



BANK OF FINLAND

Monthly Bulletin

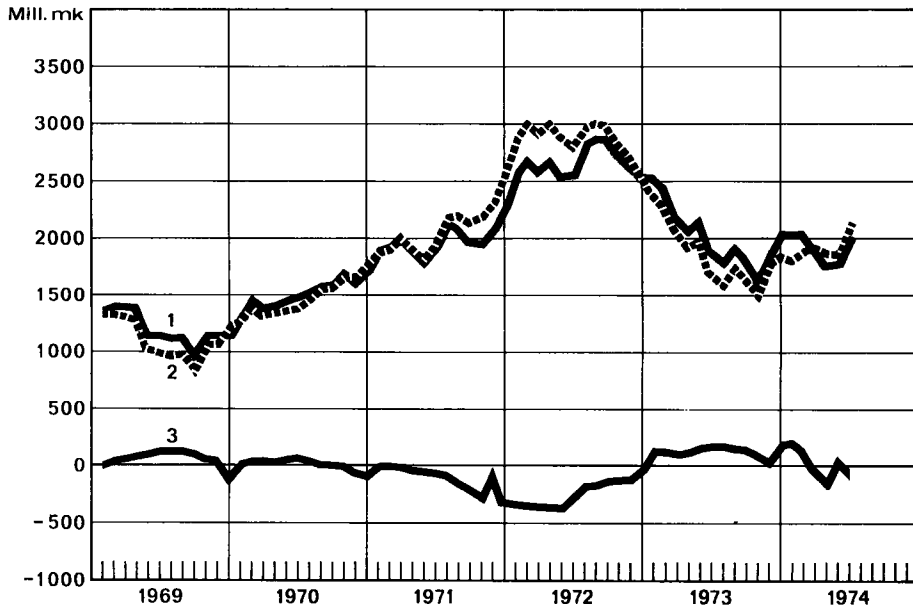
Prospects for the Finnish forest industry

Financial developments and monetary
policy

AUGUST 1974

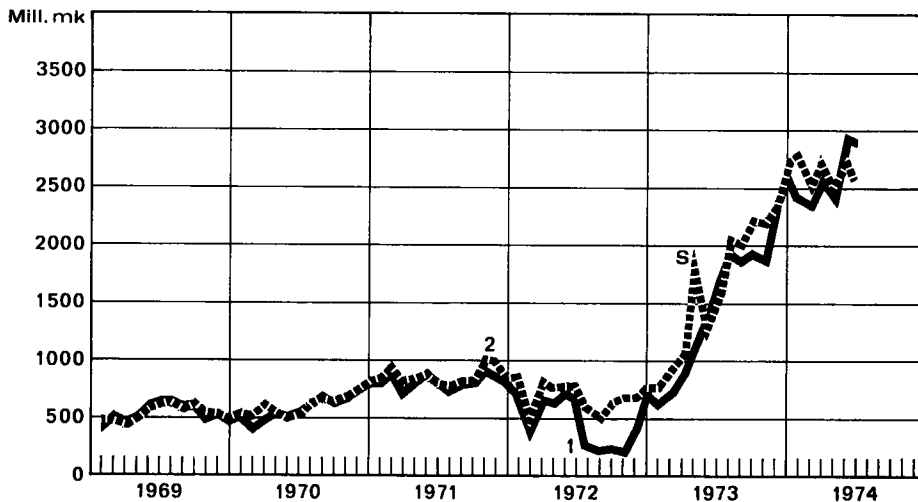
Vol. 48 No. 8

Bank of Finland foreign exchange reserve, 1969-1974



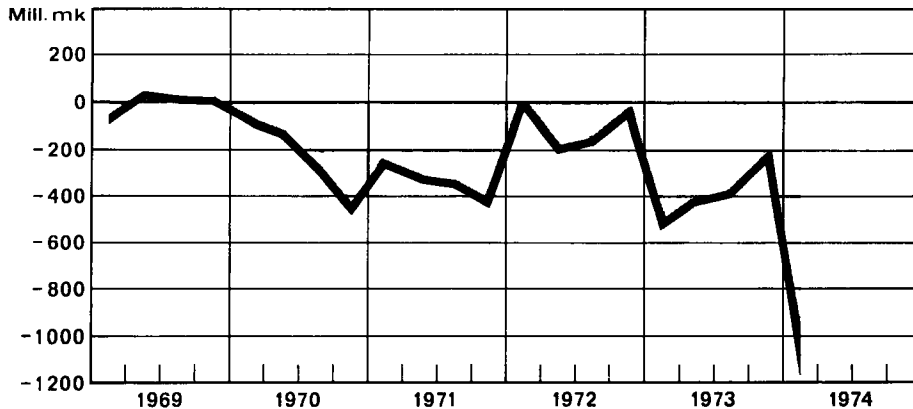
- 1. Total gold and foreign exchange
- 2. Gold and convertible currencies
- 3. Other currencies

Bank of Finland's position in regard to the banks, 1969-1974



- 1. Net claims on the banks
 - 2. Discounted and rediscounted bills
- Seasonally adjusted end-of-month figures

Balance of payments current account surplus / deficit, 1969-1974



Seasonally adjusted quarterly figures

PROSPECTS FOR THE FINNISH FOREST INDUSTRY

The forest industry — the mechanical and chemical wood-processing industries — continues to play a major rôle in the Finnish economy, particularly in foreign trade. In 1973, the total value of forest industry exports came to 7 500 million marks and made up 52 per cent of Finland's commodity exports. Of this, the mechanical wood-processing industry accounted for 16 percentage points and the chemical wood-processing industry for 36 percentage points. The bulk (about 85 per cent) of the total output of the forest industry is exported. The share of foreign raw materials and semi-finished products in the total sales value of the output of the forest industry has been only about 10 per cent. On the other hand, the forest industry is more capital and energy intensive than most other industries.

As a result of the vigorous economic growth in Finland's major market countries, demand for almost all forest industry products was brisk during 1973. Export prices rose in all product categories, but the rise was more substantial for products of the mechanical wood-processing industry than for pulp and paper industry products. The average rise in export prices of forest industry products was 16 per cent. Towards the end of last year the prices of mechanical wood-processing industry products almost stopped rising, whereas the export price of pulp and paper industry products continue to climb.

As export prices of mechanical wood-processing industry products rose more rapidly than those of chemical wood-processing industry products, the price ratio prevailing in the raw timber market changed in favour of heavy timber. This caused difficulties for the fibre-based forest industry by hampering the supply of raw material and raising the cost level. However, difference between the price of sawn logs and that of fibre wood will gradually be stabilized, even though the

total material costs of the forest industry will rise.

In recent years the forest industry has consumed from two to three million solid cubic metres of imported timber per annum, but in 1973, imports amounted to five million solid cubic metres. However, it is not certain whether imported raw timber can be obtained in the future, and for this reason, the expansion of the forest industry cannot be based on the prospective imports of raw timber.

In light of export figures for the first half of 1974 the outlook for this year still seems satisfactory for the forest industry as a whole. Since the spring the demand for practically all mechanical wood-processing industry products has, however, weakened considerably. The demand for paper and pulp is still brisk and continues to exceed supply. Existing productive capacity is being fully utilized, and a shortage of skilled labour and raw materials has appeared. It will take another couple of years before the investment projects planned will make it possible to increase output substantially. It is estimated that the total volume of forest industry production will rise by only about two per cent in the current year. The total value of forest industry exports will probably grow by some 40 to 50 per cent mainly because of the rise in export prices.

Before the oil crisis, the share of energy in production costs of the pulp and paper industry ranged between 7 and 15 per cent, depending on the branch and the processes used, whereas at present it comes to between 15 and 20 per cent. Increased energy costs, together with higher raw material costs, have recently been the major factors affecting the cost level in the forest industry. In addition, the forest industry has started extensive investment projects for environmental protection in recent years. However, it is to be noted that the rise in the price of energy may well slow them down.

It might soon be necessary to lower slightly the forecast growth rate of four to five per cent for the volume of forest industry production for the current decade, because investments made for raising forest output have been smaller than the target programme would have presupposed, and because the price of imported fuel has risen threefold. The structure of the industry should be made to correspond as much as possible to the breakdown by species and thickness of trees in the forests.

In recent years the output of sawn goods has reached a record level, and the changes under way will increase productive capacity somewhat further. In the plywood industry the conversion to processes which make use of raw materials other than hardwood started some years ago, and the major part of renovation has already been completed. The reason for the widening of the raw material base is the fact that the use of birch logs has reached the limits imposed by the allowable cut. In the particle board branch, there are so many planned investment projects that they would double the present volume of production if they were all carried out.

In the chemical and mechanical wood pulp industries, there are a few major projects for increasing production capacity. It is also estimated that the output of several existing mills will grow slightly. The production of mechanical wood pulp will expand, mainly because printing paper and cardboard production are increasing. It is expected that the productive capacity of the chemical and mechanical wood pulp industries will grow by almost one million tons during the next five years.

The paper and cardboard industries have planned about ten projects for purchasing new machinery, and a few of these are already being implemented. When carried out, these plans will mean about a one million ton

increase in paper and cardboard productive capacity over the next five years.

It has been agreed upon between the Central Association of Finnish Forest Industries and the Bank of Finland that attempts will be made to keep investments which tend to increase the primary use of wood within the range allowed by the growth of forest resources. In keeping with this agreement, the Bank of Finland will, when deciding on the financial matters related to these investment projects, consider the statements provided by the Central Association of Finnish Forest Industries. When preparing the statements, the Central Association will consult scientific and technical experts and the firms concerned. If this procedure does not lead to a unanimous decision, the matter will be handled by a neutral conciliatory committee which will make the final decision.

