3	48.0
Logging and floating losses	1.9	3.2	3.2	3.5
Net annual removal	43.2	41.0	41.1	44.5
Fuelwood	13.9	13.4	13.0	12.5
Industrial wood	29.3	27.6	28.1	32.0
Export of roundwood	5.5	4.3	3.8	6.0
Raw material for wood- working industry	19.8	20.6	22.0	23.3
Other uses	4.0	2.7	2.3	2.7

Source: 1951 and 1954-57: Revised estimates, made by Professor Pöntynen, Forest Research Institute. 1959: Preliminary estimates, made by the Central Statistical Office of Finland. 1960: Preliminary estimates, based on studies by Professor Pöntynen.

Table 5

Production of Main Products of Forestry and Woodworking

(in thousand metric tons, unless otherwise indicated)

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Timber felled for sale (million cu.m. piled measure)	35.5	38.6	36.6	40.9	38.0	38.1	44.6	49.0
Sawn timber ('000 stds.)	1,060	1,055	805	856	987	1,072	1,361	1,297
Plywood and veneers	339	364	272	313	285	348	414	390
Mechanical pulp	715	780	845	847	837	832	988	1,147
Sulphite pulp	867	995	994	1,060	1,084	1,053	1,284	1,392
Sulphate pulp	706	822	857	1,002	981	1,095	1,183	1,435
Fiberboard	129	136	131	131	139	165	192	215
Cardboard and kraftliner	254	286	294	385	422	448	526	698
Newsprint	445	526	597	626	639	658	774	945
Kraftpaper	167	202	204	227	223	287	300	306
All other paper and paper products	228	276	293	301	293	300	358	455

Source: Central Statistical Office of Finland: Bulletin of Statistics, and Bank of Finland, Institute for Economic Research.

Table 6

Index Numbers of Industrial Production (1954 = 100)

	<u>Group Weights</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
All industry	(100.0)	111	114	117	113	123	140	150
Investment goods	(12.7)	116	117	119	111	118	140	150
Other producers' goods	(54.6)	100	111	116	113	125	143	154
Consumers' goods	(32.7)	113	120	118	112	122	134	143
Mining and quarrying	(1.7)	116	123	133	135	151	160	176
Manufacturing	(89.5)	110	113	115	110	121	137	146
Food	(10.0)	109	120	118	121	127	139	146
Textiles	(8.1)	116	124	122	98	117	121	127
Wood products	(8.6)	99	76	82	87	98	122	116
Pulp and paper	(10.6)	115	122	134	134	144	167	192
Chemicals	(5.0)	107	116	130	128	134	147	151
Metals	(25.4)	111	113	115	107	120	140	149
Electricity, gas and water	(8.8)	117	121	129	140	142	160	181

Source: Central Statistical Office of Finland: Bulletin of Statistics.

Table 7

Distribution of Gross Fixed Capital Formation 1/
(in billions of markkas)

	<u>1950</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>2/ 1958</u>	<u>1959</u>	<u>1960</u>
Agriculture	17.6	23.7	25.1	27.3	21.6	25.0	28.8	36.8
Forestry	1.5	2.8	2.8	3.6	4.4	5.3	5.2	5.8
Manufacturing	27.2	67.2	72.1	90.4	74.1	77.0	86.7	125.9
Transport and communications	9.5	13.1	16.3	22.6	28.9	39.4	39.9	51.3
Commerce, banking, insurance	7.5	7.8	10.3	7.4	16.6	14.7	20.4	26.9
General government	20.3	33.8	36.4	46.4	64.4	69.6	24.6	75.6
Other sectors	2.8	3.8	5.2	6.0	6.7	6.8	6.9	9.5
Private persons and associations	<u>30.6</u>	<u>59.4</u>	<u>68.3</u>	<u>85.1</u>	<u>62.4</u>	<u>64.3</u>	<u>68.9</u>	<u>86.0</u>
Gross fixed capital formation	117.0	211.6	236.4	288.8	279.1	302.1	331.4	417.8
New dwellings	(31.9)	(56.8)	(61.9)	(69.5)	(66.7)	(63.2)	(67.3)	(82.1)
Less depreciation	<u>-16.2</u>	<u>-39.2</u>	<u>-44.8</u>	<u>-54.3</u>	<u>-68.3</u>	<u>-82.0</u>	<u>-88.5</u>	<u>108.1</u>
Net fixed capital formation	100.8	172.4	191.6	223.5	210.8	220.1	242.9	309.7

1/ Excluding maintenance and repairs. Classification is by type of agency carrying out the investment, so that, e.g., "general government" includes roads, and dwellings are included in various sectors. The estimate for new dwellings was made separately.

