



BANK OF FINLAND

Monthly Bulletin

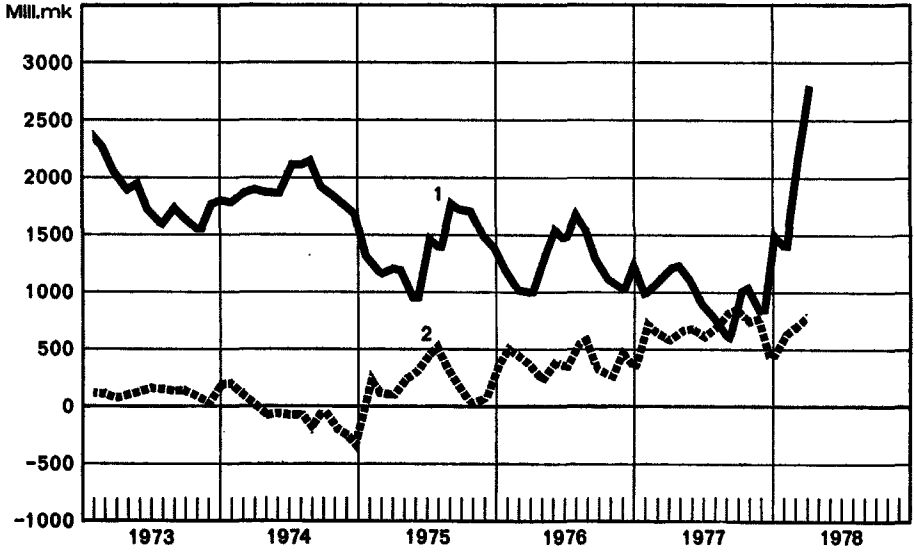
SITRA's ten years of operation

Finnish economy in 1977 and
the current outlook

MAY 1978

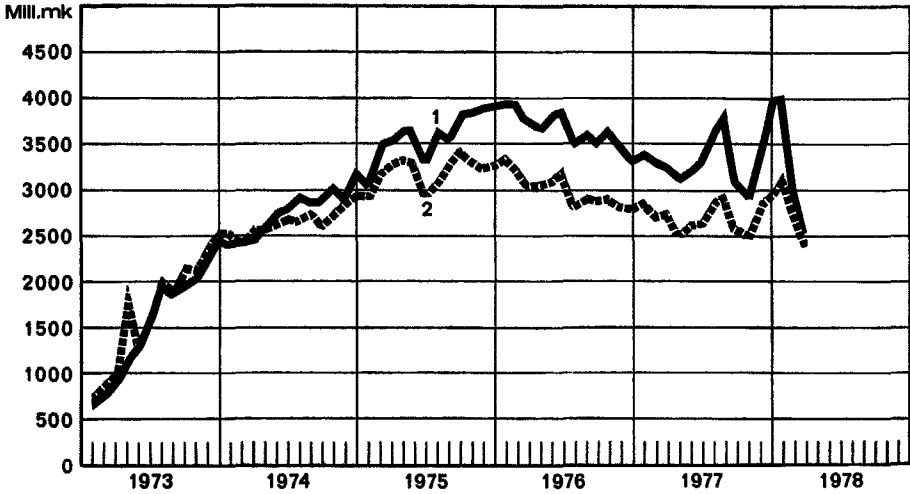
Vol. 52 No. 5

BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1973 - 1978



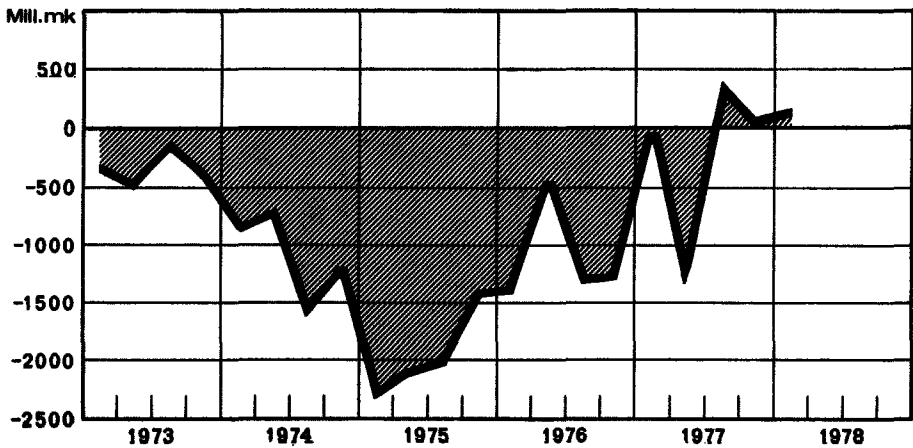
- 1. Gold and convertible currencies
- 2. Tied currencies

BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1973 - 1978



- 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, 1973 - 1978



Seasonally adjusted quarterly figures

SITRA'S TEN YEARS OF OPERATION

The Finnish National Fund for Research and Development (SITRA) was founded in 1967 to commemorate the fiftieth anniversary of Finland's independence. According to the rules of the Fund, the annual interest yielded by the basic capital is appropriated for purposes which promote the country's economic development. The administrative responsibility for the funds rests with their owner, the Bank of Finland. The Bank Supervisors delegated by Parliament are vested with the right to make the final decisions on the disposal of these funds. The Commissioner of the Fund and his staff of 19 perform the practical functions related to financing.

During its ten years of operation, SITRA's initial capital of 100 million marks has been twice added to: in 1972 it was increased by 100 million marks, and the decision on an equal increase, made by the Bank Supervisors in 1977 to commemorate the sixtieth anniversary of Finland's independence, only requires the confirmation of Parliament to become effective. Apart from the interest yielded by the basic capital, the Fund has at its disposal any repayments of funds previously appropriated for risky projects. At present, the Fund may use about 25 to 30 million marks per year.

SITRA is primarily concerned with providing finance for the promotion of new technology and innovations. Three quarters of the funds disposable annually are used to finance companies' research and development projects. Credit is granted in the form of conditional loans, repayable with interest accrued if the project proves successful.

SITRA also finances and publishes generally important studies and surveys of various fields of society and the economy. In the financing of these, attention is centred on the prospects of finding better technical and economic solutions to the problems at hand.

In the financial market, SITRA lies somewhere between the banks and other banking institutions and the public bodies financing scientific research. Unless, for example, the urgency of a project gives special reason, SITRA does not, in principle, undertake functions which are normally carried out by other financial institutions.

The impact that ten years of operation by SITRA have had on the economy's growth and prosperity cannot be assessed using quantitative measures. The funds spent by Finnish industry on research and development are rather modest by international standards, only 0.55 per cent of GDP. Nevertheless, this represented about 500 million marks in 1975. Even if SITRA's total credit capacity were devoted to research and development, it would account for only about 5 per cent of total financing. Although SITRA will always play a minor direct role in the Finnish economy's financial flows, the indirect effects of its financing can be significant.

In many cases, the product development projects financed by SITRA have resulted in profitable business activities and repayment of the loan capital. Moreover, there are projects which have not proved so profitable as to require repayment of SITRA's share in the financing, but which can be classified as successful owing, for example, to the technological progress made or to their potential commercial success. Estimates of the shares of successful and unsuccessful projects in the total number of product development projects completed each year are shown in the table.

From the beginning, SITRA has tried to promote the application of systematic research and development methods. During the first years of its operation, SITRA tried to achieve this by organizing training sessions. Subse-

DATA ON SITRA'S ACTIVITIES IN 1968—1977

	1968— 1972	1973	1974	1975	1976	1977	Total in 1968— 1977
Number of new projects approved	346	70	59	65	67	59	666
Amount of money used on the projects, mill.mk	35	9	15	20	22	21	122
Of this							
with repayment obligation, mill.mk	26	7	11	15	18	17	94
without repayment obligation, mill.mk	9	2	4	5	4	4	28
Percentage shares of major industries in total financing:							
electronics, per cent	20	36	35	22	32	30	28
manufacture of machinery and metal products, per cent	32	15	20	25	23	21	25
chemical industries, per cent	10	17	12	6	9	10	11
Repayment of loans, mill.mk	2.6	1.9	1.7	2.5	2.4	5.7	16.8
Estimates of the success of completed product development projects:							
number of successful projects	46	50	52	55	76	91	91
number of unsuccessful projects	26	35	48	55	98	100	100
number of non-assessable projects	24	25	26	38	64	63	63

quently, the demands set on loan applicants and the development of project control methods have worked in the same direction. Recently, SITRA has also emphasized the role of creative work in development projects and promoted the introduction of »creativity training».

When selecting its objects of financing, SITRA has paid a lot of attention to the prospects of raising the standard of technology. Priority has been given to projects which represent a high level of technology. The fact that the electronics industry has accounted for a relatively large share in total financing can be partly explained in this way. Efforts have been made to increase the country's international competitiveness by expanding technological knowledge rather than by consuming raw materials or cheap labour. The importance of the dissemination of technology has been taken into account in SITRA's financing activity so that credit can also be granted for the purchase of a licence.

SITRA has continuously developed and experimented with new types of financing for supporting economically interesting projects; this can be regarded as one of the indirect achievements of SITRA's activities. SITRA was the first public body in Finland to provide finance for risky product development projects, and it is still the only financial institution

which uses royalties directly linked with the economic success of the project as a basis for repayment.

In granting credit, SITRA pays much attention to the commercial aspects of development projects. Often the financial plans for a product development project also include an appropriation for promotion of marketing, or the project may even be entirely aimed at improving the sales prospects of the product. The provision of guarantees for commercial reference installations is one popular type of financing which has proved important. It can be granted to an enterprise which aims to find a first buyer for a new product. In this case, SITRA places at the disposal of the seller a set amount of money which will cover the potential alteration and repair costs required by the buyer. Thus the buyer receives adequate guarantees that the performance agreed upon will be achieved, and the seller receives a reference which is necessary for his future deliveries.

The granting of conditional loans to cover the expenses incurred by the preparation of offers for exports of construction projects can be mentioned as another type of financing. This type, which was previously used to promote Finnish engineering exports, is nowadays included — in a considerably expanded form — in the state budget.

