



BANK OF FINLAND

Monthly Bulletin

Foreign trade

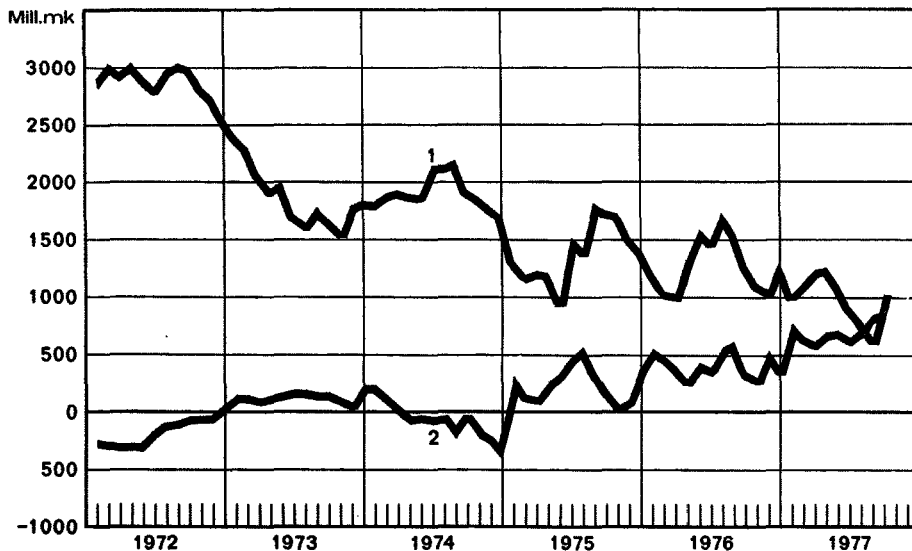
**Payment arrangements between Finland
and the Socialist countries**

Finland's balance of payments in January-
June 1977

NOVEMBER 1977

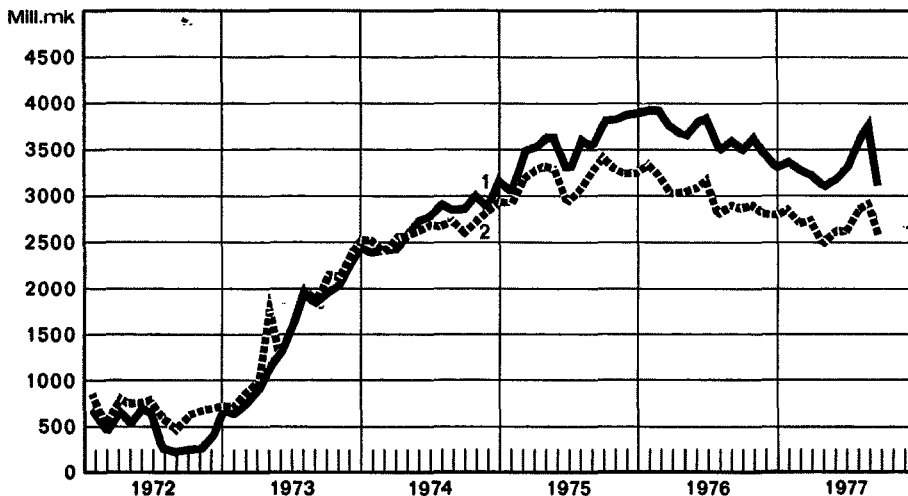
Vol. 51 No. 11

BANK OF FINLAND'S CONVERTIBLE AND NON-CONVERTIBLE FOREIGN EXCHANGE RESERVES, 1972 - 1977



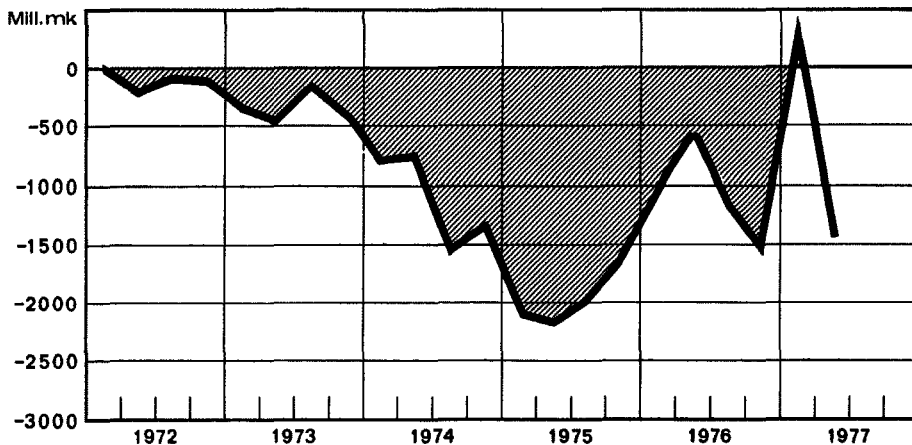
- 1. Gold and convertible currencies
- 2. Non-convertible currencies

BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1972 - 1977



- 1. Net receivables from the domestic financial sector
 - 2. Discounted and rediscounted bills
- Seasonally adjusted end-of-month figures

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1972 - 1977



Seasonally adjusted quarterly figures

FOREIGN TRADE

The growth of exports has been considerably slowed down by the hesitancy of the recovery in most of Europe, although the year-on-year export figures still appear reasonably healthy. The near stagnation of domestic production has held imports in check, and consequently the trade account has improved substantially. In the first three quarters of the year the mark value of exports was 28 per cent higher than in the corresponding period last year whereas the growth of imports was limited to 10 per cent. In terms of foreign currency, the figures are about 22 per cent and 4 per cent, respectively. Following devaluations of the Swedish, Danish and Norwegian crowns, the Finnish mark was devalued by 6 per cent in April and by 3 per cent in September.

The terms of trade have deteriorated somewhat in recent months, largely due to the continued weakness of the markets for forest products.

During the period January—September, the trade account showed a deficit of only 340 million marks (less than 2 per cent of imports) while the corresponding figure for last year was 3 070 million.¹ The deficits could be slightly higher towards the end of the year, especially as a large part of oil imports falls on the final quarter, but the overall improvement is expected to continue into 1978.

EXPORTS

Last year's 17 per cent growth almost brought the volume of commodity exports to the 1973—1974 level. Despite a further growth in volume of nearly 10 per cent in 1977, the situation in the main export industries is still difficult. Finnish industry has built substantial new capacity in recent years, but the level of foreign demand is far too low to ensure a satisfactory

capacity utilization rate and this has grave consequences for employment, profits, and investment.

In the first eight months of the year the volume of forest industry exports was only 3 per cent above last year's level, and the final months of the year are unlikely to bring about any improvement. The volume of exports is only four fifths of what it was in 1973 and the capacity utilization rate in the industry is not much more than 70 per cent. The value of forest industry exports rose by 17 per cent (in Fmk terms) in the period January—August, largely due to a recovery of paper and timber prices. The latter have since declined as the prices of a lot of sawngoods are quoted in Swedish crowns, and the crown has depreciated against the mark. Recently there have also been setbacks in pulp prices.

Exports of the metal and engineering industry have continued to grow rapidly and are likely to remain at a fairly high level well into 1978. For the period January—August, the value of exports (again in Fmk terms) was 37 per cent up on last year. Nevertheless, declining orders are already causing concern, particularly in the shipyards and other heavy industry. Innovative smaller and medium-size engineering companies are doing reasonably well but can hardly compensate for the declining production elsewhere.

Developments in other industries have been mixed. The chemical industry recorded a 26 per cent increase in the value of exports in the first eight months of the year. Textile, clothing and leather industry exports were 14 per cent higher than last year but, after allowing for the effects of price rises and devaluation, there was little volume growth. The exports of the foodstuffs industry, as well as agricultural exports proper, have greatly increased, but this increase will be short-lived as the 1977 harvest was generally poor.

¹ Exports f.o.b., imports c.i.f. Graphs and statistics on foreign trade developments are presented on pp. 9—12 and inside back cover of this Bulletin.

Not much change took place in the regional distribution of Finnish exports in the period January—August. The share of the EEC declined by one percentage point to 38 per cent of total exports and the share of CMEA countries by two percentage points to 20 per cent. Exports to the EFTA area remained unchanged at 24 per cent. The biggest increase was in exports to the United States, which now ranks as Finland's fifth largest trading partner, after the Soviet Union, Sweden, the Federal Republic of Germany and the United Kingdom.

IMPORTS

The incipient recovery of total output during 1976 fell back again in the early months of the current year and the volume of imports consequently declined. Domestic demand has fallen further from the already low level of 1976; there is still no definite upturn in sight. Imports are especially lowered by the continued fall in investment activity and also by the run-down in stocks of raw materials. Furthermore, imports are depressed by the fact that the export prospects of the import-intensive engineering industry are rather gloomy. The economy's propensity to import has thus been reduced considerably.

In the period January—September, the value of total imports was 10 per cent higher than in the same months last year. As the rise in import prices (in Finnish marks) is estimated to have been almost 15 per cent, the volume of imports declined by nearly 5 per cent. About one third of the rise in import prices was due to devaluation effects, as the foreign exchange rates in January—September were, on average, 5.5 per cent higher than a year earlier.

The value of imports of raw materials increased by almost 12 per cent but, given the price changes, the volume was smaller than a year

ago. Imports of raw materials (excl. crude oil) will remain relatively low for the rest of the year, and the declining trend of international commodity prices will also check the growth of the value of imports. Crude oil imports will increase towards the end of the year, following the usual seasonal pattern of shipments.

The decrease in investment activity has continued in 1977, and has been clearly reflected in the import of capital goods. In spite of considerable price increases, the value of investment goods imported was smaller in the first eight months of the year than a year earlier. The low rate of capacity utilization in industry will keep investment activity low and will lead to a decreasing share of investment goods in total imports in the next few years.

The value of imports of consumer goods rose by 15 per cent in the period January—August, indicating some volume growth despite the decline in private consumption. Thus part of the import growth has been growth in importer's inventories which, until the end of 1976, had been limited by an import deposit scheme. However, price competitiveness of imports also appears to have been rather good and foreign suppliers have probably gained market shares. Recently, the growth in consumer goods imported has tapered off and it is likely that there will be a slight decline in volume for the year as a whole.

The regional breakdown of imports has only undergone minor changes. In the period January—August, the share of EFTA countries declined by two percentage points to 24 per cent as imports from Sweden fell. The shares of the EEC and CMEA countries remained practically unchanged at 38 and 22 per cent, respectively. Increased oil imports from OPEC countries and high coffee prices account for most of the 2 ½ per cent increase in the share of developing countries in Finnish imports.

October 20, 1977

	1976		1977			
	Oct. 29	Dec. 31	Oct. 7	Oct. 14	Oct. 21	Oct. 31
Assets						
Gold and foreign exchange receivables	1 609	1 801	1 919	1 958	1 917	1 945
Gold	121	121	127	127	127	127
Special drawing rights	251	236	191	191	191	191
Convertible currencies	885	1 004	750	815	773	803
Tied currencies	352	440	851	825	826	824
Other foreign receivables	1 560	1 660	1 873	1 879	1 872	1 893
Foreign bills	349	436	424	430	423	443
Foreign bonds	384	397	515	515	515	516
Currency subscription to Finland's quota in the IMF	827	827	934	934	934	934
Receivables from financial institutions	4 878	4 674	4 227	4 315	4 699	4 535
Cheque accounts of the commercial banks	164	174	161	158	127	122
Discounted bills	3 148	2 920	2 733	2 760	2 763	2 722
Bonds	426	332	377	379	447	492
Call money market advances	1 096	1 204	906	959	1 282	1 145
Other financial institution receivables	44	44	50	59	80	54
Receivables from the public sector	421	447	364	366	366	363
Bonds	69	67	62	62	62	61
Total coinage	277	279	300	301	301	301
Other public sector receivables	75	101	2	3	3	1
Receivables from corporations	1 356	1 400	1 484	1 479	1 493	1 467
New export bills	157	165	198	201	200	198
Financing of suppliers' credits	528	554	706	704	708	702
Bonds	204	198	231	231	230	230
Other corporate receivables	467	483	349	343	355	337
Other assets	52	53	76	77	77	78
Total	9 876	10 035	9 943	10 074	10 424	10 281
Liabilities						
Foreign exchange liabilities	182	101	97	98	98	100
Convertible accounts	134	50	48	46	45	47
Tied accounts	48	51	49	52	53	53
Other foreign liabilities	1 923	1 923	2 134	2 134	2 134	2 134
IMF mark accounts	1 665	1 665	1 772	1 772	1 772	1 772
Allocations of special drawing rights	258	258	258	258	258	258
Term liabilities	—	—	104	104	104	104
Notes and coins in circulation	2 882	2 885	3 086	3 099	3 093	3 072
Notes	2 638	2 635	2 823	2 836	2 829	2 808
Coins	244	250	263	263	264	264
Deposit certificates in circulation	—	—	180	180	180	180
Claims of financial institutions	1 008	1 143	1 027	1 128	1 471	1 377
Cheque account of Postipankki	0	2	0	0	10	0
Cheque accounts of the commercial banks	3	2	2	1	0	1
Call money market deposits	1 002	1 137	780	819	1 133	1 091
Other financial institution claims	3	2	245	308	328	285
Claims of the public sector	1 130	1 133	334	330	340	286
Cheque accounts	1	2	0	1	21	0
Counter-cyclical reserves	55	59	34	34	34	34
Import deposits	995	973	1	1	1	0
Other public sector claims	79	99	299	294	284	252
Claims of corporations	297	308	263	281	282	305
Investment deposits	63	58	43	43	40	40
Capital import deposits	230	242	208	225	227	246
Import levy deposits	2	6	12	12	13	12
Other corporate claims	2	2	0	1	2	7
Other liabilities	12	13	14	14	12	13
Equalization accounts	534	592	861	859	859	855
Capital accounts	1 908	1 937	1 947	1 951	1 955	1 959
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	334	334	436	436	436	436
Undisposed profits	—	—	—	—	—	—
Net earnings	174	203	111	115	119	123
Total	9 876	10 035	9 943	10 074	10 424	10 281