The investment projects approved in 1972—1974 will increase the annual use of raw timber in the years ahead by 2.5 million cubic metres and the use of waste wood by 1.6 million cubic metres, of which the pulp and paper industries will account for 65 per cent, the particleboard industry for 17 per cent, the sawmill industry for 15 per cent and the plywood industry for 3 per cent.

The estimates of the growth of the demand for forest industry products in the world market indicate that there will be export markets for the increases in production. Indeed, the demand for pulp and paper may well exceed the productive capacity of these industries in the coming years. It is estimated that in four to five years the short-fall in output will be 9 million tons for paper and cardboard, and 12 million tons for paper pulp. The availability of raw timber is of vital importance for the expansion of forest industry production in Finland.

July 26, 1974

BANK OF FINLAND

Mill. mk

	1973		1974				
	July 31	Dec. 31	July 8	July 15	July 23	July 31	
Assets							
Gold and other foreign assets	2 192	2 493	2 622	2 631	2 596	2 609	
Gold	205	121	121	121	121	121	
Special drawing rights	285	285	286	286	286	286	
IMF gold tranche	268	268	268	268	268	268	
Foreign exchange	1 173	1 546	1 584	1 587	1 562	1 576	
Foreign bills	124	96	177	183	173	172	
Foreign bonds	137	177	186	186	186	186	
Claims on domestic banks	2 120	2 617	2 986	2 814	2 968	2 846	
Discounted bills	2 060	2 556	2 764	2 633	2 783	2 688	
Rediscounted bills	0	—	—	—	—	—	
Cheque accounts	60	61	222	181	185	158	
Other lending	342	362	361	363	378	377	
Inland bills discounted							
In foreign currency	—	—	—	—	—	—	
In Finnish marks	51	58	80	81	84	84	
Loans	291	304	281	282	294	293	
Other assets	600	598	602	607	602	602	
Finnish bonds	33	33	34	40	35	35	
Finnish coin	31	25	27	26	26	25	
Currency subscription to Finland's quota							
in the IMF	530	530	530	530	530	530	
Other claims	6	10	11	11	11	12	
	Total	5 254	6 070	6 571	6 415	6 544	6 434
Liabilities							
Notes in circulation	1 695	1 907	2 067	2 027	1 974	1 970	
Liabilities payable on demand	314	178	357	279	422	301	
Foreign exchange accounts	45	80	130	166	255	102	
Mark accounts of holders abroad	51	67	80	85	86	87	
Cheque accounts							
Treasury	44	2	46	2	44	48	
Post Office Bank	156	2	76	2	14	43	
Private banks	—	—	—	—	—	—	
Other	1	8	2	2	2	2	
Other sight liabilities	17	19	23	22	21	19	
Term liabilities	1 460	2 214	2 323	2 319	2 317	2 319	
Foreign	—	—	—	—	—	—	
Domestic	1 460	2 214	2 323	2 319	2 317	2 319	
IMF mark accounts	530	530	530	530	530	530	
Allocations of special drawing rights	258	258	258	258	258	258	
Equalization accounts	252	171	221	184	222	231	
Bank's own funds	745	812	815	818	821	825	
Capital	600	600	600	600	600	600	
Reserve fund	114	114	163	163	163	163	
Profits undisposed	—	—	—	—	—	—	
Earnings less expenses (Dec. 31, Net profit)	31	98	52	55	58	62	
	Total	5 254	6 070	6 571	6 415	6 544	6 434

End of year and month	Gold and foreign accounts						Treasury		
	Gold and foreign exchange	Liabilities on foreign exchange and mark accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Cheque account	Term liabilities, net	Net liabilities to the Treasury (7+8) ¹
	1	2	3	4	5	6	7	8	9
1967	701	75	626	98	354	370	4	7	11
1968	1 353	62	1 291	125	34	1 382	3	354	357
1969	1 268	92	1 176	517	360	1 333	4	196	200
1970	1 844	106	1 738	639	518	1 859	2	119	121
1971	2 620	327	2 293	686	530	2 449	2	138	140
1972	2 685	121	2 564	757	530	2 791	1	48	49
1973	2 220	147	2 073	803	530	2 346	2	532	534
1973									
June	1 985	75	1 910	771	530	2 151	5	34	39
July	1 931	96	1 835	791	530	2 096	44	33	77
Aug.	2 113	156	1 957	777	530	2 204	29	32	61
Sept.	2 020	176	1 844	763	530	2 077	50	31	81
Oct.	1 861	169	1 692	768	530	1 930	49	30	79
Nov.	2 060	170	1 890	798	606	2 082	50	530	580
Dec.	2 220	147	2 073	803	530	2 346	2	532	534
1974									
Jan.	2 207	147	2 060	808	530	2 338	1	533	534
Feb.	2 214	143	2 071	817	530	2 358	3	530	533
March	2 104	168	1 936	831	530	2 237	49	529	578
April	1 986	196	1 790	855	530	2 115	51	528	579
May	2 005	203	1 802	874	530	2 146	5	528	533
June	2 231	197	2 034	888	530	2 392	1	527	528
July	2 251	189	2 062	888	530	2 420	48	527	575

¹ New series, see explanations on page 18.

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1973			Net holdings, May 31, 1974			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	May	Jan.-May
Gold	121	—	121	121	—	121	—	—
Special drawing rights	285	—	285	286	—	286	+ 1	+ 1
IMF gold tranche	268	—	268	268	—	268	—	—
Convertible currencies	1 189	165	1 354	1 216	+13	1 229	-17	-125
Other currencies	210	2	212	-89	-30	-119	+23	-331
Total	2 073	167	2 240	1 802	-17	1 785	+ 7	-455

BANK OF FINLAND

Mill. mk

End of year and month	Domestic banks					Other					
	Dis-counted and re-dis-counted bills	Cheque accounts ¹	Liabilities, Cheque accounts		Net claims on the banks (1+2-3-4)	Inland bills in Finnish marks	Other advances	Liabilities	Net claims on the rest of economy (6+7-8) ³	Deposit certificates ³	Notes in circulation
			Private banks ²	Posti-pankki ²							
1	2	3	4	5	6	7	8	9	10	11	
1967	868	—	155	35	678	197	383	56	524	—	1 052
1968	618	107	163	16	546	186	195	43	338	—	1 160
1969	550	87	93	12	532	192	269	25	436	—	1 298
1970	836	3	1	4	834	137	246	324	59	203	1 344
1971	849	—	9	2	838	121	234	385	-30	400	1 479
1972	753	5	—	2	756	44	277	73	248	790	1 730
1973	2 556	61	—	2	2 615	58	314	259	113	1 450	1 907
1973											
June	1 697	25	—	1	1 721	50	301	48	303	1 130	1 829
July	2 060	60	—	156	1 964	51	297	45	303	1 400	1 695
Aug.	1 776	8	—	5	1 779	52	295	215	132	1 400	1 693
Sept.	2 221	22	—	199	2 044	54	296	309	41	1 400	1 773
Oct.	2 363	54	—	320	2 097	57	302	301	58	1 400	1 683
Nov.	2 623	50	—	67	2 606	60	302	260	102	1 400	1 790
Dec.	2 556	61	—	2	2 615	58	314	259	113	1 450	1 907
1974											
Jan.	2 146	129	—	1	2 274	64	303	237	130	1 310	1 706
Feb.	2 227	113	—	4	2 336	64	304	229	139	1 380	1 744
March	2 530	103	—	78	2 555	72	296	230	138	1 450	1 792
April	2 677	156	—	80	2 753	79	293	244	128	1 450	1 806
May	2 719	93	—	3	2 809	81	289	230	140	1 490	1 907
June	2 794	127	—	3	2 918	81	297	221	157	1 600	2 134
July	2 688	158	—	43	2 803	84	305	213	176	1 600	1 970

¹ Including special index accounts.² Including cash reserve accounts.³ New series, see explanations on page 18.

SELLING RATES FOR FOREIGN EXCHANGE

Mk

July 25, 1974

New York ¹	1 \$	3.670	Frankfurt o. M.	100 DM	145.45	Vienna	100 S	20.50
Montreal	1 \$	3.775	Amsterdam	100 Fl	142.50	Lisbon	100 Esc	14.90
London	1 £	8.780	Brussels ²	100 Fr		Madrid	100 Pta	6.48
Stockholm	100 Kr	85.20	Zurich	100 Fr	125.90	Tokyo		1.255
Oslo	100 Kr	68.75	Paris	100 FF	78.50	Reykjavik	100 Kr	3.85
Copenhagen	100 Kr	62.90	Rome	100 Lit	0.5750	Moscow ³	1 Rbl	4.900

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.² 9.840 commercial rate; 9.430 financial rate.³ Clearing account; also Bucharest.

