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Inflation in Finland
By Gordon B. Grimwood

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INFLATION IN FINLAND

Gordon B. Grimwood

In contrast with other free economies in Europe, Finland today is still struggling with the inflationary problems brought on by the war and its aftermath. As indicated by the table on the following page the inflationary pressures were slowed temporarily in 1949; developments during 1950, however, indicate that no solution to Finland's problems has yet been found.

This situation is the result of both economic and political developments. In common with all countries directly involved in the war, Finland was faced with the necessity of repairing war-damaged and worn-out industrial plants. Valuable territory had been ceded to the Russians under the terms of the armistice, thereby depriving Finland of the agricultural and industrial capacity of those areas and forcing the absorption of the Finns displaced from those areas into the already strained economy. In addition, Finland faced heavy reparations and restitution payments to Russia. These payments, which amounted to 8 per cent of gross national income in 1945, declined to 4 per cent by 1949 after the amount outstanding was cut in half by the Russians in July 1948.

More important than the absolute magnitude of the reparations payments was their effect upon the direction of Finnish investment.¹ A substantial part of these payments had to be made in the products of steel and metal industries, which before the war had accounted for an extremely small percentage of Finland's total exports. This investment in industries for whose products the Finns could see no market beyond the delivery of reparations was made at the expense of consumers' goods and export industries at a time when the orderly development of the economy called for high investment in the latter industries.

Another major factor in the inflationary situation has been Finland's political situation since the war. The Finnish Diet has been composed of representatives of at least six political parties, the two major parties being the Social Democrats, representing the trade union federation, and the Agrarians, representing the farmers. These two parties have held practically an equal number of seats, with the balance of power shifting between them. The conflicting interests of these two parties has resulted in governmental action on the one hand to maintain high and stable prices for agricultural products and on the other to protect the purchasing power of the working group. The impact of this struggle upon a gross national product which in real terms is only slightly larger than pre-war has resulted in a wage-price spiral which threatens to develop into open inflation.

¹ Br. Surivanti, "Reparation Payments in Kind," Economica, November, 1950, pp. 423-430.

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Finland

Indices of Inflation

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
Wholesale Prices (1935=100)	686	825	1090	1098	1388 (Nov.)
Cost of Living (1938-39=100)	450	584	786	799	986 (Nov.)
Wages & Salaries ⁽¹⁾ (1939=100)	619	830	1220	1293	1321 (March)
Monetary Circulation (Billions of markkas)	49.5	62.9	71.4	84.0	94.6 (Sept.)
Credit by Commercial Banks to non-bank customers (Billions of markkas)	29.5	37.7	465	59.8	62.1 (Sept.)
Public Debt (Millions of markkas)	105	118	122	140	139 (Sept.)

(1) Industrial Workers

(See tables in Statistical Appendix for Sources.)

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National income and its distribution

Statistics regarding Finland's gross national income have been made available recently by the Ministry of Finance.¹ Table 1, Statistical Appendix, represents a comparison of Finland's pre-war and post-war gross national incomes; the figures have been made comparable by applying price indices as calculated by the Ministry to nominal markka figures for the indicated years. It will be noted that at 1938 prices total disposable gross national income at market value was 9 per cent higher in 1949 than in 1938. The Ministry of Finance reports that net national product at factor cost increased by 14 per cent over the same period, and that consumption per unit of population increased by 7 per cent.

Gross domestic investment occupied a more important place in the distribution of gross national income after 1945 than it had prior to the war, increasing at the expense of consumption, both public and private. At the same time net transfers abroad became a part of the distribution of gross national income, also at the expense of consumption. From these statistics it may be concluded, however, that the real standard of living in Finland is at the pre-war level, or perhaps slightly higher.

A breakdown of national income by distributive shares reveals that the share of wages and salaries in net national income, at factor cost, increased from 50 per cent in 1938 to 61 per cent in 1949, while the share of interest and rental income declined from 14 per cent to 5 per cent over the same period. This calculation, which ignores transfers of income through the public sector, reflects the usual tendency for fixed incomes to lag behind wages and salaries during periods of inflation.

Wages, prices, and cost of living

As would be expected, inflationary pressure has shown up strongly in the indices of prices and the cost of living (See Tables 2, 3, and 4, Statistical Appendix). Between 1946 and November 1950 the wholesale price index rose by 302 per cent and the cost of living by 119 per cent. During the same period monetary circulation rose by 92 per cent, while the index of industrial production, which had increased by 80 per cent by the first quarter of 1950, dropped by 22 per cent in the succeeding two quarters. This drop in production, which was

¹ Economic Dept., Ministry of Finance, "Economic Survey of Finland, August 1950," Helsinki, 1950.

partly seasonal but which was primarily the result of strikes, was accompanied by a continuing rise in monetary circulation and prices.