End of year and month	Foreign sector							Public sector			Deposit certificates in circulation
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserve (1-2)	Non-convertible exchange reserve	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1970	1 812	11	1 801	— 63	639	606	1 771	119	121	2	203
1971	2 620	30	2 590	—297	686	704	2 275	148	140	— 8	400
1972	2 613	43	2 570	— 6	757	788	2 633	175	49	—126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1976											
Sept.	1 414	142	1 272	355	1 533	1 923	1 237	415	1 188	773	—
Oct.	1 257	134	1 123	304	1 560	1 923	1 064	421	1 130	709	—
Nov.	1 197	123	1 074	529	1 595	1 923	1 275	432	1 215	783	—
Dec.	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1977											
Jan.	1 074	53	1 021	768	1 636	1 923	1 502	440	979	539	—
Feb.	1 180	49	1 131	654	1 637	1 923	1 499	426	873	447	—
March	1 292	60	1 232	608	1 692	1 923	1 609	433	739	306	180
April	1 324	65	1 259	697	1 733	1 923	1 766	407	512	105	180
May	1 152	39	1 113	714	1 851	2 030	1 648	377	581	204	180
June	965	48	917	652	1 855	2 030	1 394	362	430	68	180
July	855	56	799	722	1 874	2 030	1 365	364	389	25	180
Aug.	697	50	647	841	1 857	2 131	1 214	360	353	— 7	180
Sept.	1 072	51	1 021	878	1 856	2 134	1 621	365	343	— 22	180
Oct.	1 121	47	1 074	771	1 893	2 134	1 604	363	286	— 77	180

¹ The balance sheet of the Bank of Finland was revised in Dec. 1974. See explanations on page 18.

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1976			Net holdings, Sept. 30, 1977			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Sept.	Jan.—Sept.
Gold	121	—	121	127	—	127	—	+6
Special drawing rights	236	—	236	191	—	191	—	—45
IMF gold tranche	—	—	—	—	—	—	—	—
Convertible currencies	954	—1 783	—829	703	—3 643	—2 940	—247	—2 111
Total	1 311	—1 783	—472	1 021	—3 643	—2 622	—247	—2 150
Non-convertible currencies	389	—27	362	878	—18	860	+30	+498

End of year and month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Dis-counted and redis-counted bills	Cheque account receiv-ables ²	Other receiv-ables	Cheque account liabilities to the commer-cial banks ³	Cheque account liabilities to Posti-pankki ³	Other liabili-ties	Net receiv-ables (1+2+3-4-5-6)	Receiv-ables	Liabili-ties	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1970	836	3	—	1	4	—	834	383	324	59	1 455
1971	849	—	—	9	2	—	838	355	385	— 30	1 413
1972	753	5	—	—	2	—	756	321	73	248	1 879
1973	2 566	61	—	—	2	—	2 615	372	259	113	2 082
1974	3 034	114	266	4	4	1	3 405	631	195	436	2 462
1975	3 385	133	646	3	1	25	4 135	933	539	394	2 855
1976	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885
1976											
Sept.	3 031	185	1 153	2	0	783	3 584	1 342	189	1 153	2 840
Oct.	3 148	164	1 566	3	0	1 005	3 870	1 356	297	1 059	2 882
Nov.	3 036	178	1 401	5	1	785	3 824	1 315	352	963	2 839
Dec.	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885
1977											
Jan.	2 729	119	2 095	2	0	1 673	3 268	1 308	244	1 064	2 758
Feb.	2 604	176	2 405	1	1	1 865	3 318	1 306	353	953	2 790
March	2 769	123	1 690	2	0	1 322	3 258	1 321	307	1 014	2 845
April.	2 460	152	1 480	3	1	1 061	3 027	1 398	272	1 126	2 924
May	2 749	110	1 193	2	0	832	3 218	1 437	263	1 174	2 932
June	2 768	128	1 305	5	0	768	3 428	1 459	230	1 229	3 154
July	2 773	116	1 320	5	0	797	3 407	1 498	232	1 266	3 157
Aug	2 779	85	1 463	1	1	846	3 479	1 439	260	1 179	3 022
Sept.	2 700	140	1 303	5	0	1 010	3 128	1 476	266	1 210	3 079
Oct.	2 722	122	1 691	1	0	1 376	3 158	1 467	305	1 162	3 072

¹ The balance sheet of the Bank of Finland was revised in Dec. 1974. See explanations on page 18.

² Including special index accounts.

³ Including cash reserve accounts.

SELLING RATES FOR FOREIGN EXCHANGE

Mk

Oct. 20, 1977

New York ¹	1 \$	4.153	Frankfurt o. M.	100 DM	182.40	Vienna	100 S	25.65
Montreal	1 \$	3.745	Amsterdam	100 Fl	170.20	Lisbon	100 Esc	10.28
London	1 £	7.350	Brussels ²	100 Fr		Madrid	100 Pta	4.95
Stockholm	100 Kr	86.60	Zurich	100 Fr	183.80	Tokyo	100 Y	1.640
Oslo	100 Kr	75.60	Paris	100 FF	85.50	Reykjavik	100 Kr	2.00
Copenhagen	100 Kr	67.90	Rome	100 Lit	0.475	Moscow ³	1 Rbl	5.662

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin Budapest and Sofia.

² 11.740 commercial rate; 11.740 financial rate.

³ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

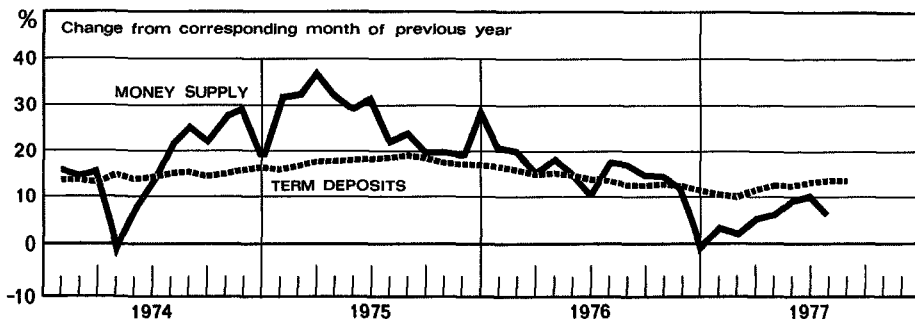
End of year and month	Sight deposits			Term deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1970	1 143	1 508	603	6 099	4 847	3 458	1 288	574	16 266	18 377
1971	1 343	1 734	754	6 962	5 446	3 877	1 491	642	18 418	20 906
1972	1 851	2 371	979	8 096	6 232	4 500	1 805	720	21 353	24 703
1973	2 144	2 892	1 360	8 989	7 109	5 237	2 159	805	24 299	28 551
1974	2 551	3 478	1 638	10 213	8 288	6 308	2 641	921	28 371	33 487
1975	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260
1976*	3 028	4 386	2 332	12 789	11 066	8 622	3 578	1 255	37 310	44 028

1976*

Aug.	3 102	4 375	1 968	11 988	10 531	8 216	3 423	1 194	35 352	41 695
Sept.	2 856	4 094	1 935	11 896	10 545	8 286	3 426	1 213	35 366	41 395
Oct.	2 715	3 930	1 948	11 986	10 599	8 341	3 465	1 231	35 622	41 500
Nov.	2 933	4 170	1 913	12 031	10 769	8 477	3 480	1 248	36 005	42 088
Dec.	3 028	4 386	2 332	12 789	11 066	8 622	3 578	1 255	37 310	44 028

1977*

Jan.	2 969	4 190	2 370	12 718	11 166	8 721	3 616	1 282	37 503	44 063
Feb.	2 827	4 103	2 495	12 719	11 273	8 821	3 673	1 296	37 782	44 380
March	2 911	4 265	2 346	12 783	11 362	8 885	3 737	1 307	38 074	44 685
April	2 923	4 234	2 382	12 988	11 443	9 183	3 758	1 324	38 696	45 312
May	3 163	4 536	2 221	13 108	11 597	9 081	3 787	1 331	38 904	45 661
June	3 199	4 617	2 219	13 222	11 826	9 219	3 822	1 337	39 426	46 262
July	2 928	4 342	2 115	13 339	11 995	9 327	3 894	1 348	39 903	46 360
Aug.	3 153	4 646	2 021	13 428	12 122	9 478	3 937	1 348	40 313	46 980
Sept.	2 961	4 422	2 043	13 355	12 116	9 477	3 938	1 345	40 231	46 696



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

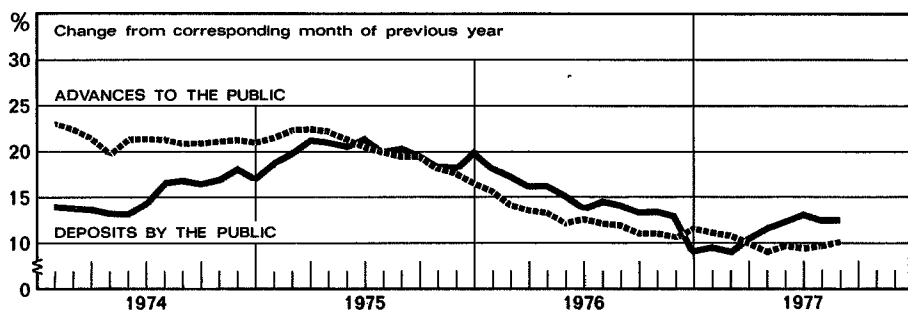
End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1970	7 963	4 342	3 404	1 342	1 454	17 815	690	18 505	3 445
1971	9 234	4 795	3 834	1 747	1 799	20 640	769	21 409	4 025
1972	10 667	5 503	4 483	2 245	2 374	24 473	799	25 272	4 959
1973	13 365	6 497	5 302	3 399	2 696	30 286	973	31 259	6 115
1974	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283
1975	17 773	9 108	7 798	5 488	4 129	43 002	1 294	44 296	9 450
1976*	19 090	10 616	9 256	6 012	4 582	47 965	1 591	49 556	9 268

1976*

Aug.	18 309	9 965	8 505	5 885	4 507	45 652	1 519	47 171	8 830
Sept.	18 453	10 148	8 683	5 937	4 470	46 092	1 599	47 691	8 504
Oct.	18 658	10 279	8 855	5 939	4 475	46 617	1 589	48 206	8 422
Nov.	18 791	10 418	9 000	6 046	4 494	47 168	1 581	48 749	8 565
Dec.	19 090	10 616	9 256	6 012	4 582	47 965	1 591	49 556	9 268

1977*

Jan.	19 176	10 683	9 271	6 044	4 625	48 168	1 631	49 799	8 960
Feb.	19 204	10 762	9 276	6 071	4 619	48 281	1 651	49 932	9 001
March	19 208	10 804	9 279	6 095	4 589	48 330	1 645	49 975	9 076
April	19 296	10 888	9 296	6 078	4 642	48 624	1 576	50 200	9 177
May	19 332	11 057	9 404	6 197	4 673	49 091	1 572	50 663	9 319
June	19 514	11 145	9 539	6 196	4 760	49 490	1 664	51 154	9 572
July	19 563	11 265	9 671	6 153	4 796	49 846	1 602	51 448	9 231
Aug.	19 792	11 433	9 791	6 175	4 827	..	..	52 018	9 294
Sept.	20 026	11 644	9 962	6 237	4 840	..	..	52 709	..