BANK OF FINLAND

Mill mk

	1977		1978			
	April 29	Dec. 31	April 7	April 14	April 21	April 28
Assets						
Gold and foreign exchange receivables	2 050	2 139	3 759	3 732	3 732	3 696
Gold	127	133	133	133	133	133
Special drawing rights	221	204	187	187	187	187
Convertible currencies	976	1 265	2 594	2 555	2 606	2 570
Tied currencies	726	537	1 845	857	806	806
Other foreign receivables	1 733	1 959	2 158	2 160	2 183	2 187
Foreign bills	455	488	560	550	569	573
Foreign bonds	451	543	670	682	686	686
Currency subscription to Finland's quota in the IMF	827	928	928	928	928	928
Receivables from financial institutions	4 092	5 420	4 663	4 286	4 778	4 515
Cheque accounts of the commercial banks	152	110	146	155	163	157
Discounted bills	2 460	3 091	2 363	2 237	2 427	2 346
Bonds	375	354	573	455	574	536
Call money market advances	1 050	1 804	1 553	1 395	1 600	1 444
Other financial institution receivables	55	61	28	44	14	32
Receivables from the public sector	407	391	390	390	387	382
Bonds	74	60	51	51	52	52
Total coinage	288	304	321	321	322	323
Other public sector receivables	45	27	18	18	13	7
Receivables from corporations	1 398	1 416	1 486	1 483	1 486	1 483
New export bills	182	194	221	222	222	220
Financing of suppliers' credits	616	714	779	776	779	778
Bonds	188	214	199	199	197	197
Other corporate receivables	412	294	287	286	288	288
Other assets	62	85	60	60	60	60
Total	9 742	11 410	12 516	12 111	12 626	12 323
Liabilities						
Foreign exchange liabilities	94	94	67	69	58	72
Convertible accounts	65	53	41	40	38	51
Tied accounts	29	41	26	29	20	21
Other foreign liabilities	1 923	3 447	3 389	3 393	3 408	3 408
IMF mark accounts	1 665	1 838	1 838	1 838	1 838	1 838
Allocations of special drawing rights	258	300	301	301	301	301
Term liabilities	—	1 309	1 250	1 254	1 269	1 269
Notes and coins in circulation	2 924	3 167	3 211	3 199	3 200	3 302
Notes	2 671	2 892	2 924	2 912	2 913	3 013
Coins	253	275	287	287	287	289
Deposit certificates in circulation	180	200	—	—	—	—
Claims of financial institutions	1 605	1 194	2 348	1 922	2 411	1 988
Cheque account of Postipankki	1	1	0	0	2	0
Cheque accounts of the commercial banks	3	3	1	1	2	3
Call money market deposits	1 050	850	1 974	1 586	2 074	1 653
Capital import deposits	—	246	324	316	314	310
Other financial institution claims	11	94	49	19	19	22
Claims of the public sector	512	328	287	288	292	289
Cheque accounts	0	2	0	1	2	0
Counter-cyclical reserves	34	36	38	38	38	38
Capital import deposits	—	287	248	248	251	250
Other public sector claims	478	3	1	1	1	1
Claims of corporations	272	242	385	385	390	389
Investment deposits	54	35	40	40	40	40
Capital import deposits	201	181	332	333	336	336
Import levy deposits	13	19	11	11	13	12
Other corporate claims	4	7	2	1	1	1
Other liabilities	14	13	14	14	13	14
Equalization accounts	778	671	708	729	737	742
Capital accounts	1 980	2 054	2 107	2 112	2 117	2 119
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	436	436	545	545	545	545
Undisposed profits	102	—	109	109	109	109
Net earnings	42	218	53	58	63	65
Total	9 742	11 410	12 516	12 111	12 626	12 323

End of year or month	Foreign sector							Public sector			Deposit certificates in circulation
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserves (1-2)	Tied exchange reserves	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
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
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	-
1977	1 602	53	1 549	496	1 959	3 447	557	391	328	- 63	200
1977											
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
Nov.	903	46	857	797	1 912	2 556	1 010	364	407	43	180
Dec.	1 602	53	1 549	496	1 959	3 447	557	391	328	-63	200
1978											
Jan.	1 492	40	1 452	648	1 983	3 360	723	399	320	-79	180
Feb.	2 236	36	2 200	730	2 093	3 393	1 630	401	297	-104	180
March	2 854	40	2 814	822	2 142	3 391	2 387	405	288	-117	0
April	2 890	51	2 839	785	2 187	3 408	2 403	382	289	-93	-

FOREIGN EXCHANGE SITUATION

Mill. mk

CURRENCY INDEX¹

	Net holdings, March 31, 1978			Change		1974 = 100
	Bank of Finland	Other	Total	March	Jan.—March	
Gold	133	-	133	-	-	1977
Special drawing rights	187	-	187	-	-17	Dec. 111.5
IMF gold tranche	-	-	-	-	-	1978
Convertible currencies	2 494	-3 537	-1 043	+225	+530	Jan. 111.1
Total	2 814	-3 537	-723	+225	+513	Feb. 114.1
Tied currencies	822	185	1 007	+105	+365	March 117.3
						April 117.2

¹ See page 19, CURRENCY

BANK OF FINLAND

Mill. mk

End of year or month	Domestic financial sector						Corporate sector			Notes and coins in circulation	
	Dis-counted and re-dis-counted bills	Cheque account receiv-ables	Other receiv-ables	Cheque account liabilities to the commer-cial banks	Cheque account liabilities to Posti-pankki	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
1971	849	—	—	9	2	—	838	355	385	— 30	1 413
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
1976	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885
1977	3 091	110	2 219	3	1	1 190	4 226	1 416	242	1 174	3 167

1977											
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
Nov.	3 058	132	1 809	1	0	1 142	3 856	1 428	236	1 192	3 075
Dec.	3 091	110	2 219	3	1	1 190	4 226	1 416	242	1 174	3 167

1978											
Jan.	3 060	139	2 575	1	0	1 900	3 873	1 439	239	1 200	2 990
Feb.	2 658	149	2 698	1	0	2 440	3 064	1 504	331	1 173	3 040
March	2 454	123	2 288	1	0	2 340	2 524	1 477	386	1 091	3 333
April	2 346	157	2 012	3	0	1 985	2 527	1 483	389	1 094	3 302

SELLING RATES FOR FOREIGN EXCHANGE

Mk

April 21, 1978

New York ¹	1 \$	4.232	Frankfurt o. M.	100 DM	204.20	Vienna	100 S	28.35
Montreal	1 \$	3.700	Amsterdam	100 FI	191.10	Lisbon	100 Esc	10.23
London	1 £	7.755	Brussels ²	100 Fr		Madrid	100 Pta	5.28
Stockholm	100 Kr	91.50	Zurich	100 Fr	215.50	Tokyo	100 Y	1.880
Oslo	100 Kr	78.40	Paris	100 FF	91.35	Reykjavik	100 Kr	1.63
Copenhagen	100 Kr	74.90	Rome	100 Lit	0.490	Moscow ³	1 Rbl	6.159

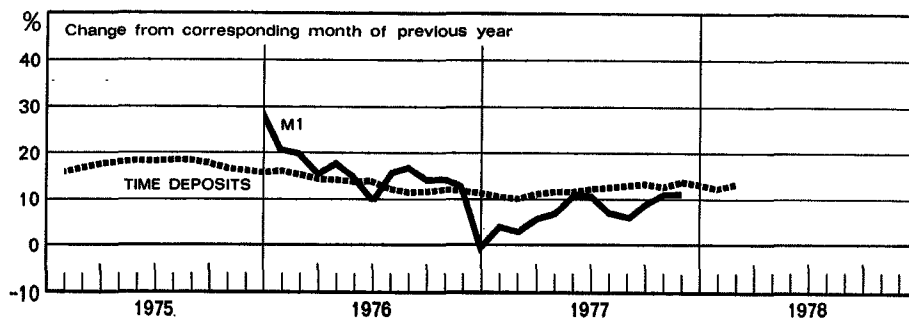
¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin Budapest and Sofia.² 13.140 commercial rate; 13.140 financial rate.³ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC¹

Mill. mk

End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9	10
1974	2 723	913	1 638	5 274	10 811	8 279	6 299	2 646	28 035	33 309
1975	3 472	1 181	2 309	6 962	12 176	9 743	7 530	3 200	32 649	39 611
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1976										
Oct.	2 686	1 204	1 957	5 847	12 484	10 595	8 337	3 560	34 976	40 823
Nov.	2 962	1 231	1 924	6 117	12 502	10 766	8 473	3 606	35 347	41 464
Dec.	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977										
Jan.	3 013	1 205	2 382	6 600	13 324	11 162	8 718	3 692	36 896	43 496
Feb.	2 816	1 262	2 504	6 582	13 306	11 267	8 815	3 741	37 129	43 711
March	2 973	1 342	2 353	6 668	13 371	11 353	8 880	3 825	37 429	44 097
April	3 013	1 299	2 388	6 700	13 557	11 428	9 007	3 825	37 817	44 517
May	3 287	1 359	2 253	6 899	13 598	11 594	9 074	3 850	38 116	45 015
June	3 267	1 406	2 231	6 904	13 740	11 815	9 211	3 909	38 675	45 579
July	3 031	1 407	2 131	6 569	13 828	11 995	9 330	3 954	39 107	45 676
Aug.	3 271	1 486	2 049	6 806	13 960	12 120	9 474	3 989	39 543	46 349
Sept.	3 042	1 431	2 053	6 526	13 966	12 101	9 471	3 978	39 516	46 042
Oct.	3 147	1 495	2 027	6 669	14 167	12 152	9 491	4 012	39 822	46 491
Nov.	3 342	1 508	2 027	6 877	14 382	12 350	9 697	4 066	40 495	47 372
Dec.	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978										
Jan.	3 096	1 351	2 330	6 777	14 890	12 747	9 903	4 203	41 743	48 520
Feb.	3 106	1 468	2 478	7 052	15 191	12 901	9 996	4 243	42 331	49 383

¹ New series. See explanations on page 18.