Significantly, wages and salaries have more than kept pace with the rapid rise in prices. By the end of 1949 agricultural wages had increased by 105 per cent from a 1946 level which was 731 per cent above 1939; industrial wages had advanced by 109 per cent from a level 619 per cent above 1939; while government employees' salaries, which may be considered typical of "white collar" salaries, had advanced by 97 per cent from a 1946 level which was only 329 per cent above 1939. Labor disturbances during 1950 have resulted in widespread wage increases and the general wage level at the present time may be estimated at approximately 40 per cent above that of December 1949.

The part played by the Finnish government in the development of the wage-price spiral cannot be overlooked. An agreement between the government and the trade unions in October 1947 tied wages to the cost of living, an arrangement which worked satisfactorily during the period of rapidly re-activating production in home and export industries. In addition to increasing domestic production, a strong demand for Finland's chief exports and large foreign credits enabled the Finns to maintain imports at a level sufficiently high to meet domestic demand without undue pressure on prices; wholesale prices and the cost of living rose by very small amounts between December 1948 and December 1949.

During 1949, however, several unfavorable factors began to become apparent. The flow of foreign credits slowed¹ and it was seen that further increases in production could be achieved only by means of substantial new investment made at the expense of consumption. In addition, the position with respect to foreign trade deteriorated; world market conditions turned the terms of trade against Finland² at a time when reduced imports of foreign capital demanded higher exports to maintain the existing level of imports. In order to avoid a contraction in foreign trade, the markka was twice devalued.

¹ See Table 16, Statistical Appendix.

² See Table 13, Statistical Appendix.

The government's budget, and especially the widespread use of subsidies in an effort to hold down the cost of living, added to existing inflationary pressures. Credit expansion by the commercial banking system and the Bank of Finland also contributed to the inflation.

As a result of these pressures the government, in January 1950, raised wages by 7.5 per cent and abolished the link between wages and the cost of living, restoring collective bargaining between the trade unions and individual industries. The victory at the polls of the Agrarian Party in January 1950 caused labor to become uneasy, and in April the Finnish Federation of Trade Unions threatened a strike even though the cost of living had advanced only slightly since January. A new agreement between the government and the trade unions (the so-called "Fagerholm Agreement") was reached in May 1950, under which labor received a general 15 per cent increase, and wages were once again tied to the cost of living.

Prices continued to rise during the summer, necessitating a further increase in wages of 5 per cent in July. The government increased its efforts, through price controls and subsidies, to keep the cost of living down and succeeded in holding the index during August and September somewhat below the June level. A wildcat strike in the metal and mechanical woodworking industries, reportedly Communist-inspired, spread through the Finnish economy during September. Although the trade union federation had not authorized the strike, the federation's political organ, the Social Democratic Party, was forced to support it in order to prevent control of the federation from passing into the hands of the Communist minority. Finally, on October 19, an agreement was reached which increased the basic wages of a majority of the workers. The tie-up between wages and the cost of living was maintained. Also at this time the Communists were expelled from the trade union federation.

In early November 1950 the Finnish government imposed strict wage and price freezes, the results of which had not yet become apparent when a political crisis developed which was settled by a reshuffling of the cabinet in January 1951. The Social Democrats are again represented in the new cabinet, the price of their cooperation being another general 10 per cent wage increase. It would seem, therefore, that the government is permitting a conflict between two major segments of the economy to continue to the detriment of the entire economy.

Money and banking

Statistics of the Bank of Finland (Table 5) reflect the progress of inflation in the Finnish economy. The total of assets and liabilities for 1950 has increased by 60 per cent since 1946; the significant item on the asset side is the Bank's holdings of inland bills, which represent advances to both the public and private sectors of the economy. Treasury bill holdings, which represent direct advances to the government, amounted to 63 per cent of total bill holdings on October 31, 1950, as compared with 54 per cent on December 31, 1946. Summary reports of the Bank's year-end position, however, indicate that Treasury bill holdings have dropped sharply to 19.7 billion markkas, which is below the December 1949 level. On the liability side, the note circulation has almost doubled in five years, while debts of the Bank to foreigners have become a significant item in 1949 and 1950.

Inflation is also reflected in commercial bank statistics, particularly in the development of commercial bank deposits and of credits extended to non-bank customers (see Table 6, Statistical Appendix). According to Finnish monetary theory, capital formation is measured by the development of bank deposits, both sight and time, and the movement of the gap between total credits extended and total deposits indicates the state of the money market; i.e., if credits increase at a faster rate than deposits the market becomes tighter. Credit outstanding increased by 110 per cent between December 1946 and October 1950, while total deposits increased by 98 per cent. Savings and time deposits, which might be considered a more accurate measure of monetary capital formation, increased by 88 per cent between 1946 and 1950. There is no available breakdown which divides outstanding credit into long- or short-term credits.

