



BANK OF FINLAND

Monthly Bulletin

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gricultural incomes policy
Finland 1960—1975

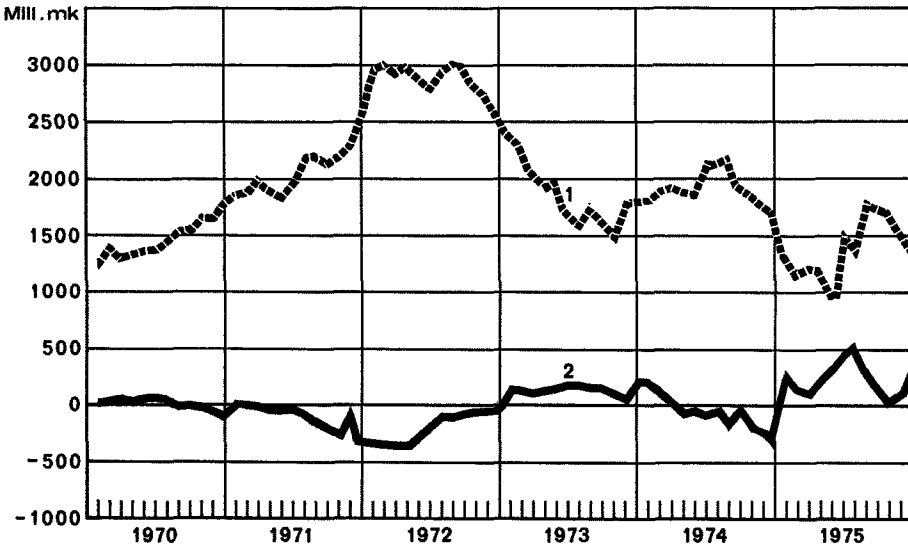
nland's balance of payments
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ppointment of a director at the Bank

FEBRUARY 1976

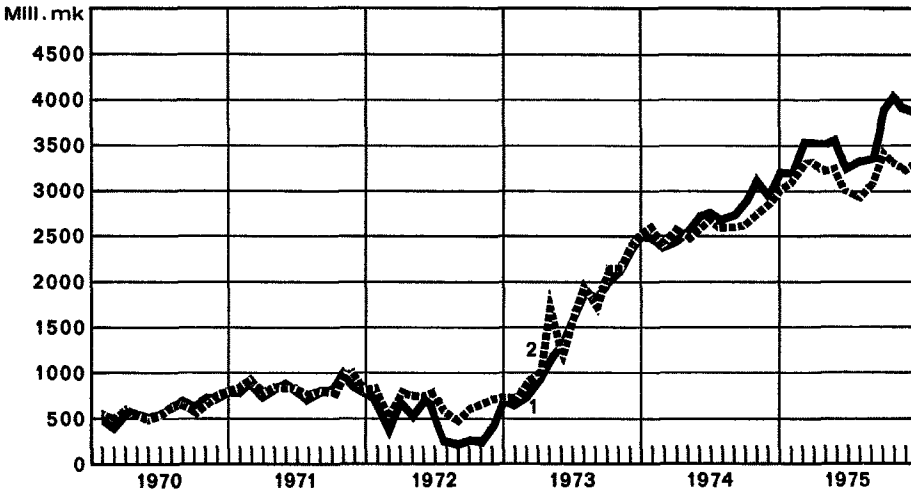
Vol. 50 No. 2

BANK OF FINLAND'S CONVERTIBLE AND NON-CONVERTIBLE FOREIGN EXCHANGE RESERVES, 1970-1975



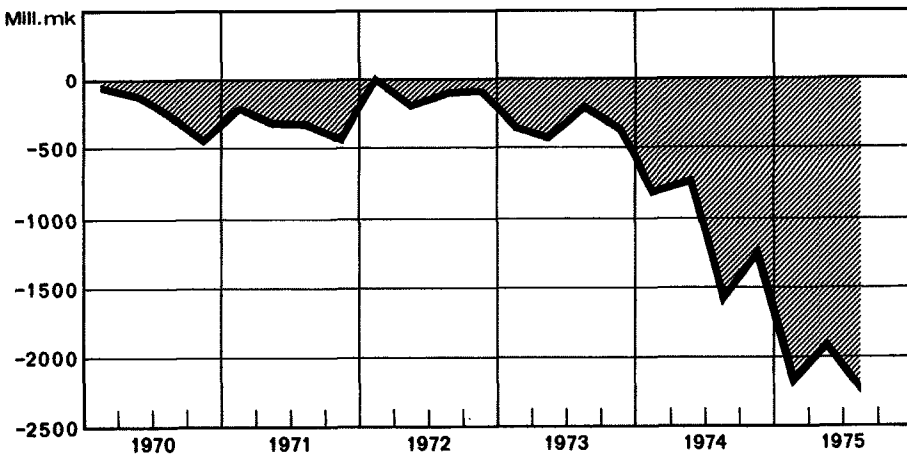
- 1. Gold and convertible currencies
- 2. Non-convertible currencies

BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1970-1975



- 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, 1970-1975



Seasonally adjusted quarterly figures

PRIVATE CONSUMPTION

During the first half of the 1970s, the real growth of private consumption has closely followed the path of GDP. The only exception to this rule was the year 1975, when private consumption showed an increase of over 3 per cent while the volume of aggregate output remained on the level of 1974. This, coupled with the relatively brisk investment activity, substantially offset the potential fall in GDP threatened by the heavy decrease in export demand.

One of the major factors affecting private consumption has been the vigorous migration to urban centres induced by the strong demand for labour in Southern Finland in the 1960s and the first half of the 1970s. The movement of previously independent farmers out of primary production and into other sectors of the economy and the subsequent sharp decline in the number of unincorporated enterprises has tended to increase the average propensity to consume. There has also been a clear decrease in the need for precautionary saving due, on the one hand, to the labour pension and sickness insurance schemes introduced in the 1960s and, on the other, to the favourable employment situation in the first part of the current decade.

Inflation, which was still quite moderate at the turn of the decade, has steadily accelerated, and hence saving in the form of bank deposits and other financial assets has become rather unattractive to households. At the same time, however, purchases of real estate have become more and more tempting due to inflationary expectations caused by continuing rises in prices. In fact, the rate of saving has been raised by increased purchases of dwellings, which reached a peak in 1974 as a result of an earlier easy availability of housing credits. In addition to this, the vigorous growth in

statutory social security funds (which are included in the savings of the household sector) has also contributed to the maintenance of the internationally high saving rate of Finnish households. These factors, coupled with the favourable income development induced by the brisk economic growth, have raised the net savings rate from an average level of 11.9 per cent in 1960—1969 to 12.2 per cent in 1970—1975. Thus, when in the first half of this decade household disposable real income grew at an average rate of nearly six per cent, the growth rate of private consumption was somewhat over five per cent.

The most rapidly growing commodity group in 1970—1975 was major durables, the sales volume of which grew at an average yearly rate of 13 per cent. Indeed, in 1972 it was as much as 30 per cent. The most rapidly expanding items in this group were furniture, furnishings and other household equipment; this was due to the vigorous housing boom and the large number of newly established households. The development of the relative prices of major durables, except cars, was also favourable: since 1968, their price had steadily fallen, as compared with that of total consumption. The brisk demand for durables continued in 1973, but in the following year their demand decreased as a substantial part of household disposable income was channelled into residential construction. In 1975, however, as purchases of dwellings slowed down, the sales of cars recovered quickly so that in September they had already well exceeded the total sales in 1974. In October, faced with the alarming increase in the balance of payments deficit, the Government imposed a temporary import surcharge on cars followed, from the beginning of this year, by a 20 per cent surplus tax on automobiles and motor cycles. This action curbed the sales of cars so that the volume growth in 1975 stopped at 18 per cent.

The growth of consumption of non-durables has in 1970—75 stayed below the average of total consumption. Consumption of beverages, however, has grown at an annual rate of ten per cent. In 1975, for the first time since 1958, the demand for alcoholic beverages remained somewhat below the level of the preceding year as a result of two major price increases.