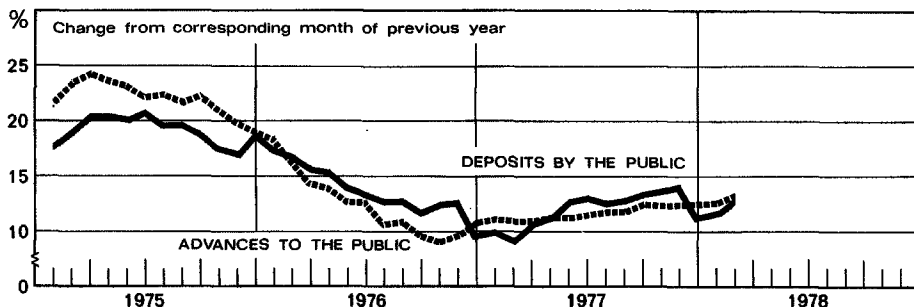


ADVANCES TO THE PUBLIC¹ — MONEY SUPPLY¹

Mill. mk

End of year and month	Advances granted by				Types of advances			Money Supply		
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency	Total (1 to 4) (5 to 7)	M ₁	M ₁ +Quasi- Money
	1	2	3	4	5	6	7	8	9	10
1974	17 462	7 715	6 457	4 653	33 261	1 136	1 890	36 287	7 549	35 943
1975	20 799	9 108	7 797	5 597	38 285	1 281	3 735	43 301	9 772	43 165
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1976										
Oct.	21 528	10 278	8 855	6 130	41 503	1 563	3 725	46 791	8 772	44 332
Nov.	21 825	10 417	9 000	6 189	42 012	1 544	3 875	47 431	8 959	44 924
Dec.	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977										
Jan.	22 376	10 683	9 271	6 152	42 796	1 597	4 089	48 482	9 382	47 443
Feb.	22 535	10 761	9 276	6 178	42 914	1 631	4 205	48 750	9 398	47 255
March	22 703	10 801	9 279	6 293	42 941	1 621	4 514	49 076	9 496	47 693
April	23 175	10 885	9 313	6 242	43 243	1 551	4 821	49 615	9 620	48 164
May	23 240	11 055	9 405	6 337	43 679	1 545	4 813	50 037	9 786	48 845
June	23 469	11 154	9 544	6 352	43 929	1 639	4 951	50 519	9 996	49 380
July	23 475	11 263	9 668	6 312	44 229	1 575	4 914	50 718	9 651	49 509
Aug.	23 598	11 430	9 791	6 351	44 670	1 660	4 840	51 170	9 818	50 103
Sept.	24 063	11 640	9 962	6 476	45 328	1 659	5 154	52 141	9 670	50 258
Oct.	24 149	11 823	10 120	6 598	45 946	1 717	5 027	52 690	9 732	50 614
Nov.	24 440	12 004	10 283	6 676	46 592	1 723	5 088	53 403	9 933	51 436
Dec.	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1978										
Jan.	24 843	12 421	10 575	6 852	47 794	1 763	5 134	54 691	9 875	52 716
Feb.	25 472	12 509	10 636	6 731	47 977	1 787	5 584	55 348	10 137	53 709

¹ New series. See explanations on page 18.



STATE FINANCES

Mill. mk

Revenue	Jan.—Dec.		Expenditure	Jan.—Dec.	
	1976	1977		1976	1977
Income and wealth tax (net)	11 471	10 477	Wages, salaries, pension etc.	5 186	5 742
Gross receipts	(25 223)	(27 400)	Repair and maintenance	722	798
Refunds & local authorities	—13 752	—16 923	Other consumption expenditure	2 403	2 875
Other taxes on income and wealth	245	270	Total consumption expenditure	8 311	9 415
Employers child allowance payments	1 234	1 281	State aid to local authorities	5 760	6 791
Sales tax	6 667	8 282	State aid to industries	4 614	4 823
Customs duties and import charges and levies	891	932	of which: agric. price subsidies	(2 516)	(2 659)
Excise duties ¹	4 820	5 755	Child allowances	819	1 051
Excise duty on alcoholic beverages ¹	1 755	1 814	Share in national pensions and sickness insurance schemes	268	299
Excise duty on tobacco	885	900	Other transfer expenditure	3 415	4 106
Excise duty on liquid fuel	1 601	1 943	Total transfer expenditure	14 876	17 070
Other excise duties ¹	579	1 098	Machinery and equipment	1 202	1 357
Tax on autom. and motor-cycles	896	957	Construction of buildings	640	723
Stamp duties	633	738	Land and waterway construction	1 617	1 527
Special diesel etc. vehicles tax	97	148	Total real investment	3 459	3 607
Other taxes and similar revenue ¹	934	872	Interest on State debt	292	454
Total taxes	27 888	29 712	Net deficit of State enterprises	258	22
Miscellaneous revenue	1 715	1 948	Other expenditure	45	55
Interest, dividends etc.	584	656	Total other expenditure	595	531
Redemptions of loans granted	397	416	Increase in inventories	+37	+42
Total revenue	30 583	32 732	Lending	2 965	2 993
Foreign borrowing	803	892	Other financial investment	561	687
Domestic borrowing	784	1 123	Total expenditure	30 804	34 345
Total borrowing	1 587	2 015	Redemption of foreign loans	216	163
Deficit (+) or surplus (—)	—882	79	Redemption of domestic loans	268	318
Total	Total	31 288	34 826	Total	31 288
					34 826

¹ New series.

State debt	1975		1976		1977		1978	
	Dec.	Dec.	Dec.	Dec.	Nov.	Dec.	Jan.	Feb.
Foreign debt	1 603	2 248	3 454	3 679	3 652	4 013		
Loans	1 645	2 175	2 874	2 963	3 016	3 106		
Compensatory obligations	1	1	1	1	1	1		
Short-term credit	85	287	227	175	..	..
Cash debt (net)	—242	—643	—462	—669	..	..
Domestic debt	1 489	1 820	2 640	2 470	..	..
Total State debt	3 092	4 068	6 094	6 149	..	..
Total debt, mill \$	798	1 069	1 459	1 493	..	..

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		Surplus of exports (+) or imports (-)
	Exports f. o. b.	Imports c. i. f.	
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
1977*	30 945	30 712	+ 233

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	2 541	3 120	- 579
July	2 833	2 443	+ 390
Aug.	2 240	2 397	-157
Sept.	2 901	2 848	+ 53
Oct.	2 991	2 588	+ 403
Nov.	2 960	2 891	+ 69
Dec.	3 155	3 050	+ 105

1978*

Jan.	2 511	2 622	- 111
Feb.	2 524	2 188	+ 336

Jan.-Feb.

1977	4 386	4 381	+ 5
1978*	5 035	4 810	+225

Indices of exports and imports 1975 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1973	121	93	60		64	94
1974	121	100	85	92	92
1975	100	100	100	100	100
1976	117	96	103	107	97
1977*	129	88	119	124	96

1975

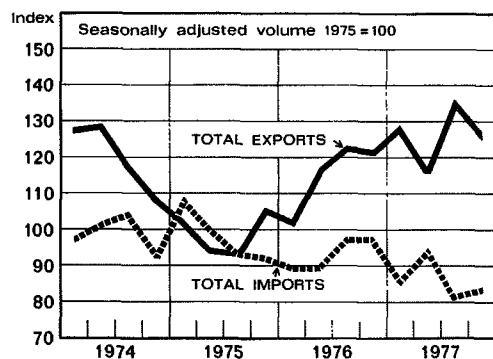
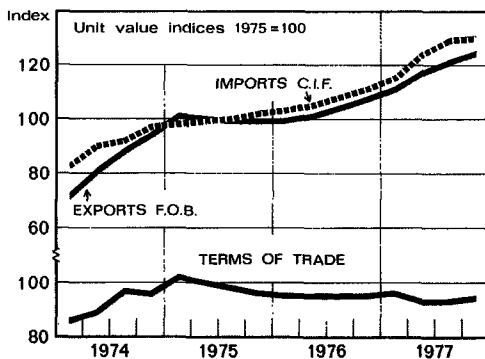
Jan.-March	100	107	102	99	103
Apr.-June	92	95	101	100	100
July-Sept.	89	94	100	101	99
Oct.-Dec.	116	100	100	103	97

1976

Jan.-March	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.-March	124	83	112	116	97
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94
Oct.-Dec.	143	93	125	131	95



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, .o.b.					Imports, c.i.f.				
	Agri-cultural and other primary products	Wood industry products	Paper industry products	Metal, en-gineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
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
1977*	1 100	3 854	8 798	9 184	8 009	19 124	2 067	4 834	4 600	87

1977*

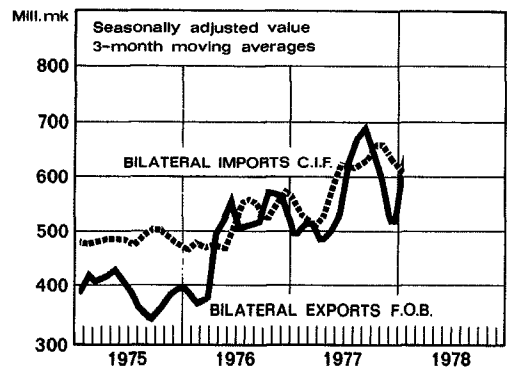
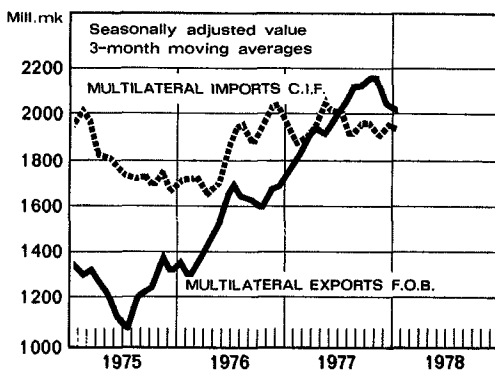
Jan.	204	286	655	748	576	1 384	144	546	308	7
Feb.	45	232	625	476	539	1 297	102	271	320	2
March	181	261	802	692	685	1 488	85	381	448	2
April	54	246	630	600	554	1 277	107	373	405	7
May	106	350	681	435	661	1 451	148	370	441	11
June	90	366	750	770	565	1 984	202	565	353	16
July	87	352	701	1 045	648	1 609	178	319	316	21
Aug.	48	340	674	605	573	1 591	165	275	356	10
Sept.	44	337	795	943	782	1 789	284	372	399	4
Oct.	41	321	753	1 106	770	1 655	222	321	389	1
Nov.	44	417	896	802	801	1 729	198	511	453	0
Dec.	156	346	836	962	855	1 870	232	530	412	6

1978*

Jan.	160	322	721	656	652	1 558	193	493	376	2
Feb.	34	266	821	727	676	1 395	124	327	340	2

Jan.-Feb.