A Finnish banker has attempted to trace the development of monetary capital by correlating movements in deposits before and since the war.¹ His figures for 1946-49, reproduced in Table 7, Statistical Appendix, were reached by dividing nominal markka increases in deposits for each year by the wholesale price index (based on 1935 = 100) existing at the end of that year, thus reducing the markka value of deposit increases to constant 1935 prices. This method has also been used in calculating the figures for 1950. Mr. Toikka states that the

¹ O. Toikka, "Developments in Monetary Capital During Recent Years," Unitas, February, 1950, pp. 3-6.

average yearly increase in deposits between 1936 and 1938 amounted to 2 billion markkas, which seemed sufficient at that time to equate the supply of capital to the demand; he says that despite the abnormal demand for capital, a comparable level was not reached after the war until 1949. He points out, however, that inflation has undermined the value of deposits in an "alarming manner," a statement which is borne out by applying his formula to developments during 1950. The nominal value of the increase in deposits up to October 31, 1950,^{1/} was only 45 per cent of 1949 while the value of the increase measured in 1935 prices was only 40 per cent of 1949.

Government action to control inflation by monetary means has been confined to a currency reform in December 1945. This reform had little effect since it was not broad in scope; it covered only part of the currency in circulation and had almost no effect upon bank deposits. Statistics for December 1945 indicate that note circulation dropped by 3.8 billion markkas while deposits in commercial banks increased by 2.9 billion markkas as the people, getting wind of the impending reform, deposited their currency in commercial banks to avoid the effects of the reform. The net decrease in the circulating medium was 0.9 billion markkas, or less than 2 per cent of the total money circulating at the end of November 1945. By April 1946, the note circulation had surpassed the level outstanding prior to the currency reform.

Efforts by the central bank to control the inflation by the only means open to it - the discount rate and its holdings of Treasury bonds - were frustrated by governmental control over its actions. In the matter of the Treasury bonds, there was apparently no question as to the procedure; the Bank of Finland advances money to the government upon call, as witnessed by the rise in holdings of Treasury bills since 1946. In the matter of the discount rate government action has been negative rather than positive. The rate was raised from 4 to 5 1/4 per cent in 1947 and to 7 1/4 per cent in 1948; when it seemed that the inflation had been stopped during 1949 and unemployment began to appear, the rate was reduced by 2 per cent. By the spring of 1950, it had become apparent that inflation was again threatening and the central bank officials desired to return the discount rate to 7 1/4 per cent. Because of the opposition of the government, however, the raise could not be made until November 1950. In point of fact this

^{1/} Normally a seasonal increase in deposits would be expected toward the end of the year. Late reports indicate, however, that because of strikes and the inflationary situation withdrawals have exceeded deposits.

opposition probably had little practical effect, since the rate of credit expansion seems to have little to do with the interest rate. It is true that the rate dropped sharply in 1950, but indications are that the drop was caused by the liquidity position of the commercial banks rather than by the increase in the discount rate. It is reported that rediscounted bills held by the Bank of Finland as of December 31, 1950, amounted to over twice the previous 1950 peak of 3 billion markkas held during June.

Government finance

The Finnish budget has been under constant pressure since the end of the war. Heavy expenditures have been required on reparation account, for new investment, and for subsidies to hold down the cost of living. The actual inflationary impact of the budget during each year is difficult to measure since Finnish statistics include capital expenditures and receipts without further breakdown, making it hard to determine at the end of each year how much the deficit actually was and how much had been covered by means which would be considered non-inflationary. It is possible, however, to gain some insight into the course of public finance during these years by examining developments of the public debt. A detailed breakdown is available for 1949 (Table 8 of the Appendix) and will be analyzed below.

Although the over-all public debt has increased by 33 per cent since 1946, this percentage cannot be used as an accurate measure of budgetary development since it includes the revaluation of the foreign debt brought about by the markka devaluations during 1949. The proportion of foreign debt to total debt, including this revaluation, increased from 26 per cent in 1946 to 43 per cent in 1950. Most significantly, however, the funded internal debt, which increased in 1947, dropped by 25 per cent between 1947 and September 1950, while government borrowing from the Bank of Finland increased by 38 per cent over the same period. This development may be attributed partially to the fact that banks have found it increasingly necessary to sell government bonds in order to maintain liquidity and partially to the fact that the public is showing an increasing preference for real estate or for investment in tangible property.

Table 9 of the Appendix indicates the change in distribution of government receipts and expenditures since 1938. Since prices have increased approximately 10 times since 1938, the expenditures of the government in constant prices are now about twice as high as before the war. Total expenditures

amounted to 15 per cent of gross national product in 1938 as compared with slightly more than 30 per cent in 1949.