2/ The 1958 level of gross fixed capital formation given in this table is based on the General Investment Survey. The figures for years 1957 and 1959 have been calculated according to the commodity-flow method starting from the 1958 level. The level of gross-fixed capital formation given in this table differs in 1957 from that presented in table 2: "Gross National Expenditure", because in the latter it has been desired to maintain the comparability with the figures for earlier years.

Source: Ministry of Finance, Division for Economic Affairs, and Central Statistical Office of Finland, Bulletin of Statistics.

Table 8

Public and Private Saving

(in billions of markkas)

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u> <u>1/</u>
Net saving of:								
Households and unin- corporated enterprises	68	86	93	66	97	100	119	163
Corporations	17	21	27	24	21	23	30	33
Central government	<u>101</u>	<u>99</u>	<u>101</u>	<u>134</u>	<u>129</u>	<u>128</u>	<u>158</u>	<u>151</u>
Total	186	206	221	224	246	251	307	347
Depreciation allowances	<u>39</u>	<u>45</u>	<u>55</u>	<u>68</u>	<u>82</u>	<u>89</u>	<u>108</u>	<u>118</u>
Gross saving	225	251	276	292	328	340	415	465
Additional net investment from abroad	<u>-13</u>	<u>-15</u>	<u>13</u>	<u>2</u>	<u>-25</u>	<u>-9</u>	<u>13</u>	<u>23</u>
Gross domestic capital formation	212	236	289	294	303	331	428	488

Note: Totals may not equal sum of components because of rounding.

1/ Provisional

Source: Ministry of Finance, Division for Economic Affairs.

Table 9

Credits to Private Sector December 31, 1960

Classified by Lending Institutions and by Borrowers 1/
(in billions of markkas)

	Agri- cul- ture 2/	Manu- fac- turing	Power	Con- struc- tion	Com- merce	Trans- port	Local Author- ities	Other	Total
Bank of Finland	-	13.0	5.9	-	0.8	-	0	0	19.7
Commercial banks	10.3	87.6	3.5	5.1	75.4	13.1	6.5	65.4	266.9
Post Office Savings Bank	0	6.3	11.0	0	1.7	0.1	3.4	16.4	38.9
Savings banks	33.0	10.0	0.8	1.7	13.7	5.5	8.3	83.1	156.1
Cooperative cred- it institutions	47.8	16.5	0.9	0.7	15.7	4.1	5.5	27.9	119.1
Mortgage banks	1.8	25.0	8.4	-	0.2	0	2.1	7.9	45.4
National Pensions Fund	-	13.7	61.8	0	1.7	1.0	9.4	2.4	90.0
Insurance compa- nies	0.3	17.0	2.6	0.3	11.6	2.4	9.1	37.8	81.1
Other institu- tions	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>1.4</u>	<u>1.7</u>
Total	93.4	189.1	94.9	7.8	120.8	26.3	44.3	242.3	818.9

Note: Totals may not equal sum of component because of rounding

1/ Excludes credit to the State, but includes credit to business enterprises controlled by the State. Credits are classified by main activity of borrowers.

2/ Including forestry and fishing.

Source: Bank of Finland, Ekonomiska Utredningar.

Table 10

Summary Statement of Central Government Cash Transactions 1/

(in billions of markkas)

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u> 3/
<u>Current Transactions</u>								
Receipts	201	215	245	277	292	312	355	378
Expenditures	<u>153</u>	<u>168</u>	<u>192</u>	<u>199</u>	<u>206</u>	<u>228</u>	<u>248</u>	<u>281</u>
Current surplus	48	47	53	78	86	84	107	97
<u>Capital Transactions 2/</u>								
Receipts	12	5	6	6	7	13	9	10
Expenditures	<u>52</u>	<u>61</u>	<u>70</u>	<u>83</u>	<u>87</u>	<u>99</u>	<u>104</u>	<u>115</u>
Capital deficit (-)	-40	-56	-64	-77	-80	-86	-95	-105
Overall surplus (+) deficit (-)	8	- 9	-11	1	6	- 2	12	- 8
<u>Long-Term Debt Transactions</u>								
Borrowing	11	13	14	8	16	21	20	25
Redemption	<u>9</u>	<u>6</u>	<u>6</u>	<u>9</u>	<u>12</u>	<u>18</u>	<u>23</u>	<u>20</u>
Net funds received from borrowing	2	7	8	-1	4	2	-3	5
<u>Change in Cash and Short- Term Debt</u>	10	-2	-3	0	10	0	9	-3

Note: Totals may not equal sum of component because of rounding.