1977	249	518	1 280	1 224	1 115	2 681	246	817	628	9
1978*	194	588	1 542	1 383	1 328	2 953	317	820	716	4



FOREIGN TRADE BY COUNTRIES¹

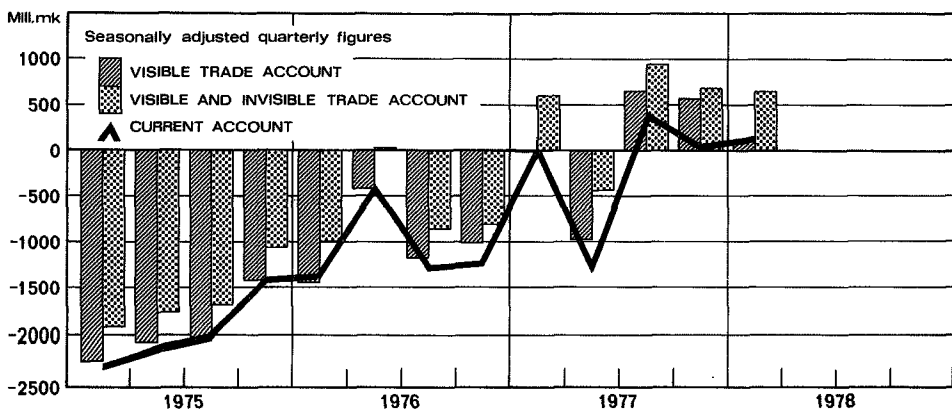
Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—February				January—February			
	1977*		1978*		1977*		1978*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	65.9	2 004	59.9	3 015	61.9	2 711	60.7	2 919
Austria	0.6	20	0.6	33	1.7	73	1.4	66
Belgium and Luxembourg	1.8	56	2.2	109	2.0	87	2.0	99
Denmark	4.0	121	4.0	199	2.9	126	2.9	138
France	4.3	131	4.2	213	3.1	136	3.1	151
Federal Republic of Germany	8.7	264	10.2	513	16.1	705	13.7	659
Italy	1.7	52	1.6	79	2.2	98	2.2	107
Netherlands	3.3	101	3.2	159	2.8	123	3.0	146
Norway	4.8	145	4.3	215	2.3	102	2.4	115
Portugal	0.4	11	0.3	14	0.4	19	0.4	17
Spain	1.2	36	0.6	33	1.6	70	0.7	32
Sweden	16.2	492	13.3	670	15.8	694	16.1	774
Switzerland	1.8	54	2.0	103	2.3	100	2.2	107
United Kingdom	15.7	479	12.0	602	8.3	362	10.0	480
Other	1.4	42	1.4	73	0.4	16	0.6	28
OECD countries outside Europe	6.0	182	7.3	367	9.2	405	8.2	395
Canada	0.6	20	0.5	26	0.3	13	0.4	20
Japan	0.8	23	0.8	38	2.7	119	2.5	122
United States	3.9	119	4.6	234	6.0	265	5.0	241
Other	0.7	20	1.4	69	0.2	8	0.3	12
CMEA countries	19.5	593	20.9	1 051	21.9	959	21.7	1 043
Czechoslovakia	0.8	23	0.5	24	0.5	20	0.4	21
German Democratic Republic	1.1	34	0.6	32	0.5	23	0.7	33
Poland	1.4	44	0.7	35	2.0	86	2.2	106
Soviet Union	15.5	470	18.1	909	18.0	790	16.7	801
Other	0.7	22	1.0	51	0.9	40	1.7	82
Latin America	2.4	72	5.0	254	3.8	166	4.0	192
Argentina	0.3	8	0.2	9	0.1	3	0.1	2
Brazil	0.5	14	0.2	13	1.1	50	1.0	48
Colombia	0.1	3	0.2	10	1.4	59	2.0	97
Other	1.5	47	4.4	222	1.2	54	0.9	45
Other	6.2	191	6.9	348	3.2	142	5.4	261
GRAND TOTAL	100.0	3 042	100.0	5 035	100.0	4 383	100.0	4 810
of which								
EFTA countries	23.8	725	20.6	1 039	22.7	993	22.7	1 094
EEC countries	40.1	1 221	38.0	1 913	37.5	1 642	37.2	1 787
OECD countries	71.9	2 186	67.2	3 382	71.1	3 116	68.9	3 314

¹ New series. See explanations on page 18.

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
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
1977*	30 775	30 629	+ 146	+1 286	- 12	+380	+1 800	-2 434	-140	- 774
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	6 978	6 765	+ 213	+ 321	- 80	+ 74	+ 528	- 506	-46	- 24
Apr.-June	6 820	7 689	- 869	+ 268	+ 10	+ 35	- 556	- 726	-11	-1 293
July-Sept.	7 933	7 671	+ 262	+ 343	+118	+193	+ 916	- 532	-29	+ 355
Oct.-Dec.	9 044	8 504	+ 540	+ 354	- 60	+ 78	+ 912	- 670	-54	+ 188

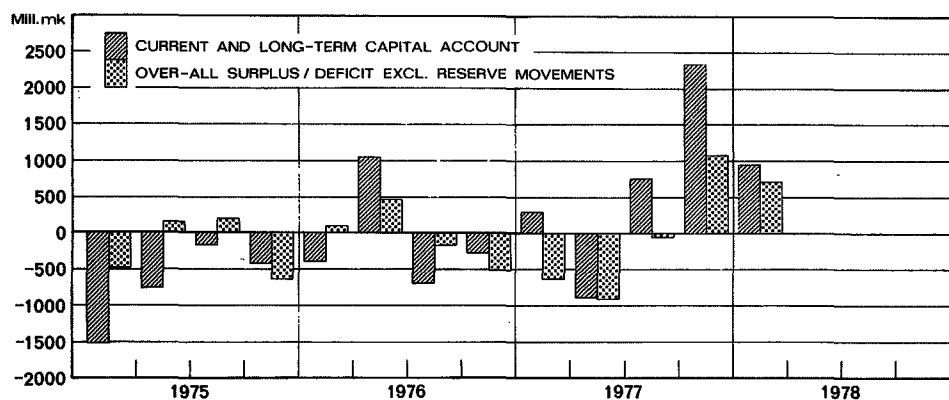


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+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
+6 454	-2 745	-241	-229	+3 239	+2 465	-1 544	- 470	- 940	- 489	-170	+ 659
+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	- 24	+ 321	+ 297	- 802	+ 149	- 249	- 605	-140	+ 745
+1 273	-857	+ 35	- 37	+ 414	- 879	- 320	+ 149	+ 144	- 906	+358	+ 548
+1 252	-647	-156	- 89	+ 360	+ 715	+ 217	- 384	- 603	- 55	-319	+ 374
+2 907	-691	+ 7	- 79	+2 144	+2 332	- 639	- 384	- 232	+1 077	- 69	-1 008

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			
1976	626	646	548	614	707	621	679	594	614	152	142	154
1977	692	713	610	667	804	695	728	654	695	171	154	176
1977												
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
Oct.	703	722	631	675	829	709	735	665	710	175	157	180
Nov.	705	723	632	677	830	709	737	665	711	176	157	181
Dec.	705	724	634	677	833	710	735	666	713	176	157	182
1978												
Jan.	706	725	637	675	845	713	730	667	719	177	155	183
Feb.	711	730	639	679	853	719	736	665	727	177	155	183
March	716	731	658	683	869	719	736	670	733	178	155	184

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	Trans- port	Education and recreation	Other goods and services
1976	449	352	174	182	164	166	171	200	164	174	162	185
1977	506	397	196	216	174	181	183	221	181	197	188	209
1977												
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
Oct.	522	410	203	225	174	185	190	229	185	203	194	216
Nov.	524	412	204	226	174	187	192	230	186	203	195	217
Dec.	525	412	204	225	174	186	192	233	187	205	196	217
1978												
Jan.	526	412	204	222	174	183	192	234	188	209	198	218
Feb.	532	417	207	223	190	187	192	235	188	212	198	222
March	533	419	207	224	190	190	192	235	189	212	198	223

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
1975	161	192	100	83	175	104	158	188	166	168	169
1976*	163	195	101	79	156	103	160	191	173	176	174
1977*	162	191	96	83	157	101	160	186	181	182	178
1976*											
Jan.-March	157	202	62	84	123	102	149	182	171	174	172
Apr.-June	161	195	97	91	137	106	157	187	172	175	174
July-Sept.	160	167	178	56	169	101	161	186	173	176	174
Oct.-Dec.	172	216	67	86	196	102	171	207	177	179	177
1977*											
Jan.-March	158	200	61	99	128	100	152	175	179	180	177
Apr.-June	159	190	81	94	139	103	157	184	180	180	177
July-Sept.	159	167	166	54	170	101	162	180	181	182	178
Oct.-Dec.	171	209	76	83	190	102	171	204	185	184	180