The budget and the first supplementary budget for 1950 contemplated a deficit (after adjustment) of approximately 14 billion markkas. Two additional supplementary budgets have been passed which provide for increased revenue of 14 billion markkas and increased expenditures of 14.4 billion. It may be estimated, therefore, that the deficit for the calendar year will be about 14.4 billion markkas, or over twice the figure for 1949.

In considering the pre-war and post-war distribution of revenue, it may be noted that direct and indirect taxes have increased in importance while "other revenue proper," including sale of commodities and services and profits from government enterprises, has declined to 7 per cent of total revenue, or by two-thirds since 1938. On the expenditure side the most significant item is the sharp increase in payment of subsidies.

Pre-war and post-war distribution of subsidies and subsidizing loans is shown in detail in Table 10, Statistical Appendix. The two largest increases since the war have occurred in subsidies to agriculture and fisheries and subsidies for "social welfare." In constant 1938 prices subsidies in general have increased about five times while subsidies for social welfare, which include housing construction loans, the child subsidy system, and subsidies to the war-disabled, have increased approximately twenty times. It has been pointed out that if the administrative expenses connected with social welfare expenditures are added to those expenditures, the total exceeds the total yield from income and property taxes.¹

The problem of the subsidies is the crux of the Finnish government's problem in combatting inflation. Continued payment of subsidies will mean continued budgetary deficits which will constantly increase the amount of money in circulation. At the same time artificially low prices on foodstuffs, for which demand is inelastic, releases purchasing power which increases demand for other goods and drives their prices up. These price rises nullify the effect of keeping prices low on one or two categories of commodities and bring about demands for higher wages - and so the cycle continues. As long as the Finnish government is unable to accomplish the politically difficult task of cutting subsidies, there can be little hope of achieving a balanced budget or of halting the wage-price spiral.

¹ Economic Dept., Ministry of Finance, "Economic Survey of Finland, August 1950," Helsinki, 1950, p. 36.

Foreign trade and the balance of payments

Development of foreign trade has a decisive effect upon Finland's economy. Prior to the war the total value of foreign trade amounted to fully 50 per cent of the gross national product; since the war the percentage has varied in the neighborhood of 35 per cent. Finland is dependent upon imports for a large part of its food and most of its raw materials; at the same time Finland depends upon one major industry - wood and wood products - for a high percentage of its exports. Exports of wood, wood products, pulp and paper have comprised approximately 90 per cent of Finland's total exports since the war as compared with 83 per cent before the war. Thus Finland's balance of payments, as is the case in any "one crop" country, is particularly sensitive to changes in world prices and in the demand schedule for the major export commodity.

Developments in Finland's trade as compared with pre-war are set forth in Tables 11 through 15 of the Appendix. It will be noted that the volume of imports has increased at a more rapid rate than has the volume of exports, and that post-war statistics show a drop in trade with Western Europe and a corresponding rise in trade with Eastern Europe and the Western Hemisphere. The commodity composition of trade has varied only slightly.

In considering Finland's post-war trade statistics it must be remembered that official trade statistics, from which these tables are taken, exclude in every case the value of reparations shipped to the Soviet Union. As can be seen from Table 11, inclusion of the reparations in the exports would result in an export surplus in every year since the war. In addition, Finland's exports are reported on an "f.o.b." basis while imports are "c.i.f.", which would add approximately 10 per cent to the value of exports.

The reparation payments dominate any consideration of the inflationary or deflationary impact of foreign trade upon Finland's economy. In the first place the composition of reparations demanded by the Russians required large imports of capital machinery and raw materials and large domestic investment in new industries. The end products of these industries added nothing to Finland's supply of goods, while the purchasing power generated in producing them added to the demand for the limited supply of goods which Finland was able to produce or to import against free exports. Reparation payments reached their peak in 1948; it is expected that the entire amount will be delivered by 1952.

Finland has recently concluded a five-year trade agreement with the Soviet Union which insures a market for the products of industries established in order to make reparation payments. In return for these products Finland will receive certain foodstuffs and raw materials which will permit cuts in such imports from other sources. This exchange, if it takes place according to plan, will amount to roughly \$56 million in each direction in 1951 and, since Finland's exports will consist almost entirely of goods presently going for reparations, the agreement should result in a net improvement in the balance of payments by approximately that amount.

With respect to this agreement and with respect to the export industries as a whole, the progress of Finland's inflation is causing a great deal of concern. The Russian agreement specifies that goods to be delivered will be valued at world market prices at the time of delivery, whereas in many industries, particularly the shipbuilding and steel industries, costs of production have already risen above world market prices. It is becoming increasingly apparent that Finland's success in striking a balance on current account depends, in addition to external factors beyond the control of the Finns, upon their success in halting the inflation.