1/ All extra-budgetary funds are included.

2/ Excluding borrowing and redemption of debt.

3/ Provisional.

Source: Bank of Finland, Institute for Economic Research.

Table 11

Distribution of Central Government Current Expenditures 1/

	Billion Fmk					
	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
General Administration and Police	21.0	25.6	27.4	28.5	30.8	35.0
Defense	14.6	14.9	16.4	18.2	20.5	22.1
Education	26.9	32.9	36.1	38.8	43.7	49.7
Public Health	8.9	10.9	12.2	15.1	16.8	18.4
Social Welfare	42.0	47.5	55.9	54.2	54.9	55.5
Transportation	10.4	12.7	14.7	13.6	15.5	16.8
Aid to Agriculture	10.8	10.9	9.4	9.0	13.5	15.0
Aid to Forestry	1.2	1.7	1.2	1.1	1.3	1.3
Price Subsidies	20.5	26.6	18.6	21.9	28.0	31.3
Other	<u>1.9</u>	<u>2.4</u>	<u>2.8</u>	<u>14.9</u>	<u>4.6</u>	<u>7.1</u>
Total	158.2	186.1	194.7	215.3	229.6	252.2

1/ The totals differ slightly from those shown in Table 10 due to differences in classification of certain items.

Source: Finland. Economic Surveys.

Table 12

Central Government Budgeted Investment Expenditure

(in billions of markkas)

	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
Roads	11.5	15.9	21.5	29.7	28.6
Railways	8.3	11.5	12.0	12.9	22.7
Airfields	1.1	0.9	1.2	1.3	1.6
Post and telegraph	2.7	3.0	2.9	3.7	4.2
Other transport and communications	5.6	5.3	7.7	5.6	5.4
Housing	10.3	10.0	10.2	11.9	12.0
Education	7.8	6.4	6.1	8.1	7.0
Health	1.0	3.6	2.4	3.2	3.1
Electric power	7.5	1.8	1.1	0.5	3.0
Other industry	4.2	0.4	10.8	<u>1/</u> 0.5	0.5
Other	<u>11.5</u>	<u>16.9</u>	<u>14.6</u>	<u>14.0</u>	<u>12.1</u>
	71.5	75.7	90.5	91.4	100.2

1/ Of which 8.1 billion markkas in loans to the woodworking industry from the proceeds of the export levy introduced in September 1957.

Source: Ministry of Finance, Division for Economic Affairs.

Table 13

Monetary Survey

(in billions of markkas)

<u>End of:</u>	<u>Bank of Finland</u>				<u>Other Monetary Institutions</u>		
	<u>Net Foreign Assets</u>	<u>Net Claims on Banks</u>	<u>Net Claims on Treasury</u>	<u>Notes in Circulation</u>	<u>Sight Deposits</u>	<u>Term Deposits</u>	<u>Advances to the Public</u>
1954	27.7	6.3	6.2	47.9	55.6	271.2	311.0
1955	29.9	14.2	10.6	55.9	56.1	315.8	363.0
1956	20.7	32.2	6.3	60.7	61.2	323.0	383.2
1957	31.3	22.5	6.9	60.6	61.2	339.0	386.8
1958 1st Qr.	31.0	12.9	- 0.1	55.9	62.1	353.6	393.7
2nd Qr.	32.3	16.8	- 2.5	59.3	63.3	356.0	405.1
3rd Qr.	53.5	8.2	-10.3	58.2	63.3	362.5	410.3
4th Qr.	52.0	15.2	- 3.3	65.1	67.9	385.2	424.5
1959 1st Qr.	60.2	2.8	- 5.7	61.4	73.8	404.9	435.4
2nd Qr.	58.7	2.7	- 2.5	62.9	77.6	412.2	452.7
3rd Qr.	61.7	- 0.1	1.5	62.5	83.1	422.9	471.8
4th Qr.	64.4	0.6	7.7	69.4	83.5	454.2	504.9
1960 1st Qr.	56.0	3.7	7.4	64.0	77.2	477.4	529.3
2nd Qr.	54.8	17.6	2.4	69.7	79.2	487.0	563.2
3rd Qr.	58.5	17.3	0.0	70.4	84.4	500.7	587.9
4th Qr.	57.0	18.7	0.8	72.7	83.1	540.7	617.4
1961 1st Qr.	64.6	13.3	2.6	76.0	82.9	567.5	641.2
2nd Qr.	65.5	16.0	- 6.9	77.0	79.8	577.8	674.8
3rd Qr.	64.6	14.9	- 3.1	77.4	85.6	590.2	697.5
4th Qr.	63.7	23.3	3.2	83.7	88.0	627.1	727.8
1962 1st Qr.	63.4	29.5	- 2.2	78.0	86.2	649.0	756.8