STATE FINANCES

Mill. mk

Revenue	Jan.—Aug.		Expenditure	Jan.—Aug.	
	1976	1977		1976	1977
Income and property tax (net)	7 750	6 678	Wages, salaries, pensions etc.	3 469	3 822
Gross receipts	(15 848)	(17 857)	Repair and maintenance	460	518
Refunds & local authorities	(-8 098)	(-11 179)	Other consumption expenditure	1 495	1 764
Other taxes on income and property	149	113	Total consumption expenditure	5 424	6 104
Employers' child allowance payments	694	748	State aid to local authorities	4 034	4 653
Sales tax	4 046	5 141	State aid to industries	2 911	3 021
Revenue from Alcohol Monopoly	1 091	1 062	of which: agric. price subsidies	(1 628)	(1 677)
Customs duties & import charge	369	403	Child allowances	554	771
Counter-cyclical tax	—	—	Share in national pensions and health insurance	183	195
Excise duty on tobacco	493	530	Other transfer expenditure	2 205	2 591
» » on liquid fuel	941	1 168	Total transfer expenditure	9 887	11 231
Other excise duties	510	935	Machinery and equipment	697	789
Tax on autom. and motor cycles	543	576	House construction	341	379
Stamp duties	402	469	Land and waterway construction	991	935
Special diesel etc. vehicles tax	52	86	Total real investment	2 029	2 103
Other taxes and similar revenue ¹	537	571	Interest on State debt	170	276
Total taxes	17 577	18 480	Index compensations	29	27
Miscellaneous revenue	1 119	1 204	Net deficit of State enterprises	337	91
Interest, dividends etc.	368	449	Other expenditure	27	32
Sales and depreciation of property	3	5	Total other expenditure	563	426
Redemptions of loans granted	275	220	Increase in inventories	+61	35
Total revenue	19 342	20 358	Lending	1 683	1 840
Foreign borrowing	465	153	Other financial investment	479	379
Domestic borrowing	506	728	Total expenditure	20 126	22 118
Total borrowing	971	881	Redemption of foreign loans	97	72
Deficit (+) or surplus (—)	127	1 206	Redemption of domestic loans	217	255
			Total redemptions	314	327
Total	20 440	22 445	Total	20 440	22 445

¹ Including supplementary turnover tax and import-equalization tax from June 1971.

State debt	1975	1976	1977			
	Dec.	Dec.	June	July	Aug.	Sept.
Foreign debt	1 603	2 248	2 520	2 537	2 525	2 694
Loans	1 645	2 175	2 407	2 450	2 631	2 734
Compensatory obligations	1	1	1	1	1	1
Short-term credit	85	287	221	150	167	..
Cash debt (net)	-242	-643	-220	-138	-46	..
Domestic debt	1 489	1 820	2 409	2 463	2 753	..
Total State debt	3 092	4 068	4 929	5 000	5 278	..
Total debt, mill \$	798	1 069	1 206	1 243	1 306	..

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050

1976			
July	2 256	2 543	- 287
Aug.	1 758	2 357	- 599
Sept.	2 119	2 632	- 513
Oct.	2 395	2 361	+ 34
Nov.	2 463	2 783	- 320
Dec.	2 610	3 305	- 695

1977*			
Jan.	2 469	2 389	+ 80
Feb.	1 917	1 992	-75
March	2 621	2 404	+ 217
April	2 084	2 169	- 85
May	2 233	2 421	- 188
June	2 542	3 120	- 578
July	2 833	2 443	+ 390
Aug.	2 240	2 396	-156

Jan.-Aug			
1976	14 919	17 480	-2 561
1977*	18 939	19 334	-395

Indices of exports and
imports 1975 = 100¹

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1972	113	82	53		57	93
1973	121	93	60	64	94
1974	121	100	85	92	92
1975	100	100	100	100	100
1976	117	96	103	107	97

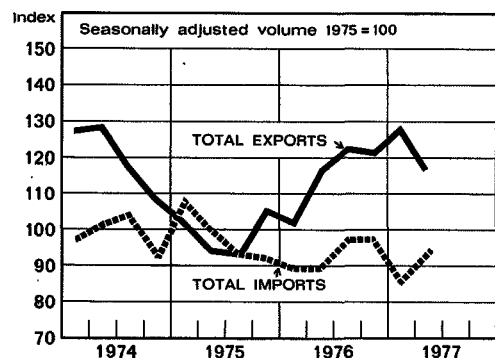
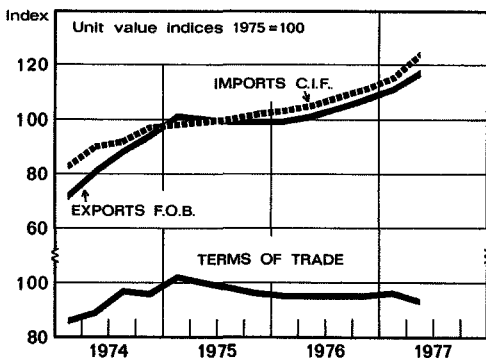
1974					
July-Sept.	114	105	89	94	95
Oct.-Dec.	119	101	96	98	98

1975					
Jan.-Mar.	100	107	102	99	103
Apr.-June	92	95	101	100	100
July-Sept.	89	94	100	101	99
Oct.-Dec.	116	100	100	103	97

1976					
Jan.-Mar.	99	87	100	104	96
Apr.-June	114	84	102	106	96
July-Sept.	116	98	105	109	96
Oct.-Dec.	136	107	108	112	96

1977*					
Jan.-Mar.	124	83	112	116	97
Apr.-June	115	88	118	125	95

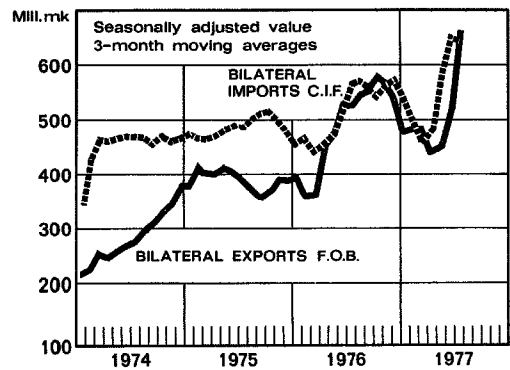
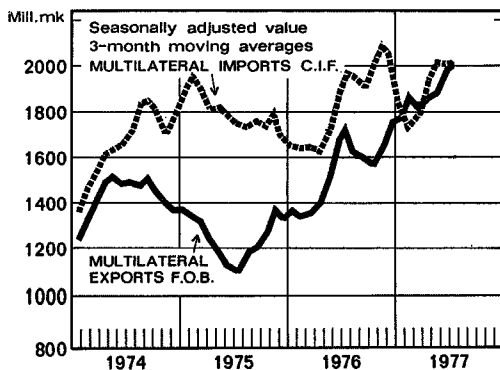
¹ New series.



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1976										
July	29	320	693	739	475	1 725	164	342	307	5
Aug.	42	257	645	324	490	1 483	163	381	308	22
Sept.	47	276	665	554	577	1 564	166	515	386	1
Oct.	71	255	741	749	579	1 448	177	380	346	10
Nov.	66	273	724	826	574	1 849	157	371	397	9
Dec.	161	311	741	797	600	2 145	144	583	422	11
1977*										
Jan.	204	286	655	748	576	1 384	144	546	308	7
Feb.	45	232	625	476	539	1 297	102	271	320	2
March	181	261	802	692	685	1 488	85	381	448	2
April	54	246	630	600	554	1 277	107	373	405	7
May	106	350	681	435	661	1 451	148	370	441	11
June	90	366	750	770	566	1 984	202	565	353	16
July	87	352	701	1 045	648	1 609	178	319	316	21
Aug	48	340	674	605	573	1 590	165	275	356	10
Jan.-Aug.										
1976	459	1 778	4 989	3 965	3 728	10 824	937	3 121	2 552	46
1977*	815	2 433	5 518	5 371	4 802	12 080	1 131	3 100	2 947	76



FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—August				January—August			
	1976*		1977*		1976*		1977*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	64.8	9 672	65.2	12 345	65.3	11 418	63.8	12 332
Austria	0.7	99	0.8	156	1.5	255	1.3	248
Belgium-Luxembourg	1.6	246	1.9	370	1.8	321	1.8	347
Denmark	3.8	572	3.6	684	3.1	534	2.9	567
France	3.8	572	3.6	676	2.9	505	2.9	556
Federal Republic of Germany	9.9	1 473	11.0	2 079	16.4	2 867	15.6	3 016
Italy	1.7	258	1.2	222	2.1	366	1.9	370
Netherlands	3.1	467	3.6	689	2.9	509	3.2	619
Norway	3.4	500	4.7	895	3.1	546	3.0	584
Portugal	0.3	52	0.3	59	0.3	57	0.4	78
Spain	1.0	150	1.0	181	1.3	225	1.4	271
Sweden	17.7	2 639	16.5	3 132	17.9	3 131	16.2	3 135
Switzerland	1.7	248	1.9	354	3.4	601	3.5	668
United Kingdom	14.8	2 208	12.7	2 398	8.3	1 459	9.4	1 810
Other	1.3	188	2.4	450	0.3	42	0.3	63
OECD countries outside Europe	4.8	713	6.5	1 232	8.6	1 510	8.4	1 623
Canada	0.7	102	0.6	118	0.4	65	0.4	68
Japan	0.7	104	0.8	159	1.6	278	1.9	360
United States	2.6	390	4.3	813	6.6	1 158	6.1	1 185
Other	0.8	117	0.8	142	0.0	9	0.0	10
CMEA countries	22.4	3 346	20.5	3 881	21.6	3 782	21.9	4 232
Czechoslovakia	0.6	83	0.4	78	0.5	89	0.4	85
Democratic Republic of Germany	0.8	118	1.0	189	0.5	84	0.6	107
Poland	1.2	187	0.8	150	1.6	288	2.0	385
Soviet Union	18.9	2 825	17.5	3 308	18.1	3 165	18.3	3 546
Other	0.9	133	0.8	156	0.9	156	0.6	109
Latin America	2.0	295	1.9	353	2.0	330	2.6	511
Argentina	0.2	35	0.2	38	0.1	13	0.1	14
Brazil	0.6	82	0.5	88	0.5	82	0.2	41
Colombia	0.1	10	0.1	13	0.6	102	1.3	255
Other	1.1	168	1.1	214	0.8	133	1.0	201
Other	6.0	893	5.9	1 128	2.5	440	3.3	636
GRAND TOTAL	100.0	14 919	100.0	18 939	100.0	17 480	100.0	19 334
of which								
EFTA countries	23.8	3 557	24.4	4 620	26.4	4 606	24.5	4 744
EEC countries	39.3	5 870	38.1	7 225	37.6	6 578	38.0	7 307
OECD countries	69.6	10 385	71.7	13 577	73.9	12 928	72.2	13 955

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport. net	Travel net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
1974 r	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976	24 372	28 472	-4 100	+1 193	+ 22	+245	-2 640	-1 749	-118	-4 507

1974

Oct.-Dec.	5 753	6 879	-1 126	+204	- 1	+89	- 834	-291	-29	-1 154
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1975

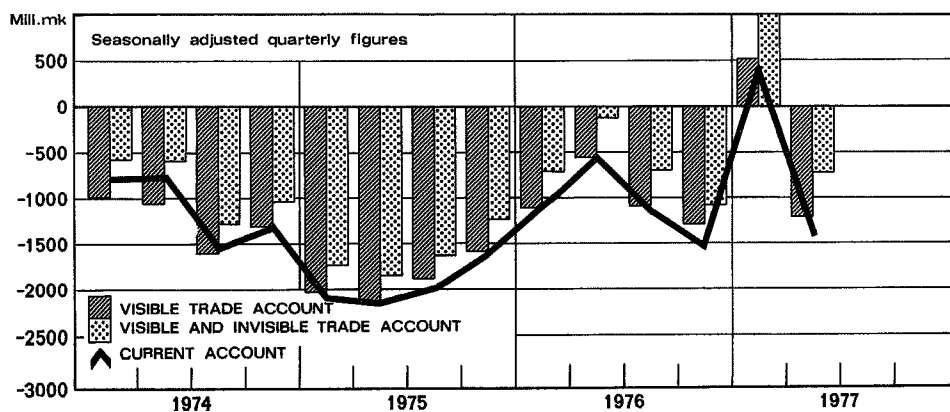
Jan.-March	5 143	7 368	-2 225	+292	- 43	- 44	-2 020	-316	-57	-2 393
Apr.-June	4 695	6 688	-1 993	+221	+ 13	- 2	-1 761	-379	-15	-2 155
July-Sept.	4 482	6 649	-2 167	+237	+142	+ 57	-1 731	-308	- 6	-2 045
Oct.-Dec.	5 961	7 234	-1 373	+234	- 7	+206	- 940	-411	-30	-1 381

1976

Jan.-March	4 987	6 307	-1 320	+252	- 50	+ 65	+1 053	-347	-35	-1 435
Apr.-June	5 864	6 224	- 360	+252	+ 49	+ 26	- 33	-485	-26	- 544
July-Sept.	6 098	7 515	-1 417	+365	+ 62	+110	- 880	-434	-17	-1 331
Oct.-Dec.	7 423	8 426	-1 003	+324	- 39	+ 44	- 674	-483	-40	-1 197

1977*

Jan.-March	6 981	6 764	+ 217	+348	- 80	+ 75	+ 560	-506	-46	+ 8
Apr.-June	6 821	7 705	- 884	+325	+ 10	+ 34	- 515	-726	-12	-1 253