As indicated by Table 16 of the Appendix, Finland has enjoyed a net inflow of foreign capital in every year except 1947. The inflow includes changes in short-term assets on foreign trade account and new long-term loans; approximately half of the large long-term capital inflow in 1946 represented a bookkeeping transaction connected with the transfer of certain German assets to the Soviet Union under the terms of the peace treaty. The excess of capital inflow over payments shows a downward trend and, although long-term loans to Finland during 1949 more than covered payments of interest and amortization during that year, it may be expected that the service on present debt will result in a net capital outflow within the near future.

In summary, it may be said that Finland's foreign trade since the war has added to inflationary pressures on the economy, although the impact has been lessened by the capital inflow which compensated for unrequited exports on reparation account. To the extent that the capital inflow has permitted imports of raw materials and capital machinery, which would not otherwise have been imported, the stimulus to domestic investment may be

considered inflationary.¹ It is difficult to see, however, how such investment could have been curtailed, even in the absence of such imports, in the light of the absolute necessity to make heavy reparations payments in the immediate post-war years.

There are no balance of payments figures available as yet for 1950, although the foreign trade, at an annual rate based on nine-month figures, shows a much larger deficit than 1949. The Finnish pattern of trade has taken the form of an import surplus during the first half of the year and an export surplus during the latter half. The strike during September and October 1950, by cutting production seriously, has interfered with the seasonal rise in exports and the trade deficit may be even larger than that indicated in the tables.

The foreign trade prospects of Finland seem bright if prompt action is taken to stop the inflation before Finnish exports are priced out of the world market. The terms of trade, which turned against Finland in 1949, have improved in 1950 as the Korean war has created a strong demand for Finnish exports. Invisible receipts, formerly an important part of the Finnish balance of payments, have been increasing steadily since the end of the war; in view of the decline in reparations and their replacement by compensated trade with the Soviet Union, there is no reason, except for the inflation, why Finland should not attain an equilibrium in the balance of payments in 1951.

Conclusion

All available statistics indicate that inflation is progressing at a rapid rate in Finland and that it has permeated every sector of the economy. The inflation has been stimulated since the end of the war by the unfortunate governmental policy on wages and prices, and it is in the field of government finance, especially in respect to subsidies, that action will have to be taken to halt the injection of new purchasing power into the economy. This will be a difficult task in the light of the present government's contradicting obligations to maintain high and stable prices for agricultural products and to protect the purchasing power of labor.

¹ A. O. Hirschman, "Disinflation, Discrimination, and the Dollar Shortage," The American Economic Review, December, 1948, p. 887.

STATISTICAL APPENDIX

Table 1

Finland
Distribution of Gross
National Income
(Billions of markkas
at 1938 prices)

	1938	1947	1948	1949
Consumption	28	26	28	29
Public	(4)	(3)	(3)	(4)
Private	(24)	(23)	(25)	(25)
Gross Domestic Investment	8	8	10	10
Gross Private	(7)	(7)	(9)	(9)
Gross Administrative Investment	(1)	(1)	(1)	(1)
Transfers abroad, net	--	+1	--	+1
Transfers to foreign Countries	--	(+1)	(+1)	(+1)
Export Surplus	--	--	(-1)	--
Total GNI	<u>36</u>	<u>35</u>	<u>38</u>	<u>40</u>
Total Disposable GNI(1)	36	34	37	39

1/ Total gross national income less transfers to foreign countries.

Source:

Economic Dept., Ministry of Finance, "Economic Survey of Finland, August 1950," Helsinki, 1950.

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Table 2
Finland
Index of Volume of
Industrial Production
(1935=100)

Period	Home Market Industry	Export Industry	Total Industry
1946	113	64	92
1947	138	78	113
1948	166	90	135
1949	178	89	142
1950			
I	210	106	166
II	184	102	150
III	n.a.	n.a.	130

Sources: Annual Statistics of Finland, 1949.
Unitas, August 1950.

Table 3
Finland
Wholesale Price Index
(1935=100)

	Total Index	Agricultural Production	Forestry Production	Industrial Production	Imported Goods
1946	686	652	834	594	763
1947	825	1010	1063	636	904
1948	1090	1397	1499	903	1022
1949	1098	1136	1431	980	1092
1950					
I	1163	1285	1410	1030	1182
II	1246	1394	1558	1130	1205
III	1325	1459	1844	1185	1225
Oct.	1371	1464	1970	1220	1265
Nov.	1388	1451	2010	1230	1294

Source: Annual Statistics of Finland, 1949.
Unitas, August 1950.