As a result of the oil crisis, the price of fuel and light increased sharply, and consumption of them decreased by five per cent in 1974 after having grown at an average yearly rate of over three per cent since 1960. Considerable price increases have also taken place in the commodity group consisting of services: the relative prices of transport, communication, recreation and entertainment have risen substantially. At the same time, due both to the increase in their relative prices and to the greater provision by the state of public health

and schooling, the share of services in total consumption seems to have stabilized after its rapid growth in the 1950s and 1960s, and the consumption of durables continues its growth at the expense of non-durable goods.

This year the development of the household sector's real disposable income will depend mainly on the result of the incomes policy negotiations. It is not, however, expected to grow substantially, despite the reduction in the income tax scales as from the beginning of April. The savings ratio is likely to decline a little further as, due both to its normal cyclical path and to the tax cut favouring lower income groups, income distribution will be weighted more in favour of earned income.

January 22, 1976

	1975		1976			
	Jan. 31	Dec. 31	Jan. 8	Jan. 15	Jan. 23	Jan. 30
Assets						
Gold and foreign exchange receivables	1 806	1 950	1 805	2 068	1 897	1 876
Gold	121	121	121	121	121	121
Special drawing rights	286	278	278	278	278	278
IMF gold tranche	268	—	—	—	—	—
Convertible currencies	713	1 089	1 063	1 031	885	878
Tied currencies	418	462	343	638	613	599
Other foreign receivables	1 105	1 274	1 270	1 377	1 375	1 373
Foreign bills	232	272	268	260	255	253
Foreign bonds	343	204	204	319	322	322
Currency subscription to Finland's quota in the IMF	530	798	798	798	798	798
Receivables from financial institutions	2 953	4 164	3 839	3 337	3 711	3 775
Cheque accounts of the commercial banks	112	133	180	132	193	147
Discounted bills	2 572	3 385	3 004	2 742	3 049	3 085
Bonds	243	327	391	419	376	380
Other financial institution receivables	26	319	264	44	93	163
Receivables from the public sector	302	339	336	336	336	335
Bonds	70	70	70	69	69	69
Total coinage	227	256	256	257	259	259
Other public sector receivables	5	13	10	10	8	7
Receivables from corporations	631	933	934	953	963	973
New export bills	91	128	130	126	126	125
Financing of suppliers' credits	272	402	400	406	409	418
Bonds	231	223	223	221	221	221
Other corporate receivables	37	180	181	200	207	209
Other assets	37	47	47	47	46	47
Total	6 834	8 707	8 231	8 118	8 328	8 379
Liabilities						
Foreign exchange liabilities	168	172	165	171	177	152
Convertible accounts	56	78	79	81	90	86
Tied accounts	112	94	86	90	87	66
Other foreign liabilities	788	1 385	1 385	1 385	1 385	1 385
IMF mark accounts	530	1 127	1 127	1 127	1 127	1 127
Allocations of special drawing rights	258	258	258	258	258	258
Notes and coins in circulation	2 274	2 855	2 630	2 584	2 557	2 614
Notes	2 081	2 617	2 394	2 351	2 326	2 384
Coins	193	238	236	233	231	230
Deposit certificates in circulation	990	250	50	0	250	160
Claims of financial institutions	27	29	3	12	3	7
Cheque account of Postipankki	2	1	0	0	0	3
Cheque accounts of the commercial banks	2	3	1	11	2	2
Other financial institution claims	23	25	2	1	1	2
Claims of the public sector	555	1 301	1 264	1 286	1 271	1 318
Cheque accounts	4	2	—	0	2	6
Counter-cyclical reserves	543	155	125	75	75	55
Import deposits	—	1 135	1 130	1 202	1 185	1 248
Other public sector claims	8	9	9	9	9	9
Claims of corporations	231	539	528	503	486	540
Investment deposits	36	73	73	71	71	67
Counter-cyclical withholdings	76	—	—	—	—	—
Capital import deposits	89	450	440	417	402	460
Import levy deposits	11	8	8	8	8	8
Other corporate claims	19	8	7	7	5	5
Other liabilities	13	15	18	16	15	13
Equalization accounts	864	331	354	324	343	345
Capital accounts	924	1 830	1 834	1 837	1 841	1 845
Primary capital	600	1 400	1 400	1 400	1 400	1 400
Reserve fund	237	237	334	334	334	334
Undisposed profits	75	—	97	97	97	97
Net earnings	12	193	3	6	10	14
Total	6 834	8 707	8 231	8 118	8 328	8 379

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
1969	1 266	11	1 255	- 80	517	360	1 332	102	200	98	-
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	2 533	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

1975

Jan.	1 388	56	1 332	306	1 105	788	1 955	302	555	253	990
Feb.	1 249	53	1 196	161	1 106	788	1 675	307	551	244	1 050
March	1 300	66	1 234	132	1 089	788	1 667	307	553	246	1 080
April	1 284	66	1 218	255	999	788	1 684	310	550	240	1 170
May	1 065	67	998	352	1 010	788	1 572	314	556	242	870
June	1 618	67	1 551	483	1 283	1 385	1 932	311	512	201	900
July	1 484	60	1 424	545	1 288	1 385	1 872	315	718	403	800
Aug.	1 879	60	1 819	327	1 266	1 385	2 027	322	871	549	700
Sept.	1 810	53	1 757	186	1 274	1 385	1 832	322	1 019	697	820
Oct.	1 778	50	1 728	61	1 315	1 385	1 719	324	1 189	865	740
Nov.	1 611	79	1 532	123	1 311	1 385	1 581	333	1 383	1 050	400
Dec.	1 448	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250

1976

Jan.	1 277	86	1 191	533	1 373	1 385	1 712	335	1 318	983	160
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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, 1974			Net holdings, Nov. 30, 1975			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Nov.	Jan.-Nov.
Gold	121	-	121	121	-	121	-	-
Special drawing rights	286	-	286	284	-	284	-	- 2
IMF gold tranche	268	-	268	-	-	-	-	-268
Convertible currencies	1 047	-564	483	1 127	-1 415	-288	-130	-771
Total	1 722	-564	1 158	1 532	-1 415	117	-130	-1 041
Non-convertible currencies	-388	- 5	-393	124	-8	116	77	509

End of year and month	Domestic financial sector						Corporate sector				
	Dis-counted and re-dis-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)	Notes and coins in cir-culation
	1	2	3	4	5	6	7	8	9	10	11
1969	550	87	—	93	12	—	532	461	25	436	1 394
1970	836	3	—	1	4	—	834	383	324	59	1 455
1971	849	—	—	9	2	—	838	355	385	— 30	1 622
1972	753	5	—	—	2	—	756	321	73	248	1 879
1973	2 556	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

1975											
Jan.	2 572	112	269	2	2	23	2 926	631	231	400	2 274
Feb.	2 970	171	313	2	2	23	3 427	654	336	318	2 318
March	3 275	142	284	2	1	41	3 657	667	388	279	2 433
April	3 441	99	307	1	1	84	3 761	680	417	263	2 396
May	3 417	136	304	2	1	134	3 720	690	446	244	2 479
June	3 083	139	347	2	—	128	3 439	722	374	348	2 692
July	3 082	136	377	3	0	120	3 472	821	423	398	2 544
Aug.	3 068	135	369	4	2	282	3 284	816	305	511	2 635
Sept.	3 565	196	424	2	1	274	3 908	827	401	426	2 620
Oct.	3 568	115	606	2	1	269	4 017	876	413	463	2 571
Nov.	3 519	172	622	2	1	2	4 308	888	530	358	2 678
Dec.	3 385	133	646	3	1	25	4 135	933	539	394	2 855

1976

Jan.	3 085	147	543	2	3	2	3 768	973	540	433	2 614
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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

Jan. 22, 1976

New York ¹	1 \$	3.860	Frankfurt o. M.	100 DM	147.95	Vienna	100 S	20.90
Montreal	1 \$	3.855	Amsterdam	100 Fl	144.15	Lisbon	100 Esc	14.18
London	1 £	7.800	Brussels ²	100 Fr		Madrid	100 Pta	6.47
Stockholm	100 Kr	88.10	Zurich	100 Fr	148.00	Tokyo	100 Y	1.270
Oslo	100 Kr	69.40	Paris	100 FF	85.75	Reykjavik	100 Kr	2.26
Copenhagen	100 Kr	62.55	Rome	100 Lit	0.540	Moscow ³	1 Rbl	5.092