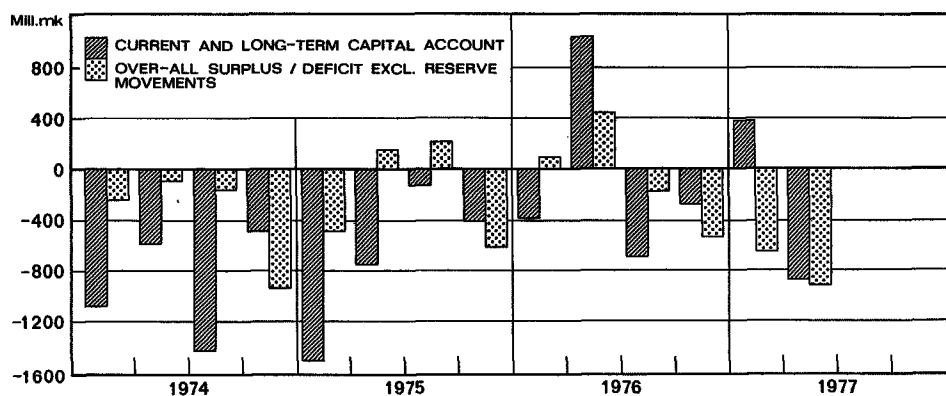


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+ 736
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+638	+1 449	+ 8	- 747	-444	+1 191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+138	-1 288	+1 327	- 128	+ 78	+ 50
+942	-274	- 24	+ 15	+659	- 495	-209	-157	- 86	-947	+498	+449
+1 206	-310	- 24	+ 11	+ 883	-1 510	+310	+758	- 35	-477	- 32	+509
+1 870	-433	- 48	+ 9	+1 398	-757	-140	+758	+296	+157	-668	+511
+2 121	-287	- 3	+ 57	+1 888	-157	+131	- 34	+265	+205	+ 91	-296
+1 532	-415	-139	- 15	+ 963	-418	+337	- 33	-518	-632	+165	+467
+1 404	-374	+ 5	+ 11	+1 046	- 389	-628	+119	+996	+ 98	+373	-471
+2 096	-394	- 95	- 7	+1 600	+1 056	-158	+120	-560	+458	-485	+ 27
+1 239	-568	- 11	- 25	+ 635	- 696	+565	-764	+722	-173	+263	- 90
+1 391	-449	- 90	+ 69	+ 921	- 276	+359	-763	+169	-511	- 73	+584
+1 022	-550	-127	- 25	+ 320	+ 328	-802	+149	-308	-633	-140	+773
+1 273	-857	+ 36	- 35	+ 417	- 836	-320	+149	+ 75	-932	+407	+525

Assets- increase —, decrease +. Liabilities: increase +, decrease —.

¹ Including Direct investment, net.

² Including Allocations of special drawing rights 88 million in 1970, 85 million in 1971 and 85 million in 1972.



PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1973 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machinery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1975	562	575	513	570	637	532	629	536	539	139	131	142
1976	626	646	548	614	707	621	679	594	614	152	142	154
1976												
Dec.	659	681	573	647	738	654	710	627	649	160	146	164
1977												
Jan.	669	692	584	653	770	665	710	629	672	165	149	169
Feb.	676	698	588	658	781	672	718	635	677	166	149	171
March.	682	706	591	660	777	687	727	645	680	167	149	172
April	686	708	601	665	790	688	730	646	686	168	149	173
May	688	709	607	666	795	690	727	648	691	169	150	174
June	692	714	610	667	802	698	725	659	694	172	158	176
July	697	719	613	671	807	704	736	661	697	173	158	176
Aug.	696	718	610	667	806	706	727	663	700	175	158	180
Sept.	701	722	621	673	826	705	730	665	707	175	158	180

Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.—Dec. 1957 = 100	Consumer prices 1972 = 100									
			Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1975	392	308	153	157	135	150	162	184	150	145	144	156
1976	449	352	174	182	164	166	171	200	164	174	162	185
1976												
Dec.	469	368	182	195	168	173	174	209	170	181	171	195
1977												
Jan.	476	374	185	196	174	173	174	210	174	185	179	198
Feb.	482	378	187	200	174	176	175	210	176	187	180	201
March.	489	384	190	207	174	179	175	214	177	190	182	202
April	493	387	192	209	174	180	175	215	179	193	183	203
May	500	392	194	212	174	182	181	218	180	196	184	205
June	506	397	197	219	174	182	181	222	181	197	184	209
July	510	400	198	222	174	177	181	222	182	199	190	211
Aug.	518	407	201	226	174	179	190	223	183	202	191	213
Sept.	520	408	202	225	174	184	190	223	184	202	193	215

WAGES

Index of salary and wage earnings 1964 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1976	599	442	428	361	360	353	416	346	441	399
1977*	701	483	454	384	387	375	452	372	478	431
1976										
Jan.-March	584	416	410	352	347	347	396	337	417	382
Apr.-June	594	449	427	363	364	356	422	347	448	404
July-Sept.	602	448	434	364	364	355	425	349	451	406
Oct.-Dec.	639	456	440	364	364	356	426	350	451	407
1977*										
Jan.-March	695	457	441	372	375	364	429	357	454	412
Apr.-June	694	487	454	385	389	378	454	373	482	434
July-Sept.	704	491	460	388	391	379	463	376	491	441
Oct.-Dec.	707	498	463	393	394	380	464	381	490	442

PRODUCTION

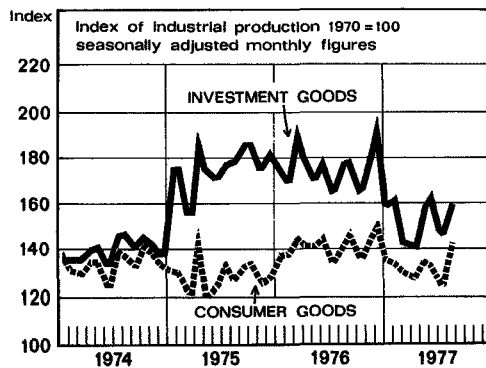
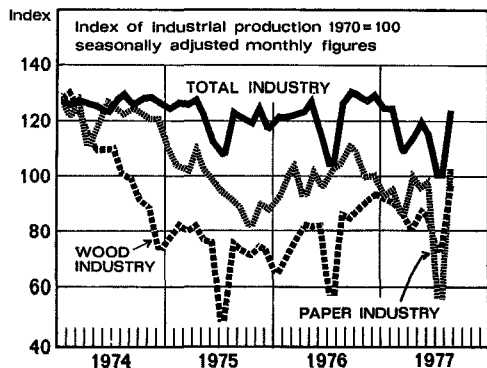
Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1974	160	197	90	96	168	103	163	179	158	159	165
1975	161	192	100	83	175	104	158	188	166	168	169
1976*	162	195	106	79	153	103	160	190	173	173	173
1976*											
Jan.-March	156	202	62	84	121	102	149	179	171	171	171
Apr.-June	161	195	103	91	134	106	157	187	172	172	172
July-Sept.	160	167	185	57	166	101	161	187	173	174	173
Oct.-Dec.	172	216	74	86	192	102	171	206	177	176	175
1977*											
Jan.-March	158	200	65	99	132	99	152	173	179	176	175
Apr.-June	161	189	100	94	142	103	160	188	180	176	175

PRODUCTION

Index of industrial production 1970 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	141	127
1975	122	178	110	130	113	76	95	143	128	150	122
1976*	125	179	108	143	110	82	99	148	119	150	124
1976*											
June	118	186	97	146	123	90	71	101	121	154	118
July	68	69	61	82	103	33	69	88	65	56	105
Aug.	123	167	107	143	113	75	109	135	118	140	127
Sept.	136	186	119	156	119	88	114	168	144	162	132
Oct.	135	185	119	151	118	88	119	140	140	159	130
Nov.	137	198	120	153	121	104	107	168	138	167	129
Dec.	133	188	116	149	106	90	96	177	125	161	130
1977*											
Jan.	130	178	116	140	97	86	96	182	128	153	126
Feb.	126	171	112	138	92	88	100	164	117	149	125
March	125	160	112	140	101	101	94	147	115	146	111
April	115	151	102	127	98	92	90	136	96	136	115
May	130	180	114	147	114	114	102	133	127	158	121
June	118	176	101	137	104	95	79	106	123	154	116
July	64	62	58	77	94	41	58	77	61	51	102
Aug.	125	154	111	144	115	88	108	132	114	139	124



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Un- employed 1 000 persons	Unemployment, % of total labour force	Commercial timber felling 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1974	3 483	2 268	2 229	39	1.7	34 457	114	114
1975	3 513	2 272	2 221	51	2.2	29 133	118	119
1976*	3 530	2 244	2 158	86	3.8	27 305	110	120
1976*								
Aug.	3 531	2 352	2 253	99	4.2	1 155	106	121
Sept.	3 533	2 215	2 144	71	3.2	1 839	109	133
Oct.	3 532	2 183	2 111	72	3.3	2 293	111	125
Nov.	3 534	2 183	2 099	84	3.8	2 787	102	125
Dec.	3 535	2 186	2 085	101	4.6	3 126	143	147
1977*								
Jan.	3 524	2 181	2 053	128	5.9	2 455	84	91
Feb.	3 528	2 163	2 032	131	6.1	2 934	87	103
March	3 527	2 161	2 030	131	6.1	3 564	99	120
April	3 524	2 152	2 016	136	6.2	3 227	101	113
May	3 523	2 186	2 054	132	6.1	2 856	..	..
June	3 531	2 402	2 266	136	5.7	1 870	..	..
July	3 524	2 410	2 264	146	6.1	685	..	..
Aug.	3 524	2 304	2 165	139	6.0	1 240	..	..

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Buildings-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1974	53.23	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975	51.42	19.65	3.79	21.62	3.39	47.85	20.59	2.80	18.68	3.64	52.45
1976*	46.90	19.95	3.93	15.81	3.83	40.95	17.60	3.12	15.32	2.58	52.48
1976*											
Apr.-June	14.00	7.39	1.80	2.81	0.70	10.09	3.88	0.39	4.54	0.82	51.73
July-Sept.	12.42	5.43	0.71	4.44	0.97	8.89	3.59	0.97	2.95	0.67	54.82
Oct.-Dec.	11.96	4.09	0.69	5.12	1.45	12.85	6.16	1.15	3.94	0.80	52.48
1977*											
Jan.-March	6.73	2.92	0.66	1.91	0.83	9.08	3.50	0.45	4.33	0.54	48.54
Apr.-June	13.22	7.00	1.71	2.57	0.92	7.94	3.89	0.33	2.45	0.85	51.30

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

The balance sheet of the Bank of Finland was revised on Dec. 31, 1974 in connection with the revision of accounting legislation. New series have been built according to the revision. When the figures are not fully comparable to the previous ones, the series is broken by a line.

Page 4. *Foreign sector*: Gold and convertible exchange receivables = Gold + Special drawing rights + IMF gold tranche + Convertible currencies.

Gold and convertible exchange reserve = Gold and convertible exchange receivables — Liabilities in convertible currencies.

Non-convertible exchange reserve = Receivables in tied currencies — Liabilities in tied currencies.

Other receivables = Foreign bills + Foreign bonds + Currency subscription to Finland's quota in the IMF.

Other liabilities = IMF mark accounts + Allocations of special drawing rights.

Public sector: Receivables = Total coinage + Other public sector receivables + Bonds.

Liabilities = Cheque accounts + Counter-cyclical reserves + Import deposits + Other public sector liabilities.

Deposit certificates are interest bearing, freely transferable, term liabilities of the Bank of Finland. Their maturities range from one week to one year.

Page 5. *Domestic financial sector*: Other receivables = Call money market advances + Bonds + Other financial institution receivables. Other liabilities = Call money market deposits + Other financial institution claims.

Corporate sector: Receivables = New export bills + Financing of suppliers' credits + Other corporate receivables + Bonds.

Liabilities = Investment deposits + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Other corporate claims.

DEPOSITS BY THE PUBLIC — ADVANCES TO THE PUBLIC — MONEY SUPPLY

Figures for deposits and advances are supplied by the Central Statistical Office. From the beginning of 1974 the figures include deposits by and advances to other credit institutions.

Page 6. *Cheque accounts in all credit institutions* relates to commercial banks, savings banks and co-operative banks.

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

From 1974 the money supply includes estimates of Finnish notes and coins held by the savings and co-operative banks. Exact figures are not available.

STATE FINANCES

Page 8. Official figures computed by the Economic Department of the Ministry of Finance. First date of publication: Bulletin No. 8, 1968. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations. Index-tied bond loans are taken at nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to Postipankki less cash holdings (net) of State departments and funds.

FOREIGN TRADE

Pages 9—11. Figures supplied by the Board of Customs. *Indices* (p. 9). The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries* (p. 11): imports by countries of purchase exports by countries of sale.

BALANCE OF PAYMENTS

Pages 12—13. Figures are calculated by the Bank of Finland. In addition to the Board of Customs figures, exports include grants in kind but exclude stevedoring expenses and imports include seamen's duty-free imports, non-monetary gold, grants in kind and adjusted allowance for smuggling.

PRICE INDICES

Page 14. All indices calculated by the Central Statistical Office.

WAGES — PRODUCTION

Pages 15—16. Figures supplied by the Central Statistical Office.

Page 16. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: Investment goods weight 7.0, other producer goods weight 67.0 and consumer goods weight 26.0. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.8, manufacture of wood, and wood and cork products (SIC 311-2) 8.0, manufacture of paper and paper products (SIC 341) 15.2, manufacture of industrial chemicals (SIC 351-2) 5.2, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 361-9) 3.6 and metal industry (SIC 37-38) 25.9.

