

BANK OF FINLAND

Monthly Bulletin

Monetary developments

**Balance of payments and foreign exchange
policy in 1976**

Devaluation of the Finnish markka

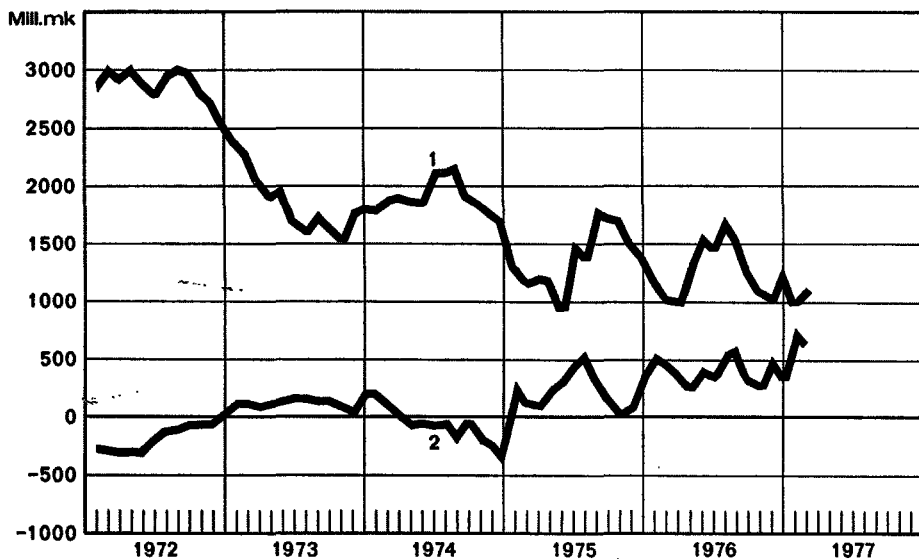
Cash payment scheme

Finland's gross long-term foreign debt in 1976

APRIL 1977

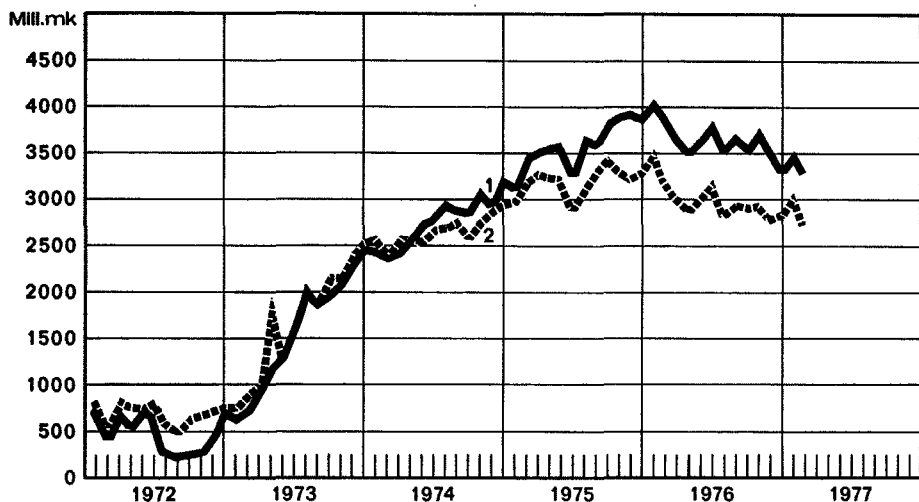
Vol. 51 No. 4

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



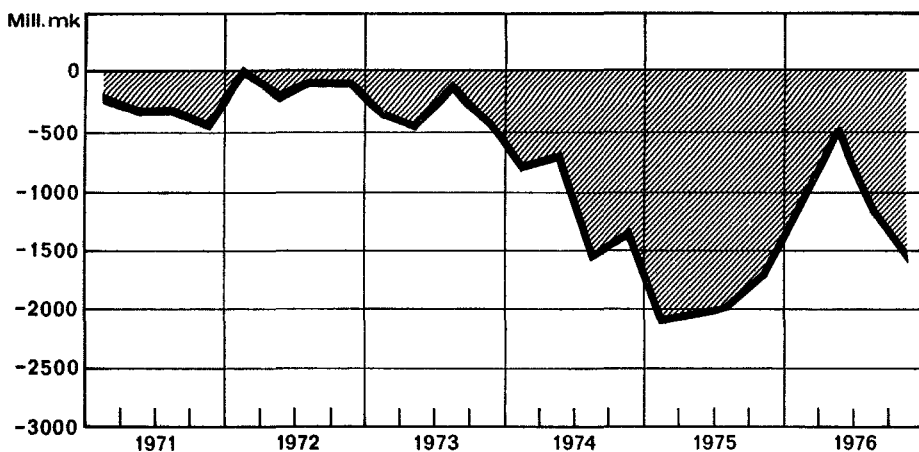
- 1. Gold and convertible currencies
- 2. Non-convertible currencies

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



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

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1971-1976



Seasonally adjusted quarterly figures

MONETARY DEVELOPMENTS

Economic activity in Finland remained sluggish during 1976. Gross domestic product grew by only about a per cent despite a modest revival in export demand. Thanks to this and the restrictive policy measures implemented at home, the current deficit was virtually halved, and the inflation rate was cut by nearly a third. However, employment deteriorated during the course of 1976, and the unemployment rate rose well above its long-term average. These general trends have continued in the first months of this year.

Monetary policy has been kept tight in order to promote the improvement of the balance of payments and to reduce still further the rate of inflation. Selective measures designed to alleviate unemployment have been used as far as the overall policy of monetary stringency has allowed. The credit policy guidelines circulated to the financial institutions in the autumn stated that the commercial banks' debt to the central bank should be reduced in 1977 and that net capital imports of all domestic agents should be kept well below the level of 1976.

The balance sheet of the central bank is shown in net terms in the table below.

In the course of 1976, only 230 million marks in net foreign assets was used to finance the current account deficit, the great bulk of the deficit being covered by the inflow of long-term capital. The demand for this type of capital was so strong that it was necessary to exercise considerable restraint in granting