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

² 9.800 commercial rate; 9.600 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
1968	856	1 088	428	4 598	3 966	2 683	1 027	465	12 740	14 256
1969	1 057	1 374	521	5 236	4 333	3 022	1 116	522	14 229	16 124
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	6 961	5 446	3 877	1 491	642	18 418	20 906
1972	1 851	2 371	979	8 096	6 232	4 500	1 806	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

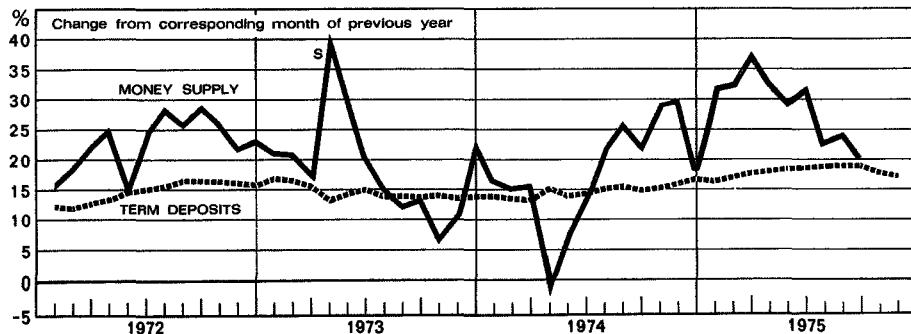
1974¹

Sept.	2 161	2 872	1 288	9 370	7 740	5 885	2 422	875	26 292	30 452
Oct.	2 224	2 958	1 184	9 501	7 815	5 982	2 457	892	26 648	30 790
Nov.	2 198	2 924	1 346	9 653	7 944	6 101	2 504	896	27 097	31 367 ²
Dec.	2 551	3 478	1 638	10 213	8 288	6 308	2 641	921	28 371	33 487

1975*

Jan.	2 680	3 472	1 590	10 331	8 442	6 438	2 697	937	28 845	33 907
Feb.	2 551	3 371	1 861	10 458	8 553	6 590	2 740	953	29 294	34 526
March	2 530	3 381	1 854	10 520	8 575	6 613	2 753	960	29 421	34 656
April	2 573	3 414	1 762	10 596	8 591	6 668	2 753	964	29 572	34 748
May	2 609	3 509	1 644	10 744	8 713	6 773	2 778	975	29 983	35 136
June	2 822	3 809	1 640	10 851	8 826	6 796	2 833	985	30 291	35 740
July	2 721	3 662	1 462	10 921	8 974	6 946	2 863	1 005	30 709	35 833
Aug.	2 566	3 533	1 669	11 046	9 155	7 091	2 920	1 021	31 233	36 435
Sept.	2 546	3 531	1 582	10 959	9 203	7 177	2 929	1 056	31 324	36 437
Oct.	2 686	3 653	1 417	11 011	9 225	7 206	2 939	1 058	31 439	36 509
Nov.	2 659	3 642	1 652	11 234	9 326	7 280	2 985	1 057	31 882	37 176

¹ New series, see explanations on page 18.



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
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1968	5 866	3 448	2 600	928	1 053	13 392	503	13 895	2 642
1969	6 892	3 803	2 922	1 040	1 290	15 354	593	15 947	3 126
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

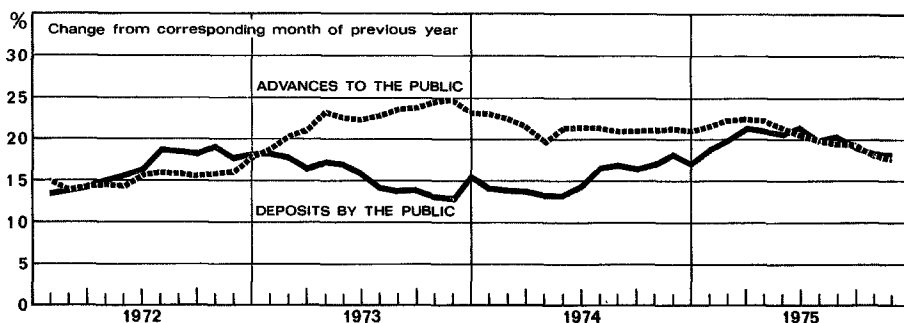
1974¹

Sept.	14 826	7 341	6 102	4 424	3 087	34 609	1 171	35 780	6 145
Oct.	15 225	7 479	6 225	4 532	3 130	35 398	1 193	36 591	6 089
Nov.	15 542	7 616	6 338	4 615	3 206	36 139	1 178	37 317	6 378
Dec.	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283

1975

Jan.	16 010	7 892	6 554	4 768	3 350	37 430	1 144	38 574	7 123
Feb.	16 398	7 990	6 668	4 818	3 381	38 016	1 239	39 255	7 274
March	16 773	8 060	6 743	4 847	3 394	38 548	1 269	39 817	7 403
April	16 919	8 162	6 868	4 913	3 556	39 139	1 279	40 418	7 245
May	17 148	8 219	6 944	4 968	3 637	39 640	1 276	40 916	7 335
June	17 303	8 312	7 019	4 983	3 660	39 951	1 326	41 277	7 801
July	17 291	8 419	7 125	5 054	3 704	40 339	1 254	41 593	7 331
Aug.	17 307	8 582	7 249	5 063	3 776	40 674	1 303	41 977	7 517
Sept.	17 734	8 749	7 450	5 104	3 815	41 456	1 396	42 852	7 391
Oct.	17 811	8 785	7 542	5 275	3 900	41 907	1 406	43 313	..
Nov.	17 852	8 997	7 673	5 420	4 046	..	..	43 988	..

¹ New series, see explanations on page 18.



Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1970	9 687	11 071	-1 384
1971	9 897	11 734	-1 837
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974*	20 687	25 666	-4 979

1974*

Nov.	1 812	2 300	- 488
Dec.	1 715	2 198	- 483

1975*

Jan.	2 030	2 751	- 721
Feb.	1 549	2 535	- 986
March	1 576	2 096	- 520
April	1 739	2 301	- 562
May	1 594	2 356	- 762
June	1 380	2 046	- 666
July	1 651	2 262	- 611
Aug.	1 135	2 163	-1 028
Sept.	1 711	2 235	- 524
Oct.	1 840	2 444	- 604
Nov.	1 672	2 235	- 563

Jan.-Nov.

1974 *	18 972	23 468	-4 496
1975 *	17 877	25 424	-7 547

Indices of exports and
imports 1969 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1970	107	121	108	108	100
1971	103	119	115	116	99
1972	118	124	123	125	98
1973	127	141	138	139	99
1974*	126	151	196	200	98

1972

July-Sept.	116	120	124	126	98
Oct.-Dec.	123	136	129	127	102

1973

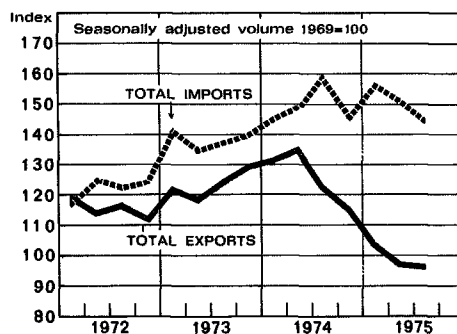
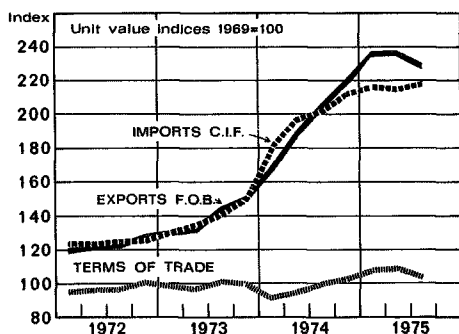
Jan.-Mar.	120	140	131	131	100
Apr.-June	115	133	133	136	98
July-Sept.	122	136	145	141	103
Oct.-Dec.	140	149	151	150	101

1974

Jan.-Mar.	131	147	169	182	93
Apr.-June	131	147	190	198	96
July-Sept.	119	158	206	203	101
Oct.-Dec.	125	152	221	213	104