Table 4
Finland
Cost of Living,
Wages, Salaries

Wages & Salaries²

	Cost of Living ¹	Agricultural Employees	Industrial Employees	State Employees ⁽³⁾
1946	450	731	619	329
1947	584	1026	830	475
1948	786	1431	1220	617
1949	799	1495	1293	649
1950				
I	850	n.a.	1321	742
II	936	n.a.	n.a.	924
III	936	n.a.	n.a.	n.a.
Oct.	962	n.a.	n.a.	n.a.
Nov.	986			

1 1938-1939=100

2 1939=100

3 Average of 4 scales of salaries; largest increases occurred in lower brackets.

Source: Monthly Review of the Central Bureau of Statistics of Finland, July-August 1950
State Dept. Despatch 399, Helsinki, Dec. 18, 1950.

Table 5
Significant Balance Sheet
Items, Bank of Finland
1946-1950
(Millions of markkas)

	1946	1947	1948	1949	1950 (1)
ASSETS:					
Gold & Foreign Exchange	1,916	623	2,295	2,597	2,230
Inland Bills	28,789	34,478	34,518	39,808	41,710
Treas. Bills	(17,920)	(18,500)	(19,230)	(22,030)	(26,230)

Total Assets	<u>33,486</u>	<u>37,504</u>	<u>40,021</u>	<u>46,659</u>	<u>53,620</u>
LIABILITIES:					
Notes in Circulation	18,233	25,161	27,369	29,606	32,953
Foreign Clearing Accounts	7,414	2,269	2,199	1,297	612
Foreign Debt	--	--	258	1,478	3,465

Total Liabilities	<u>33,486</u>	<u>37,504</u>	<u>40,021</u>	<u>46,659</u>	<u>53,620</u>

1/ Oct. 14, 1950

Sources: 1946-1949- Annual Reports, Bank of Finland
1950- Bank of Finland Monthly Bulletin, Sept.-Oct. 1950

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Table 6
Finland
Commercial Banking Statistics
1946-1950¹
(Billions of markkas)

	1946	1947	1948	1949	1950
Monetary Circulation ²	49.5	62.9	71.4	84.0	94.6
Commercial Bank Deposits ³	31.2	37.7	44.0	54.3	60.6
Postal Savings Deposits ⁴	7.2	8.4	9.6	12.2	13.5
Savings Bank Deposits	20.8	24.9	29.3	37.5	39.2
Total Deposits	70.0	85.4	100.9	127.1	138.6
Central Bank Advances to Commercial Banks	2.9	3.5	1.5	1.8	1.2
Commercial Bank Credits ⁵	29.5	37.7	46.4	59.8	62.1

- ¹ End of year except 1950, which is end of September.
² Note circulation plus demand deposits.
³ Deposits of public plus checking deposits; excludes inter-bank deposits.
⁴ Account held by Bank of Finland and administered by Finnish government.
⁵ Excluding credits to banks.

Sources:

1946-1949- Annual Reports, Bank of Finland
 1950- Bank of Finland Monthly Bulletin, Sept.-Oct. 1950

Table 7
Increase in
Deposits by Public
in Monetary Institutions
(Billions of 1935 markkas)

	Nominal Value	Real Value
1946	8.6	1.2
1947	15.4	1.5
1948	15.4	1.4
1949	26.2	2.3
1950(1)	11.5	.9

1/ October 31, 1950.

Source: 1946-49: O. Toikka, "Developments in Monetary Capital During Recent Years," Unitas, February 1950, pp. 3-6; 1950: computed in same manner as other years.

Table 8
Finland - Public Debt
(Billions of markkas)

Year	Foreign Debt		Internal Debt				Total debt
	Funded	Short-Term Total	Indemnity Loan	Other Funded Debt	Short-Term	Bank of Finland Total	
1946	26.5	5.1	12.0	34.3	8.9	17.9	104.7
1947	33.5	5.1	14.5	42.7	3.7	18.5	118.1
1948	38.5	5.1	13.0	40.5	5.2	19.2	121.6
1949	57.4	5.7	11.3	36.8	6.5	22.0	139.9
1950 ^{1/}	60.4	5.5	9.8	35.1	2.6	25.5	138.9

^{1/} September 1950

Sources: 1946 - Bank of Finland Annual Report
1947-1950 - Kansallis-Osake-Pankki, Economic Review, 1950-4, Helsinki, 1950.