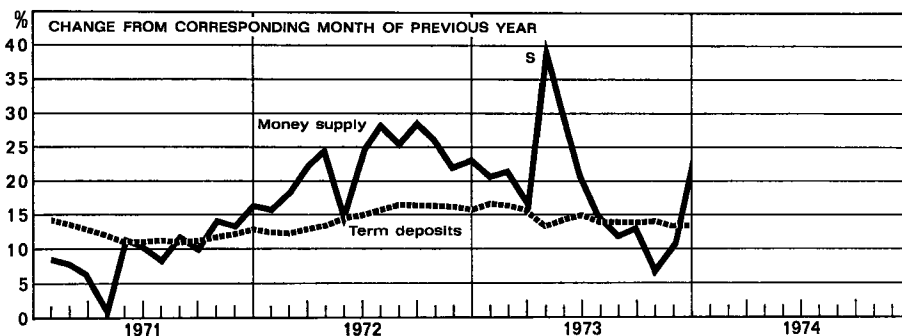
DEPOSITS BY THE PUBLIC

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
1967	661.5	834.0	340.9	4 103.1	3 644.6	2 417.3	941.2	431.3	11 537.9	12 712.8
1968	856.2	1 087.6	428.4	4 597.8	3 966.4	2 683.1	1 027.2	465.0	12 739.8	14 255.8
1969	1 057.4	1 373.9	520.8	5 236.3	4 333.1	3 021.6	1 116.0	521.6	14 228.7	16 123.4
1970	1 142.7	1 507.7	603.3	6 098.7	4 846.9	3 458.4	1 287.6	574.2	16 265.8	18 376.8
1971	1 343.2	1 733.5	754.4	6 961.4	5 446.4	3 876.6	1 491.4	642.3	18 418.1	20 906.0
1972	1 851.2	2 371.4	979.2	8 095.8	6 231.8	4 499.8	1 805.6	720.0	21 353.0	24 703.6
1973*	2 153.3	2 900.5	1 360.2	8 973.8	7 117.1	5 238.7	2 158.7	804.9	24 293.2	28 553.9

1973*

Jan.	1 849.2	2 315.5	944.6	8 190.6	6 327.8	4 583.8	1 839.0	729.6	21 670.8	24 930.9
Feb.	1 796.9	2 261.8	1 047.7	8 221.3	6 399.2	4 655.8	1 866.7	737.5	21 880.5	25 190.0
March	1 649.4	2 132.3	989.5	8 197.1	6 412.9	4 672.2	1 869.7	742.3	21 894.2	25 016.0
April	1 660.4	2 144.0	1 488.1	8 028.9	6 325.3	4 647.3	1 892.5	747.5	21 641.5	25 273.6
May	1 919.5	2 512.9	1 037.9	8 259.6	6 462.6	4 712.7	1 893.8	753.0	22 081.7	25 632.5
June	1 816.1	2 292.4	1 092.5	8 345.6	6 490.8	4 699.2	1 926.3	752.0	22 213.9	25 598.8
July	1 754.2	2 236.9	1 041.5	8 326.0	6 506.9	4 735.7	1 950.5	757.7	22 276.8	25 555.2
Aug.	1 677.3	2 192.3	1 025.7	8 401.2	6 610.8	4 831.8	1 874.3	763.4	22 581.5	25 799.5
Sept.	1 630.7	2 155.5	1 098.0	8 442.8	6 689.7	4 924.3	1 994.5	783.9	22 835.2	26 088.7
Oct.	1 690.5	2 234.4	932.0	8 524.6	6 756.3	5 013.2	2 017.6	783.2	23 094.9	26 261.3
Nov.	1 681.9	2 221.5	989.1	8 508.2	6 833.8	5 113.1	2 052.0	785.2	23 292.3	26 502.9
Dec.	2 153.3	2 900.5	1 360.2	8 973.8	7 117.1	5 238.7	2 158.7	804.9	24 293.2	28 553.9

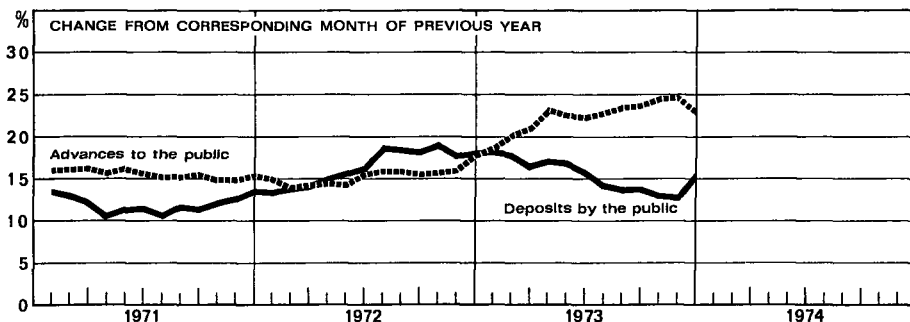


ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1967	5 558.9	3 247.7	2 424.3	864.9	1 026.9	12 583.8	538.9	13 122.7	2 146
1968	5 865.5	3 448.4	2 600.5	927.9	1 053.0	13 392.0	503.3	13 895.3	2 642
1969	6 892.2	3 802.8	2 922.1	1 039.8	1 290.4	15 354.4	592.9	15 947.3	3 126
1970	7 963.5	4 342.1	3 403.8	1 341.9	1 454.0	17 814.9	690.4	18 505.3	3 445
1971	9 233.7	4 795.6	3 834.0	1 746.6	1 799.1	20 639.8	769.2	21 409.0	4 025
1972	10 667.3	5 503.0	4 482.6	2 244.8	2 374.4	24 472.6	799.5	25 272.1	4 959
1973*	13 293.1	6 495.5	5 302.5	3 398.6	2 696.4	30 214.3	971.8	31 186.1	6 114

1973*									
Jan.	10 788.6	5 590.5	4 525.4	2 344.4	2 438.0	24 878.1	808.8	25 686.9	4 627
Feb.	11 007.4	5 659.5	4 593.6	2 399.7	2 446.4	25 249.9	856.7	26 106.6	4 757
March	11 284.3	5 732.6	4 626.6	2 538.3	2 450.7	25 699.4	933.1	26 632.5	4 644
April	11 839.6	5 829.5	4 681.0	2 648.4	2 490.1	26 490.4	998.2	27 488.6	5 584
May	11 805.2	5 876.4	4 730.2	2 777.4	2 486.8	26 806.2	869.8	27 676.0	5 225
June	12 074.3	5 954.0	4 788.3	2 790.3	2 510.9	27 180.8	937.0	28 117.8	5 170
July	12 238.0	6 005.7	4 833.9	2 854.7	2 547.8	27 520.3	959.8	28 480.1	4 883
Aug.	12 419.3	6 096.5	4 908.2	2 915.1	2 565.5	27 928.1	976.5	28 904.6	4 791
Sept.	12 702.8	6 202.6	5 009.5	3 023.8	2 573.6	28 451.7	1 060.6	29 512.3	5 004
Oct.	12 968.1	6 320.2	5 116.5	3 173.2	2 592.9	29 142.5	1 028.4	30 170.9	4 749
Nov.	13 162.8	6 414.2	5 209.2	3 284.9	2 629.6	29 677.4	1 023.3	30 700.7	4 906
Dec.	13 293.1	6 495.5	5 302.5	3 398.6	2 696.4	30 214.3	971.8	31 186.1	6 114



STATE FINANCES

Revenue	Jan.—May		Expenditure	Mill. mk	
	Jan.—May			Jan.—May	
	1973	1974		1973	1974
Income and property tax (net)	2 363	3 249	Wages, salaries, pensions etc.	1 040	1 247
Gross receipts	(4 748)	(6 177)	Repair and maintenance	99	164
Refunds & local authorities	(-2 385)	(-2 928)	Other consumption expenditure	506	604
Other taxes on income and property	55	69	Total consumption expenditure	1 645	2 015
Employers' child allowance payments	195	228	State aid to local authorities	929	1 268
Sales tax	1 666	2 087	State aid to industries	595	827
Revenue from Alcohol Monopoly	368	420	of which: agric. price subsidies	(411)	(570)
Customs duties & import charges	235	187	Child allowances	149	158
Counter-cyclical tax	—	—	Share in national pensions and health insurance	96	92
Excise duty on tobacco	166	223	Other transfer expenditure	788	946
» » on liquid fuel	313	305	Total transfer expenditure	2 557	3 291
Other excise duties	140	159	Machinery and equipment	186	241
Tax on autom. and motor cycles	307	159	House construction	142	156
Stamp duties	141	169	Land and waterway construction	419	420
Special diesel etc. vehicles tax	21	25	Total real investment	747	817
Other taxes and similar revenue ¹	151	153	Interest on State debt	126	103
Total taxes	6 121	7 433	Index compensations	12	14
Miscellaneous revenue	407	383	Net deficit of State enterprises	67	25
Interest, dividends etc.	110	151	Other expenditure	5	12
Sales and depreciation of property	—	1	Total other expenditure	210	154
Redemptions of loans granted	67	71	Increase in inventories	-7	-10
Total revenue	6 705	8 039	Lending	477	500
Foreign borrowing	10	8	Other financial investment	104	213
Domestic borrowing	164	138	Total expenditure	5 733	6 980
Total borrowing	174	146	Redemption of foreign loans	50	92
Deficit (+) or surplus (-)	(-694)	(-808)	Redemption of domestic loans	402	305
			Total redemptions	452	397
Total	6 185	7 377	Total	6 185	7 377

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

State debt	1971	1972	1973	1974		
	Dec.	Dec.	Dec.	Apr.	May	June
Foreign debt	1 524	1 517	1 395	1 350	1 326	1 271
Loans	2 467	2 268	1 758	1 643	1 591	1 591
Compensatory obligations	2	2	1	1	1	1
Short-term credit	61	56	39	37	37	..
Cash debt (net)	-528	-488	-468	-427	-404	..
Domestic debt	2 002	1 838	1 330	1 254	1 225	..
Total State debt	3 526	3 355	2 725	2 604	2 551	..
Total debt, mill \$	849	804	710	695	692	..