capital import permits to ensure that the overall policy of monetary stringency would not be undercut. Net imports of short-term capital remained modest because of commodity trade developments. The Bank of Finland continued to authorize the temporary use of short-term foreign credit to finance holdings of stocks of goods, mainly for export, with a view to maintaining production and employment in certain key sectors, but it also extended the regulations governing cash payment for imports so that about a third of all imports became subject to the requirement on 1st March, 1977. This measure was designed to maintain tightness in the financial market and to shift the composition of capital imports in favour of long-term finance.

Between December 1976 and December 1977, bank deposits grew by about 9 per cent while lending increased by 13 per cent. This difference was financed in large measure by borrowing from the central bank, and the net debt of the commercial banks to the Bank of Finland grew by roughly 500 million marks in 1976. The strengthening of the liquidity of the State led to a rise of about 1 000 million marks in the demand for call money overdrafts, which are entered in the balance sheet of the central bank. The lowering of the quotas in turn resulted in a 500 million mark reduction in quota-related borrowing. The net increase of about 500 million marks in the central bank debt of the commercial banks in the first two months of 1977 was in large measure caused by the improvement in the liquidity position of the State.

BALANCE SHEET OF THE BANK OF FINLAND, MILLION MARKS

	31.12. 75	31.12. 76	Change from 31.12. 75	28.2. 77	Change from 31.12. 76
+ Net claims on the foreign sector	1 667	1 437	— 230	1 498	+ 61
+ Net claims on the commercial banks	3 792	4 284	+ 492	4 795	+511
+ Net claims on the corporate sector	394	1 092	+ 698	953	—139
= Total net assets	5 853	6 813	+ 960	7 246	+433
+ Net liabilities to the State	962	686	— 276	447	—239
+ Net liabilities to other financial institutions	— 343	753	+1 096	1 477	+724
+ Notes and coins in circulation	2 855	2 885	+ 30	2 790	— 95
+ Equity and other items, net	2 379	2 489	+ 110	2 532	+ 43
= Total net liabilities	5 853	6 813	+ 960	7 246	+433