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Table 9
Finland-Government
Revenue and Expenditure
1938 and 1949-1951
(Billions of markkas)

	1938		1949		1950 ¹		1951 ²	
	Amount	%	Amount	%	Amount	%	Amount	%
<u>REVENUE</u>								
Direct taxes	1.0	17	25.9	21	29.7	27	25.4	20
Indirect taxes	3.0	54	75.7	60	64.8	58	83.2	67
Other revenue	1.0	18	8.8	7	6.5	6	7.6	6
New loans	0.5	9	9.4	7	6.4	6	4.6	4
Adjustment items	0.1	2	6.2	5	3.3	3	4.2	3
Total	5.6	100	126.0	100	110.7	100	125.0	100
<u>EXPENDITURE</u>								
Administrative expense	2.3	43	19.3	15	27.2	22	27.6	22
Gross investment	1.0	18	15.2	11	17.3	14	9.8	8
Interest and amortization, state debt	0.4	7	21.4	16	13.9	11	14.9	12
Subsidies	1.3	24	57.2	43	52.2	42	56.0	46
Uncompensated Payments to Foreign Countries	—	—	14.6	11	9.5	8	9.9	8
Adjustment items	0.4	8	5.1	4	4.7	3	6.8	4
Total	5.4	100	132.8	100	124.8	100	125.0	100

¹ According to original budget and first supplementary budget.

² According to proposed budget.

Source: Economic Dept., Ministry of Finance, "Economic Survey of Finland, August 1950," Helsinki 1950.

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Table 10
 Finland - Subsidies and Subsidizing Loans
 1938, 1949-51
 (Billions of markkas)

To:	Amount	1938	1949	1950	1951			
		% of Total	% of Total	% of Total	% of Total			
Local governments	0.5	39	9.0	16	9.0	17	9.5	17
Agriculture & Fishery	0.1	9	14.9	26	14.5	28	9.7	18
Forestry	0.05	5	0.3	1	0.3	--	0.4	1
Industry	0.04	4	0.1	--	0.1	--	0.1	0
Communications	0.04	4	0.1	--	0.1	--	0.1	0
Social welfare	.1	9	21.9	38	21.9	42	26.0	46
Subsidies to reduce prices of goods & services	.2	15	5.1	9	2.2	4	4.6	8
Other	<u>.2</u>	<u>15</u>	<u>5.7</u>	<u>10</u>	<u>4.5</u>	<u>9</u>	<u>5.6</u>	<u>10</u>
Total	1.3	100	57.2	100	52.2	100	56.0	100

Source: Economic Dept., Ministry of Finance, "Economic Survey of Finland, August 1950," Helsinki 1950.

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Table 11
Value of Finland's
Foreign Trade¹
(Millions of dollars)

	Import	Export ²	Balance	Reparation & Restitution
1935	115	135	+20	--
1946	178	169	- 9	69
1947	345	332	-13	76
1948	488	415	-73	85
1949 ³	392	388	- 4	72
1950 ⁴	364	336	-28	40 ⁵

- 1 Imports c.i.f., exports f.o.b.
2 Excluding reparations
3 Converted at average rate of exchange for the year
4 Annual rate based on 9-month figure .
5 Annual rate based on 6-month figures.

Source: 1935-1949 Bank of Finland Annual Reports
1950- Foreign Commerce of Finland, July 1950
Monthly Statistical Review, Central Bureau of Statistics of
Finland, Sept.-Oct. 1950.

Table 12
Finland
Volume of Foreign Trade
(1935=100)

	Imports	Exports
1946	51	47
1947	93	64
1948	121	67
1949	112	80
1950		
1st Quarter	150	107
2nd Quarter	131	101
3rd Quarter	122	91

Source: Unitas, November, 1950.

Table 13
Finland
Terms of Trade
(1935=100)

	Unit Value of Imports (1)	Unit Value of Exports (2)	2/1 (3)
1946	896	799	89
1947	950	1175	124
1948	1036	1383	133
1949	1105	1336	121
1950			98
1st Quarter	1274	1256	103
2nd Quarter	1308	1350	

Source: Bank of Finland Monthly Bulletin,
Sept.-Oct. 1950

Table 14
Finland-
Foreign Trade
by Major Area
(Millions of dollars)