FOREIGN TRADE

Mill. mk

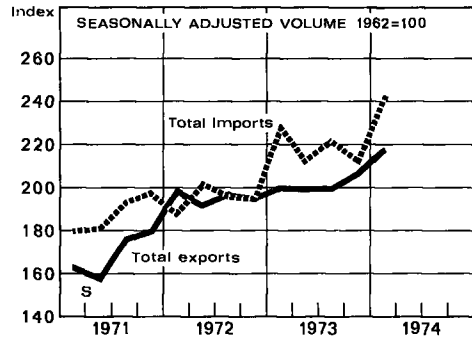
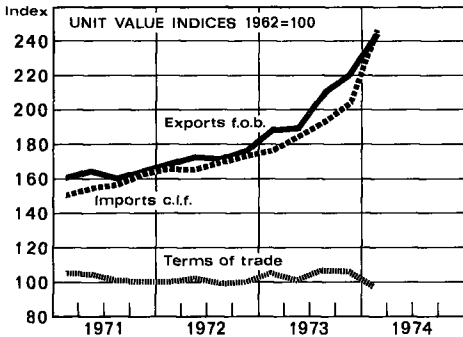
Value mill. mk

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	16 601	-1 996
1973*			
June	925	1 106	- 181
July	1 094	1 204	- 110
Aug.	1 218	1 407	- 189
Sept.	1 366	1 482	- 116
Oct.	1 538	1 689	- 151
Nov.	1 558	1 624	- 66
Dec.	1 331	1 461	- 130
1974*			
Jan.	1 540	1 950	- 410
Feb.	1 471	1 882	- 411
March.	1 599	1 847	- 248
April	1 779	2 118	- 339
May	1 847	2 271	- 424
Jan.-May			
1973*	5 575	6 629	-1 054
1974*	8 236	10 068	-1 832

Indices of exports and imports 1969 = 100¹

Period	Indices of exports and imports 1969 = 100 ¹				Terms of trade
	Volume		Unit value		
	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
1972					
Jan.-Mar.	114	112	121	125	97
Apr.-June	112	124	123	125	98
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

¹ New series, see explanations on page 18.

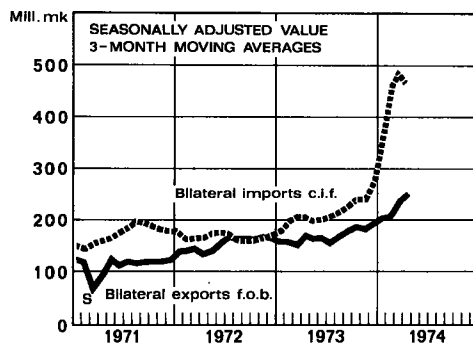
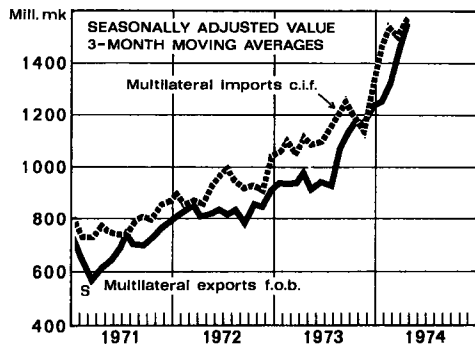


FOREIGN TRADE BY MAIN GROUPS

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	2 451	5 264	2 928	3 530	9 915	729	2 921	2 968	68
1973*										
June	11	103	258	306	247	664	41	200	197	4
July	15	189	423	237	230	717	53	249	173	12
Aug.	14	268	523	123	290	871	71	249	215	1
Sept.	27	259	494	247	339	918	80	229	255	0
Oct.	24	282	536	302	394	984	87	345	270	3
Nov.	21	282	524	377	354	1 046	98	243	230	7
Dec.	72	226	454	244	335	903	104	236	215	3
1974*										
Jan.	89	249	513	378	311	1 254	171	291	233	1
Feb.	21	249	540	316	345	1 192	197	245	247	1
March.	94	229	605	258	413	1 157	168	262	260	0
April	22	291	671	351	444	1 367	144	322	276	9
May	47	314	595	414	477	1 498	136	313	320	4
Jan.-May										
1973*	248	842	2 052	1 092	1 341	3 812	195	1 170	1 413	39
1974*	273	1 332	2 924	1 717	1 990	6 468	816	1 433	1 336	15

New series.



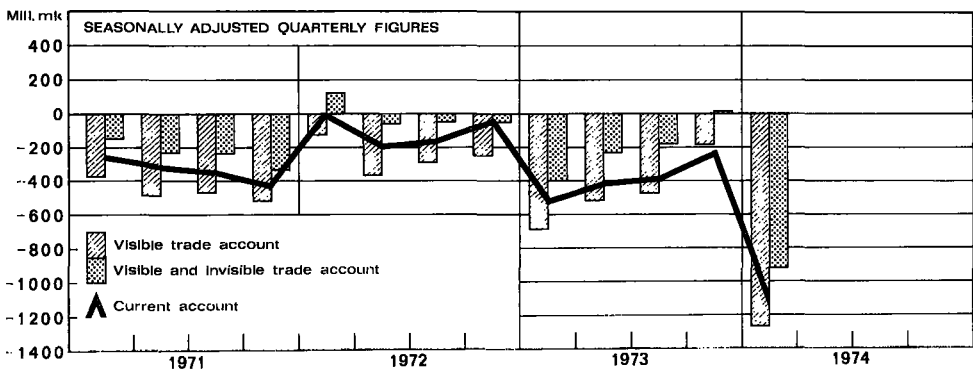
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—May				January—May			
	1973*		1974*		1973*		1974*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	70.7	3 942	71.8	5 914	74.7	4 950	66.8	6 728
Austria	1.1	62	1.0	81	1.7	111	1.4	141
Belgium-Luxembourg	1.7	97	2.1	171	2.3	150	2.0	203
Denmark	4.3	239	4.2	343	3.6	239	3.3	333
France	4.2	234	4.4	361	3.3	222	3.1	314
Federal Republic of Germany	10.6	592	8.4	692	18.6	1 231	15.5	1 558
Italy	1.9	106	2.1	171	1.9	125	1.5	151
Netherlands	3.8	210	3.5	288	3.6	238	4.2	425
Norway	2.9	160	2.8	232	2.5	165	3.2	322
Portugal	0.4	20	0.4	37	0.9	58	0.8	79
Spain	1.1	62	1.2	103	0.8	51	0.4	45
Sweden	15.6	872	17.6	1 453	19.6	1 303	18.7	1 879
Switzerland	2.3	130	1.8	148	3.2	213	3.2	320
United Kingdom	19.1	1 065	20.3	1 670	11.9	792	9.2	931
Other	1.7	93	2.0	164	0.8	52	0.3	27
OECD countries outside Europe	7.3	409	6.9	565	7.9	522	7.7	775
Canada	0.6	33	0.8	66	0.2	16	0.3	26
Japan	0.6	36	1.1	92	2.7	178	1.2	124
United States	5.3	293	4.3	351	4.9	322	6.2	623
Other	0.8	47	0.7	56	0.1	6	0.0	2
CMEA countries	13.9	771	13.5	1 112	13.7	910	21.6	2 179
Czechoslovakia	0.4	20	0.4	33	0.5	31	0.3	34
Democratic Republic of Germany	0.6	33	0.5	40	0.5	36	0.5	49
Poland	1.1	64	0.8	69	1.2	82	1.6	166
Soviet Union	10.9	605	11.2	923	10.3	684	18.4	1 850
Other	0.9	49	0.6	47	1.2	77	0.8	80
Latin America	1.8	103	2.3	186	1.3	84	1.9	190
Argentina	0.3	19	0.6	50	0.0	2	0.1	7
Brazil	0.6	35	0.9	72	0.5	28	0.5	45
Colombia	0.1	7	0.1	10	0.5	33	0.7	74
Other	0.8	42	0.7	54	0.3	21	0.6	64
Other	6.3	350	5.5	459	2.4	163	2.0	196
GRAND TOTAL	100.0	5 575	100.0	8 236	100.0	6 629	100.0	10 068
of which								
EFTA countries	22.5	1 255	23.9	1 972	28.2	1 867	27.3	2 752
EEC countries	46.4	2 586	46.0	3 785	45.6	3 022	38.9	3 921
OECD countries	78.0	4 351	78.7	6 479	82.6	5 472	74.5	7 503

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
1971	9 845	11 762	-1 917	+660	+247	+66	-944	-477	- 1	-1 422
1972	12 012	13 087	-1 075	+731	+335	+72	+ 63	-586	+43	- 480
1973*	14 526	16 565	-2 039	+857	+308	+24	-850	-787	-47	-1 684
Jan.-Mar										
1971 ^f	2 168	2 536	-368	+208	- 13	+19	-154	-135	- 1	-290
1972	2 870	2 960	- 90	+217	+ 3	+ 1	+131	-142	-22	- 33
1973*	3 301	3 868	-567	+229	- 5	+15	-328	-149	-14	-491
1974*	4 590	5 664	-1 074	+224	+ 52	+13	-785	-244	-26	-1 055
Apr.-June										
1971 ^f	2 291	2 797	-506	+141	+ 47	+21	-297	-118	- 1	-416
1972	2 856	3 298	-442	+162	+ 57	+46	-177	-155	- 8	-340
1973*	3 182	3 842	-660	+196	+ 48	+ 5	-411	-200	-23	-634
July-Sept.										
1971 ^f	2 501	2 864	-363	+159	+166	+16	- 22	-119	- 4	-145
1972	2 978	3 195	-217	+170	+191	+19	+163	-140	+20	+ 43
1973*	3 638	4 089	-451	+266	+230	-15	+ 30	-189	- 8	-167
Oct.-Dec.										
1971 ^f	2 885	3 565	-680	+152	+ 47	+10	-471	-105	+ 5	-571
1972	3 308	3 634	-326	+182	+ 84	+ 6	-54	-149	+53	-150
1973*	4 405	4 766	-361	+166	+ 35	+19	-141	-249	- 2	-392