1975*

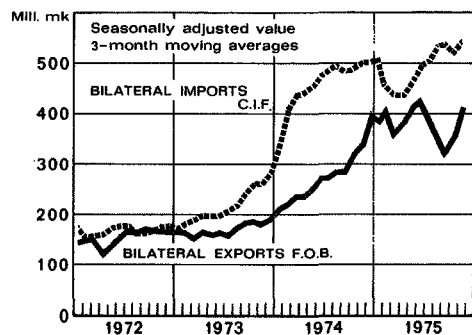
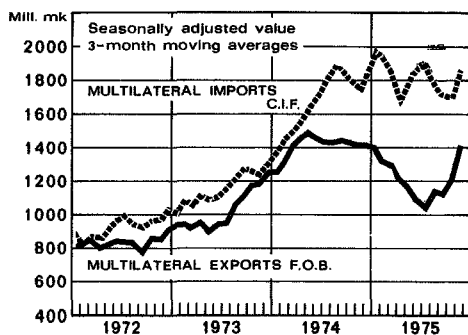
Jan.-Mar.	104	160	237	217	109
Apr.-June	95	146	238	216	110
July-Sept.	94	143	230	219	105



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	
1970	286	1 536	3 883	1 828	2 154	6 891	422	1 949	1 750	59
1971	313	1 643	3 797	1 764	2 380	7 037	570	2 333	1 746	48
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
1974*										
Nov.	16	228	736	361	471	1 381	186	428	304	1
Dec.	63	191	718	310	433	1 457	154	317	269	1
1975*										
Jan.	71	229	780	496	454	1 682	146	542	380	1
Feb.	13	145	617	389	385	1 573	134	464	363	1
March	69	141	666	292	408	1 270	107	353	366	0
April	12	168	678	428	453	1 389	111	430	370	1
May	59	159	615	348	413	1 364	128	484	376	4
June	11	154	491	399	325	1 299	148	329	265	5
July	28	194	534	560	335	1 390	126	421	299	26
Aug.	18	139	451	226	301	1 275	170	433	276	9
Sept.	44	202	585	442	438	1 383	137	363	344	8
Oct.	25	199	570	505	541	1 540	154	411	338	1
Nov.	17	213	579	395	468	1 349	170	426	288	2
Jan.-Nov.										
1974*	401	2 962	7 154	3 935	4 520	15 068	1 824	3 540	3 013	23
1975*	367	1 943	6 566	4 480	4 521	15 514	1 531	4 656	3 665	58



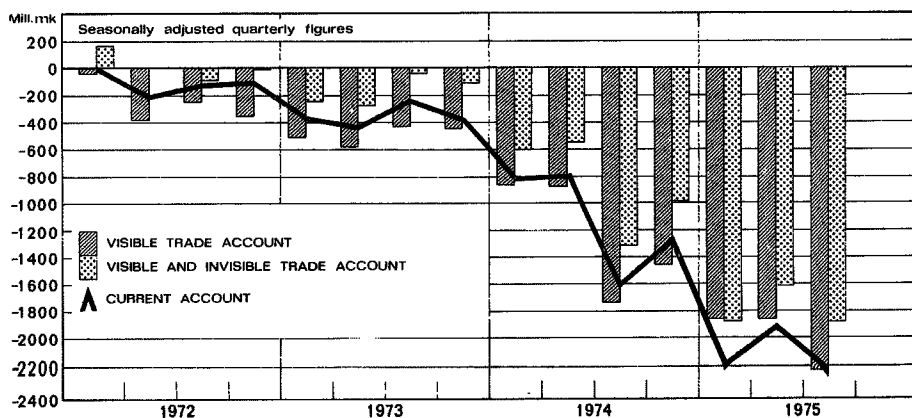
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—November				January—November			
	1974*		1975*		1974*		1975*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	69.0	13 081	64.0	11 437	65.0	15 251	66.0	16 774
Austria	0.9	172	0.8	147	1.4	324	1.3	339
Belgium-Luxembourg	2.1	394	1.4	257	1.9	450	1.8	456
Denmark	3.7	694	3.6	639	3.4	793	3.3	841
France	4.3	816	3.6	636	3.1	727	3.6	917
Federal Republic of Germany	8.6	1 624	8.7	1 553	15.3	3 608	15.9	4 048
Italy	1.7	331	1.3	231	1.6	369	2.0	518
Netherlands	3.5	670	2.6	471	3.6	844	3.0	753
Norway	2.8	523	4.6	824	2.9	675	2.7	685
Portugal	0.4	77	0.4	67	0.7	161	0.4	115
Spain	1.3	246	1.1	202	0.4	97	1.1	269
Sweden	16.7	3 173	17.9	3 193	18.3	4 306	18.4	4 674
Switzerland	1.7	326	1.5	264	3.2	746	3.2	808
United Kingdom	19.4	3 679	14.9	2 672	9.0	2 105	9.1	2 307
Other	1.9	356	1.6	281	0.2	46	0.2	44
OECD countries outside Europe	6.1	1 166	4.8	867	9.1	2 125	9.3	2 365
Canada	0.6	122	0.5	94	0.5	106	0.4	113
Japan	0.9	167	0.5	89	1.5	340	1.7	421
United States	3.6	692	3.2	576	7.1	1 672	7.2	1 822
Other	1.0	185	0.6	108	0.0	7	0.0	9
CMEA countries	15.3	2 908	23.3	4 159	22.3	5 243	21.4	5 440
Czechoslovakia	0.4	75	0.6	99	0.4	82	0.4	104
Democratic Republic of Germany	0.5	92	0.7	133	0.5	127	0.7	187
Poland	0.8	155	1.2	208	2.1	504	2.3	572
Soviet Union	13.0	2 470	20.0	3 577	18.0	4 230	16.9	4 293
Other	0.6	116	0.8	142	1.3	300	1.1	284
Latin America	2.8	525	2.0	357	1.6	368	1.1	292
Argentina	0.6	114	0.7	134	0.1	12	0.1	14
Brazil	0.9	164	0.5	92	0.3	82	0.2	58
Colombia	0.1	23	0.1	11	0.4	97	0.3	88
Other	1.2	224	0.7	120	0.8	177	0.5	132
Other	6.8	1 292	5.9	1 057	2.0	481	2.2	553
GRAND TOTAL	100.0	18 972	100.0	17 877	100.0	23 468	100.0	25 424
of which								
EFTA countries	22.8	4 318	25.3	4 526	26.5	6 228	26.1	6 637
EEC countries	44.2	8 392	36.8	6 574	38.0	8 909	38.8	9 856
OECD countries	75.1	14 247	68.8	12 304	74.1	17 376	75.3	19 139

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
1972	12 012	13 087	-1 075	+ 731	+336	+ 72	+ 64	- 586	+42	- 480
1973 ^f	14 525	16 560	-2 035	+ 996	+340	+ 29	- 670	- 753	-57	-1 480
1974*	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
Jan.-March										
1972	2 870	2 956	- 86	+ 207	+ 3	+ 1	+ 125	- 142	-22	- 39
1973 ^f	3 282	3 868	- 586	+ 260	- 5	+ 28	- 303	- 139	-14	- 456
1974*	4 589	5 663	-1 074	+ 281	+ 10	+ 28	- 755	- 233	-25	-1 013
1975*	5 127	7 356	-2 229	+ 261	- 43	- 34	-2 045	- 316	-51	-2 412
Apr.-June										
1972	2 855	3 296	- 441	+ 170	+ 56	+ 47	- 168	- 156	- 8	- 332
1973 ^f	3 182	3 843	- 661	+ 218	+ 48	+ 16	- 379	- 190	-22	- 591
1974*	5 160	6 224	-1 064	+ 199	+ 74	+ 72	- 719	- 239	-12	- 970
1975*	4 696	6 683	-1 987	+ 243	+ 13	+ 7	-1 724	- 383	-15	-2 122
July-Sept.										
1972	2 979	3 198	- 219	+ 179	+192	+ 18	+ 170	- 139	+20	+ 51
1973 ^f	3 656	4 084	- 428	+ 271	+240	+ 10	+ 93	- 173	- 9	- 89
1974*	5 103	6 809	-1 706	+ 356	+243	- 44	-1 151	- 244	- 8	-1 403
1975*	4 482	6 645	-2 163	+ 262	+142	+ 70	-1 689	- 309	- 8	-2 006
Oct.-Dec.										
1972	3 308	3 637	- 329	+ 175	+ 85	+ 6	- 63	- 149	+52	- 160
1973 ^f	4 405	4 765	- 360	+ 247	+ 57	- 25	- 81	- 251	-12	- 344
1974*	5 753	6 902	-1 149	+ 239	- 1	+ 49	- 862	- 290	-24	-1 176