PRODUCTION

Index of industrial production 1970 = 100

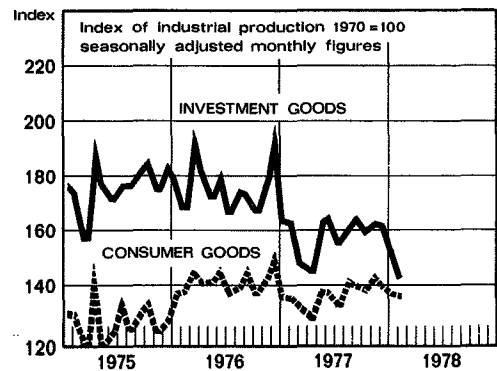
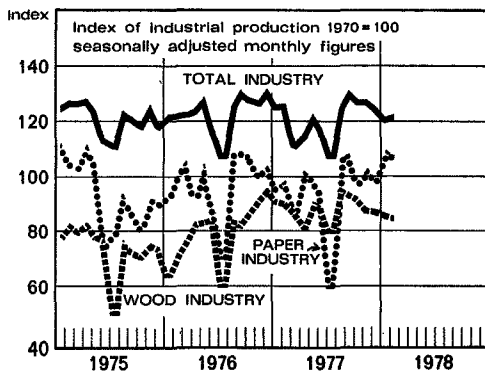
Period	Total	Investment goods	Other producer goods	Consumer goods	* Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	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
1977*	122	160	108	138	109	89	96	140	115	142	122

1977*

Jan.	130	178	116	141	99	86	96	182	128	153	126
Feb.	126	171	112	138	93	88	100	164	117	149	126
March	126	160	112	141	103	101	94	147	115	146	112
April	115	151	102	128	99	92	90	136	96	136	116
May	130	180	114	148	115	114	101	134	127	158	123
June	118	173	101	139	106	95	79	106	123	152	117
July	64	63	58	78	95	41	58	77	61	51	108
Aug.	125	154	110	145	115	88	108	137	121	139	124
Sept.	135	179	120	151	115	97	115	147	132	158	131
Oct.	134	176	120	150	123	92	110	141	128	156	127
Nov.	136	181	121	155	127	97	109	151	122	162	127
Dec.	124	155	111	140	111	82	92	152	104	143	125

1978*

Jan.	131	168	118	143	104	86	109	162	118	149	122
Feb.	125	154	112	140	95	84	110	152	114	138	123



LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Un- employed 1 000 persons	Unemploy- ment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesale- sellers' 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	122	127
1976*	3 530	2 244	2 158	86	3.8	27 305	123	127
1977*	3 561	2 248	2 111	137	6.1	27 814	112	121
1977*								
Jan.	3 524	2 181	2 053	128	5.9	2 455	93	95
Feb.	3 528	2 163	2 032	131	6.1	2 934	95	109
March	3 527	2 161	2 030	131	6.1	3 564	109	127
April	3 524	2 152	2 016	136	6.2	3 227	111	123
May	3 523	2 186	2 054	132	6.1	2 856	115	128
June	3 531	2 402	2 266	136	5.7	1 870	117	119
July	3 524	2 410	2 264	146	6.1	685	115	104
Aug.	3 524	2 304	2 165	139	6.0	1 240	118	127
Sept.	3 524	2 198	2 078	120	5.5	1 824	116	133
Oct.	3 524	2 194	2 070	124	5.7	2 090	111	125
Nov.	3 524	2 172	2 028	144	6.6	2 355	111	124
Dec.	3 524	2 186	2 029	157	7.2	2 714	137	133
1978*								
Jan.	3 572	2 199	2 007	192	8.7	2 625	94	102

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building- works under con- struction
	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residen- tial 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	46.89	19.95	3.93	15.81	3.84	41.25	17.74	3.16	15.40	2.59	51.85
1977*	41.62	18.82	4.23	11.90	3.72	43.12	17.89	3.01	16.57	3.28	48.38
1976*											
Oct.-Dec.	11.96	4.09	0.69	5.12	1.45	13.15	6.29	1.19	4.02	0.81	51.85
1977*											
Jan.-March	6.73	2.92	0.66	1.91	0.83	9.43	3.59	0.47	4.51	0.57	47.95
Apr.-June	13.22	7.00	1.71	2.69	0.80	8.76	4.16	0.38	2.76	0.99	51.52
July-Sept.	11.20	4.67	1.06	3.70	0.91	10.92	4.04	1.05	4.02	0.99	52.69
Oct.—Dec.	10.47	4.23	0.80	3.60	1.18	14.01	6.10	1.11	5.28	0.73	48.38

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 + Term liabilities.

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

Liabilities = Cheque accounts + Counter-cyclical reserves + Capital import deposits + Other public sector claims.

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 + Capital import 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.

Page 6. *Deposits by the public*. The central government and the financial institutions are mainly excluded from the public.

From 1974 deposits include domestic deposits denominated in foreign currency.

Page 7. *Advances to the public*. The central government and the financial institutions are not included in the public.

Postipankki's (Post Office Bank's) advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

Money Supply. M_1 = Finnish notes and coins in circulation — Finnish notes and coins held by the banks + demand deposits held by the public (incl. demand deposits at the Bank of Finland) Quasi-Money = Time deposits held by the public (incl. time deposits at the Bank of Finland)

Note: Domestic deposits in foreign currency included in money supply since 1974. In the money supply the public includes non-monetary financial institutions.

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): from January 1978 imports by countries of origin exports by countries of consumption.

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 since 1956 and he was re-elected for the period March 1, 1978, to March 1, 1984.

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 (88.4 %) 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 (1976): 4.7 million. Sweden 8.2, Switzerland 6.4, Denmark 5.1 and Norway 4.0 million.

DENSITY OF POPULATION (1976): In South Finland 46.2, in East and Central Finland 13.9, in North Finland 4.0 and in the whole country an average of 15.5 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1976): 41 % of the population inhabit the rural areas, 59 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 493 324 inhabitants, Tampere (Tammerfors) 166 179, Turku (Åbo) 164 520.

EMPLOYMENT (1976): Agriculture and forestry 14 %, industry and construction 35 %, commerce 15 %, transport and communications 8 %, services 28 %.

LANGUAGE (1975): Finnish speaking 93.3 %, Swedish speaking 6.4 %, others 0.3 %.

EDUCATION (1977): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 14 colleges of university standard.

CHANGE OF POPULATION (1976): births 14.0 ‰, deaths 9.4 ‰, change + 2.7 ‰, net emigration 2.0 ‰. Deaths in France 10.5 ‰ and Great Britain 12.2 ‰.

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 (1976): The growing stock comprised of 1 520 million m³ (solid volume with bark) of which 45 % was pine and 37 % spruce, the remaining 18 % being broad-leaved trees, chiefly birch. Of the growing stock, 637 million m³ was up to the standard required for logs, 56 % of these being pine. The annual growth was 57.4 million m³ and the total removal, calculated on the basis of roundwood consumption, was 42.4 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, 1978): Length 6 063 km.

MERCHANT FLEET (Dec. 31, 1977): Passenger vessels 120 (197 921 gross reg. tons), tankers 52 (1 169 465 gross reg. tons), dry cargo vessels 208 (897 952 gross reg. tons), other vessels 66 (9 267 gross reg. tons), total 446 (2 274 605 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1977): Passenger cars 1 075 400, lorries and vans 136 200, buses 8 800, others 7 200, total 1 227 600.

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 Metropolitanis. 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 121.7 and 116.4.

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, 1977). There are two big and five small commercial banks with in all 858 offices. 280 savings banks 376 co-operative banks, six mortgage banks. Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-eight private insurance companies also grant credits.

RATES OF INTEREST (May 1, 1978) 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 7 ¼ %. The range of rates for other credits granted by the Bank of Finland is between 5 ½ % and 8 ½ %. Other credit institutions time deposits 3 ¼ %; 6 month deposits 4 ¼ %; 12 month deposits 5 ½ %; 24 month deposits 6 ½ %; 36 month deposits 7 ¼ % + savings premium; 36 month deposits 7 ¼ % + tax concession. The highest lending rate 10 ½ %.

FINNISH ECONOMY IN 1977 AND THE CURRENT OUTLOOK

by Seppo Kostiainen, Head of Monetary Office
and Tuomas Sukselainen, Head of International Economics Office

Economics Department
Bank of Finland

SUMMARY

From the point of view of the external balance, 1977 was a year of progress in the Finnish economy. The deficit on the current account of the balance of payments continued to diminish even more rapidly than was expected. In addition, inflation slowed down markedly towards the end of the year. On the other hand, productive activity continued to be stagnant with the volume of GDP falling by approximately one per cent (Chart 1). This clearly reflected the slackness of demand. Private productive investment decreased considerably and private consumption fell slightly from the previous year. Exports were relatively favourable and public consumption grew somewhat, but these factors were insufficient to prevent demand and productive activity from declining. The rate of capacity utilization fell further and the unemployment rate climbed to an unprecedented level.

These developments in the recent past have led to the adoption of economic policies to promote production and employment. Between June 1977 and March 1978 the Government prepared three fairly large packages of stimulation policies, totalling around 4 000 million marks. These policies have been directed towards curbing rising production costs, thereby improving the competitiveness of industry, and invigorating domestic demand. The competitiveness of the open sector has been further improved by three devaluations of the mark in the context of devaluations by other Nordic countries. Economic activity has also been stimulated by a gradual easing in monetary policy.

However, according to the forecasts made by various authorities and institutions, these measures, which are extensive by Finnish standards, will have only a limited effect on production, investment and employment during the current year. Instead, there seems to be a sizable passive reserve of liquidity building up in the economy. Both firms and banks are tending to cut their indebtedness ratios and accumulate liquidity while the Central Government is greatly increasing its long-term capital imports to meet its growing borrowing requirement.

EXTERNAL DEMAND AND THE BALANCE OF PAYMENTS

The slow-down in economic activity, common to most industrialized countries, led last year to a virtual stagnation in Finland's major western customers, whose weighted GDP grew by a mere one per cent. In the United Kingdom and Sweden, which still received almost one third of Finnish exports in 1976, the economic situation was particularly unfavourable. In the former country there was practically no growth while in the latter production actually decreased by 2.5 per cent. On the other hand, the few countries where activity was expanding, the United States, Norway and OPEC-countries, only bought 3—4 per cent of Finnish exports each.