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — TRAFFIC — CONSTRUCTION OF BUILDINGS

Page 17. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Ministry of Labour. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Construction of buildings* figures calculated by the Central Statistical Office.

SYMBOLS USED

- Preliminary
- r Revised
- 0 Less than half the final digit shown
- . Logically impossible
- .. Not available
- Nil
- S affected by strike

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. Mr. Urho Kekkonen has been President for three 6-year periods. His last term of office was extended by four years and will end on March 1, 1978.

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1975 is as follows: Social Democrats 54, People's Democrats 40, Centre Party 41, Conservatives 34, Swedish Party 10, Liberal Party 8, Christian League 9, Finnish Farmers Party 2 and Finnish People's Constitutional Party 2.

INTERNATIONAL ORGANIZATIONS

Finland became a member of BIS 1930, IMF 1948, IBRD 1948, GATT 1950, UN 1955, IFC 1956, IDA 1960, EFTA 1961, ADB 1966, OECD 1969, and IDB 1977.

LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. Of the land area (1970) 2.7 mill. ha (9.6 %) are cultivated and 19.1 mill. ha (68.4 %) are covered by forests.

OWNERSHIP OF LAND (1970): The total land area was distributed among different classes of owners approximately as follows: private 60.7 %, State 29.4 %, joint stock companies etc. 8.0 %, municipalities and parishes 1.9 %.

POPULATION

NUMBER OF INHABITANTS (1975): 4.7 million. Sweden 8.2, Switzerland 6.4, Denmark 5.1 and Norway 4.0 million.

DENSITY OF POPULATION (1975): In South Finland 46.1, in East and Central Finland 13.3, in North Finland 4.0 and in the whole country an average of 15.5 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1975): 41 % of the population inhabit the rural areas, 59 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 496 872 inhabitants, Tampere (Tammerfors) 165 928, Turku (Åbo) 163 981.

EMPLOYMENT (1975): Agriculture and forestry 15 %, industry and construction 36 %, commerce 16 %, transport and communications 7 %, services 26 %.

LANGUAGE (1974): Finnish speaking 93.3 %, Swedish speaking 6.5 %, others 0.2 %.

EDUCATION (1976): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 12 colleges of university standard.

CHANGE OF POPULATION (1975): births 14.1 ‰, deaths 9.4 ‰, change + 3.8 ‰, net emigration 0.9 ‰. Deaths in France 10.4 ‰ and Great Britain 11.9 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1976, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 407 (6 %), forestry and fishing 4 950 (5 %), manufacturing 31 509 (31 %), construction 9 233 (9 %), transport and communication 10 849 (11 %), commerce, banking and insurance 13 585 (14 %), public administration 5 264 (5 %), ownership of dwellings 3 639 (4 %),

services 15 581 (15 %), total 101 017. Index of real domestic product 162 (1964 = 100).

FOREST RESOURCES (1975): The growing stock comprised of 1 513 million m³ (solid volume with bark), of which 44 % was pine and 38 % spruce, the remaining 18 % being broad-leaved trees, chiefly birch. Of the growing stock, 656 million m³ was up to the standard required for logs, 55 % of these being pine. The annual growth was 57.5 million m³ and the total removal, calculated on the basis of roundwood consumption, was 40.1 million m³.

AGRICULTURE (1975): Cultivated land 2.5 million hectares. Number of holdings 248 700, of which 167 800 are of more than 5 ha. Measure of self-sufficiency in bread cereals 133 % in the crop year 1975/76.

INDUSTRY (1975): Gross value of industrial production 89 210 mill. marks, number of workers 410 181, salaried employees 132 074, motive power (1975) 6.7 mill. kW. Index of industrial production 127 for 1975 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1977): Length 5 920 km.

MERCHANT FLEET (June 30, 1977): Passenger vessels 118 (197 669 gross reg. tons), tankers 53 (1 159 495 gross reg. tons), dry cargo vessels 207 (845 343 gross reg. tons), other vessels 62 (9 863 gross reg. tons), total 440 (2 212 370 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1976): Passenger cars 1 032 900, lorries and vans 132 700, buses 8 800, others 7 100, total 1 181 500.

FINNISH AIRLINES (April 1, 1977): Finnair and Kar-Air have in use 4 DC-8, 1 DC-6-ST, 8 Super Caravelles, 9 DC-9s, 5 DC-9-51s, 2 DC-10-30 and 5 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 32 airports and to 20 domestic airports.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The permissible range of fluctuation is 2.25 per cent on either side of the arithmetic mean. The fluctuation limits are 112.0 and 107.1, and on Nov. 1, 1977 the index figure was 109.8 (1974=100).

THE CENTRAL BANK. The Bank of Finland (estab. 1811) functions under the guarantee and supervision of Parliament. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns. OTHER CREDIT INSTITUTIONS (Dec. 31, 1976). There are two big and five small commercial banks with in all 856 offices, 280 savings banks 380 co-operative banks, six mortgage banks, Postipankki and five development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-nine private insurance companies also grant credits.

RATES OF INTEREST (Oct. 17, 1977). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 8 ¼ %. The range of rates for other credits granted by the Bank of Finland is between 6 ½ and 9 ½ %. Other credit institutions term deposits 4 ¼ %; 6 month deposits 5 ¼ %; 12 month deposits 6 ½ %; 24 month deposits 7 ½ %; 36 month deposits 8 ¼ % + savings premium; 36 month deposits 8 ¼ % + tax concession. The highest lending rate 11 ½ %.

PAYMENT ARRANGEMENTS BETWEEN FINLAND AND THE SOCIALIST COUNTRIES

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THE INTRODUCTION OF CLEARING ARRANGEMENTS BETWEEN FINLAND AND THE SOCIALIST COUNTRIES

The clearing system is still used in Finland's trade with seven East European Socialist countries¹ and the People's Republic of China. Clearing agreements were in general use in Europe from the 1930s until the 1950s, but nowadays they are mainly used in payment arrangements between the developing countries and the Socialist countries. As a rule, trade between the Socialist and market economies is paid for in freely-convertible currencies. In Finland, since the liberalization of Western trade in the 1950s, clearing accounts have been used only in payment arrangements with the Socialist countries, so the clearing system is now often regarded as a feature peculiar to Eastern trade.

In Western Europe there have been two main reasons for using clearing agreements: the need to protect a country's export interests, and a shortage of freely-convertible currencies. From the point of view of the Socialist economies in Europe, a third reason should also be mentioned: the benefits brought to the planning of foreign trade by the bilateral trade agreements which are closely related to clearing arrangements. In addition, the trade and payments agreements used in East—West trade have provided opportunities for both parties to control their trade and payment flows in a centralized way. These have also been the reasons for introducing clearing arrangements between Finland and the Socialist countries.

The first payments agreement between Finland and the U.S.S.R. was concluded in 1940, when bilateral payment systems were in general use. In 1945 and 1946 the agreements on the exchange of goods between the two countries were concluded on a compensatory basis. In the Agreement on the Exchange of Goods and Payments signed in 1946, the clearing system, which was prevalent at that time, was again applied to payments between Finland and the U.S.S.R. The first Long-Term Trade Agreement between Finland and the U.S.S.R. — the first of its kind between a Socialist economy and a market economy — was concluded in 1950. Payment arrangements made up part of this trade agreement, which has been renewed for five-year periods.

When the first and second long-term agreements were concluded payment arrangements between Finland and the U.S.S.R. followed the generally prevalent practice. The continuation of the clearing system into the 1970s has, to an increasing extent, been due to special factors: from Finland's point of view the most important of these have been the arrangements made for financing trade and the concern about the development of exports if the clearing system were to be discontinued.

In the late 1940s and the early 1950s, similar payments agreements were drawn up between Finland and the East European Socialist countries other than the U.S.S.R., and between Finland and the People's Republic of China. However, these were not connected with long-term trade agreements, but the original agreements, revised from time to time, have been in force since then.

¹ Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania and the U.S.S.R.

From the middle of the 1950s, the International Monetary Fund has consistently recommended its members to abolish mutual clearing accounts. Moreover, attempts have been made to curb the number of clearing accounts kept between members and non-members, including the Socialist countries. As a justification it has been claimed that the clearing system places limits on the development of trade between the two countries and it involves discrimination against third countries. However, it is argued that the payment arrangements between Finland and the Socialist countries do not discriminate against third countries, but are primarily effective in ensuring a balanced development of trade.

THE PAYMENTS AGREEMENTS BETWEEN FINLAND AND THE SOCIALIST COUNTRIES AND THEIR APPLICATION

All the payments agreements between Finland and the Socialist countries are bilateral clearing agreements, according to which the parties concerned cease to use convertible currencies in their mutual payments and agree that export earnings can only be used to cover payments for imports from the other party. And so these earnings cannot be used for purchases from any third country.

According to the agreements, all payments are effected through banks keeping centralized clearing accounts. In Finland the clearing accounts are kept by the Bank of Finland and in the Socialist countries usually by foreign trade banks. Hungary is exceptional with the clearing account kept by the Hungarian National Bank. In certain cases, a banking agreement has been concluded between the banks keeping clearing accounts; this specifies the practical matters relating to the transfer of payments.

In practice, clearing payments in Finland are effected through the authorized banks. The Bank of Finland has granted permits to certain authorized banks to open a sub-account of the clearing account. These banks are obliged to

submit regular reports on the payments effected through these accounts to the Bank of Finland. From the point of view of the trading enterprises, the clearing system is not very different from other foreign payment arrangements.

The table on page 22 shows the accounting currencies, credit limits, balancing practices and other details involved in the clearing agreements between Finland and the Socialist countries.

In order to maintain flexibility in trade and payment flows, it has been necessary, on several occasions, to revise the articles of the payments agreements. These revisions have generally been concerned with the units of currency used or with the account-holding banks. In some agreements, the credit limits on clearing accounts have been raised several times, but the payments agreements have preserved their restrictive and centralized nature.

The ratio of the credit limit on a clearing account to the volume of payment flows varies according to country. This ratio is highest in Finland's agreements with the People's Republic of China, and Bulgaria — in 1976 19.1 per cent and 10.0 per cent respectively of the Finnish expenditure on the respective current accounts. The ratio was lowest in the case of Romania at only 3.4 per cent in 1976. The credit limit of 50 million roubles between Finland and the U.S.S.R. was, in 1976, only 4.9 per cent of the Finnish expenditure on the current account between the two countries. At the beginning of 1977, the credit limit was raised to 100 million roubles.

If the balance on a clearing account exceeds the credit limit, the creditor country is, under some of Finland's payments agreements (with the U.S.S.R., Hungary and Bulgaria), entitled to restrict its exports to the debtor country or to require freely-convertible currencies for the balance in excess of the credit limit. Particularly since the middle of the 1960s, such actions have not been taken, and the balances have been allowed to exceed the credit limits so as not to curb the development of trade. When

FINLAND'S CLEARING PAYMENTS AGREEMENTS

Country	Year of the signing or revision of the payments agreements ¹	Accounting unit	Credit limit	Credit limit as a percentage of Finland's expenditure on its current account with the country concerned in 1976	Stipulations concerning the exceeding of the credit limit	Special arrangements
Bulgaria	1948 (1954 and 1965)	Clearing US dollar	700 000 clearing dollars	10.0	If the balance exceeds the credit limit, the government of the creditor country is entitled to restrict the granting of permits to export to the debtor country.	
China (People's Republic of China)	1953 (1967, 1968, 1977)	Clearing mark	8 400 000 clearing marks	19.1	Whenever the balance exceeds the credit limit, the debtor country can take special measures. If the balance is not reduced below the credit limit within four months, the debtor country must, on demand, pay the balance in excess of the credit limit in convertible currencies.	The account-holding banks agree on the assessment of the value of the balance and on the principles and practices to be used in revisions following changes in the external value of the Finnish mark.
Czechoslovakia	1959 (1965, 1966, 1970)	US dollar				The clearing payments agreement remains in force; since 1970 there have been experiments with payments in convertible currencies, agreed upon annually.
German Democratic Republic	1959	Clearing US dollar	2 500 000 clearing dollars	6.8	If the balance exceeds the credit limit continuously for three months, the debtor party is obliged to pay the balance in excess of the credit limit in freely-convertible currencies.	
Hungary	1948 (1954, 1955, 1968)	Clearing US dollar	2 000 000 clearing dollars	5.9	If the balance on a clearing account exceeds the credit limit, the creditor country is entitled to restrict the granting of export permits, to the extent that is necessary for reducing the debt to below the credit limit. The debtor bank may, however, pay the balance in excess of the credit limit in gold or in convertible currencies.	
Poland	1947 (1948, 1959, 1970)	US dollar				The clearing payments agreement remains in force. Since 1970 there have been experiments with payments in convertible currencies, agreed upon annually.
Romania	1951 (1968)	Clearing rouble	360 000 clearing roubles	3.4	If the balance at the end of the year exceeds the credit limit, the debtor pays the balance in excess of the credit limit in freely-convertible currencies (since 1968).	
U.S.S.R.	In 1975 for the period 1976—1980 (1976)	Clearing rouble	50 000 000 clearing roubles 100 000 000 clearing roubles (effective from 1977)	4.9 9.8	The governments will use measures to eliminate the balance in excess of the credit limit within three months. If this does not happen during the following three months, the creditor country may suspend its exports or require payment in convertible currencies.	