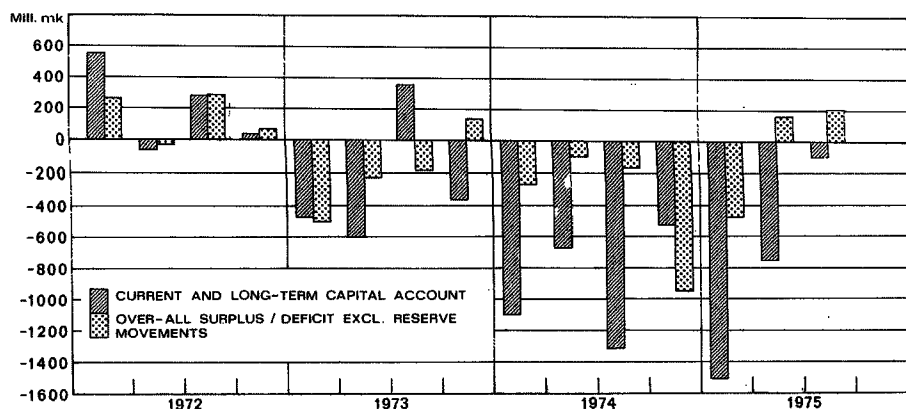
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+3 014	-1 228	-376	-106	+1 304	+ 824	+104	- 90	-247 ²	+ 591	-271	-320
+1 858	-1 366	+ 34	-114	+ 412	-1 068	-246	- 8	+ 538	- 784	+491	+293
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+736
+ 968	- 273	-115	+ 17	+ 597	+ 558	-156	- 27	-114 ²	+ 261	-327	+ 66
+ 364	- 396	+ 35	- 24	- 21	- 477	+ 21	- 98	+ 47	- 507	+353	+154
+ 481	- 522	- 23	- 26	- 90	-1 103	+270	+124	+440	- 269	+138	+131
+1 242	- 338	- 6	+ 5	+ 903	-1 509	+309	+102	+621	- 477	- 32	+509
+ 655	- 180	-192	- 5	+ 278	- 54	+ 90	+ 26	- 91	- 29	+ 37	- 8
+ 309	- 265	- 48	- 9	- 13	- 604	+ 95	+191	+ 91	- 227	+301	- 74
+ 758	- 362	-115	+ 15	+ 296	- 674	+369	+ 58	+151	- 96	- 99	+195
+1 834	- 418	- 67	+ 14	+1 363	- 759	-139	+787	+268	+ 157	-668	+511
+ 628	- 327	- 41	- 25	+ 235	+ 286	+268	-125	-141	+ 288	-314	+ 26
+ 774	- 370	+ 59	- 15	+ 448	+ 359	-403	-322	+180	- 186	+ 66	+120
+ 543	- 373	- 60	- 22	+ 88	-1 315	+480	+252	+420	- 163	+202	- 39
+2 121	- 274	+ 3	+ 55	+1 905	- 101	..	..	+306 ³	+ 205	+ 91	-296
+ 763	- 448	- 28	- 93	+ 194	+ 34	- 98	+ 36	+ 99	+ 71	+333	-404
+ 411	- 335	- 12	- 66	- 2	- 346	+ 41	+221	+220	+ 136	-229	+ 93
+ 948	- 280	- 25	+ 10	+ 653	- 523	-189	- 97	-138	- 947	+498	+449

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.

³ Due to statistical difficulties this includes both Short-term import credits and prepayments, net and Short-term export credits and prepayments, net.



PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 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			
1974	495	498	482	523	536	448	555	495	459	233	231	230
1975	562	575	513	570	637	532	629	536	539	259	264	246
1975												
Jan.	537	546	502	565	589	487	616	518	502	247	243	237
Feb.	546	556	509	571	596	501	620	529	513	246	243	239
March	554	564	514	576	608	511	627	535	521	249	243	242
April	559	571	513	577	610	521	632	538	528	260	269	246
May	561	574	512	575	630	525	630	537	535	260	269	246
June	559	572	510	570	633	526	629	532	535	261	269	246
July	564	578	510	564	634	547	643	531	538	262	270	247
Aug.	567	580	518	566	651	547	630	540	546	263	270	247
Sept.	568	582	516	567	664	545	629	540	550	264	272	247
Oct.	573	588	517	568	671	556	629	541	562	265	272	248
Nov.	577	592	518	570	676	560	631	543	566	265	272	250
Dec.	578	595	514	574	677	559	632	546	567	266	272	251

Period	Consumer prices 1972 = 100											
	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 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
1974	333	261	129	130	109	128	144	161	129	128	118	127
1975	392	308	153	157	135	150	162	184	150	145	144	156
1975												
Jan.	364	285	141	139	124	141	155	179	140	136	135	141
Feb.	369	290	143	143	125	142	155	180	145	137	137	146
March	375	294	146	148	125	145	156	181	146	139	138	148
April	383	301	149	154	126	145	161	182	148	140	140	150
May	387	304	150	155	129	146	161	183	150	144	141	151
June	388	305	151	155	129	147	161	183	150	145	143	153
July	394	310	153	157	137	148	164	184	151	145	144	156
Aug.	399	313	155	161	137	152	164	185	153	146	144	159
Sept.	405	318	157	165	137	154	165	185	153	148	150	161
Oct.	411	323	160	166	148	158	166	187	155	148	151	166
Nov.	415	326	161	168	149	159	166	188	156	152	152	168
Dec.	418	328	162	169	149	160	166	188	157	154	152	169

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							
1973	317	260	261	219	213	217	247	212	258	238
1974*	404	317	326	256	251	252	298	248	313	285
1975*	515	387	392	310	309	306	363	299	384	347
1974*										
Jan.-March	361	284	292	229	226	225	265	222	278	254
Apr.-June	388	316	320	260	251	256	300	251	315	287
July-Sept.	410	326	336	263	258	259	310	255	326	295
Oct.-Dec.	463	342	354	273	271	270	321	264	340	307
1975*										
Jan.-March	474	353	361	278	277	275	330	269	350	314
Apr.-June	507	391	394	313	312	308	370	303	392	353
July-Sept.	514	398	401	317	318	309	374	307	396	357
Oct.-Dec.	553	405	412	332	331	331	379	317	403	365

PRODUCTION

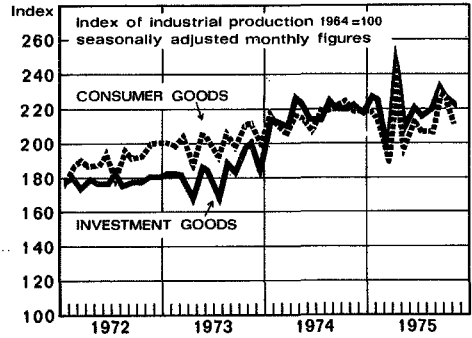
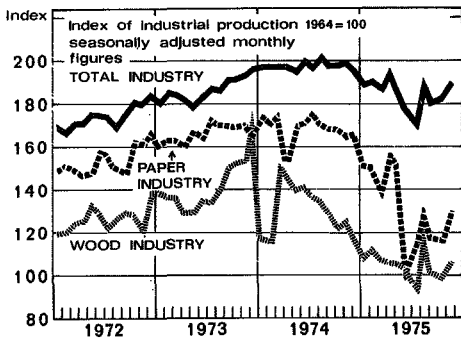
Volume indices of production 1964 = 100

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
1972	145	177	94	95	149	103	143	155	142	143	148
1973*	154	187	90	96	162	105	155	171	150	151	157
1974*	160	200	89	97	168	103	162	178	158	159	162
1974*											
Jan.-March	159	211	59	125	136	102	156	169	156	157	161
Apr.-June	158	199	70	113	162	107	163	172	157	158	162
July-Sept.	159	177	164	62	176	101	163	176	157	159	161
Oct.-Dec.	165	212	60	87	199	101	165	194	162	161	164
1975*											
Jan.-March	160	205	50	121	159	105	156	176	164	162	164
Apr.-June	157	197	63	107	160	108	160	177	164	162	166