Despite generally weak demand which was further accentuated by the traditional geographic and commodity structure of Finnish trade, the volume of visible exports grew by

10 per cent in 1977. This entailed a further considerable gain in over-all market shares. Although three of the major customers for Finnish goods, (the Soviet Union, the Federal Republic of Germany and Sweden) accounted for two fifths of the growth in export earnings last year, much of the growth arose from trade with less familiar, but more rapidly expanding markets, where the gains in market shares were also rather impressive. Metal industry exports were buoyant partly due to growth in basic metal exports and partly due to deliveries of ship and machinery orders from earlier years. Forest industry exports increased less than

CHART 2. CURRENT ACCOUNT AND THE CONVERTIBLE RESERVES OF THE BANK OF FINLAND

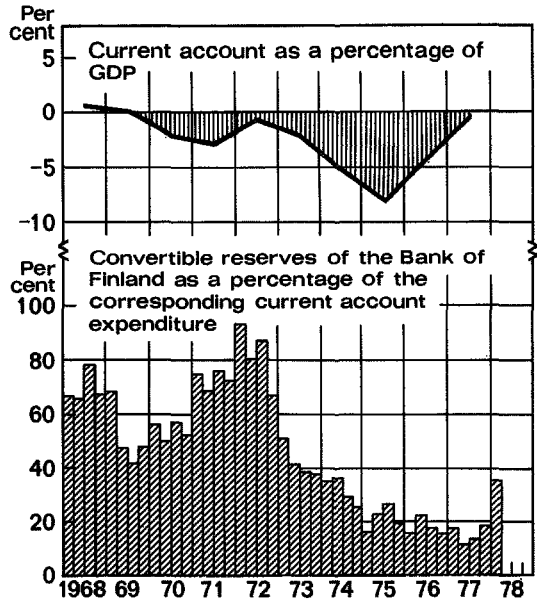
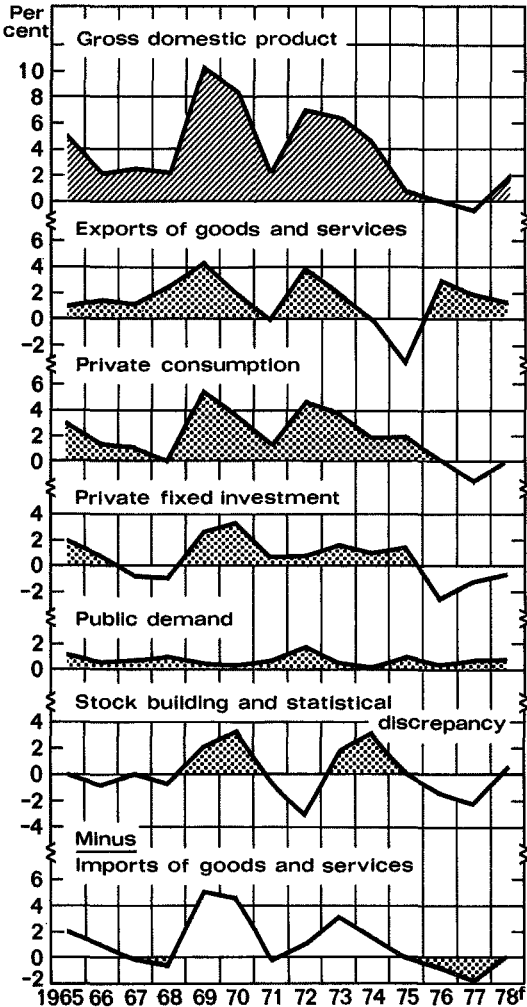


CHART 1. CONTRIBUTION TO THE GROWTH OF GROSS DOMESTIC PRODUCT 1965-1977 AND FORECAST 1978¹



¹ Change in volume over previous year as a percentage of preceding year's gross domestic product.

exports in general, probably to a considerable extent as a result of the intensive competition and uncertainty in the markets for these goods. Total export prices in foreign currency were more or less unchanged over the year as the decline in pulp and paper export prices offset increases in other prices. Due to the two devaluations in 1977 export prices in Finnmarks rose by an average of 15 per cent on a year-on-year basis.

Despite this favourable performance, domestic economic activity declined—whether measured by total production or domestic demand factors. This was clearly reflected by a drop of 8 per cent in the volume of imports. The decline in imports was brought about by a run-down in the stocks of imported raw materials in addition to the effect of slack final demand for investment and consumer goods. Prices of imports increased at almost the same rate as export prices, slightly less than 16 per cent, out of which only 8—9 percentage points were due to increases in foreign currency prices.

Last year, Finland's current account was almost balanced with an annual deficit of only

about 800 billion marks or a mere 1/2 per cent of GDP (Chart 2). The trade account was actually slightly in surplus, but was more than offset by the deficit in invisibles, increasingly brought about by net interest payments on accumulated foreign debt.

However, in the sense of an underlying current account, the balance was clearly not achieved, i.e. it cannot be considered to be sustainable irrespective of the trade cycle. The apparent external balance was in fact very closely connected with the cyclical position in Finland and its export markets. In this sense, last year's situation was just a continuation of the developments of 1975 and 1976, as the improvement in external balance coincided with a further deterioration in the level of economic activity in Finland compared to that in customer countries. In 1977, the unemployment rate in Finland was actually greater than the average rate in the countries most important for Finnish exports.

The financial side of the balance of payments was rather volatile in 1978. The inflow of long-term capital was clearly reduced from the high levels of earlier years and was almost offset by the outflow of short-term commercial capital induced by balanced trade, enlargement of the cash payment scheme and exchange rate speculation. During the year the external liquidity of the economy was brought under occasional pressure which eventually led the Bank of Finland to make substantial drawings on foreign commercial credit lines in December. The lack of confidence in the value of the mark was clearly due to the poor domestic performance of the economy as well as considerations of the basic competitiveness of the economy especially in face of recent Swedish devaluations.

THE CORPORATE SECTOR

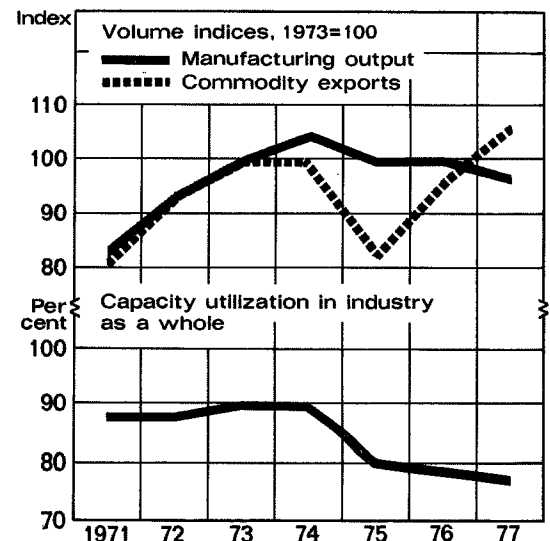
INDUSTRIAL OUTPUT

One of the most striking developments in the Finnish economy during the past few years has

been the apparently non-existent impact of export developments on domestic production and demand (Chart 3). The most recent insensitivity of manufacturing production to the revival of export deliveries has been partly due to long lags in the production process and related changes in inventories of finished goods or work in progress. In the first place, many of the exports in 1977 were made out of stocks, this applies especially to some forest industry products. In addition, many deliveries of ships or heavy machinery were largely a result of production in earlier years and brought about a reduction in the stock of work in progress. A partial reason for the failure of export-led growth has also been a further decline in capacity utilization, due not to a decline in production itself but to the great expansion of capacity during the first half of the 1970's. Under the circumstances, production for domestic use has been depressed as the revival of export earnings has failed to initiate an expansion in investment demand and the income formation of private households.

In 1977 the fall in activity was concentrated into the first half of the year with some labour disputes also having a depressing effect. Dur-

CHART 3. OUTPUT, EXPORTS AND CAPACITY UTILIZATION



ing the third quarter, production revived but was more or less unchanged thereafter. On the whole, there was a clear decrease in production in metal and other non-woodbased industries as well as in retailing and primary production.

PROFITABILITY AND FINANCING

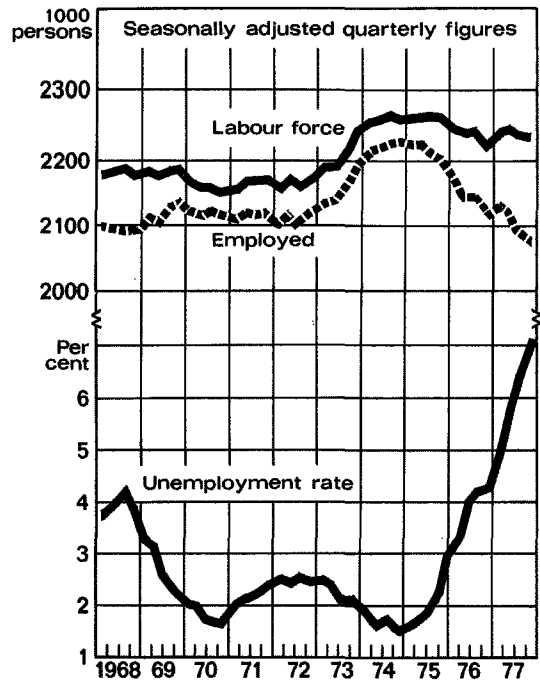
The sluggishness of domestic activity and the related low capacity utilization were clearly reflected in the profitability of firms and especially in the sheltered sector. Despite a distinct slow-down, labour costs still increased faster than productivity and this also tended to reduce profitability. Low profitability together with uncertain expectations and financial difficulties led to a decline in investment by firms for the third year in succession. As the drop in investment clearly exceeded that in real profits the financial deficit of firms decreased to less than three per cent of GDP compared with a record level of 11 per cent in 1975.

Net borrowing from abroad by firms decreased, as the import of long-term capital was reduced and there was a considerable outflow of short-term capital. However, as credits from banks and other domestic financial institutions increased at the same time as firms' income formation was weak, their debt service ratio continued to deteriorate. The overall liquidity position of companies improved somewhat in 1977. There was, however, a change in the structure of firms' short-term assets as the reduction in domestic assets was more than offset by the strengthening of the net foreign position.