¹ Only revisions concerning the substance of payments agreements are taken into account.

Finland has been the creditor, it has tended to promote imports from the country concerned.

The payments agreement between Finland and the German Democratic Republic stipulates that freely-convertible currencies must be used

in a situation of imbalance. However, payments in freely-convertible currencies have not been effected in practice. On two occasions the balance on the clearing account between Finland and the People's Republic of China has remained above the credit limit for so long that

balancing payments have been used. On the first occasion, in July 1974, Finland paid 52 million marks to China and on the second occasion, in January 1977, China paid 25 million marks to Finland in freely-convertible currencies.

At the beginning of 1967 Finland started an experimental arrangement with Czechoslovakia under which the balance in excess of the credit limit was paid quarterly to the creditor bank in freely-convertible currencies. In 1968 Finland and Romania agreed upon an arrangement whereby the debtor country pays the balance due in excess of the credit limit on the last day of the year in freely-convertible currencies.

At the beginning of 1970, it was decided that these experiments with freely-convertible currencies would be extended. It was then agreed with Poland and Czechoslovakia that payments would be effected in freely-convertible US-dollars. In order to maintain the control of payment flows however, it was agreed that all payments would continue to be settled through the Bank of Finland and banks responsible for foreign payment transactions in the other country. The Payments Agreement concluded with Poland in 1947 and that concluded with Czechoslovakia in 1959 continued to be in force. Finland has renewed this experimental arrangement with both of these countries for one year at a time.

From the point of view of their practical application, the payment arrangements between Finland and the Socialist countries can be divided into three different categories: the traditional »pure» clearing system, the flexible clearing system and the centralized system with freely-convertible currencies.

The clearing system is applied in its purest form to the payment flows between Finland and the U.S.S.R.; where the five-year and one-year lists of goods to be exchanged provide a guideline to help attain a payments balance. Attempts have been made to avoid exceeding the credit limits by expanding deliveries of goods to the corresponding extent. The payment arrange-

ment between Finland and the People's Republic of China is very similar. With the People's Republic of China, Finland has also tried to draw up the lists of goods to be included in the annual trade agreements so as to achieve a payments balance.

Finland's payment arrangements with the German Democratic Republic, Hungary, Bulgaria and Romania represent the so-called flexible clearing system. The interpretation of the payments agreements has been flexible mainly in the sense that the balance has been allowed to be substantially in excess of the credit limits. Moreover, in such cases deliveries have also been effected against payments in freely-convertible currencies.

The experiments with freely-convertible currencies implemented with Poland and Czechoslovakia represent the so-called centralized system of freely-convertible currencies. Under this system, the accounts continue to be centralized but the balances on the accounts are freely transferable and convertible into other currencies, in accord with the account-holder's directions. It can be claimed that, in this form, a payments agreement is still centralized but not restrictive.

Originally, the clearing payments system was created for the mutual settlement of cash payments between two countries. During the long period for which the system has existed in Finland, it has become necessary to depart from the cash payment principle. Hence, deliveries of goods which are effected partly on credit have also been paid through the clearing accounts. On the other hand, Finland has in practice fairly strictly adhered to the principle that Finnish export goods to be paid for through a clearing account must be almost totally of Finnish origin.

Payments between Finland and the Socialist countries are most often effected in freely-convertible currencies when the reason for payment does not come within the scope of the payments agreement. However, payments in freely-convertible currencies play an insignifi-

cant role. The following are typical cases in which freely-convertible currencies are used: some payments for imports of goods in excess of the quota agreed upon; export goods with a substantial proportion of imported inputs; charges for transports between the trading countries concerned and third countries; large single projects which would obviously induce prolonged imbalance on the clearing account; and payments for trade with certain, partly foreign-owned joint ventures in the Socialist countries.

TRADE AGREEMENTS BETWEEN FINLAND AND THE SOCIALIST COUNTRIES AND THE RELATED BALANCING MECHANISM

Finland's agreements on payments and the exchange of goods with the U.S.S.R. and the People's Republic of China still represent the traditional trade agreement and payment system. Trade agreement practices between Finland and other Socialist countries have undergone substantial changes in the 1960s and 1970s.

The balanced lists of goods, which include quotas, constitute an essential part of the five-year agreements on payments and the exchange of goods between Finland and the U.S.S.R. These are specified in more detail in the annual protocols on the exchange of goods.

The negotiating and balancing mechanism related to the trade between the two countries can be outlined, from Finland's point of view, as follows: the quotas in the five-year trade agreements are primarily based on long-term export contracts and estimates of export prospects of the heavy metal industry, mainly shipbuilding, and on long-term import contracts and estimates of future needs concerning crude oil and oil products. Other additional exports are estimated mainly on the basis of the growth prospects for Finnish imports from the U.S.S.R.

In annual negotiations on the exchange of goods, the quotas are specified to correspond

to the situation prevailing in each year. If balance has not been attained in the previous year's exchange of goods, and one party has a receivable on the clearing account, it will be taken into account in the negotiations on the next year's exchange of goods. Under the five-year agreements there is thus not only an attempt to reach a balance in the exchange of goods during the five-year period, but also, in practice, during each year.

The long-term contracts for machinery and ships are also the basis for the annual protocols. Normally, when the trade agreement for a particular year is being negotiated, some delivery contracts have already been concluded for that year. Negotiations between individual enterprises on delivery contracts for other exports are often started after the annual trade negotiations, so they are affected by the previous year's import and payment situation.

The balance of payments between Finland and the U.S.S.R. is also affected significantly by the capital flows (import credits, export prepayments and, in certain cases, direct capital transfers) through the clearing account. In the process of achieving a balance it is important to note that such capital flows are not fixed by negotiation. Accordingly, the exchange of goods has been adjusted whenever substantial receivables have emerged on the clearing account. Whenever it has become obvious that a balance of payments cannot be reached on the basis of the annual protocol, an additional protocol has sometimes been prepared, 1974 being the most recent year. However, such adjustment has not always been sufficient to reach a balance of payments.

Unlike Finland's trade agreements with the U.S.S.R., its long-term agreements with other East European Socialist countries only provide a broad outline of trade. Apart from the agreement concluded with Czechoslovakia, they do not include detailed lists of goods but only general remarks on the balanced development of trade. Finland has not concluded a long-term trade agreement with the People's Republic of China.

Up to the 1960s, annual trade agreements between Finland and these countries played an important role in the regulation of the clearing accounts. The protocols on the exchange of goods included detailed import and export quotas. However, the quotas were not always fully met and the balances on the clearing accounts increased. On the other hand, the Finnish authorities were to a certain extent able to estimate and regulate the payment situation on the clearing accounts by means of the quotas.

The liberalization of imports from the East European Socialist countries during the 1960s involved a gradual removal of quantitative restrictions. Because of this, the number of import and export quotas included in the annual protocols declined. Apart from the U.S.S.R., the quotas included in the protocols are only important for the payments balance between Finland and the People's Republic of China. So far, the annual protocols concluded between Finland and Poland have also included quotas. However, during the experiment with freely-convertible currencies in the 1970s, the trade and payment flows between these countries have not been balanced. It has often been necessary to draw up the lists of goods so that imports have exceeded exports. Even the payment flows between Finland and Romania have shown very large deficits for Finland during the last ten years, which suggests that the use of quotas has not, even in this case, helped to attain balance in trade and payment flows.

At the beginning of the 1970s, Finland concluded so-called »Agreements on the Reciprocal Removal of Obstacles to Trade» with Bulgaria, Hungary, Czechoslovakia and the German Democratic Republic. A similar agreement with Poland was signed in 1976, but it is not yet in force.¹ In these agreements, the removal of obstacles to trade means a gradual reciprocal removal of Customs duties and an abolition of quantitative restrictions.

However, the agreements on the removal of obstacles to trade have not altered the bilateral nature of the trade, and joint commissions continue to examine the expansion and balance of trade. The joint Commission of Finland and Czechoslovakia even draws up a broad outline of the lists of goods and the growth prospects for imports and exports are estimated on the basis of these. The reason for this is that Czechoslovakia has not been able — due to its application of nominal tariffs — to guarantee Finland reciprocal tariff reductions. At present, the matters related to reciprocity are examined annually by joint commissions. The agreements on the removal of obstacles to trade have not affected valid bilateral payments agreements, which remain in force between the countries concerned.

The trade agreement systems applied between Finland and the Socialist countries give the Finnish authorities very limited scope for affecting the balance of trade. For this reason too, Finland has been unwilling to adhere strictly to the payments agreements, but adopted a flexible practice which provides scope for the dynamic development of trade. Primarily, the development of trade depends on Finnish enterprises and their trading partners in the Socialist countries.

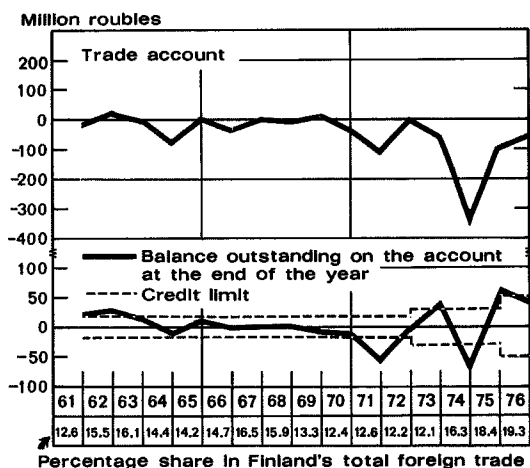
THE BALANCE OF TRADE AND PAYMENTS BETWEEN FINLAND AND THE SOCIALIST COUNTRIES IN 1961—1976

The charts below show the development of trade and payments between Finland and the Socialist countries in 1961—1976. In examining the charts, it should be remembered that the data on balances outstanding describe the position on the last day of the year. However, in the course of the year, there may have been large fluctuations, which are referred to in the text but which cannot be seen in the charts.

Of Finland's Socialist trading partners, the U.S.S.R. is definitely the most important: in 1976 it accounted for 20 per cent of total Finnish imports and for 19 per cent of total

¹ Finland had granted the same tariff reductions to the U.S.S.R. as to the EFTA countries in the Customs Treaty concluded in 1961.

CHART 1. THE TRADE ACCOUNT BETWEEN FINLAND AND THE U.S.S.R., THE BALANCE OUTSTANDING ON THE CLEARING ACCOUNT AT THE END OF THE YEAR, AND CREDIT LIMITS (IN CLEARING CURRENCIES) IN 1961—1976



exports. Of the other Socialist countries, Poland is Finland's second largest trading partner, accounting for between one and two per cent of Finland's foreign trade. The shares of the other Socialist countries in both Finland's exports and imports amount to less than one per cent. As Finland's trade with the Socialist countries other than the U.S.S.R. is so small, the trade account is considerably affected by any fairly large projects, so it is not very easy to attain a balance in the clearing accounts.

During 1961—1976, Finland has mostly run a deficit on its trade account with the U.S.S.R. In the 1960s, the deficit amounted, on average, to 10 per cent of Finnish imports from the U.S.S.R. In the 1970s, the deficit has grown, amounting, on average, to 18 per cent of Finnish imports from the U.S.S.R. There have been substantial annual fluctuations in the trade account. However, the trade account figures only give an approximation to the exchange of goods between the two countries, because imports expressed on a c.i.f. basis include some invisible items. In the case of transports carried out by means of transportation that is not Soviet-owned, items which do not belong in any way to the balance of payments between the two countries are included. Because raw materials are dominant in Finnish

imports from the U.S.S.R., the share of freight in imports is significant: on average, 3.4 per cent of the total value of imports in 1970—1974. If imports were expressed on an f.o.b. basis, Finland's trade account deficit would be that much less.

The statistics on the trade account between Finland and the U.S.S.R. based on the Foreign Trade Statistics are the only official data on the trade between the two countries. In connection with the annual negotiations on the exchange of goods, it has been often emphasized in public that it is difficult to expand Finnish exports to the U.S.S.R., because it is not possible to increase imports to a corresponding extent. When discussing the export surplus or export pressures, it has usually not been mentioned that the situation on the clearing account has been implied. In addition to payments, for goods, »exports», or the credit-side of the clearing account, has included capital imports and earnings from the export of services.

In the export and import of services, freight and insurance charges constitute the most important items. In the early 1960s and the 1970s, the payments for construction works carried out in the U.S.S.R. have increased Finland's invisible earnings.

The total of Finland's deficits on the current account with the U.S.S.R. during the 1960s was 2.5 per cent of its total expenditure on that account. From 1971 to 1976, because of the increase in the trade deficit, the current account has, on average, been in deficit by 14 per cent.

The deficit on the current account between Finland and the U.S.S.R. has been financed by the inflow of both short-term and long-term capital from the U.S.S.R. During the period under review, the inflow of capital has exceeded the current account deficit, resulting in a surplus on the overall balance. This has increased Finland's receivable on the clearing account and the tied foreign exchange reserves.