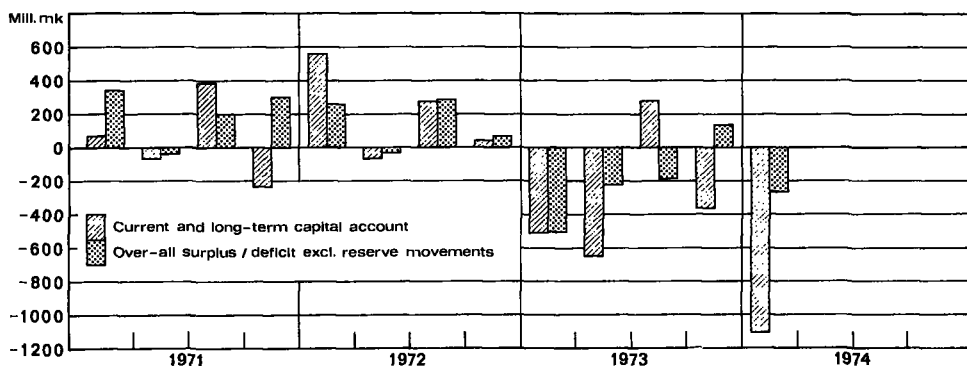


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+2 730	-855	-208	- 85	+1 582	+160	+387	+197	+ 62 ²	+806	-555	-251
+3 014	-1 228	-376	-106	+1 304	+824	+104	- 90	-247 ²	+591	-271	-320
+1 865	-1 353	+ 34	-104	+ 442	-1 242	-275	+472	+261	-784	+491	+293
+ 609	-228	- 5	-17	+359	+ 69	+ 21	+329	- 77	+342	-314	- 28
+ 968	-273	-115	+17	+597	+564	-152	- 27	-124 ²	+261	-327	+ 66
+ 365	-396	+ 34	-24	- 21	-512	+ 20	+ 7	- 22	-507	+353	+154
+ 481	-479	- 23	-30	- 51	-1 106	+270	+265	+302	-269	+138	+131
+ 596	-201	- 11	-30	+354	- 62	-140	+146	+ 19	- 37	+ 99	- 62
+ 655	-180	-192	- 5	+278	- 62	+ 92	+ 25	- 84	- 29	+ 37	- 8
+ 308	-265	- 48	- 9	- 14	-648	+ 94	+323	+ 4	-227	+301	- 74
+ 869	-252	- 89	+ 5	+533	+388	- 60	+ 21	-150	+199	- 35	-164
+ 628	-327	- 41	-25	+235	+278	+265	-124	-131	+288	-314	+ 26
+ 774	-370	+ 60	-16	+448	+281	-401	-257	+191	-186	+ 66	+120
+ 656	-174	-103	- 43	+336	-235	+566	-299	+270	+302	-305	+ 3
+ 763	-448	- 28	- 93	+194	+ 44	-101	+ 36	+ 92	+ 71	+333	-404
+ 418	-322	- 12	- 55	+ 29	-363	+ 12	+399	+ 88	+136	-229	+ 93

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 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1971	312	315	302	309	361	304	346	295	303	149	162	134
1972	338	342	325	330	400	334	370	318	332	161	182	141
1973	398	401	385	403	447	378	435	395	378	188	202	176
1973												
Aug.	408	412	391	414	456	388	440	414	384	198	213	188
Sept.	421	426	401	437	466	388	466	425	391	202	213	194
Oct.	427	433	408	448	469	390	476	429	397	204	214	198
Nov.	430	436	408	452	465	393	478	434	399	205	214	199
Dec.	436	440	418	459	481	394	481	442	404	209	214	200
1974												
Jan.	452	453	448	479	487	407	509	452	417	214	217	209
Feb.	462	461	466	492	496	413	514	471	424	222	217	222
March	471	472	468	500	507	423	517	480	437	225	217	227
April	480	481	478	508	517	434	528	490	446	233	235	229
May	487	489	477	518	521	436	539	495	450	235	235	230
June	489	491	481	519	537	438	541	495	454	235	235	230

Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 100	Consumer prices 1972 = 100									
			Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1973	284	223	111	112	107	111	116	110	109	109	105	111
1973												
Aug.	292	229	114	116	109	112	123	111	110	111	106	113
Sept.	295	231	115	117	107	115	125	112	111	111	106	114
Oct.	297	233	115	117	107	116	127	113	112	111	107	115
Nov.	299	235	116	117	107	116	128	114	116	113	108	115
Dec.	303	237	118	161	107	117	131	129	116	115	109	116
1974												
Jan.	305	239	119	116	107	118	133	132	119	116	110	118
Feb.	314	246	122	117	107	121	135	162	122	124	114	118
March	317	248	123	118	108	123	137	158	123	124	114	121
April	324	255	126	126	108	124	140	159	125	126	115	121
May	328	257	127	128	108	126	141	160	127	127	115	124
June	329	258	128	129	108	126	141	150	128	128	116	125

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	Manufacturing	Construction							
1970	181	170	170	164	161	165	164	157	169	164
1971	210	195	195	180	176	178	188	171	195	185
1972	253	222	222	196	189	194	212	188	220	206
1973*	329	257	256	223	210	218	239	212	256	237
1972										
Jan.-Mar.	236	207	206	186	180	186	197	178	205	193
Apr.-June	251	225	219	197	191	193	215	190	222	208
July-Sept.	256	227	228	200	194	197	219	192	229	213
Oct.-Dec.	271	231	235	201	193	199	220	193	229	213
1973*										
Jan.-Mar.	287	235	238	206	198	206	221	195	234	217
Apr.-June	331	260	251	227	213	222	239	213	259	240
July-Sept.	336	264	266	229	215	222	247	219	267	246
Oct.-Dec.	339	268	269	231	216	224	249	220	268	247

PRODUCTION

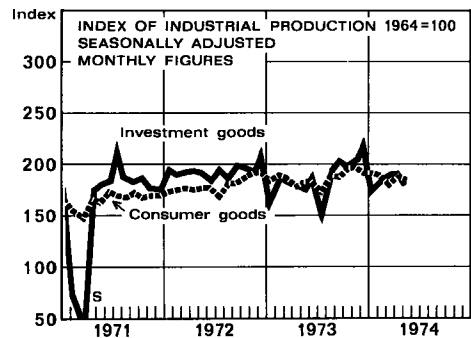
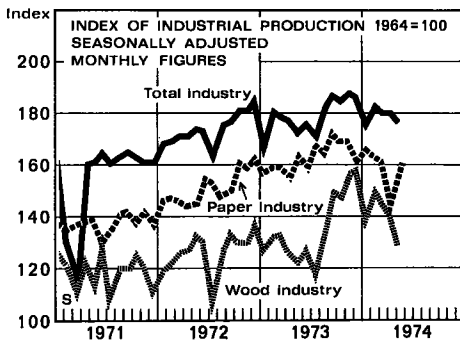
Volume indices of production 1964 = 100

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
1970	132	154	96	111	141	98	132	132	129	128	134
1971	136	157	96	106	138	99	134	140	135	135	140
1972	145	176	96	95	149	103	145	155	142	141	149
1973*	153	186	92	96	158	102	156	168	150	145	157
1972											
Oct.-Dec.	151	194	62	90	177	101	151	171	145	143	151
1973*											
Jan.-Mar.	151	196	54	130	124	107	145	162	147	143	156
Apr.-June	147	179	76	107	139	100	154	162	148	145	157
July-Sept.	152	168	170	53	183	104	162	164	149	146	156
Oct.-Dec.	160	203	69	96	185	99	163	186	153	147	159
1974*											
Jan.-Mar.	158	205	56	126	134	109	154	176	155	149	163

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	120	113	111	110	110	110	137	113	118	113
1973*	117	117	117	115	113	117	118	139	120	120	117
1972*											
Oct.	126	133	126	123	126	119	124	152	135	132	118
Nov.	125	131	123	125	118	111	121	148	131	132	118
Dec.	116	119	117	111	104	104	111	149	120	122	121
1973*											
Jan.	124	125	125	120	98	126	123	156	128	128	111
Feb.	116	121	117	114	96	117	115	139	122	124	118
March	129	132	129	128	108	132	126	152	138	133	117
April	111	112	111	113	103	111	99	145	124	114	115
May	123	126	121	126	126	132	122	140	96	132	113
June	106	114	103	109	109	112	94	121	70	117	115
July	83	53	88	72	109	65	118	104	109	56	112
Aug.	118	112	117	121	129	104	124	134	138	117	118
Sept.	117	121	119	114	113	120	124	145	128	122	122
Oct.	133	140	132	132	138	142	131	153	140	142	120
Nov.	129	138	129	129	125	133	126	148	140	139	122
Dec.	112	114	113	107	108	112	109	134	113	115	121
1974*											
Jan.	128	129	131	125	117	139	130	154	131	132	115
Feb.	118	120	119	114	106	134	119	135	123	123	119
March	128	130	130	121	106	139	133	160	135	134	117
April	117	125	116	119	118	130	93	145	133	128	117
May	125	127	128	128	126	139	121	141	132	131	115



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Unem- ployed 1 000 persons	Unemploy- ment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1968 = 100	Whole- sellers' volume index 1968 = 100
1969	3 480	2 189	2 127	62	2.8	35 338	108	117
1970	3 492	2 194	2 153	41	1.9	39 267	114	130
1971	3 507	2 199	2 150	49	2.2	36 264	118	137
1972	3 409	2 173	2 118	55	2.5	31 442	128	151
1973*	3 442	2 215	2 164	51	2.3	30 746	138	167
1973*								
June	3 440	2 365	2 315	50	2.1	1 461	141	151
July	3 444	2 379	2 333	46	1.9	818	135	141
Aug.	3 447	2 303	2 261	42	1.8	1 216	143	175
Sept.	3 449	2 226	2 188	38	1.7	1 606	139	172
Oct.	3 451	2 222	2 181	41	1.8	2 339	149	191
Nov.	3 453	2 220	2 180	40	1.8	2 813	142	180
Dec.	3 455	2 216	2 168	48	2.2	2 998	185	187
1974*								
Jan.	3 471	2 187	2 134	53	2.4	3 063	119	156
Feb.	3 474	2 194	2 140	54	2.5	3 425	122	160
March	3 476	2 183	2 138	45	2.1	3 509	131	174
April	3 478	2 196	2 151	45	2.0	3 473		