For the first half of the 1976, the central bank credit quotas were kept at 2 500 million marks, the level to which they had been lowered in October 1975. Then at the beginning of July they were reduced by nearly ten per cent to 2 300 million marks in order to offset the easing in the financial market which was expected to be engendered by the release of import deposits and the revival of exports. In October it was announced that the quotas would be lowered to 2 100 million marks from the beginning of 1977. On the other hand, the Bank of Finland took steps during the course of the year to alleviate the cost to the banks of the tight monetary policy being pursued. It lowered slightly the interest rate schedule on supra-quota debt, and made some placements in the call money market. In addition, it introduced an interest equalization system in the call money market in order to lower the cost to the commercial banks of funds placed in the market by Postipankki (the post office bank). The basic discount rate remained unchanged at 9¼ per cent, but the average cost of central bank credit rose from 12.1 per cent in 1975 to 12.4 per cent in 1976.

In December 1976, the Bank of Finland announced that monthly targets were being set for each commercial bank's indebtedness to the central bank. This was done in order to ensure that the commercial banks reduce their central bank debt substantially between January and August 1977. The targets for the individual banks were set in light of their actual indebtedness to the Bank of Finland in the final months of 1976. A special system of refunds of interest rate payments on supra-quota debt was set up for banks which reach their targets. The purpose of the system is to increase the banks' incentives to reduce their central bank debt. Most of the banks reached the targets set for them in January and February.

Net liabilities of the Bank of Finland to the State declined by roughly 270 million marks during the course of 1976, mainly as a result of the decision to return to the firms the import deposits which had been collected by the Government and deposited at the Bank of

Finland. Import deposits, which amounted to 970 million marks at the turn of the year, have been declining at an accelerated pace since the beginning of the year and will be run down entirely by mid-year. At the end of 1976 and in the first few months of 1977, the central government's cash position was better than had been anticipated, and this gave rise to some pressure on private sector liquidity.

The strengthening of government liquidity, which can be traced principally to a large number of small adjustments in the timing of various expenditures, was not reflected directly in the position of the State vis-à-vis the Bank of Finland, but rather in its position vis-à-vis Postipankki which is banker to the government and which accounts for the bulk of the »other financial institutions» item in the balance sheet. The growth of this item reflects placements of surplus liquidity by Postipankki in the call money market in which the commercial banks satisfy their liquidity needs. The improvement in the liquidity of the central government was thus reflected in an increase in the volume of transactions in this market.

Net claims of the Bank of Finland on the corporate sector grew steadily during 1976 and tended to relieve some of the pressure on corporate liquidity. The 700 million mark expansion in this item was due in part to a decline in liabilities resulting mainly from the drawing down of capital import deposits and in part to an increase in credit to the public in the context of various financing arrangements designed to support production and employment. Some of the temporary arrangements expired in the first part of the current year, and led to a decline in net credit to the corporate sector.

Monetary policy will remain tight in 1977 because it is imperative to reduce the rate of inflation still further and to moderate the growth of the country's foreign indebtedness. Capital import policy and the terms on the commercial banks' borrowing from the central bank will be set with a view to reaching these goals.

March 21, 1977.