USE OF PRODUCTIVE RESOURCES

The decline in productive activity last year led to a further reduction in the use of productive resources, especially labour (Cart 4). Capacity utilization was reduced further and the unemployment rate rose to a record level of 7.3 per cent at the end of the year. The increase in unemployment reflected further adjustments of employment levels to output, i.e. was caused

CHART 4. EMPLOYMENT



partly by labour dishoarding. Worsening expectations and the increased caution of employers made them release any labour in excess of the current production needs. In terms of people employed, the downward trend in primary production continued and in construction and manufacturing employment levels came somewhat down in accordance with production. A new feature of the situation was that the steady upward trend in service sector employment was broken, evidently because of the low profitability in response to decreasing private consumption and public sector saving measures.

HOUSEHOLDS

Although nominal wage increases were large in relation to company profitability, real wages decreased by about 4 per cent as a result of the continued high inflation rate on a year-to-year basis. However, the decrease in household disposable real income was less than two per cent largely as a result of the change

in income tax scales, made to correct for the effects of inflation, and of the growing income transfers from the public sector. The savings ratio rose slightly and private consumption was two per cent lower than in the previous year.

In contrast with the corporate sector, household investment continued at a high level in spite of the weak income formation. In 1977, the investment ratio almost grew to the boom level of 1973—1974. Housing investment has been maintained by Government subsidised production as well as the availability of financing from the co-operative and savings banks in particular.

A high investment ratio at the same time as real disposable income decreased meant a weakening in the net financial saving of the household sector, which traditionally has been a large net saver. Hence, household indebtedness continued to increase in 1977.

THE PUBLIC SECTOR

The volume of public consumption expenditures increased by nearly 5 per cent in 1977, which, among other things, was decidedly more than was agreed by the central government and local authorities in February 1977. In contrast public investment fell by two per cent.

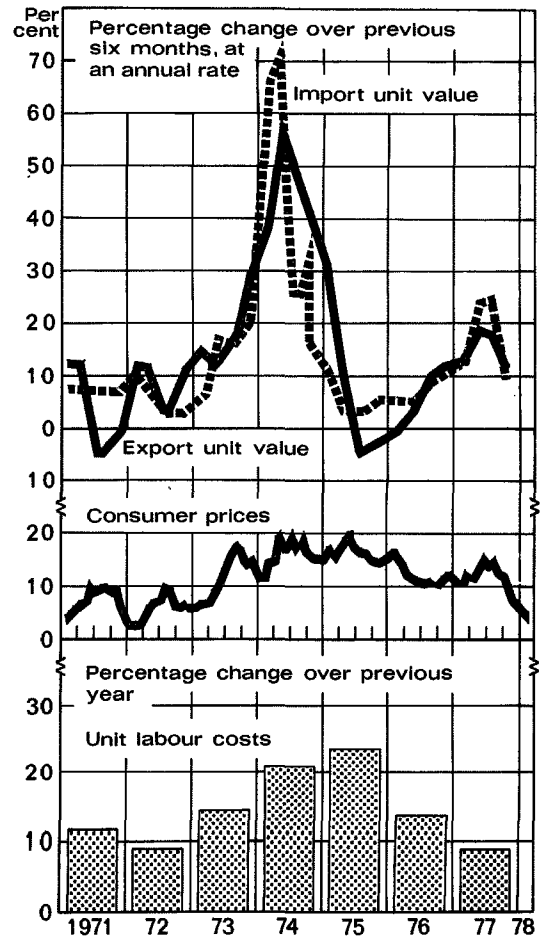
The weakening growth of national income together with the reduction in income tax scales led to a deterioration in the financial position of central government. Even net revenue from income and property tax diminished in 1977, but this was mainly due to the fact that tax repayments were postponed from December 1976 to March 1977. As a result, the central government borrowing requirement at 2 100 million marks was twice that of the previous year, but still only two per cent of GDP. Of this borrowing requirement, 2 000 million marks was covered by raising long-term loans of which 900 million marks came from abroad. Although the cash

deficit for the whole year was only 80 million marks, the state had seasonal liquidity difficulties during the second and third quarters.

COSTS AND PRICES

In 1977, especially towards the end of the year, there was a clear deceleration in inflation. Although the annual average rise in consumer prices was, at 12.6, only two percentage points lower than in the previous year, by the last quarter the annual rate of inflation was around 4—5 per cent (Chart 5). Much of the increase in prices during the year arose from increased import prices in marks and raised indirect taxes. The improvement during the latter part

CHART 5. COSTS AND PRICES



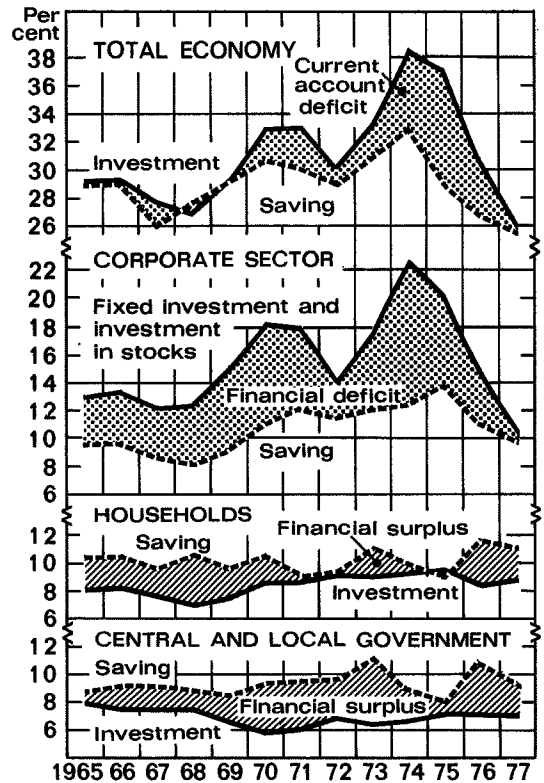
of the year reduced or eliminated the difference between the annual inflation rate in Finland and that in major competitors. The most important factors behind the deceleration of inflation seem to have been the slackening of domestic activity, the moderation of wage settlements and the levelling-off of import prices towards the end of the year. The agreements in the spring produced an annual average increase in wages of 5 per cent which with wage drift meant an increase of 8 per cent in nominal earnings. Because of the weak productivity development and the increase in social security contributions, unit labour costs increased by 9 per cent, i.e. somewhat more than those in competing countries, measured in local currencies.

MONETARY DEVELOPMENTS

The balance between total investment and saving in the economy improved in 1977 and even at a slightly more rapid pace than had been expected. This was mainly due to the continuing decline in company investment. The investment ratio in the corporate sector fell to its lowest ever for the 1960's and 1970's (Chart 6). However, the improvement in the financial balance of the economy was not reflected in an easing of the financial position of the deposit banks in 1977. This was due to a net export of foreign capital by the private sector in contrast with the large capital imports of recent years.

Besides the balance of payments developments, during 1977 the financial markets were also affected by seasonal fluctuations in the government's cash position and by the release of company import deposits. The cash position of the central government had deteriorated by approximately 1 700 million marks by the summer and the release of import deposits by July amounted to roughly 970 million marks. In order to restrict the liquidity effect of these factors and to safeguard an adequate level of foreign exchange reserves, the Bank of Finland aimed to reduce the

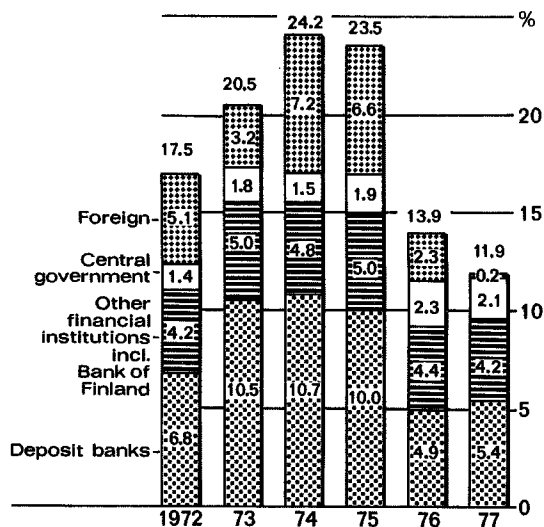
CHART 6. SAVING, INVESTMENT AND FINANCIAL SURPLUS/DEFICIT BY SECTOR AS A PERCENTAGE OF GDP



commercial banks' use of central bank finance. The net debt of commercial banks to the Bank of Finland diminished by roughly 1 200 million marks between January and July. During the latter half of the year, the financial markets were tightened by a large short-term capital outflow and a considerable improvement in the central government's cash position. As a result, commercial banks central bank debt grew by about 1 900 million marks between July and December,

The above development resulted in an accelerating growth in bank deposits during the first half of 1977. Although the growth in deposits started to taper off towards the end of the year, the growth in time deposits during the year amounted to 13.9 per cent. However, demand deposits diminished by 1.4 per cent mainly because firms delayed the repatriation of their export earnings. All in all, bank deposits grew by 11.5 per cent in 1977.

CHART 7. TOTAL CREDIT EXPANSION TO THE PUBLIC¹



¹ The growth of the total stock of credits granted to the public (firms, households, local authorities) as a percentage of the total stock of credits at the end of the previous year.

The growth of bank credits accelerated somewhat in 1977 and was 12.2 per cent. Credits in excess of deposits increased during the year by about 1 200 million marks, of which 670 million marks was financed with commercial banks' central bank debt. Of the various banking groups, the growth rates of credits and deposits were greatest in savings and co-operative banks.

Total credit expansion to the public decelerated from 14 per cent in 1976 to 12 per cent in 1977 according to preliminary figures (Chart 7). This was mainly due to the reduction of capital imports. In addition, the contributions of other financial institutions and central government to the total credit expansion diminished slightly whereas that of deposit banks increased somewhat.