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	
1972	114	116	114	111	111	109	112	142	115	118	113
1973	122	121	123	119	111	123	120	154	127	127	121
1974*	129	143	128	126	114	121	122	160	144	147	128
1974*											
June	118	137	116	115	110	119	99	146	133	139	130
July	89	66	94	81	117	70	123	128	100	69	128
Aug.	130	141	127	132	123	100	126	155	157	147	131
Sept.	130	147	129	129	112	115	126	152	153	151	129
Oct.	144	164	140	148	134	120	133	174	160	169	129
Nov.	137	159	132	139	118	111	127	170	145	164	129
Dec.	120	135	118	120	100	82	112	166	114	139	127
1975*											
Jan.	134	163	130	136	107	100	118	180	135	163	123
Feb.	125	152	123	125	96	102	108	169	125	153	123
March	124	148	122	125	92	98	105	170	135	150	122
April	137	172	131	144	115	113	106	181	143	172	127
May	126	151	123	128	112	107	104	162	133	152	121
June	109	142	103	117	109	91	64	134	126	139	116
July	77	66	79	75	114	48	79	97	75	68	112
Aug.	119	138	115	125	113	85	97	141	133	139	124
Sept.	123	156	115	133	118	95	88	147	131	155	118
Oct.	132	170	122	150	142	98	93	151	132	167	118
Nov.	127	159	120	134	120	90	100	160	130	159	123



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 fellings 1 000 solid cu. m	Retailers' sales volume index 1968 = 100	Wholesalers' volume index 1968 = 100
1972	3 409	2 173	2 118	55	2.5	34 954	128	151
1973	3 442	2 215	2 164	51	2.3	35 123	138	167
1974*	3 483	2 269	2 229	40	1.8	34 457	143	168
1974*								
Sept.	3 489	2 262	2 230	32	1.4	2 021	140	178
Oct.	3 491	2 249	2 219	30	1.3	2 476	151	196
Nov.	3 439	2 239	2 207	32	1.4	2 773	149	186
Dec.	3 495	2 234	2 195	39	1.7	3 079	190	193
1975*								
Jan.	3 503	2 208	2 159	49	2.2	3 029	128	158
Feb.	3 505	2 194	2 146	48	2.2	3 899	126	157
March	3 507	2 191	2 144	47	2.1	4 535	..	..
April	3 509	2 199	2 151	48	2.2	3 799	..	..
May	3 511	2 238	2 199	40	1.8	2 646	..	..
June	3 513	2 445	2 400	45	1.8	2 381	..	..
July	3 514	2 448	2 400	48	2.0	934	..	..
Aug.	3 516	2 326	2 278	48	2.1	1 026	..	..
Sept.	3 517	2 255	2 205	50	2.2	1 272	..	..
Oct.	3 519	2 260	2 209	51	2.3	..	..	..

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											
1972	47.73	20.56	3.08	16.50	4.28	40.00	18.15	2.84	14.19	2.99	40.57
1973*	54.96	24.68	3.82	20.66	2.81	40.20	18.81	2.91	13.63	2.82	51.42
1974*	53.23	22.34	3.26	20.84	3.52	45.85	21.29	2.70	16.74	3.11	50.87
1974*											
July-Sept.	14.53	6.15	0.56	5.82	1.25	11.33	4.88	0.45	3.93	0.93	56.89
Oct.-Dec.	11.73	4.58	0.40	5.21	0.80	15.19	7.06	1.00	5.60	0.99	50.87
1975*											
Jan.-March	12.59	3.31	0.75	5.95	0.75	11.21	4.51	0.45	4.89	1.07	48.79
Apr.-June	15.90	7.46	1.67	5.00	0.51	10.06	4.95	0.33	3.60	0.75	54.13
July-Sept.	12.21	4.84	0.79	4.72	1.13	10.95	4.45	0.85	3.73	1.29	54.64

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 (since Dec. 1974).

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 = Other financial institution receivables + Bonds (since Dec. 1974).

Corporate sector: Receivables = New export bills + Financing of suppliers' credits + Other corporate receivables + Bonds (since Dec. 1974).

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
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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 39, Conservatives 35, Swedish Party 10, Liberal Party 9, Christian League 9, Finnish Farmers Party 2, Finnish People's Unification Party 1 and Finnish People's Constitutional Party 1.

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 and OECD 1969.

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 (1974): 4.7 million. Sweden 8.2. Switzerland 6.5, Denmark 5.1 and Norway 4.0 million.

DENSITY OF POPULATION (1974): In South Finland 45.8, in East and Central Finland 16.9, in North Finland 3.6 and in the whole country an average of 15.4 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1974): 58 % of the population inhabit the rural areas, 42 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 504 280 inhabitants, Tampere (Tammerfors) 165 668, Turku (Åbo) 163 336.

EMPLOYMENT (1974): Agriculture and forestry 16 %, industry and construction 36 %, commerce 16 %, transport and communications 7 %, services 25 %.

LANGUAGE (1973): Finnish speaking 93.3 %, Swedish speaking 6.5 %, others 0.2 %.

EDUCATION (1975): 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 (1974): births 13.3 ‰, deaths 9.6 ‰, change + 4.1 ‰, net immigration 0.3 ‰. Deaths in France 10.4 ‰ and Great Britain 11.9 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1974, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 3 806 (5 %), forestry and fishing 5 154 (7 %), manufacturing 22 370 (31 %),

construction 7 525 (11 %), transport and communication 6 991 (10 %), commerce, banking and insurance 9 683 (13 %), public administration 3 357 (5 %), ownership of dwellings 3 058 (4 %), services 10 268 (14 %), total 72 212. Index of real domestic product 159 (1964 = 100).

FOREST RESOURCES (1974): The growing stock comprised of 1 511 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, 606 million m³ was up to the standard required for logs, 59 % of these being pine. The annual growth was 56.9 million m³ and the total removal, calculated on the basis of roundwood consumption, was 52.9 million m³.

AGRICULTURE (1973): Cultivated land 2.7 million hectares. Number of holdings 266 000, of which 176 000 are of more than 5 ha. Measure of self-sufficiency in bread cereals 114 % in the crop year 1973/74.

INDUSTRY (1972): Gross value of industrial production 44 958 mill. marks, number of workers 404 033, salaried employees 114 534, motive power (1971) 5.7 mill. kW. Index of industrial production 114 for 1972 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1976): Length 5 919 km.

MERCHANT FLEET (Dec. 31, 1975): Steamers 24 (13 300 gross reg. tons), motor vessels 365 (896 200 gross reg. tons) tankers 61 (1 138 600 gross reg. tons). Total 450 (2 048 100 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1974): Passenger cars 936 700, lorries and vans 124 900, buses 8 600, others 6 000. Total 1 076 200.

FINNISH AIRLINES (Feb. 10, 1976): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6, 10 Super Caravelles, 9 DC-9s, 3 DC-9-51s, 2 DC-10-30 and 5 Convair Metropolitan. Companies have scheduled traffic outside of Finland to 27 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). Since Oct. 12, 1967, the par value of the mark is 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per one SDR). On Feb. 15, 1973 a central rate of 3.90 marks to one U.S. dollar was set, and since June 4, 1973 the mark has been allowed to float.

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, 1974). There are two big and five small commercial banks with in all 857 offices, 294 savings banks, 390 co-operative banks, six mortgage banks, and Postipankki. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-seven private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1975). 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 9 ¼ %. The range of rates for other credits granted by the Bank of Finland is between 7 ½ and 10 ½ %. Other credit institutions: term deposits 5 ¾ %; 6 month deposits 6 ¼ %; 12 month deposits 6 ¾ %; 24 month deposits 7 ¾ %; 36 month deposits 9 % + savings premium; 36 month deposits 8 ¼ % + tax concession and sight deposits 1 ¼ %; highest lending rate 12 ½ %.