Source: Bank of Finland, Monthly Bulletin.

Table 11.

Index Numbers of Prices and Wages (1954 = 100)

<u>Average for Period</u>	<u>Wholesale Prices</u>	<u>Farm Prices</u>	<u>Cost of Living</u>	<u>Industrial Wages</u>
1954	100	100	100	100
1955	99	111	97	105
1956	104	127	108	117
1957	113	130	120	124
1958	123	138	128	130
1959 1st Quarter	120	143	129	135
2nd Quarter	121	140	129	137
3rd Quarter	122	143	129	137
4th Quarter	124	152	132	138
1960 1st Quarter	125	155	132	143
2nd Quarter	126	154	134	146
3rd Quarter	126	150	134	148
4th Quarter	128	154	136	149
1961 1st Quarter	128	153	136	155
2nd Quarter	128	149	136	157
3rd Quarter	127	147	136	157
4th Quarter	127	148	138	158
1962 1st Quarter	128	153	139	164 ^{1/}

1/Preliminary.

Source: Central Statistical Office of Finland, Bulletin of Statistics.

Table 15

Balance of Payments

(Million U.S. \$)

	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
<u>A. Current Transactions</u>						
Exports f.o.b.	775	822	776	836	990	1056
Imports c.i.f.	<u>-889</u>	<u>-889</u>	<u>731</u>	<u>-836</u>	<u>-1066</u>	<u>-1154</u>
Trade balance	-114	-67	45	0	-76	-98
Net transportation	72	71	48	49	56	60
Net investment income	-11	-11	-12	-6	-6	-7
Net travel	-8	-10	-11	-17	-23	-30
Other current (net)	4	6	9	3	7	3
Current account balance	-57	-11	79	29	-42	-72
<u>B. Capital Transactions (net)</u>						
Government	14	-7	-19	-17	-10	14
IBRD	4	5	-	10	14	13
Other	<u>-6</u>	<u>26</u>	<u>24</u>	<u>47</u>	<u>42</u>	<u>40</u>
	12	24	5	40	46	67
<u>C. Errors and Omissions</u>	-11	-10	5	-7	9	2
<u>D. Total (A through C) =</u>						
Change in net foreign ex- change position (- decrease)	-56	3	89	62	15	-3

Source: IMF Balance of Payments Yearbook. Table 3 and Bank of Finland.

Table 16

Commodity Composition of Foreign Trade

(in % of imports and exports)

Imports c.i.f.

	<u>Raw Materials and Accessories</u>	<u>Fuel</u>	<u>Finished Goods</u>		<u>Total</u>
			<u>Consumer Goods</u>	<u>Producer Goods</u>	
1954	56.8	11.4	12.9	18.9	100.0
1955	53.6	12.1	14.9	19.4	100.0
1956	51.2	13.5	14.0	21.3	100.0
1957	51.5	17.7	12.7	18.1	100.0
1958	51.2	14.0	13.9	20.9	100.0
1959	50.0	10.5	14.1	25.4	100.0
1960	48.9	9.7	14.0	27.4	100.0
1961	46.1	9.0	16.7	28.2	100.0

Exports f.o.b.