	1976		1977			
	Mar. 31	Dec. 31	Mar. 8	Mar. 15	Mar. 23	Mar. 31
Assets						
Gold and foreign exchange receivables	1 608	1 801	1 792	1 691	2 078	1 927
Gold	121	121	127	127	127	127
Special drawing rights	272	236	221	221	221	221
Convertible currencies	791	1 004	872	831	1 104	944
Tied currencies	424	440	572	512	626	635
Other foreign receivables	1 442	1 660	1 629	1 665	1 686	1 692
Foreign bills	299	436	384	417	441	447
Foreign bonds	317	397	418	421	418	418
Currency subscription to Finland's quota in the IMF	826	827	827	827	827	827
Receivables from financial institutions	4 658	4 674	5 049	4 995	4 963	4 582
Cheque accounts of the commercial banks	202	174	171	172	146	123
Discounted bills	3 035	2 920	2 649	2 782	2 648	2 769
Bonds	416	332	608	592	404	404
Call money market advances	997	1 204	1 571	1 404	1 733	1 280
Other financial institution receivables	8	44	50	45	32	6
Receivables from the public sector	338	447	432	430	434	433
Bonds	72	67	68	69	70	70
Total coinage	265	279	284	284	285	286
Other public sector receivables	1	101	80	77	79	77
Receivables from corporations	1 098	1 400	1 316	1 321	1 322	1 321
New export bills	125	165	174	176	178	174
Financing of suppliers' credits	458	554	571	568	568	566
Bonds	211	198	193	192	193	190
Other corporate receivables	304	483	378	385	383	391
Other assets	47	53	60	60	60	61
Total	9 191	10 035	10 278	10 162	10 543	10 016
Liabilities						
Foreign exchange liabilities	203	101	77	80	77	87
Convertible accounts	157	50	48	50	50	60
Tied accounts	46	51	29	30	27	27
Other foreign liabilities	1 413	1 923	1 923	1 923	1 923	1 923
IMF mark accounts	1 155	1 665	1 665	1 665	1 665	1 665
Allocations of special drawing rights	258	258	258	258	258	258
Notes and coins in circulation	2 544	2 885	2 976	3 145	2 955	2 845
Notes	2 314	2 635	2 729	2 897	2 706	2 596
Coins	230	250	247	248	249	249
Deposit certificates in circulation	—	—	—	—	180	180
Claims of financial institutions	845	1 143	1 573	1 332	1 748	1 324
Cheque account of Postipankki	1	2	0	0	6	0
Cheque accounts of the commercial banks	1	2	1	1	1	2
Call money market deposits	834	1 137	1 569	1 328	1 731	1 276
Other financial institution claims	9	2	3	3	10	46
Claims of the public sector	1 465	1 133	821	766	753	739
Cheque accounts	0	2	0	0	5	0
Counter-cyclical reserves	55	59	34	34	34	34
Import deposits	1 378	973	695	640	581	572
Other public sector claims	32	99	92	92	133	133
Claims of corporations	427	308	335	334	313	307
Investment deposits	69	58	53	52	52	58
Capital import deposits	345	242	277	277	256	243
Import levy deposits	8	6	5	4	4	5
Other corporate claims	5	2	0	1	1	1
Other liabilities	12	13	13	14	13	12
Equalization accounts	401	592	602	607	617	632
Capital accounts	1 881	1 937	1 958	1 961	1 964	1 967
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	334	334	436	436	436	436
Undisposed profits	97	—	102	102	102	102
Net earnings	50	203	20	23	26	29
Total	9 191	10 035	10 278	10 162	10 543	10 016

End of year and month	Foreign sector						Public sector				Deposit certificates in circulation
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserve (1-2)	Non-convertible exchange reserve	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1970	1 812	11	1 801	— 63	639	606	1 771	119	121	2	203
1971	2 620	30	2 590	—297	686	704	2 275	148	140	— 8	400
1972	2 613	43	2 570	— 6	757	788	2 533	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	1 569	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1976											
Feb.	1 113	82	1 031	482	1 390	1 385	1 518	334	1 380	1 046	—
March	1 184	157	1 027	378	1 442	1 413	1 434	338	1 465	1 127	—
April	1 393	47	1 346	281	1 449	1 413	1 663	341	1 390	1 049	—
May	1 627	46	1 581	434	1 465	1 922	1 558	352	1 360	1 008	—
June	1 546	48	1 498	392	1 456	1 923	1 423	350	1 320	970	—
July	1 800	62	1 738	507	1 483	1 923	1 805	361	1 227	866	—
Aug.	1 670	123	1 547	620	1 503	1 923	1 747	388	1 263	875	—
Sept.	1 414	142	1 272	355	1 533	1 923	1 237	415	1 188	773	—
Oct.	1 257	134	1 123	304	1 560	1 923	1 064	421	1 130	709	—
Nov.	1 197	123	1 074	529	1 595	1 923	1 275	432	1 215	783	—
Dec.	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1977											
Jan.	1 074	53	1 021	768	1 636	1 923	1 502	440	979	539	—
Feb.	1 180	49	1 131	654	1 637	1 923	1 499	426	873	447	—
March	1 292	60	1 232	608	1 692	1 923	1 609	433	739	306	180