AGRICULTURAL INCOMES POLICY IN FINLAND 1960—1975

by Samuli Suomela

Director-General of the National Board of Agriculture

In recent decades, Central Governments all over the world have been forced to implement various measures to regulate the formation of agricultural incomes. Since the 1950s the international price level of agricultural produce has been substantially below the domestic price level in most countries. This has made it necessary to separate domestic price developments from world market prices and, in turn, to decide upon the price or subsidy policies needed to ensure a reasonable level of income for the rural population. Intervention by the Central Government in the formation of agricultural incomes has also been deemed necessary because the production and consumption of agricultural produce are both rather inelastic and, unless restrictive measures are taken, fluctuations in prices can easily be quite sharp. Mechanization and other developments in agricultural production techniques have taken place so rapidly in the past couple of decades that the entrepreneurial structure of this slow-moving industry has hardly been able to adjust itself. For these reasons, the normal income determination processes, based on productivity developments and on an unfettered supply-and-demand price mechanism have been unable to provide an adequate level of agricultural income, or one comparable with progress in other industries.

These developments have also formed the background for Finnish agricultural incomes policy. Moreover, the management of incomes policy has been affected by the problem of surplus production, which has grown steadily since the early 1960s. To market this surplus without disturbing domestic price developments, an ever-increasing amount of state funds has been required. At times, the difficulties in marketing have seemed almost in-

surmountable. It has thus become very difficult to conclude agricultural incomes policy agreements, which have tended to be influenced, to some extent, by the relative strengths of the different political parties at the relevant times. Under these circumstances, it has been impossible to formulate an agricultural incomes policy extending far enough into the future. However, throughout the whole 15-year period the primary goal has been the same: to have agricultural production corresponding to domestic needs, and to ensure for the rural population an income level equal to that of other comparable population groups.

Problems related to agricultural prices became more and more difficult to settle, and a state of almost continual conflict resulted. Hence, following the example of some other countries, a statutory price system was introduced. The system was designed to outline in advance the criteria according to which the prices of agricultural produce and the necessary subsidy measures would be determined. The first system of this type was introduced in 1952, on the basis of a decision by the Council of State. The essence of the system was that total agricultural income, calculated on the basis of constant amounts of inputs and outputs — i. e. a price index of agricultural income — would be linked to the overall wage level. The growth in agricultural productivity was thereby assigned to the agricultural sector itself, so as to reduce the differences which were thought to prevail at that time between the income levels of farmers and other population groups. In 1956 a statutory system was introduced. Generally speaking, the Acts have been in force for two or three years, and then they have normally been renewed, with some minor revisions. The basic provisions of these Acts have re-

mained almost unchanged all the time, although they have differed from each other in detail, depending on prevailing circumstances.

The first statutory system, in 1956, differed from the above-mentioned decision of the Council of State in that the development of agricultural income was 85 per cent linked to the overall index of wage and salary earnings. The three subsequent Acts, applied in 1958—1966, were similar in structure, but the development of income was based on the work done by the farmer's family, evaluated in terms of a wage linked at some times with the development of agricultural workers' wages, and at others with the development of the general wage level. Between crop years 1961/1962 and 1966/1967, a clause was appended to the system according to which the agricultural sector was to receive compensation for certain increases in output, as defined by law, only on the basis of world market prices. The next Act, which was applied in crop years 1967/1968 and 1968/1969 linked the prices of agricultural produce to the price level of agriculture's inputs and to the average cost of living index, calculated excluding agricultural produce. The systems applied since 1970 have been based on the main principle that compensation for rises in input prices be guaranteed automatically. On the other hand, the Council of State has started annual negotiations with the organization of agricultural producers to determine the amount by which aggregate agricultural income should be increased so that it keeps in step with other income developments. This has implied the introduction of a negotiation procedure similar to that followed by employers and employees in their wage and salary negotiations. Because comprehensive incomes policy agreements have been set as a goal for Finnish incomes policy, the negotiations on agricultural income have been timed to take place at the same time as the other wage and salary negotiations. Furthermore, these Acts have included a clause according to which the agricultural sector covers a certain part of the export costs of agricultural products.

It has been difficult to reach unanimity about the contents of Price Acts, and their annual application has been equally full of problems. However, it can be stated that, although the Acts have deviated from each other in detail, thus involving somewhat different results in different years, the development of agricultural prices in 1960—1975 has, on the whole, been quite similar to general price developments, as is indicated by the cost of living index (Table 1). However, it is more difficult to estimate how the income development of farmers has corresponded to that in other occupations. A comparison with the overall index of wage and salary earnings does not, of course, give a plain answer to this question, because the rise in the productivity of agriculture itself should also be taken into account. In recent years this has been estimated to be about four per cent, although there have been substantial variations from year to year. In the 1970's the measures designed to curb production resulted in slower growth and, in some years, even an actual decline in output. Hence the 1970's saw a lower rate of productivity growth than the early 1960's, when there was vigorous growth in production coupled with a decline in the rural population.

TABLE 1. PRICE INDICES 1960 — 1975

	Price index of agricultural produce	Cost of living index	Overall index of wage and salary earnings
1960	100	100	100
1961	100	102	108
1962	101	107	114
1963	106	112	125
1964	114	123	142
1965	127	129	154
1966	130	134	165
1967	136	141	179
1968	154	154	199
1969	160	157	214
1970	162	162	232
1971	168	172	261
1972	187	184	292
1973	210	206	337
1974	244	241	403
1975 ¹	306	285	491

¹) Preliminary figures

The comparison of income levels is made still more difficult because, in addition to agricultural income, almost every farmer has forest income as well. Furthermore, since the majority of Finnish farms are small, additional earnings from outside farming play an important role. It is also far from easy to obtain reliable information, particularly from small farms, on the distribution of work between agriculture, forestry, household and other work. The estimation of income levels and productivity in agriculture thus involves, at best, a substantial degree of uncertainty. However, the statutory price system has created a certain stability and a basis for agricultural incomes policy. Without this system, the annual fluctuations could have become harmfully strong, although it cannot be estimated to what extent and in which direction agricultural prices might have changed in the absence of the price legislation.

The annual decisions on the implementation of agricultural Price Acts have become linked to an increasing degree, with other agricultural policy matters. The Acts have thus become a vital factor in the regulation of agricultural incomes policy. This has led to an overestimation of their importance and it has therefore become increasingly difficult to reach agreement on the contents of a particular Price Act, when the preceding one, enacted for a fixed number of years, becomes invalid.

Apart from following general price and income developments, agricultural incomes policy has aimed at levelling-off income differences inside the agricultural sector itself. Small farmers have received special subsidies on the basis of the size of their farm. Another levelling measure, which has been implemented to an increasing extent in recent years, is the payment of subsidies designed to reduce regional income differences. The importance of this measure in a country like Finland, which is situated on both sides of the Arctic Circle (from north to south, the country stretches about 1 200 kilometres) is naturally quite substantial. Regional subsidies are paid in

TABLE 2. AGRICULTURAL PRICE SUBSIDIES, MILL. MK

	Subsidies on farm size	Regional subsidies	Other subsidies
1960	—	23.2	
1961	—	24.7	
1962	29.6	26.1	
1963	50.9	27.9	
1964	60.1	28.5	
1965	74.5	32.2	
1966	72.7	31.8	
1967	90.2	34.8	
1968	93.1	41.0	
1969	97.5	50.3	
1970	96.2	48.4	
1971	101.9	55.3	
1972	103.9	84.6	
1973	120.2	115.4	
1974	135.5	153.2	174.7
1975 ¹	150.4	168.0	563.5

¹) Preliminary figures

northern, eastern and central Finland so that the amount of subsidy per production unit increases very sharply the further north a farm is situated. The major part of this regional subsidy is given in the form of additional payments for milk. Similar payments are also made for meat and rye produced in these regions, and the costs of transporting milk to the dairy are partly covered, since they are much higher in sparsely populated areas than they are in the country's southern parts. Moreover, the transport costs of raw materials needed by agriculture are equalized, so that the price of concentrated fertilizers, for example, is equal all over the country, irrespective of the actual transport costs incurred. The amount of the subsidy paid on the basis of the size of the farm and its regional location used to be increased more or less in step with changes in the prices of products. However, in recent years the regional subsidy in particular has been increased more sharply, as a result of a general expansion of regional policy measures (Table 2). The price subsidy on milk, paid from state funds, makes up the major part of other subsidies paid in the last couple of years; this subsidy was designed to curb the rise in consumer prices. If it were

abolished, the consumer price would increase by the full amount, while the producer price would remain unchanged.