	<u>Forestry Products</u>	<u>Wood Industry Products</u>	<u>Pulp and Paper</u>	<u>Products of Metals and Engineering Industries</u>	<u>Agricul- tural Products</u>	<u>Other</u>	<u>Total</u>
1954	8.7	31.7	39.4	13.4	3.3	3.5	100.0
1955	11.0	28.3	41.8	13.7	2.2	3.0	100.0
1956	9.7	22.7	45.9	14.1	3.5	4.1	100.0
1957	8.1	22.7	45.9	14.3	4.8	4.2	100.0
1958	7.8	23.3	46.5	13.7	4.3	4.4	100.0
1959	6.2	23.8	43.7	16.5	5.6	4.2	100.0
1960	6.5	26.6	42.2	15.0	5.1	4.6	100.0
1961	8.8	24.9	45.6	11.5	4.5	4.7	100.0

Source: Central Statistical Office of Finland, Bulletin of Statistics.

Table 17

Exports of Main Products of Forestry and Woodworking

(in thousand metric tons, unless otherwise provided)

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Roundwood, million solid cu.m.	3.6	5.0	4.4	4.1	3.9	3.8	4.8	6.0
Sawn timber, 1,000 stds.	733	786	648	719	762	950	1,137	1,106
Plywood and veneers	298	321	230	260	239	296	358	329
Mechanical woodpulp	193	183	186	165	143	139	176	160
Sulphite pulp	580	682	679	697	725	770	919	872
Sulphate pulp	375	447	452	474	476	549	500	569
Fiberboard	59	61	49	60	83	110	128	146
Cardboard, incl. corrugated		103	98	126	135	134	333	563
Newsprint	392	470	537	551	585	576	691	846
Kraftpaper	119	141	142	170	162	219	218	225
All other paper and paper products	161	222	255	287	274	329	399	

Source: Central Statistical Office of Finland: Bulletin of Statistics, and Bank of Finland, Institute for Economic Research.

Table 18

Geographical Distribution of Foreign Trade

(in % of imports c.i.f. and exports f.o.b.)

	<u>1956</u>		<u>1957</u>		<u>1958</u>		<u>1959</u>		<u>1960</u>		<u>1961</u>	
	<u>Imp.</u>	<u>Exp.</u>										
U.S. and Canada	6.7	6.7	5.7	5.1	5.5	4.7	5.4	5.9	6.0	5.1	6.1	4.5
EFTA countries	32.6	27.4	29.2	28.4	31.3	30.3	31.7	31.3	33.5	34.9	34.7	34.7
of which U.K.	20.4	21.4	17.6	21.7	17.2	22.1	15.7	23.3	15.8	24.5	15.3	22.2
EEC countries	25.9	23.3	25.1	23.8	29.8	26.5	32.0	26.5	34.5	28.1	34.8	31.0
U.S.S.R.	13.9	19.2	17.7	20.0	18.0	17.3	17.8	16.8	14.7	14.2	13.3	12.1
Other East Bloc countries	11.1	8.1	12.9	9.4	7.6	7.5	7.0	6.7	5.9	5.3	5.9	5.9
Rest of the world	9.8	15.3	9.4	13.3	7.8	12.7	6.1	12.8	5.4	12.4	5.2	11.8

Source: Bank of Finland, Institute for Economic Research.

Table 19

Foreign Exchange Position

(in million \$ equivalent)

End of:	Gold	Bank of Finland		Other Banks		Total Net Assets <u>4 + 5</u> 6
		Foreign Exchange Assets	Liabil- ities	Net Assets	Net Assets	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	
1954	31.2	178.6	30.5	179.3	18.1	197.4
1955	35.3	182.8	16.7	201.4	26.0	227.4
1956	35.3	138.1	20.0	153.4	18.3	171.7
1957	35.3	135.3	14.3	156.3	18.2	174.5
1958	35.3	214.3	6.7	242.9	20.8	263.7
1959	38.1	277.6	6.6	309.1	16.2	325.3
1960	41.1	284.2 ^{1/}	12.6	312.7	27.2	339.9
1961	46.9	296.9 ^{1/}	4.2	339.6	-2.3	334.3
April 1962	61.5	277.5 ^{1/}	4.3	334.8	-32.5	302.3

^{1/} Since October 1960 include foreign securities held by Treasury.
These amounted to \$11.2 million on December 31, 1960 and \$14.3 million on December 31, 1961.