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building works under construction
	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	
<i>Million cubic metres</i>											
1971	42.63	19.54	3.10	15.18	2.60	37.35	15.79	3.16	13.88	2.91	37.64
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	39.94	18.68	2.88	13.56	2.82	51.43
1972*											
July-Sept.	13.44	6.11	0.55	4.89	1.17	10.17	4.64	0.87	3.22	0.76	41.87
Oct.-Dec.	13.46	5.50	0.43	4.88	1.78	13.60	6.07	1.29	4.89	0.80	40.57
1973*											
Jan.-Mar.	10.62	3.99	0.80	4.85	0.50	8.07	3.71	0.42	3.17	0.51	48.56
Apr.-June	16.97	7.85	1.73	5.82	0.62	6.51	3.27	0.33	2.08	0.37	47.39
July-Sept.	16.23	7.86	0.84	6.06	0.76	10.34	4.65	0.91	3.31	0.78	55.01
Oct.-Dec.	11.13	4.98	0.45	4.09	0.92	13.85	6.66	1.11	4.51	1.13	51.42

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. Since Dec. 31, 1969. *Gold and foreign exchange* = Gold (valued on basis of the value of the mark) + Special drawing rights + IMF gold tranche + Foreign exchange. *Liabilities on foreign exchange and mark accounts* = Foreign exchange accounts + Mark account of holders abroad. *Other foreign assets* = Foreign bills + Foreign bonds + Currency subscription to Finland's quota in the IMF. *Other foreign liabilities* = Foreign term liabilities + IMF mark accounts. *The Treasury cheque account* = The cheque account of the Treasury with the Bank of Finland; while *Treasury term liabilities* = Export levies + Governmental counter-cyclical fund + Counter-cyclical tax account — Treasury's IMF and IBRD bills (net). *Foreign exchange situation*: Gold holdings are valued on basis of the par value of the mark. Gold tranche position measures that part of Finland's quota which may be drawn essentially automatically in convertible exchange against payment in marks.

Page 5. *Other advances* = Inland bills discounted in foreign currency + Loans + Other claims (excl. Treasury's IMF and IBRD bills). *Liabilities* = Other cheque accounts + Other sight liabilities + Domestic term liabilities (excl. Export levies + Governmental counter-cyclical fund + Counter-cyclical tax account + Deposit certificates + Cash reserve accounts). *Deposit certificates* are interest bearing, freely transferable, term liabilities of the Bank of Finland. Their maturities range from one week to one year.

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

Figures for deposits and advances are supplied by the Central Statistical Office.

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.

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 Postpankki 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. As of the beginning of 1973, the figures for the labour force, the employed labour force and the rate of unemployment are not fully comparable to the previous figures. The sample population used in the Labour Force Sample Survey was changed to accord with the data provided by the demographic forecast made in 1973. In January 1973, the labour force was estimated to be about 30 000 persons smaller, and the seasonally unadjusted rate of unemployment about 0.1 percentage point lower, than the corresponding figures derived with the aid of the former sample population.

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 1156 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 1972 is as follows: Social Democrats 56, People's Democrats 37, Centre Party 35, Conservatives 33, Finnish People's Unification Party 13, Swedish Party 9, Liberal Party 6, Finnish Farmers' Party 5, Christian League 4 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 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 (1972): 4.6 million. Sweden 8.1, Switzerland 6.4, Denmark 5.0 and Norway 3.9 million.

DENSITY OF POPULATION (1972:) In South Finland 44.4, in East and Central Finland 14.0, in North Finland 4.0 and in the whole country an average of 15.2 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1972): 55 % of the population inhabit the rural areas, 45 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 507 700 inhabitants, Tampere (Tammerfors) 162 800, Turku (Åbo) 158 300.

EMPLOYMENT (1972): Agriculture and forestry 19 %, industry and construction 35 %, commerce 15 %, transport and communications 7 %, services 24 %.

LANGUAGE (1971): Finnish speaking 93.2 %, Swedish speaking 6.6 %, others 0.2 %.

EDUCATION (1973): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 11 colleges of university standard, and 2 teacher training colleges, besides teacher training departments in two of the universities.

CHANGE OF POPULATION (1972): births 12.7 ‰, deaths 9.6 ‰, change + 4.3 ‰, net immigration 1.2 ‰. Deaths in France 10.6 ‰ and Great Britain 11.9 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1973, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 3 378 (6 %), forestry and fishing 3 728 (6 %), manufacturing 18 561 (32 %),

construction 5 788 (10 %), transport and communication 5 617 (10 %), commerce, banking and insurance 7 620 (13 %), public administration 2 624 (4 %), ownership of dwellings 2 770 (5 %), services 8 490 (14 %), total 58 576. Index of real domestic product 153 (1964 = 100).

FOREST RESOURCES (1972): The growing stock comprised of 1 481 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, 619 million m³ was up to the standard required for logs, 55 % of these being pine. The annual growth was 56.2 million m³ and the total removal, calculated on the basis of roundwood consumption, was 54.3 million m³.

AGRICULTURE (1972): Cultivated land 2.7 million hectares. Number of holdings 286 500, of which 189 100 are of more than 5 ha. Measure of self-sufficiency in bread cereals 105 % in the crop year 1972/73.

INDUSTRY (1971): Gross value of industrial production 29 705 mill. marks, number of workers 395 501, salaried employees 105 915, motive power (1971) 6.5 mill. kW. Index of industrial production 101 for 1971 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1974): Length 5 897 km.

MERCHANT FLEET (June 30, 1974): Steamers 27 (21 100 gross reg. tons), motor vessels 370 (755 300 gross reg. tons), tankers 60 (730 100 gross reg. tons). Total 457 (1 506 500 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1973): Passenger cars 894 100, lorries and vans 119 900, buses 8 400, others 5 700. Total 1 028 100.

FINNISH AIRLINES (April 30, 1974): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6s, 8 Super Caravelles 8 DC-9s and 5 Conqair 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, 1973). There are two big and five small commercial banks with in all 846 offices. 298 savings banks, 398 co-operative banks, six mortgage banks, and Postipankki. 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 (July 1, 1973). 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 ¼ %. Other credit institutions: term deposits 5 ¾ %; 6 month deposits 6 ¼ %; 12 month deposits 6 ¾ %; 24 month deposits 7 ¾ %; and sight deposits 1 ½ %; highest lending rate 12 ½ %.

FINANCIAL DEVELOPMENTS AND MONETARY POLICY

by Ahti Huomo, M.Pol.Sc.
Hannele Luukkainen, M.Pol.Sc.
and Juhani Seppovaara, M.Sc. (Econ.)

Bank of Finland

Investment activity picked up with the cyclical upswing in 1973, and a growing shortage of domestic saving was soon reflected in a sharply increasing current account deficit. Disturbances in the international capital market and the rise in international interest rates reduced the willingness of firms to borrow abroad and a large part of the current account deficit had to be financed by running down foreign exchange reserves.

However, the private sector experienced a markedly stronger weakening of its liquidity position than did the economy as a whole, largely because of the restrictive fiscal policy being pursued at the time. A considerable part of the financial surplus of the central government was tied to the Bank of Finland, and this tended to tighten the credit market, as did the balance of payments deficit. The tightening was further strengthened by specific monetary policy measures taken during the year.

Despite the increasingly restrictive demand management stance, excessive demand still built up during 1973. The gap between total investment and domestic saving widened as rapid rises in international prices together with increases in domestic cost and demand pressures led to an acceleration of inflation.

NON-FINANCIAL SECTORS

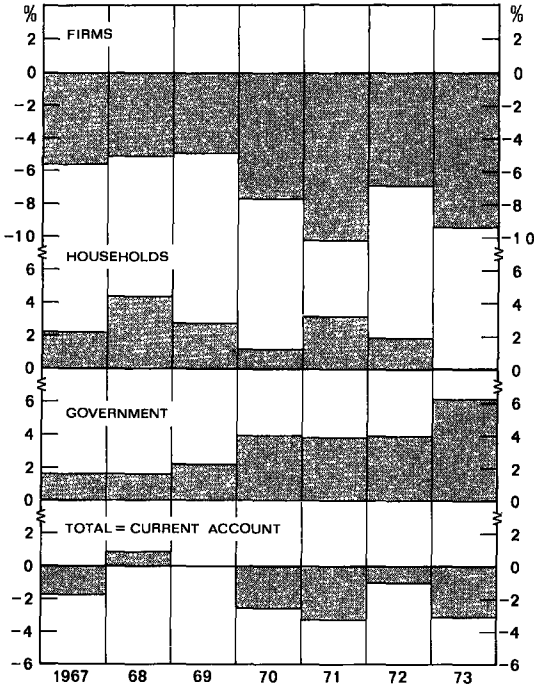
In spite of the relatively high rate of growth of corporate income, the financial deficit of firms increased by roughly 2 000 million marks in 1973. The need for new capacity resulted

in substantial productive investment which was made still larger by rising prices. Inflation not only led to stock building but no doubt also made deficit spending increasingly advantageous. Unpropitious conditions in foreign capital markets encouraged firms to turn to domestic sources to satisfy a growing share of their total borrowing needs.

In 1973 the financial surplus of the household sector fell for the second year in a row. With a decrease of roughly 800 million marks in its net lending, the household sector was barely able to retain its traditional position as a net lender. The fall in the financial surplus of the private households was to some extent caused by a rise in the propensity to consume, but mainly it was the result of the brisk demand for dwellings. The boom in housing was supported by the easiness in the credit market prevailing at the beginning of 1973 and rapidly rising prices. On the other hand inflation curbed the growth of financial saving, which was reflected in the weak growth of deposits in real terms.