Area	1935		1946		1947		1948		1949 ^{1/}		1950 ^{2/}	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
<u>IMPORTS</u>												
West. Europe ^{3/}	88	77	99	55	179	52	271	56	230	58	236	65
East. Europe ^{4/}	11	9	39	22	54	16	97	20	77	20	60	16
USSR	(3)	(3)	(38)	(21)	(39)	(11)	(51)	(10)	(33)	(8)	(20)	(5)
Asia	1	1	--	--	1	--	8	2	7	2	--	--
Africa	--	--	--	--	--	--	7	1	11	3	3	1
West Hemis.	15	13	40	23	111	32	102	21	63	16	44	13
Oceania	--	--	--	--	--	--	2	--	4	1	4	1
Other	--	--	--	--	--	--	--	--	--	--	4	1
Total	<u>115</u>	<u>100</u>	<u>178</u>	<u>100</u>	<u>345</u>	<u>100</u>	<u>488</u>	<u>100</u>	<u>392</u>	<u>100</u>	<u>364</u>	<u>100</u>
<u>EXPORTS</u> ^{5/}												
West. Europe	112	84	112	66	211	64	254	62	244	63	220	65
East. Europe	3	2	35	21	50	14	74	18	73	19	36	11
USSR	(1)	--	(34)	(20)	(41)	(12)	(61)	(15)	(59)	(15)	(20)	(6)
Asia	2	1	2	1	5	2	10	2	8	2	--	--
Africa	3	2	3	2	10	3	14	3	11	3	4	1
West Hemis.	14	11	17	10	53	16	59	14	48	12	48	14
Oceania	--	--	--	--	2	1	5	1	4	1	3	1
Other	--	--	--	--	--	--	--	--	--	--	24	8
Total ^{6/}	<u>135</u>	<u>100</u>	<u>169</u>	<u>100</u>	<u>332</u>	<u>100</u>	<u>415</u>	<u>100</u>	<u>388</u>	<u>100</u>	<u>336</u>	<u>100</u>

- ^{1/} Converted into dollars at average exchange rate for 1949, 169 marks=\$1.00.
^{2/} Annual rate based on 9-month figures.
^{3/} Includes Greece & Turkey
^{4/} USSR, Poland, Hungary, Czechoslovakia, Rumania, Bulgaria
^{5/} Excluding reparation & restitution deliveries.
^{6/} Imports c.i.f., exports f.o.b.

Source: Finland Official Statistics, Foreign Trade 1949. Helsinki 1950

Table 15

Finland
Foreign Trade, by Major Commodity Group ^{1/}
(Millions of dollars)

Commodity	1935		1946		1947		1948		1949 ⁽¹⁾		1950 ⁽²⁾	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
<u>IMPORT</u>												
Raw material and semi-mfg.	56	47	79	44	167	48	237	48	179	46	156	43
Machinery	21	18	36	20	74	21	93	19	90	23	76	21
Food and luxuries	18	15	46	26	71	21	97	20	55	14	68	19
Other goods	24	20	17	10	33	10	61	13	68	17	64	17
Total	119	100	178	100	345	100	488	100	392	100	364	100
<u>EXPORT</u> ^{1/}												
Animal foodstuff	10	8	1	-	-	-	-	-	9	2	8	2
Wood products	58	43	72	43	143	43	175	42	184	47	144	43
Paper and pulp	54	40	82	49	160	48	213	51	158	41	152	45
Other goods	12	9	14	8	29	9	27	7	37	10	36	10
Total	135	100	169	100	332	100	415	100	388	100	336	100

^{1/} Imports c.i.f., exports f.o.b.

^{2/} Converted at average exchange rate of 169 markkas = \$1.00.

^{3/} Excluding reparations.

Source: Unitas August 1950.

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Table 16

Finland
Balance of Payments
(Millions of dollars)

Account	1946		1947		1948		1949 ^{1/}		Remarks
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	
	+ -	+ -	+ -	+ -	+ -	+ -	+ -	+ -	
1. Merchandise	188	234	353	408	496	500	397	457	+60
2. Industrial gold	-	2	-	3	-	4	-	1	+ 1
3. Tourists	7	20	15	35	20	53	19	4	- 5
4. Freight	5	6	10	9	14	11	14	57	+19
5. Insurance	6	-	9	-	9	-3	9	14	-
6. Interest									- 9
7. Other public receipts and expenditures	1	1	1	3	1	2	1	2	+ 1
8. Other	1	-	-	-	1	2	1	17	+ 6
9. Grants and subsidies	64 ^{1/}	14	76 ^{1/}	10	85 ^{1/}	10	73 ^{1/}	5	-68 ^{1/}
Total	273	277	466	468	630	582	533	556	+23
Capital Transactions									
Private									
10. Long-term capital	-1	1	-1	1	-	-	-	-	-
11. Short-term capital	7	1	26	-26	-7	1	-8	1	+ 9
Public Institutions and Banks									
12. Long-term capital	113	-4	21	-21	30	8	3	-	- 3
13. Short-term capital	-54	25	20	71	11	-31	27	10	-17
14. Gold		-3	-	-	-	6	-	-	-
Total	65	19	66	71	34	-16	22	11	-11
Errors and omissions									+34

^{1/} Figures to be treated with caution, since year-end totals were converted into dollars at an average exchange rate of 160 markkas = \$1.00.

Source: 1946-1948: Monthly Review of the Central Bureau of Statistics of Finland, Sept.-Oct. 1949, pp. 32-42. 1949: Monthly Review of the Central Bureau of Statistics of Finland, Sept.-Oct. 1950, pp. 29-33.

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