In the 1960s, the inflow of long-term capital

from the U.S.S.R. consisted mainly of a financial loan of 112 million roubles granted by the U.S.S.R. in 1959; this loan was designed to be used for financing purchases from the U.S.S.R. In the 1970s, the U.S.S.R. has granted long-term loans, among other things, for the purchase of Soviet equipment for the atomic powerplant built at Loviisa. In addition, two to four-year supplier's credits have been obtained for the acquisition of various Soviet machinery and equipment. The inflow of capital from the U.S.S.R. has also included the share capitals of Finnish-Soviet joint ventures paid through the clearing account and the loans granted by the parent companies of these joint ventures.

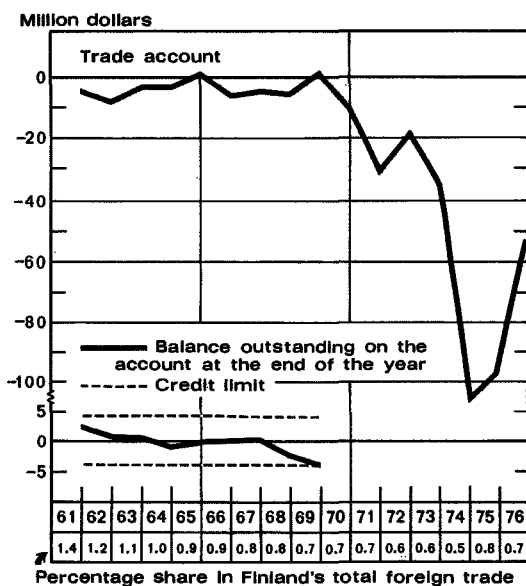
During this period, Finland did not grant any long-term loans to the U.S.S.R. On December 31, 1976, Finland's long-term debt to the U.S.S.R. amounted to about 950 million marks, about 175 million roubles. A substantial part of the short-term credits granted by the U.S.S.R. to Finland consists of export prepayments to Finnish enterprises.

The year-end balance on the clearing account between Finland and the U.S.S.R. was at its largest, relative to the corresponding current account expenditure, in the early 1960s. In absolute terms, the largest receivables and liabilities on the clearing account have, however, appeared in the 1970s.

The credit limits agreed upon have been exceeded in the 1960s and to a greater extent in the 1970s. The raisings of the credit limits from the beginning of 1973 have only given official confirmation to previous developments. It is, however, true that the credit limits on the clearing account have been set at a low level compared with the volume of trade between the two countries.

The goal of a balance in bilateral payment flows has been more or less achieved, excluding certain short exceptional periods, as the balance on the clearing account — which measures the degree of equilibrium — has remained quite reasonable in relation to the volume of trade.

CHART 2. THE TRADE ACCOUNT BETWEEN FINLAND AND POLAND, THE BALANCE OUTSTANDING ON THE CLEARING ACCOUNT AT THE END OF THE YEAR, AND CREDIT LIMITS (IN CLEARING CURRENCIES) IN 1961—1976



The trade between Finland and POLAND was well-balanced but stagnant during the application of the clearing system in the 1960s. After the experiments with freely-convertible currencies were started in 1970, a sharp change took place. Throughout the 1970s, Finland's trade with Poland has shown a deficit. The debt reached a peak of 100 million dollars in 1974, when the total value of Finnish exports to Poland was 47 million dollars. This imbalance of trade was largely caused by the increase in the price of coal, which accounts for a large proportion of Finland's imports from Poland. Moreover, the volume of coal imported from Poland has increased since the energy crisis. On the other hand, Finland's export promotion in the Polish market has not induced the desired growth of Finnish exports. The deficit on the current account is slightly less because of invisible earnings from Poland. The balance-of-payments deficit has been further increased by long-term export credits granted by Finland during 1974—1976.

Finland's visible trade with the GERMAN DEMOCRATIC REPUBLIC has mostly been in

CHART 3. THE TRADE ACCOUNT BETWEEN FINLAND AND GERMAN DEMOCRATIC REPUBLIC, THE BALANCE OUTSTANDING ON THE CLEARING ACCOUNT AT THE END OF THE YEAR, AND CREDIT LIMITS (IN CLEARING CURRENCIES) IN 1961—1976

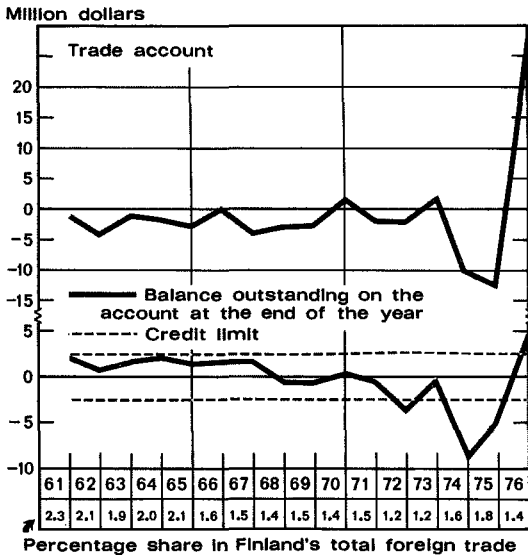
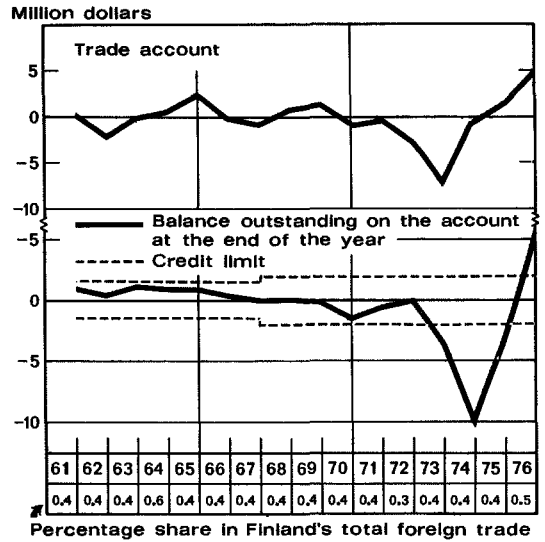


CHART 4. THE TRADE ACCOUNT BETWEEN FINLAND AND HUNGARY, THE BALANCE OUTSTANDING ON THE CLEARING ACCOUNT AT THE END OF THE YEAR, AND CREDIT LIMITS (IN CLEARING CURRENCIES) IN 1961—1976

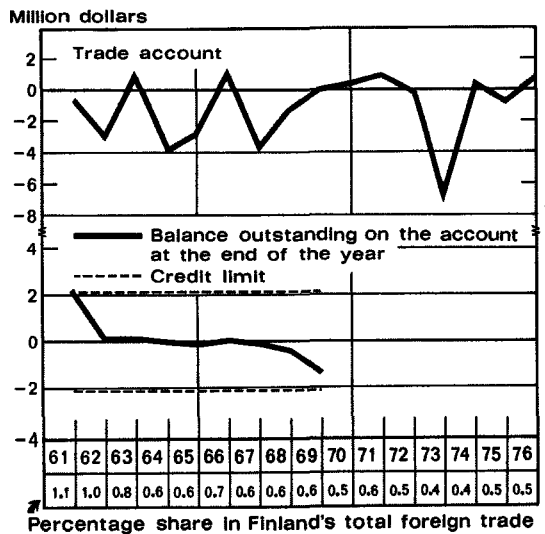


deficit in the 1960s and the 1970s, but this has been offset by a surplus in invisible trade. Any remaining deficit on the current account in certain years, has been financed by short-term and long-term capital. In the 1960s and the early 1970s, the clearing account between the two countries showed a receivable to Finland, which sometimes approached the credit limit of 2.5 million dollars. In 1972 the account showed a liability to Finland, which remained on the account until the end of 1976 and amounted, at its largest, to 11 million dollars. At the end of 1976, Finland's liability turned into a receivable which exceeded the credit limit.

In the 1960s, the trade and clearing accounts between Finland and HUNGARY remained fairly well-balanced. During the first three years of the 1970s, the trade and current accounts showed deficits to Finland. Finland's deficit on the clearing account exceeded the credit limit of 2 million dollars a few times in 1970—1972. From 1973 Finland's liability grew vigorously and was further increased by export credits granted in 1974, so that at its largest in 1975

it was five times the credit limit. In 1975, Finland had a surplus on the overall balance, which changed Finland's clearing account liability into a receivable in 1976.

CHART 5. THE TRADE ACCOUNT BETWEEN FINLAND AND CZECHOSLOVAKIA, THE BALANCE OUTSTANDING ON THE CLEARING ACCOUNT AT THE END OF THE YEAR, AND CREDIT LIMITS (IN CLEARING CURRENCIES) IN 1961—1976



During the experiments with freely-convertible currencies in the 1970s, the payment flows between Finland and CZECHOSLOVAKIA have been surprisingly well-balanced, in fact slightly better than when the clearing system was applied. However, the trade account showed a relatively large deficit in 1973, but the payment flows were balanced, because there was a compensating net inflow of short-term capital from redemptions of export credits. Since the tools available to the Finnish authorities were not sufficient to attain a balance, it appears that the Czech authorities took care of the payments balance. During the first years of the experiments with freely-convertible currencies in the early 1970s, Czechoslovakia's share in Finland's foreign trade declined. However, the situation has improved in 1975 and 1976. It seems that the experiments have not stimulated trade to the desired extent.

Since 1968, Finland's trade with ROMANIA has shown a continual deficit. Due to the balancing procedures used under the payments system, between 1968 and 1976, about 50 per cent of Finland's expenditure on imports from Romania has been paid in freely-convertible currencies. The use of the balancing pro-

CHART 6. THE TRADE ACCOUNT BETWEEN FINLAND AND ROMANIA, THE BALANCE OUTSTANDING ON THE CLEARING ACCOUNT AT THE END OF THE YEAR, AND CREDIT LIMITS (IN CLEARING CURRENCIES) IN 1961—1976

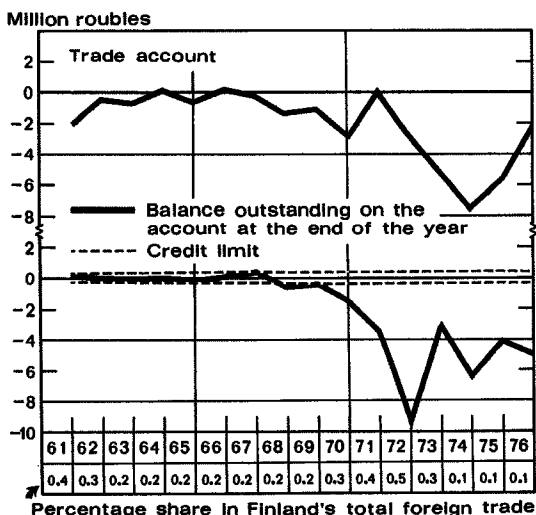
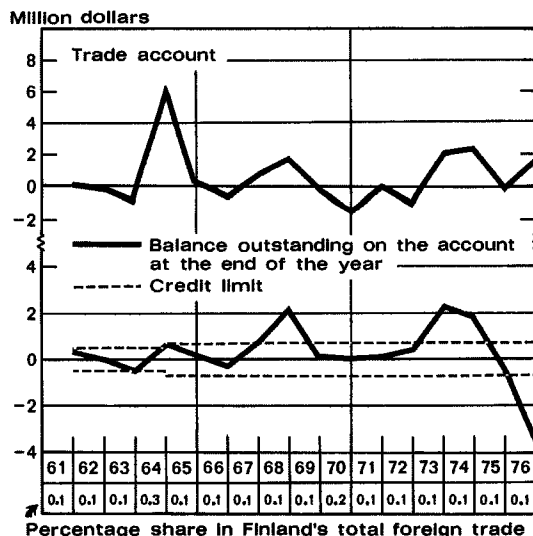


CHART 7. THE TRADE ACCOUNT BETWEEN FINLAND AND BULGARIA, THE BALANCE OUTSTANDING ON THE CLEARING ACCOUNT AT THE END OF THE YEAR, AND CREDIT LIMITS (IN CLEARING CURRENCIES) IN 1961—1976

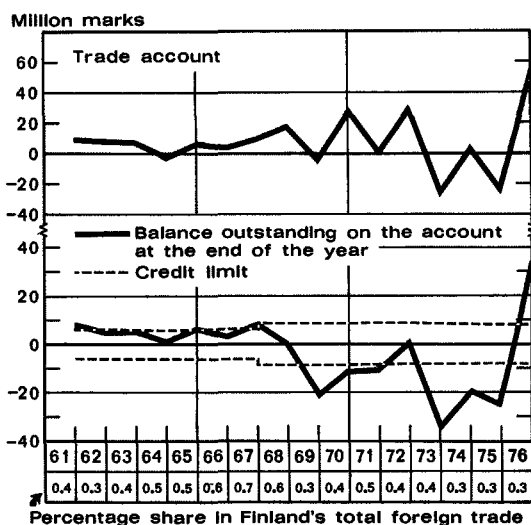


cedures has led to unusual situations. For example, in 1970—1974 import and export deliveries were almost equal, but Finnish exports to Romania consisted mainly of machinery and equipment for which export credits had been granted. In addition, Finland granted short-term credits to Romania, so that the payments balance showed a distinct deficit to Finland. However, in accordance with the balancing procedure, Finland paid the annual deficits in freely-convertible currencies.