POLICY ISSUES¹

Around mid-1977 the Government outlined a medium term strategy, the principal objective of which was a considerable reduction in

unemployment by 1982, while limiting the current account deficit to 2 per cent of GDP. In accordance with this, stimulative measures were announced, including a temporary reduction in the employers' contribution to health insurance payments, an increase in child allowances and the abolition of sales tax on industrial construction undertaken between August 1, 1977 and March 31, 1978 and completed by the end of 1979.

In December 1977, following an agreement with the central industrial and labour organizations, a package was introduced entailing a postponement of wage increases. These increases, which were agreed in the 1977 income settlements and were to take effect in March and October 1978, were postponed by 6 and 4 months respectively. This contributed to a fall of nearly 4 percentage points in the increase in average earnings forecasted for 1978. In addition, the March 1978 adjustment of farmers' incomes was postponed by 6 months and dividends were limited to their 1977 levels at most. The government's supplementary measures to its reflationary programme also included a temporary reduction in both the employers' and employees' social security contributions and various other fiscal concessions to improve profitability and protect household purchasing power. The government, industry and trade agreed to refrain from price increases until the end of August; substantial rises in import prices will be the main exception to this rule. Furthermore the Government was authorized until the end of February 1979 to implement more severe price regulations. Overall, the policy supported growth in domestic demand as the tax rate decreased and public expenditure grew faster than GDP.

Against the background of devaluations in the other Nordic countries, the mark has been devalued three times during the past year or so. The external value of the mark was lowered by 5.7 per cent on April 5th, by 3 per cent on September 1st 1977 and by a further 8 per cent on February 17th 1978.¹

¹ For further details about the economic policies, see the special articles in various issues of this Bulletin.

¹ Expressed in terms of changes in the fluctuation limits of the currency index.

In connection with the last devaluation, the Government outlined a third package, which was to combat inflation and protect household purchasing power as well as stimulate investment and employment. It was agreed to pay in May 1978 part of the wage increases — 1.5 percentage points — postponed to next year. Further reductions in employers' and employees' social security contributions were introduced for this year. The agreement made between industry, trade and government to refrain from price increases will be continued to the end of February 1979. The sales tax exemption for industrial construction will be extended by 5 months. Half of the sales tax will be lifted from those industrial machines and equipment which are ordered or purchased between 1. 4. 1978—30. 6. 1979 and delivered by the end of 1979.

In February, the Bank of Finland decided to reduce its discount rate by one percentage point from the beginning of May, as it had done following the September devaluation. In addition, the Bank agreed to contribute to arranging an extra 700 million mark credit for the Central Government in 1978—1979. In general, monetary policy was still fairly tight during the first half of last year, although some signs of easing were already to be seen. This easing was in the form of the introduction of a bonus scheme into the banks' central bank financing arrangement, a lowering in the penalty rate on central bank borrowing and large average placements by the Bank of Finland in the call money market. These measures had a greater effect on the average cost of central bank financing in 1977 than the two reductions in the banks' central bank credit quotas totalling 400 million marks. The lowering of the general interest rate in October and the introduction of new selective credit guidelines in December 1977 also directly supported production and employment.

OUTLOOK FOR 1978

During the current year foreign demand will provide limited room for the expansion of

Finnish exports. Although the price competitiveness of the open sector has substantially improved, much of the benefit will be postponed to later years because of the sluggish demand in major markets. As exports to new expanding markets are expected to continue their healthy growth of the recent past, export volume will again this year grow more rapidly than traditional markets.

Domestic demand in 1978 seems still to have a slight negative impact on the growth of total production. In recent forecasts, total production is expected to show only a slight increase, capacity utilization will remain very low and unemployment is expected to increase further. Private consumption is expected to fall slightly as the propensity to consume responds to permanently lower income expectations. However, under the circumstances, there are few impulses either from the demand or capacity side to give a boost to investment activity. So the improvement in profitability resulting from the recent policy measures seems, for the time being, to be mostly used for strengthening the financial structure of companies and perhaps for building up raw material inventories rather than for fixed investment.

The financial position of the public sector will deteriorate considerably due to weakness of income formation, inflation adjustment of tax scales as well as increased outlays connected with the worsening unemployment. The curtailment of the public sector's financial surplus and the expected further reduction in the current account deficit combined with substantial imports of capital for both public and private purposes will lead to a great easing of the domestic financial markets in 1978.

As for the major imbalances of the economy, there will be a further reduction in the current account deficit. The apparent substantial demand for long-term foreign loans will, under the circumstances, lead to a considerable increase in exchange reserves. In the domestic economy, the inflation rate is expected to remain at about the same level as in

Finland's major competitors, as the recent devaluation and the earlier than expected wage increases will hinder the further reduction of inflationary pressures. The worst and continually worsening imbalance in the economy is the high unemployment. The economic policy measures adopted in 1977 and early 1978 are not expected to halt the increase in unemployment during this year.

(continued from page 2)

In the financing of its public research projects, SITRA has tried to select projects of general importance which are likely to produce substantial economies by means of administrative and technological rationalization. As a result of the recent oil crisis, energy-saving technology emerged alongside environmental protection technology which had drawn special attention during the first years of SITRA's operation. Other important fields are national health, where public expenses are considerable, and forestry, which plays a vital role in the country's supply of raw materials. The public research financed by SITRA has been carried out in co-operation with the authorities in the fields concerned and the corporate sector; in many cases, it has induced reforms in administrative practice and even in legislation.

As a public body financing research and development, SITRA resembles many other institutions in various parts of the world. However, it also has distinct national characteristics: for example, SITRA's involvement in the projects financed is not so great as that of development corporations in other countries, such as the National Research Development Corporation (NRDC) in the United Kingdom. On the other hand, it also provides finance for public research. In the other Nordic countries, research and development projects are primarily financed with budgetary funds, while SITRA has its own capital which is held by the central bank.

April 21, 1978

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

Ahti Karjalainen

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

Ele Alenius

Directors

Jouko J. Voutilainen

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Senior officials

Pertti Kukkonen
Director, ADP-planning

Ralf Pauli
Deputy, Monetary Policy

Pekka Tukiainen
Domestic Financial Operations

Kari Pekonen
Foreign Exchange Policy

Raine Panula
Foreign Exchange

Raili Nuortila
Eastern Trade

Antti Lehtinen
Capital Transfers

J. Ojala
Foreign Exchange Control

Kari Puumanen
Economics Dept.

Heikki Koskenkylä
Research Dept.

Markku Pietinen
Information and Publications

H. T. Hämäläinen
Administration and Legal Affairs

Antti Saarlo
Foreign Correspondence

Timo Männistö
Internal Audit

K. Eiröla
Automatic Data Processing

Pauli Kanerva
Personnel Administration and General Affairs

Stig G Björklund
Banking Services

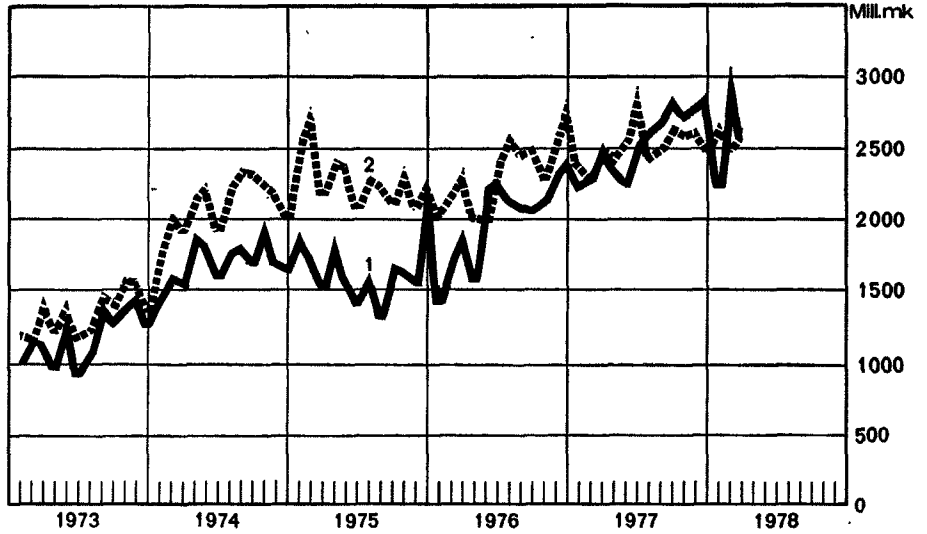
Antti Luukka
Cash

U. Levo

International legal affairs

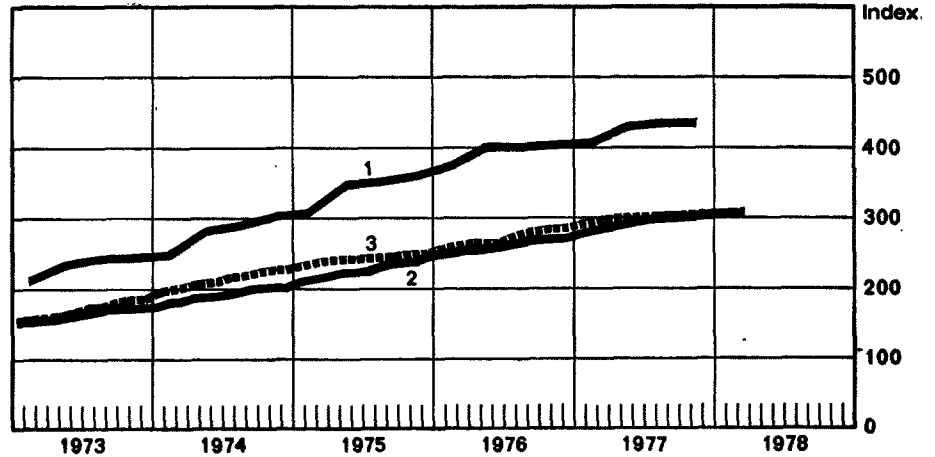
FOREIGN TRADE, 1973-1978

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



PRICES AND WAGES, 1973-1978

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



PRODUCTION, 1973-1978

- 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