The growth in the financial surplus of the government sector continued to accelerate during 1973. The application of progressive personal tax scales to rapidly growing nominal incomes brought in a substantial amount of revenue. The favourable employment situation permitted the government to moderate the growth of its real expenditure, and as the effect of inflation on expenditure was in no way comparable to its contribution to revenue, the financial surplus grew further. Part of the government surplus was used to finance housing loans and to reduce the national

CHART 1. FINANCIAL SURPLUSES AND DEFICITS BY SECTOR, PER CENT OF GDP



debt. However, a considerable part of the surplus was channelled to the Bank of Finland. There was no clear change in the financial position of the local authorities during 1973. The rapid growth in expenditure on health services was matched by a similar rise in state-aid to local authorities.

The vigorous increase in the financial surplus of the central government was not large enough to cover the growth in the private sector deficit. Thus the current account deficit amounted to roughly 1 550 million marks in 1973, which was more than three times that of the previous year (Chart 1).

BANK OF FINLAND

As a result of a weakening in the country's current balance and a slow down in capital imports, the net foreign assets of the Bank of Finland declined by 450 million marks in 1973. The main cause of the tightening of the financial market was the transfer of state

revenue to the Bank of Finland in the form of counter-cyclical deposits and deposit certificates. All in all, these transfers amounted to 1 160 million marks.

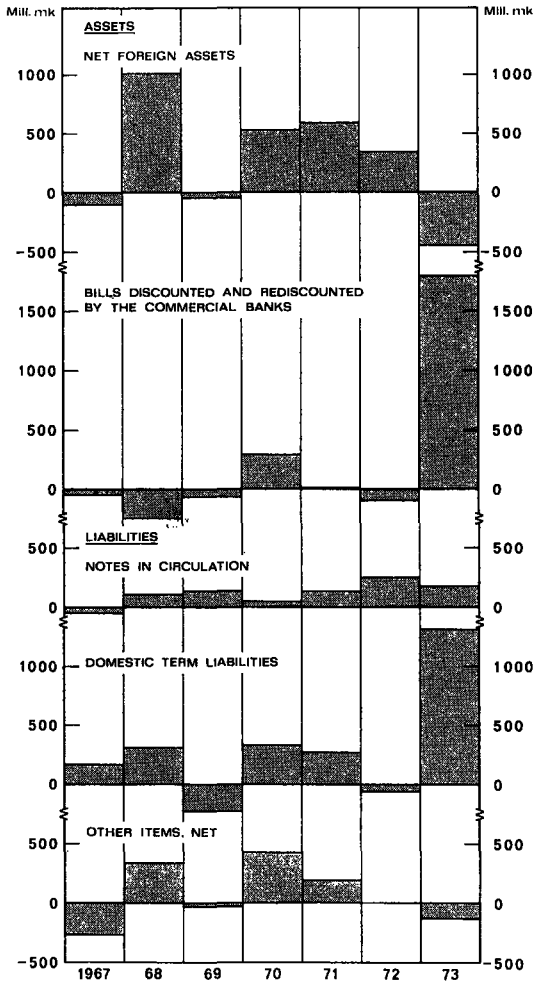
An additional 210 million marks was tied to the Bank through the capital import deposit scheme. The rapid deterioration in the private sector's financial position is reflected in the growth of the commercial banks' debt to the central bank. Although monetary policy measures designed to restrain the expansion of domestic credit were implemented, the commercial banks increased their debt to the central bank by 1 860 million marks in order to offset the weak growth in deposit and to satisfy the strong demand for credit (Chart 2).

DEPOSIT BANKS

The demand for bank credit grew rapidly in 1973 mainly as a result of vigorous investment activity and uncertainty about the international capital market. New productive investment, rising prices, the accumulation of stocks and overheating in housing lay behind the growing demand for credit. High interest rates and the risk of exchange rate losses kept the use of normal foreign financial sources to a minimum in the first part of the year, and pressure in the domestic financial market built up. Furthermore, expectations of inflation gave rise to steady demand for consumer credit. Thus advances by the deposit banks to the public grew by 24 per cent in nominal terms. However, this markedly high growth did not entail a corresponding increase in the total debt of the private sector, mainly because foreign financing declined sharply in importance (Chart 3). Large differences in the growth of total advances by different groups of bank resulted in a marked increase in share of the commercial banks and the Post Office Bank in total credit granting.

Deposits by the public grew by 16 per cent during 1973. This was a clear slow-down from the previous year in real terms. The 27 per cent increase in demand deposits was

CHART 2. YEARLY CHANGES IN THE BALANCE SHEET OF THE BANK OF FINLAND



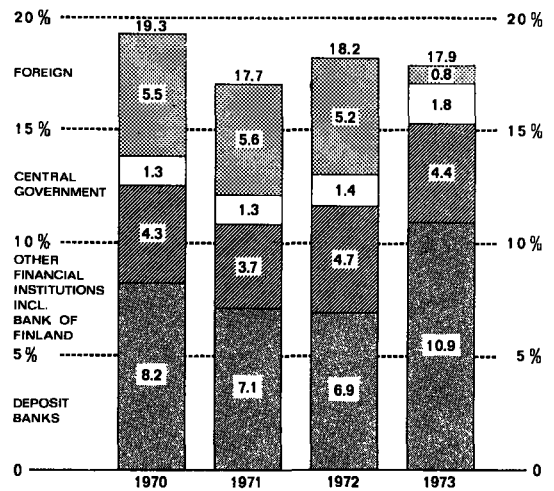
hand, the increase in deposits was supported by rapidly rising income from forestry and by the release of funds resulting from the net amortization of government bonds. A rise of 1.5 percentage points in the deposit rate in the beginning of July made time deposits somewhat more attractive. A bank strike in May led to temporary fluctuation in deposits, but had hardly any long-term effect on deposit growth. (See Charts on pages 6 and 7.)

In 1973 the growth of advances granted by the deposit banks exceeded the increase in deposits made by the public by 8 percentage points. Four fifths of this excess of 2 300 million marks originated in the commercial banks, while the share of the Postipankki was slightly less than one fifth. As the growth of credits granted by the savings banks and the co-operative banks was more or less in line with the growth of deposits, their central organizations were able to remain within the limits of their central bank credit quotas. Other commercial banks had to resort to increases in their net foreign debt and to central bank debt. At the end of the year, the debt of all commercial banks to the central bank was 2 620 million marks, which was 1 070 million marks above the overall quota (Charts 4 and 5).

exceptional in the sense that all the growth took place in December. This sudden growth was linked with the timing of capital imports. The slow growth of demand deposits during the year gives a more accurate picture of the development of the liquidity of the firms.

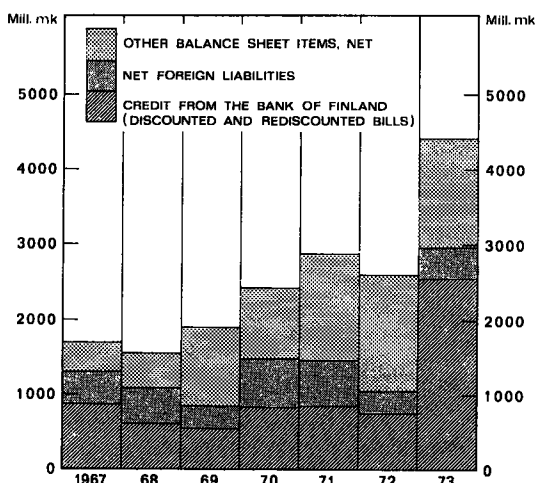
Time deposits increased by 14 per cent, which was quite modest compared with the increase in nominal incomes. A tightening in taxation and a rise in the propensity to consume of households held back the growth of deposits. This effect was further strengthened by the fact that inflation caused households to place their wealth in assets which were better protected against rising prices. On the other

CHART 3. CREDIT FLOWS TO THE PUBLIC¹



¹ The growth of the total stock of credits granted to the public (firms, households, local authorities) by credit-granting sector, in per cent of the total stock of credits of the previous year.

CHART 4. THE FINANCING OF CREDITS GRANTED IN EXCESS OF DEPOSITS BY THE COMMERCIAL BANKS



OTHER FINANCIAL INSTITUTIONS

The tendency for the growth of outside finance in the private sector to take the form of bank credit is indicated clearly in Table 1 and Chart 3. The increase of bank credit was 24 per cent, while the corresponding figures for credit from other financial institutions and for direct loans granted by the state were only 16 and 19 per cent. The fastest rates of growth in the group of other financial institutions

CHART 5. COMMERCIAL BANKS' DEBT TO THE CENTRAL BANK

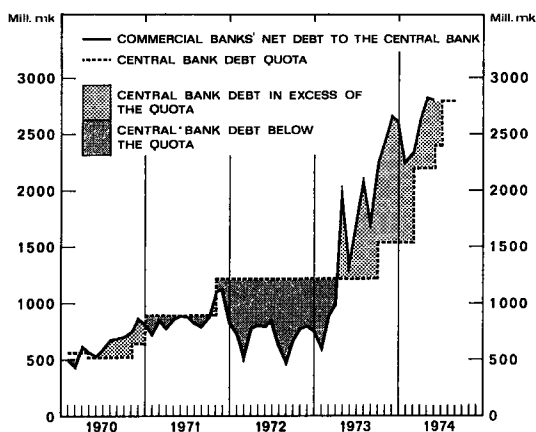


TABLE 1. CREDIT GRANTED TO THE PUBLIC BY FINANCIAL INSTITUTIONS¹

	Change in 1973		Stock Dec. 31, 1973	
	Mill. mk	Per cent	Mill. mk	Per cent of total
Commercial banks	2 899.5	25.5	14 261.6	33.7
Savings banks	987.3	17.9	6 495.9	15.4
Co-operative banks	798.0	17.7	5 304.6	12.6
Postipankki	1 086.6	47.9	3 356.0	7.9
Total	5 771.4	24.4	29 418.1	69.6
Insurance companies	987.5	20.1	5 889.5	13.9
Mortgage banks	313.0	13.1	2 696.3	6.4
Development credit institutions	259.2	14.8	2 007.9	4.7
National Pensions Institute	15.9	1.5	1 088.5	2.6
Bank of Finland	200.2	45.2	643.5	1.5
Hire purchase and credit card companies	71.9	24.7	363.0	0.9
Factoring and leasing institutions	55.9	55.9	155.9	0.4
Total	7 675.0	22.2	42 262.7	100.0
Direct loans granted by the State	969.8	18.6	6 194.0	—

¹ According to preliminary credit market statistics and excluding non-corporate insurance institutions (about 6.5 per cent of all credits). The figures include bonds and domestic assets in foreign currency.

were 56 per cent for factor and leasing institutions and 25 per cent for hire purchase and credit card companies. Despite the rapid expansion, the rôle of these institutions in the financial market is still negligible. The slow growth of mortgage credit institutions was due to unfavourable financing conditions both in domestic and foreign financial markets. In fact mortgage institutions launched no foreign bond issues during 1973. Insurance company loans to the public grew by 20 per cent; the growth was strongest for lending based on employee pension funds. The importance of the National Pensions Institute as a creditor is decreasing continuously as a result of its declining insurance funds. Direct borrowing by the public from the state mainly took the form of housing loans.