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

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1976			Net holdings, Feb. 28, 1977			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Feb.	Jan.-Feb.
Gold	121	—	121	127	—	127	—	+ 6
Special drawing rights	236	—	236	236	—	236	—	—
IMF gold tranche	—	—	—	—	—	—	—	—
Convertible currencies	954	—1 783	—829	767	—2 027	—1 260	— 92	—431
Total	1 311	—1 783	—472	1 130	—2 027	—897	— 92	—425
Non-convertible currencies	389	—27	362	655	—26	629	—131	+267

End of year and month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Dis-counted and redis-counted bills	Cheque account receiv-ables ²	Other receiv-ables	Cheque account liabilities to the commer-cial banks ³	Cheque account liabilities to Posti-pankki ³	Other liabili-ties	Net receiv-ables (1+2+3-4-5-6)	Receiv-ables	Liabili-ties	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1970	836	3	—	1	4	—	834	383	324	59	1 455
1971	849	—	—	9	2	—	838	355	385	— 30	1 413
1972	753	5	—	—	2	—	756	321	73	248	1 879
1973	2 556	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
1976											
Feb.	3 035	196	1 408	5	0	709	3 925	1 031	548	483	2 677
March	3 035	202	1 421	1	1	843	3 813	1 098	427	671	2 544
April	3 053	193	1 098	1	0	683	3 660	1 126	523	603	2 676
May	3 235	176	1 004	2	0	551	3 862	1 175	488	687	2 775
June	3 358	196	1 111	1	0	685	3 979	1 215	413	802	2 969
July	2 775	164	1 189	3	0	793	3 332	1 284	374	910	2 895
Aug.	2 749	169	926	3	0	531	3 310	1 297	301	996	2 858
Sept.	3 031	185	1 153	2	0	783	3 584	1 342	189	1 153	2 840
Oct.	3 148	164	1 566	3	0	1 005	3 870	1 356	297	1 059	2 882
Nov.	3 036	178	1 401	5	1	785	3 824	1 315	352	963	2 839
Dec.	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885
1977											
Jan.	2 729	119	2 095	2	0	1 673	3 268	1 308	244	1 064	2 758
Feb.	2 604	176	2 405	1	1	1 865	3 318	1 306	353	953	2 790
March	2 769	123	1 690	2	0	1 322	3 258	1 321	307	1 014	2 845

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

² Including special index accounts.

³ Including cash reserve accounts.

SELLING RATES FOR FOREIGN EXCHANGE

Mk

March 22, 1977

New York ¹	1 \$	3.806	Frankfurt o. M.	100 DM	159.70	Vienna	100 S	22.50
Montreal	1 \$	3.640	Amsterdam	100 Fl	152.60	Lisbon	100 Esc	9.89
London	1 £	6.540	Brussels ²	100 Fr		Madrid	100 Pta	5.57
Stockholm	100 Kr	90.50	Zurich	100 Fr	149.70	Tokyo	100 Y	1.370
Oslo	100 Kr	72.70	Paris	100 FF	76.50	Reykjavik	100 Kr	2.00
Copenhagen	100 Kr	65.20	Rome	100 Lit	0.434	Moscow ³	1 Rbl	5.101

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

² 10.400 commercial rate; 10.380 financial rate.

³ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

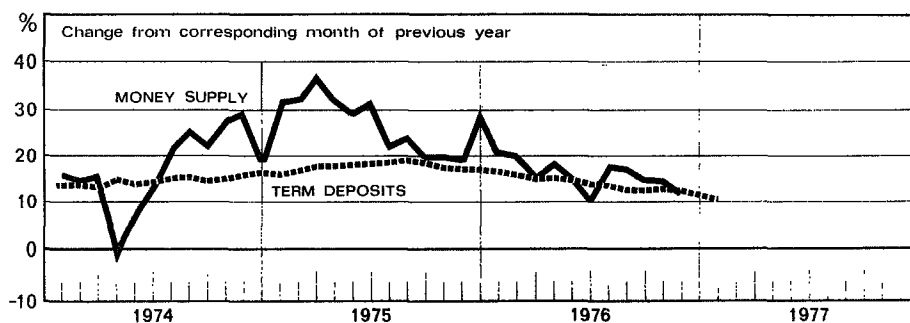
End of year and month	Sight deposits			Term deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Co-op. stores	All credit institutions	
	Commercial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1970	1 143	1 508	603	6 099	4 847	3 458	1 288	574	16 266	18 377
1971	1 343	1 734	754	6 962	5 446	3 877	1 491	642	18 418	20 906
1972	1 851	2 371	979	8 096	6 232	4 500	1 806	720	21 353	24 703
1973	2 144	2 892	1 360	8 989	7 109	5 237	2 159	805	24 299	28 551
1974	2 551	3 478	1 638	10 213	8 288	6 308	2 641	921	28 371	33 487
1975	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260
1976*	3 028	4 386	2 332	12 789	11 066	8 622	3 578	1 255	37 310	44 028

1976*

Jan.	3 270	4 296	2 038	11 872	9 867	7 670	3 229	1 118	33 756	40 090
Feb.	2 855	4 188	2 258	11 929	10 033	7 779	3 263	1 132	34 136	40 582
March	3 007	4 336	2 032	11 837	10 032	7 751	3 224	1 139	33 983	40 351
April	3 040	4 120	2 155	11 894	10 080	7 819	3 270	1 148	34 211	40 486
May	2 843	4 021	2 048	11 972	10 174	7 870	3 292	1 161	34 469	40 538
June	3 004	4 222	1 865	11 963	10 279	7 971	3 332	1 167	34 712	40 799
July	2 985	4 176	1 951	11 966	10 389	8 064	3 390	1 184	34 993	41 120
Aug.	3 102	4 375	1 968	11 988	10 531	8 216	3 423	1 194	35 352	41 695
Sept.	2 856	4 094	1 935	11 896	10 545	8 286	3 426	1 213	35 366	41 395
Oct.	2 715	3 930	1 948	11 986	10 599	8 341	3 465	1 231	35 622	41 500
Nov.	2 933	4 170	1 913	12 031	10 769	8 477	3 480	1 248	36 005	42 088
Dec.	3 028	4 386	2 332	12 789	11 066	8 622	3 578	1 255	37 310	44 028

1977*

Jan.	2 969	4 190	2 370	12 718	11 166	8 721	3 616	1 282	37 503	44 063
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ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

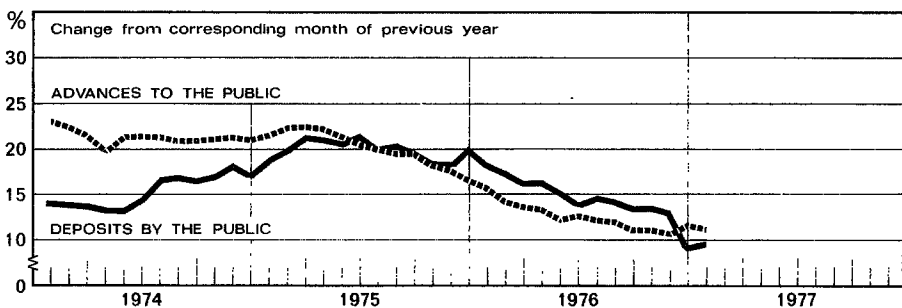
End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1970	7 963	4 342	3 404	1 342	1 454	17 815	690	18 505	3 445
1971	9 234	4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

1976*

Jan.	17 769	9 263	7 882	5 586	4 222	43 456	1 266	44 722	8 621
Feb.	17 868	9 333	7 939	5 605	4 226	43 653	1 318	44 971	8 771
March	17 902	9 453	8 009	5 688	4 245	43 913	1 384	45 297	8 582
April	18 049	9 576	8 079	5 691	4 258	44 192	1 461	45 653	8 607
May	18 138	9 647	8 178	5 697	4 378	44 605	1 433	46 038	8 488
June	18 396	9 728	8 279	5 779	4 409	45 121	1 470	46 591	8 652
July	18 212	9 831	8 376	5 844	4 479	45 365	1 377	46 742	8 665
Aug.	18 309	9 965	8 505	5 885	4 507	45 652	1 519	47 171	8 830
Sept.	18 453	10 148	8 683	5 937	4 470	46 092	1 599	47 691	8 504
Oct.	18 658	10 279	8 855	5 939	4 475	46 617	1 589	48 206	8 422
Nov.	18 791	10 418	9 000	6 046	4 494	47 168	1 581	48 749	8 565
Dec.	19 09	10 616	9 256	6 012	4 582	49 556	..