Source: International Financial Statistics and Bank of Finland

Table 20: FINLAND - EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED
AS OF DECEMBER 31, 1961 WITH MAJOR ADDITIONS TO MAY 31, 1962

(In thousands of U.S. dollar equivalents)

Item	Debt outstanding December 31, 1961		Major reported additions January 1 - May 31, 1962
	Net of undisbursed	Including undisbursed	
TOTAL EXTERNAL PUBLIC DEBT	<u>315,884</u>	<u>381,964</u>	<u>5,203</u>
Publicly-issued bonds	<u>11,086</u>	<u>11,086</u>	-
Privately-placed debt	<u>8,959</u>	<u>9,924</u>	-
IBRD loans	<u>78,878</u>	<u>103,081</u>	-
U.S. Government loans	<u>88,221</u>	<u>88,221</u>	<u>5,203</u>
Export-Import Bank	<u>59,256</u>	<u>59,256</u>	<u>5,203</u>
Other	<u>28,965</u>	<u>28,965</u>	-
World War I Debt	5,700	5,700	-
Surplus property	9,265	9,265	-
ICA	14,000	14,000	-
Loans from other Western governments	<u>98,704</u>	<u>100,361</u>	-
Germany	<u>10,844</u>	<u>12,501</u>	-
Sweden	87,850	87,850	-
France	10	10	-
Sino-Soviet Bloc	<u>30,036</u>	<u>69,291</u> /1	-

/1 Does not include an undisbursed amount of \$63,848,000 (equivalent) on a credit of \$125 million granted in 1959 which the Bank of Finland estimates will not be drawn down.

Statistics Division
IBRD-Economic Staff
July 6, 1962

Table 21: FINLAND - ESTIMATED CONTRACTUAL SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UN-DISBURSED AS OF DECEMBER 31, 1961 WITH MAJOR REPORTED ADDITIONS JANUARY 1 - MAY 31, 1962 /1

(In thousands of U. S. dollar equivalents)

Page 1

Year	Debt out- standing plus un- disbursed January 1	Payments during year			Year	Debt out- standing plus un- disbursed January 1	Payments during year		
		Amorti- zation	In- terest	Total			Amorti- zation	In- terest	Total
Total debt				Publicly-issued bonds					
1962	381,954	24,074	14,366	38,440	1962	11,086	588	542	1,130
1963	363,083	23,321	13,831	37,152	1963	10,498	601	514	1,115
1964	339,762	21,925	13,042	34,967	1964	9,897	456	486	942
1965	317,837	35,291	12,221	47,512	1965	9,441	400	463	863
1966	282,546	25,056	10,862	35,918	1966	9,041	380	447	827
1967	257,490	25,580	9,859	35,439	1967	8,661	377	427	804
1968	231,910	26,121	8,839	34,960	1968	8,284	352	413	765
1969	205,789	26,776	7,790	34,566	1969	7,932	330	394	724
1970	179,013	25,821	6,710	32,531	1970	7,602	306	379	685
1971	153,192	24,615	5,719	30,334	1971	7,296	127	365	492
1972	128,577	25,201	4,743	29,944	1972	7,169	110	359	469
1973	103,376	18,613	3,751	22,364	1973	7,059	108	352	460
1974	84,763	13,741	2,980	16,721	1974	6,951	-	348	348
1975	71,022	9,446	2,376	11,822	1975	6,951	-	348	348
1976	61,576	15,487	1,999	17,486	1976	6,951	6,951	348	7,299
Privately-placed debt				IBRD loans					
1962	9,924	3,918	456	4,374	1962	103,081	5,241	5,523	10,764
1963	6,006	1,385	347	1,732	1963	97,840	6,553	5,238	11,791
1964	4,621	458	269	727	1964	91,287	6,881	4,905	11,786
1965	4,163	3,639	248	3,887	1965	84,406	7,387	4,548	11,935
1966	524	297	24	321	1966	77,019	7,779	4,149	11,928
1967	227	194	11	205	1967	69,240	8,194	3,727	11,921
1968	33	6	2	8	1968	61,046	8,633	3,282	11,915
1969	27	6	2	8	1969	52,413	9,091	2,815	11,906
1970	21	6	-	6	1970	43,322	7,837	2,320	10,157
1971	15	6	-	6	1971	35,485	6,484	1,924	8,408
1972	9	6	-	6	1972	29,001	6,853	1,547	8,400
1973	3	3	-	3	1973	22,148	7,243	1,150	8,393
					1974	14,905	7,654	729	8,383
					1975	7,251	3,838	346	4,184
					1976	3,413	3,413	136	3,549

Table 21: FINLAND - ESTIMATED CONTRACTUAL SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UN-DISBURSED AS OF DECEMBER 31, 1961 WITH MAJOR REPORTED ADDITIONS JANUARY 1 - MAY 31, 1962 /1 (CONT.)