When reviewing agricultural incomes policy since 1960, it can be seen that it has been linked, to an increasing extent, with other incomes policy decisions, above all the incomes policy agreements for wage and salary earners. This linkage has its justification in considerations of equality, but certainly it has also had a number of harmful effects. Above all, it has obviously led to an exaggeration of their effect, and hence has made it more difficult to reach comprehensive agreements. The pursuit of a consistent incomes policy has also been hampered by continuous surplus production of about 20 per cent, causing an economic drain, which has been unusually

heavy in a northern country like Finland where agricultural production costs are relatively high. This drain has been partly due to the fact that, during the post-war period, the Central Government continued to promote the expansion of agriculture for longer than was really necessary.

However, it can be claimed that, on the whole, Finland has been quite successful in the operation of her agricultural incomes policy. On the other hand, there are grounds for suggesting that incomes support has been given too great a priority in Finnish agricultural policy, and hence, of the funds available, too great a proportion has been spent on direct price subsidies, rather than on long-term rationalization and structural improvement.

ITEMS

Finland's balance of payments January—September 1975. According to the Bank of Finland's preliminary figures, the current account deficit amounted to 6 540 million marks in January—September 1975. The deficit was almost double the 3 385 million marks of the corresponding period in 1974. The deficit for the third quarter of 1975 was slightly smaller than those for the first two quarters. Two-thirds of the current account deficit was financed by the inflow of long-term capital and the remainder by the inflow of short-term capital. The foreign exchange reserves declined only slightly.

The trade account deficit amounted to 6 379 million marks in January—September 1975. The international economic recession caused an almost 25 per cent decline in the volume of exports, as compared with the corresponding period in 1974. However, as prices of paper industry products developed favourably, the value of exports did not fall by more than four per cent. Vigorous domestic investment and

favourable income developments increased the volume of imports of investment and consumer goods. As imports of raw materials declined by an equal amount, the volume of total imports remained the same as in the previous year. However, because of the rise in import prices, the value of imports grew by 10 per cent.

The surplus on the service account declined by 25 per cent from the previous year, and amounted to 921 million marks. This was mainly affected by a weakening in the travel account: travel expenditure grew by more than a third, whilst travel receipts remained unchanged. Because of the decline in the volume of trade, transport receipts and the surplus on the transport account were also slightly reduced. On the other hand, increased borrowing abroad raised the deficit on the investment income account to 1 008 million marks.

The inflow of long-term capital increased substantially during the third quarter of 1975. The net inflow in January—September totalled 4 171 million marks, of which 1 905 million

marks was imported during the third quarter of the year. Export credits granted to foreign customers in January—September totalled 364 million marks and redemptions of outstanding loans 295 million marks. Foreign direct investment in Finland increased from 91 million marks in 1974 to 217 million marks, while Finnish direct investment abroad remained much the same, at 62 million marks.

The net inflow of short-term capital (including errors and omissions) decreased clearly during the third quarter of last year. However, the net inflow of short-term capital in January—September amounted to 2 254 million marks, which was more than during the whole of the previous year. The inflow of short-term capital was increased by prepayments obtained from the Soviet Union for Finnish exports and by the tightening in the financial position of enterprises engaged in foreign trade.

The country's total foreign exchange reserves declined by 115 million marks; the foreign exchange reserves of the Bank of Finland grew by 609 million marks, whereas the reserves of other foreign exchange holders declined by 724 million marks, as a result of a growth in their foreign exchange liabilities. The convertible foreign exchange reserves of the Bank of Finland increased by 35 million marks, which was partly caused by a drawing of about 320 million marks under the oil facility granted to Finland by the International Monetary Fund in June. The tied currency accounts of the Bank of Finland showed a net receivable of 186 million marks at the end of September, while there had been a net liability of 388 million marks at the beginning of the year.

Appointment of a Director at the Bank.

On January 14, 1976, the Bank Supervisors delected by Parliament appointed Mr. Pentti Koivikko, D. Pol. Sc., Head of the Personnel Department, to the post of Director of the Bank of Finland from February 1, 1976.

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

A. Simonen

Deputy Governor

Ahti Karjalainen

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

Directors

Jouko J. Voutilainen

Jorma Aranko

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Senior officials

Pertti Kukkonen

Director, ADP-planning

Heikki T. Hämäläinen

Administration and Legal Affairs

Pauli Kanerva

*Personnel Administration and
General Affairs*

Reino Airikkala

Monetary Policy

Antti Lehtinen

*Domestic Financial
Operations*

Kalle Koski

Capital Transfers

Kari Pekonen

Foreign Exchange Policy

Raine Panula

Foreign Exchange

Raili Nuortila

Eastern Trade

J. Ojala

Foreign Exchange Control

Kari Puumanen

Economics Dept.

Heikki Koskenkylä

Research Dept.

Antti Luukka

Cash

K. Eirola

Automatic Data Processing

A. Nenonen

Foreign Correspondence

Stig G Björklund

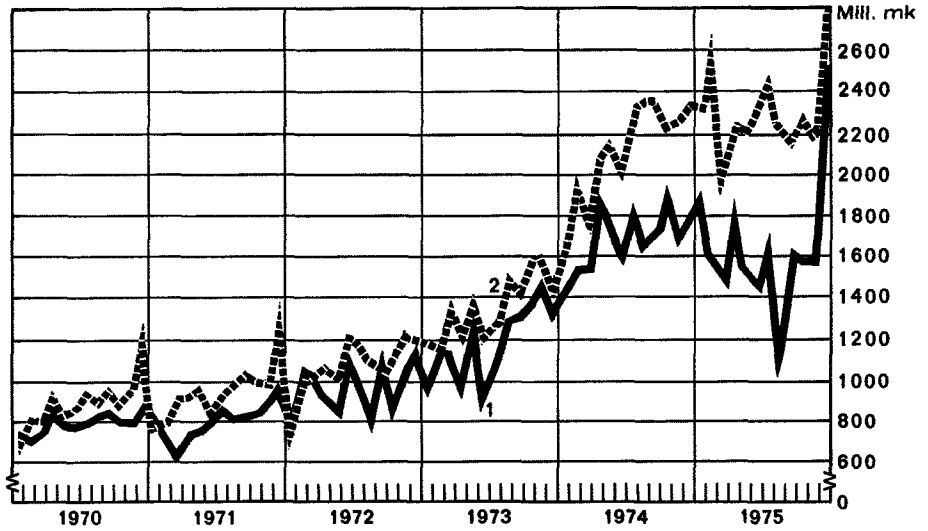
Banking Services

Eino Suomela

Internal Audit

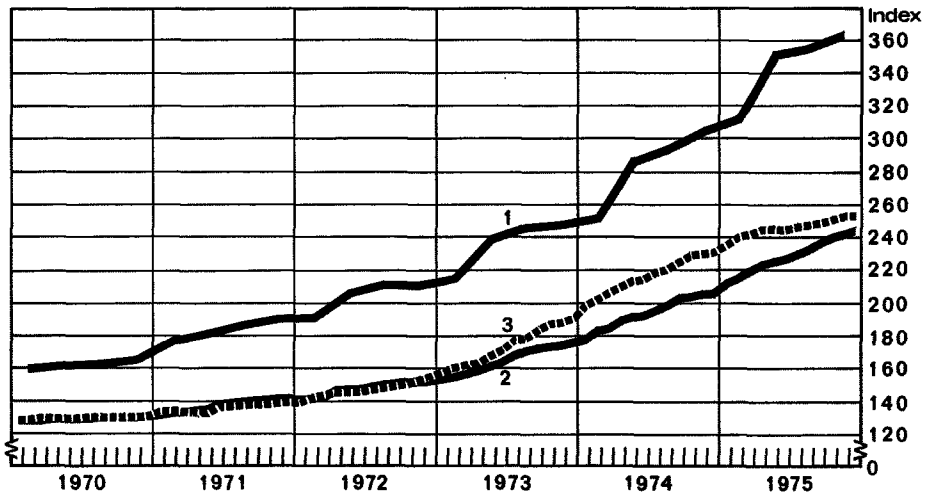
FOREIGN TRADE, 1970-1975

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



PRICES AND WAGES, 1970-1975

- 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, 1970-1975

- 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