The trade between Finland and BULGARIA has been rather small, and the trade account is therefore particularly affected by large individual transactions. Even in this case, it has not been possible to maintain the balance within the credit limits. In 1970 Finland had a liability in excess of the credit limit which turned into a receivable in the same year. This receivable remained on the account until the end of 1975. Since then, Finland has had a liability, which at the beginning of 1977 was five times the credit limit. Finland has not so far granted any long-term export credits to Bulgaria.

Finland's trade with the PEOPLE'S REPUBLIC

CHART 8. THE TRADE ACCOUNT BETWEEN FINLAND AND PEOPLE'S REPUBLIC OF CHINA THE BALANCE OUTSTANDING ON THE CLEARING ACCOUNT AT THE END OF THE YEAR, AND CREDIT LIMITS (IN CLEARING CURRENCIES) IN 1961—1976



OF CHINA has mostly shown a surplus. Notwithstanding, the clearing account has mostly shown a liability on Finland's side. Long-term credits are not used in this trade, but the deficit on the clearing account is caused by the re-export of raw materials purchased from China. The re-exported raw materials are shipped directly to third countries, and they are thus not shown on the trade account between Finland and China, but the payments for them are made through the clearing account.

PROPOSALS FOR THE ABOLITION OF THE CLEARING PAYMENTS SYSTEM

As Finland's trade with the West has become increasingly multilateral since the 1950s, it has often been suggested that the payments basis of Finland's Eastern trade should be revised. Following Finland's devaluation in 1957, Finland's receivables from the Socialist countries became very large. At that time, Finland suggested to some of her clearing-account partners the possibility of introducing freely-convertible currencies in the payment flows. However, the subject was postponed. In the early 1960s, the payment situation was changed so that even

Finland started to doubt the desirability of the change. Subsequently, all Finland's East European CMEA trading partners have, on various occasions, proposed a shift-over to payments in freely-convertible currencies.

The abolition of the clearing payments system in the payments between Finland and the U.S.S.R. has been the subject of discussions since the latter half of the 1960s. In recent years, the proposals for the revision of the system have been presented by the Soviet side. So far, Finland's opinion has been that there is no reason to start revising the system, unless both parties can be fully convinced that the revision will have a favourable impact on trade. This basic assumption has been approved by the U.S.S.R. In fact, in the negotiations on the trade agreement for 1976—1980, it was decided that the present payments system would be kept unchanged until 1980, «unless the parties decide otherwise before that year».

In the Long-Term Programme for Co-operation between Finland and the U.S.S.R. until 1990, signed in May of this year, it is stated that «the Parties will aim at developing further mutual payments arrangements, modes of payment and credit relations, and provided that each Party is interested to examine the possibilities of shifting over to payments in freely-convertible currencies».

Before 1970 the payments arrangements between Finland and the Socialist countries other than the U.S.S.R. had already been partly amended to be more liberal. Finland agreed with Romania that the balance in excess of the credit limit would be paid annually in freely-convertible currencies. The most liberal line was assumed in the agreements with Poland and Czechoslovakia — tentatively the payments are effected in freely-convertible currencies, but through centralized accounts. The continuation of the experiments is being decided annually.

At the beginning of the 1970s, the payment basis continued to be an important subject in the negotiations between the countries. After the great changes undergone by the Western

foreign exchange system and particularly the uncertainty caused by the energy crisis, the subject has, however, been discussed less often. Poland and Czechoslovakia have proposed that the experiments with freely-convertible currencies should be made permanent, or that unrestricted convertible-currency payments, i.e.

a fully multilateral payments system, should be introduced. Other Socialist countries have also proposed that a convertible-currency basis should be assumed in payments. However, in payments arrangements, Finland has wanted to follow, in principle, a uniform pattern with all the Socialist countries.

ITEMS

Finland's balance of payments in January

—June 1977. According to the Bank of Finland's preliminary figures, the current account showed a deficit of 1 245 million marks for the first half of this year, as against a deficit of nearly 2 000 million marks in the corresponding period last year. During the first half of the current year, the net inflow of long-term capital amounted to over 700 million marks. As a result of a significant decline in the short-term trade credit debt, the deficit on the overall balance amounted to 1 600 million marks. Total foreign exchange reserves of the Bank of Finland declined by nearly 300 million marks.

The visible trade account showed a deficit of 667 million marks for January—June. Since the corresponding period in 1976, exports have grown faster than imports, and thus the trade deficit was more than 1 000 million marks smaller than that for January—June 1976. Export and import prices rose by an equal amount from their level for the first half of last year. The volume of exports was larger than that for the first half of last year, whereas the volume of imports remained the same.

The surplus on the services account increased slightly, as compared with the figure for January—June 1976; the increase was mainly attributable to transport receipts growing by more than a third. On the other hand, the travel account weakened, with receipts growing by 7 per cent and expenditure by 19 per cent. Net receipts from services totalled 712 million marks.

As a result of the inflow of long-term capital, there was a net increase of more than a third

in the payment of interest expenses and dividends abroad. Hence, the deficit on the investment income and transfer payments account was 400 million marks more than in January—June 1976 and amounted to almost 1 300 million marks.

Drawings of long-term foreign loans totalled 2 295 million marks in January—June, one third less than a year earlier. At the same time, redemptions of outstanding long-term loans amounted to 1 407 million marks. Long-term export credits granted to foreign customers amounted to 368 million marks, while the redemption of similar loans totalled 277 million marks. Foreign direct investment in Finland amounted to 171 million marks, while Finnish direct investment abroad was 114 million marks. The net inflow of long-term capital was no more than 737 million marks — about a quarter of the inflow of capital during the first half of 1976.

The short-term capital account (incl. statistical discrepancy) showed a deficit of 1 057 million marks. The decline in the short-term trade credit debt was attributable to the fact that a balance was reached in commodity trade and the cash payment scheme applied to certain imported goods was extended in March.

The deficit on the overall balance amounted to 1 565 million marks in January—June. The convertible foreign exchange reserves of the Bank of Finland declined by 487 million marks, while the Bank's receivables denominated in tied currencies increased by 220 million marks. The net foreign debt of other foreign exchange holders grew by 1 298 million marks. Changes

in the mark value of the reserves caused by the devaluation in April have not been taken into account in the figures for changes in the foreign exchange reserves of the Bank of Finland and of other foreign exchange holders. The convertible foreign exchange reserves of the Bank of Finland (allowing for devaluation) amounted to 917 million marks at the end of June.

**MAJOR BALANCE OF PAYMENTS ITEMS,
JANUARY—JUNE 1976, MILL. MK¹**

	Receipts	Expenditure	Net
Commodity trade (exports f.o.b., imports c.i.f.)	13 867	14 509	— 642
Adjustment items	— 65	— 40	— 25
Visible trade account	13 802	14 469	— 667
Transport (c.i.f.)	1 051	378	673
Travel	589	659	— 70
Other services	1 167	1 058	109
Invisible trade account	2 807	2 095	712
VISIBLE AND INVISIBLE TRADE ACCOUNT	16 609	16 564	45
Investment income, net	192	1 424	—1 232
Transfer payments	53	111	— 58
A CURRENT ACCOUNT	16 854	18 099	—1 245
Long-term financial loans and suppliers' credits: drawings	— 368	2 295	1 927
redemptions	277	—1 407	—1 130
Direct investment	— 114	171	57
Other long-term capital	— 122	5	— 117
B LONG-TERM CAPITAL ACCOUNT	— 327	1 064	737
BASIC BALANCE (A+B)			— 508
Prepayments and liabilities related to imports		—1 122	—1 122
Prepayments and receivables related to exports	— 54	352	298
Errors and omissions			136
Other short-term capital			— 369
C SHORT-TERM CAPITAL			—1 057
OVERALL BALANCE (A+B+C)			—1 565
Change in the foreign exchange reserves of the Bank of Finland			267
Change in net short-term foreign receivables of other foreign exchange holders			1 298

Receivables: increase —, decrease +
Liabilities: increase +, decrease —

¹ Preliminary figures.

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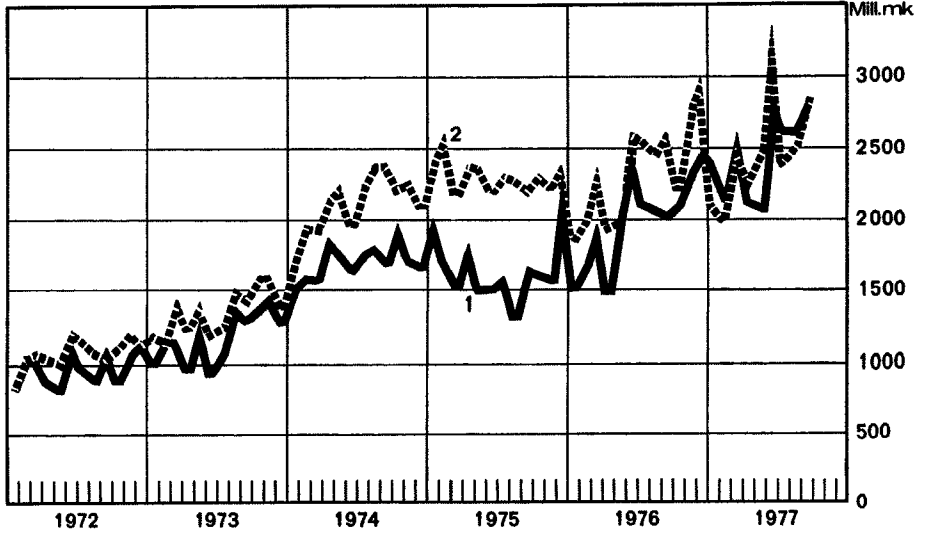
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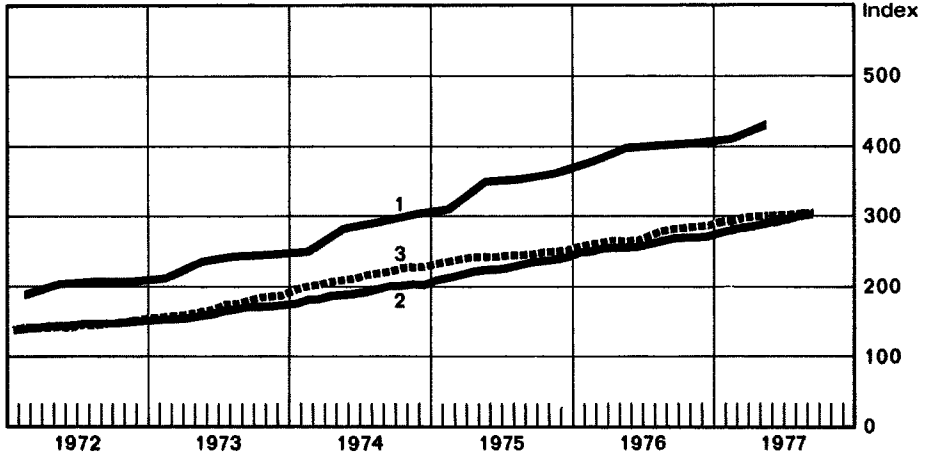
FOREIGN TRADE, 1972 - 1977

- 1. Exports f.o.b.
 - 2. Imports c.i.f.
- Seasonally adjusted monthly figures



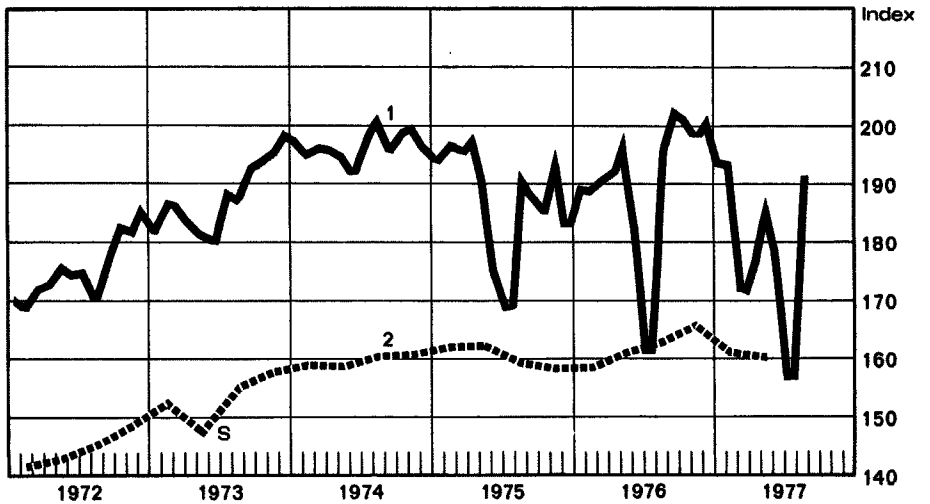
PRICES AND WAGES, 1972 - 1977

- 1. Index of salary and wage earnings 1964 = 100, quarterly
- 2. Cost of living index 1964 = 100, monthly
- 3. Wholesale price index 1964 = 100, monthly



PRODUCTION, 1972 - 1977

- 1. Total index of industrial production 1964 = 100, seasonally adjusted monthly figures
- 2. Volume index of gross domestic product 1964 = 100, seasonally adjusted quarterly figures



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