(In thousands of U.S. dollar equivalents)

Year	Debt out- standing plus un- disbursed January 1	Payments during year			Year	Debt out- standing plus un- disbursed January 1	Payments during year		
		Amorti- zation	In- terest	Total			Amorti- zation	In- terest	Total
<u>U.S. Govt. loans - Total</u>					<u>U.S. Govt. loans - Export-Import Bank</u>				
1962	88,221	5,533	3,167	8,700	1962	59,256	4,700	2,332	7,032
1963	87,891	5,908	2,980	8,888	1963	59,759	5,056	2,166	7,222
1964	81,983	5,174	2,788	7,962	1964	54,703	4,300	1,995	6,295
1965	76,809	5,353	2,613	7,966	1965	50,403	4,500	1,843	6,343
1966	71,456	6,223	2,431	8,654	1966	45,903	5,350	1,683	7,033
1967	65,233	6,348	2,205	8,553	1967	40,553	5,450	1,480	6,930
1968	58,885	6,571	1,973	8,544	1968	35,103	5,650	1,272	6,922
1969	52,314	6,695	1,736	8,431	1969	29,453	5,750	1,061	6,811
1970	45,619	6,920	1,493	8,413	1970	23,703	5,950	843	6,793
1971	38,699	7,145	1,241	8,386	1971	17,753	6,150	618	6,768
1972	31,554	7,272	983	8,255	1972	11,603	6,250	386	6,636
1973	24,282	6,402	722	7,124	1973	5,353	5,353	153	5,506
1974	17,880	1,077	539	1,616					
1975	16,803	1,108	509	1,617					
1976	15,695	1,132	479	1,611					
<u>U.S. Govt. loans - Other</u>					<u>Loans from other Western Governments</u>				
1962	28,965	833	835	1,668	1962	100,351	3,240	3,246	6,486
1963	28,132	852	814	1,666	1963	97,111	3,320	3,233	6,553
1964	27,280	874	793	1,667	1964	93,791	3,402	3,139	6,541
1965	26,406	853	770	1,623	1965	90,389	4,111	3,043	7,154
1966	25,553	873	748	1,621	1966	86,278	4,823	2,885	7,708
1967	24,680	898	725	1,623	1967	81,455	4,913	2,703	7,616
1968	23,782	921	701	1,622	1968	76,542	5,005	2,521	7,526
1969	22,861	945	675	1,620	1969	71,537	5,100	2,335	7,435
1970	21,916	970	650	1,620	1970	66,437	5,198	2,148	7,346
1971	20,946	995	623	1,618	1971	61,239	5,299	1,958	7,257
1972	19,951	1,022	597	1,619	1972	55,940	5,403	1,762	7,165
1973	18,929	1,049	569	1,618	1973	50,537	5,510	1,565	7,075
1974	17,880	1,077	539	1,616	1974	45,027	5,010	1,364	6,374
1975	16,803	1,108	509	1,617	1975	40,017	4,500	1,173	5,673
1976	15,695	1,132	479	1,611	1976	35,517	3,991	1,036	5,027

Table 21: FINLAND - ESTIMATED CONTRACTUAL SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UN-DISBURSED AS OF DECEMBER 31, 1961 WITH MAJOR REPORTED ADDITIONS JANUARY 1 - MAY 31, 1962 1 (CONT.)

(In thousands of U.S. dollar equivalents)

Year	Debt out- standing plus un- disbursed January 1	Payments during year		
		Amorti- zation	In- terest	Total
<u>Loans from U.S.S.R.</u>				
1962	69,291	5,554	1,731	7,285
1963	63,737	5,554	1,593	7,147
1964	58,183	5,554	1,454	7,008
1965	52,629	13,751	1,315	15,066
1966	38,878	5,554	972	6,526
1967	33,324	5,554	833	6,387
1968	27,770	5,554	694	6,248
1969	22,216	5,554	555	6,109
1970	16,662	5,554	417	5,971
1971	11,108	5,554	278	5,832
1972	5,554	5,554	139	5,693

1 Includes service on all debt listed in Table 19 prepared July 6, 1962 except NF 50,000 (\$10,128) Winter-War Loan from Government of France, for which no repayment terms have been settled.