CAPITAL MARKET¹

The number of new share issues launched by companies listed on the Helsinki Stock Exchange increased notably in 1973, but as a whole equity financing remained modest. Private bond issues picked up markedly and the stock of private bonds outstanding increased by 32 per cent. However, the growth of private bonds exceeded the decline in government bonds by only a slight margin.

The value of the annual turnover on the Stock Exchange grew from 170 to 290 million marks mainly a result of increases in share prices. The buoyant demand for shares and subscription rights was no doubt linked with the high rate of inflation. In November, however, the share index took a downward turn and the decline has continued into the current year.

MONETARY POLICY

The monetary policy measures implemented during 1973 were designed to gradually tighten the financial market and to curb the growth of total demand. The growth of the current account deficit and the fall off in the inflow of foreign capital have subjected the financial market to strains since the beginning of 1973. During 1974 the market has been kept tight.

The first active measure to curb the cyclical upswing was taken at the end of February 1973, when the Bank of Finland decided to lower its share in the financing of domestic delivery credits from 30 per cent to 15 per cent.

At the end of June 1973, after most of the collective agreements had been concluded, the Bank of Finland decided on a number of monetary policy measures, which included a general rise in interest rates of 1½ percentage points from the beginning of July and a lowering of the central bank credit quotas of the commercial banks from the beginning of September, from 150 per cent to 140 per cent of their base level.

However, it became necessary to raise the central bank credit quotas of the commercial banks to 190 per cent of their base level from the beginning of September because otherwise the financial market would have tightened more sharply than was desired owing mainly to balance of payments development.

The monetary policy measures of June included credit policy guidelines which were given to the financial institutions for the coming years. These guidelines recommended that the financial institutions should grant credit selectively during the years ahead, and that investment projects for which credit could not be granted should be postponed to a later stage, mainly to 1976. It was suggested that consumer credit and loans to finance excessive stock building in industry and trade should be severely restricted. On the other hand, the financial institutions were advised to favour investment projects which would expand productive capacity, particularly outside the southern parts of the country, as well as investment in housing necessary to increase the industrial labour force.

In September 1973, the Bank of Finland advised the financial institutions to restrain their financing of all investment projects which would increase the use of raw timber and which had not been approved on the basis of the agreement between the Central Association of the Finnish Forest Industries and the Bank of Finland. The purpose of this step was to hold back those wood industry investments which were not deemed advisable from a long-term macroeconomic viewpoint, despite the favourable demand and price situation prevailing at that time. In the same month, the Bank of Finland advised the financial institutions not to grant credits sought because of the restrictions on advance payments for certain export goods.

In October the Bank of Finland urged the financial institutions to do their best to delay the start of building projects which were planned to be begun in the autumn of 1973 and during 1974. At the same time, the Bank

¹ See front article of Bulletin, April 1974.

advised the financial institutions to be more stringent in granting loans for the purchase of housing and other property in order to check the demand-induced rise in housing prices. These recommendations were deemed necessary because construction was expanding more vigorously during the year under review than was warranted by available productive capacity in construction.

The central bank credit quotas of the commercial banks were raised by more than 40 per cent from the beginning of February, 1974. At the same time, the stipulations concerning credit in excess of the quotas were made more stringent.

In February the Bank of Finland decided to raise its share in the financing of domestic delivery credits from 15 per cent to 30 per cent. At the same time, the availability of new export credits and export bills was increased. These measures were designed to secure that export and import competing industries could obtain the finances they needed, irrespective of the overall tightness in the money market.

From the beginning of May 1974, the central bank credit quotas were raised by somewhat less than 10 per cent, and from late June, by another 15 per cent. All the rises in the quotas were designed so that only the commercial banks which had pursued a very strict credit policy could escape paying penalty rates on their central bank debt. The Bank

of Finland also decided to gradually revise the distribution of the quotas of commercial banks, so that the market shares of the banks would play a larger rôle than they did previously.

CURRENT PROSPECTS

The external and internal disturbances generated by the sudden rise in fuel prices have been the main factors tightening the financial market during the current year. The demand for credit has remained strong while the growth in bank deposits has been sluggish. In these conditions the demand for central bank credit has been heavy and some commercial banks have exceeded their quotas by a large margin.

Balance of payments problems and continuing inflation mean that there will be no room to ease the financial market during the latter part of 1974. It will be possible to pursue a policy of this type because economic activity and the employment situation are expected to remain quite satisfactory. The deterioration in the balance of payments will be the main factor tightening the credit market, whereas the contractive influence of fiscal policy will be reduced, mainly as a result of tax cuts made in July. In addition to their fiscal effect, the tax cuts will probably help to balance the financial market by encouraging private deposit saving.

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

A. Simonen

Deputy Governor

Ahti Karjalainen

*Absent as a Member
of Government*

Heikki Valvanne

Päiviö Hetemäki

Pentti Uusivirta

Pertti Tammivuori
ad int.

Directors

Jouko J. Voutilainen

Jorma Aranko

Pertti Tammivuori

Markku Puntila

Senior officials

Pertti Kukkonen

Director, ADP-planning

Pauli Kanerva

Eino Helenius
Administration

K. Ignatius

Personnel

Antti Lehtinen

*Domestic Financial
Operations*

Kalle Koski

Capital Transfers

Kari Nars

Foreign Exchange Policy

Raili Nuortila

Eastern Trade

J. Ojala

Foreign Exchange Control

Kari Puumanen

Economics Dept.

Heikki Koskenkylä

Research Dept., ad int.

Stig Törnroth

Cash

K. Eirola

Automatic Data Processing

A. Nenonen

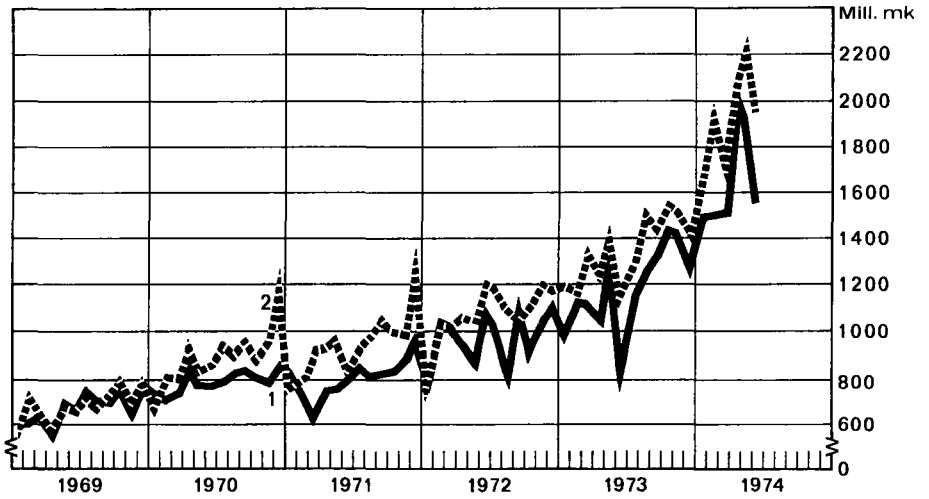
Foreign Correspondence

Eino Suomela

Internal Audit

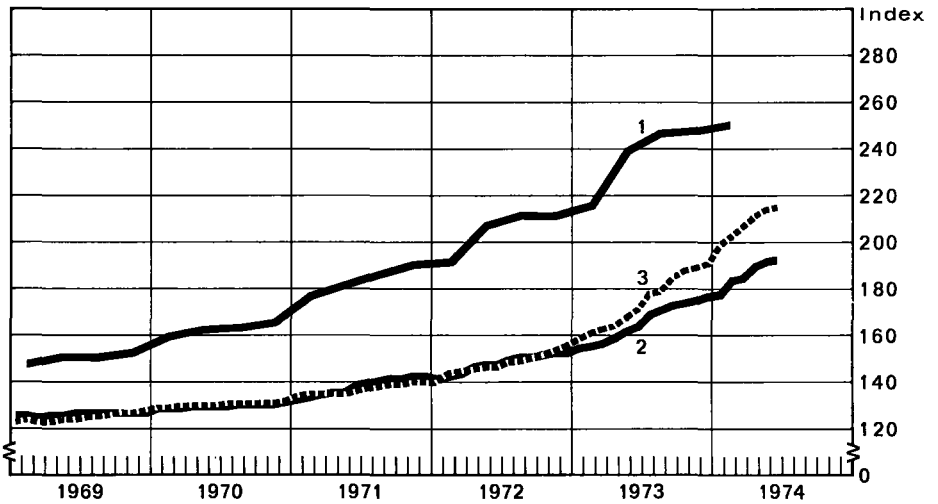
Foreign trade, 1969-1974

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



Prices and wages, 1969-1974

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, 1969-1974

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