Statistics Division
IBRD-Economic Staff
July 6, 1962

ADDENDUM

STATISTICAL INFORMATION FOR 1962

I Industrial Production

1954 = 100

	<u>1961</u>	<u>1962</u>
January	145	156
February	145	150
March	159	167
April	148	146

II Prices

1954 = 100

	<u>1961</u>	<u>1962</u>
<u>Home Goods</u>		
January	125	127
February	125	128
March	125	128
April	125	128
<u>Import Type Goods</u>		
January	136	130
February	136	130
March	136	131
April	136	131
<u>Cost of Living</u>		
January	136	139
February	136	139
March	136	140
April	136	141

III Foreign Trade

Billion markkas

	<u>Exports</u>		<u>Imports</u>	
	<u>1961</u>	<u>1962</u>	<u>1961</u>	<u>1962</u>
January	20.6	24.0	27.8	32.3
February	20.9	23.1	27.5	31.3
March	22.3	24.5	33.1	34.0
April	21.6	23.4	29.6	30.5

Commodity Composition

January - March

Billion markkas

	<u>Exports</u>			<u>Imports</u>	
	<u>1961</u>	<u>1962</u>		<u>1961</u>	<u>1962</u>
Timber	2.5	2.4	Food and raw materials	39.9	44.8
Sawnwood and other wood products	12.0	11.3	Fuels	8.8	7.6
Pulp and paper	35.7	38.8	Finished consumer goods	15.2	16.2
Metal and engineering goods	7.2	12.2	Finished producer goods	24.0	28.3
Other	5.2	5.7		87.9	96.9
Total	62.6	70.4			

Geographic Distribution

Per cent of total

January - March

	<u>Exports</u>		<u>Imports</u>	
	<u>1961</u>	<u>1962</u>	<u>1961</u>	<u>1962</u>
<u>EFTA</u>	<u>34.1</u>	<u>28.9</u>	<u>34.5</u>	<u>36.7</u>
of which:				
U.K.	23.1	18.0	15.7	16.0
Sweden	5.2	5.9	10.5	12.5
<u>EEC</u>	<u>29.5</u>	<u>28.7</u>	<u>33.5</u>	<u>36.3</u>
of which:				
W. Germany	12.4	12.1	20.6	21.0
France	5.1	4.8	4.6	6.1
<u>Eastern Bloc</u>	<u>16.9</u>	<u>22.1</u>	<u>20.3</u>	<u>16.1</u>
of which:				
Soviet Union	11.3	16.7	15.3	11.6
<u>U.S.A.</u>	<u>5.1</u>	<u>7.2</u>	<u>7.4</u>	<u>6.0</u>
<u>Other</u>	<u>14.4</u>	<u>13.1</u>	<u>4.3</u>	<u>4.9</u>
Total	100.0	100.0	100.0	100.0

IV Money and Banking

Billion markkas

	<u>April 1961</u>	<u>December 1961</u>	<u>April 1962</u>
<u>Bank of Finland</u>			
Rediscounts	18.4	29.5	38.7
Bank deposits	0.6	4.9	6.1
Net position with Treasury	-5.3	3.2	-6.3
Net lending to public	19.5	17.5	13.5
Notes in circulation	75.3	83.7	79.5
<u>Other Credit Institutions</u>			
Sight deposits	63.9	72.0	68.0
Term deposits	573.1	627.0	650.5
Postal Giro accounts	13.3	15.9	17.4
Advances	656.0	727.8	767.3

V Central Government Finances

Billion markkas

	<u>January - March</u>	
	<u>1961</u>	<u>1962</u>
Tax revenue	79.0	89.5
Other revenue	4.4	5.6
Capital revenue	4.3	3.2
Total revenue	<u>87.7</u>	<u>98.3</u>
Current expenditure	65.8	75.9
Capital expenditure	28.2	31.6
Total expenditure	<u>94.0</u>	<u>107.5</u>
Deficit	-6.3	-9.2
Borrowing	8.2	13.4
Redemptions	7.1	7.0
Net borrowing	<u>1.1</u>	<u>6.4</u>

Source: International Financial Statistics.
Bank of Finland Monthly Bulletin, June 1962.