1977*

Jan.	19 176	10 683	9 271	6 044	4 625	49 799	..
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STATE FINANCES

Mill. mk

Revenue	Jan.-Nov.		Expenditure	Jan.-Nov.	
	1975	1976		1975	1976
Income and property tax (net)	8 530	10 638	Wages, salaries, pensions etc.	3 965	4 735
Gross receipts	(17 890)	(21 946)	Repair and maintenance	582	643
Refunds & local authorities	(-9 360)	(-11 308)	Other consumption expenditure	1 822	2 123
Other taxes on income and property	174	218	Total consumption expenditure	6 369	7 501
Employers' child allowance payments	774	1 019	State aid to local authorities	4 297	5 410
Sales tax	5 316	5 736	State aid to industries	3 886	4 083
Revenue from Alcohol Monopoly	1 282	1 484	of which: agric. price subsidies	(1 924)	(2 295)
Customs duties & import charge	546	524	Child allowances	635	775
Counter-cyclical tax	—	—	Share in national pensions and health insurance	208	244
Excise duty on tobacco	533	771	Other transfer expenditure	2 475	3 088
» » on liquid fuel	1 071	1 398	Total transfer expenditure	11 501	13 600
Other excise duties	572	840	Machinery and equipment	926	1 015
Tax on autom. and motor cycles	685	749	House construction	507	522
Stamp duties	445	566	Land and waterway construction	1 277	1 416
Special diesel etc. vehicles tax	61	70	Total real investment	2 710	2 953
Other taxes and similar revenue ¹	518	755	Interest on State debt	165	199
Total taxes	20 507	24 768	Index compensations	39	33
Miscellaneous revenue	2 065	1 556	Net deficit of State enterprises	377	202
Interest, dividends etc.	473	489	Other expenditure	41	42
Sales and depreciation of property	10	4	Total other expenditure	622	476
Redemptions of loans granted	234	366	Increase in inventories	+244	+63
Total revenue	23 289	27 183	Lending	2 168	2 645
Foreign borrowing	151	590	Other financial investment	550	550
Domestic borrowing	447	740	Total expenditure	24 164	27 788
Total borrowing	598	1 330	Redemption of foreign loans	131	132
Deficit (+) or surplus (-)	(+708)	(-358)	Redemption of domestic loans	300	235
			Total redemptions	431	367
Total	24 595	28 155	Total	24 595	28 155

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

State debt	1973	1974	1975	1976		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
Foreign debt	1 395	1 152	1 603	2 157	2 144	2 152
Loans	1 758	1 528	1 645	2 016	2 058	2 117
Compensatory obligations	1	1	1	1	1	1
Short-term credit	39	37	85	82	83	187
Cash debt (net)	-468	-571	-242	-555	-365	-609
Domestic debt	1 330	995	1 489	1 544	1 777	1 696
Total State debt	2 725	2 147	3 092	3 701	3 921	3 848
Total debt, mill \$	710	590	798	952	1 015	1 000

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1971	9 897	11 734	-1 837
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976*	24 505	28 560	-4 055

1975

Dec.	2 371	2 545	- 174
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1976*

Jan.	1 564	2 131	- 567
Feb.	1 478	1 949	- 471
March	1 967	2 249	- 282
April	1 452	1 851	- 399
May	2 212	1 956	+ 256
June	2 232	2 441	- 209
July	2 256	2 543	- 287
Aug.	1 758	2 357	- 599
Sept.	2 119	2 632	- 513
Oct.	2 394	2 361	+ 33
Nov.	2 463	2 783	+ 320
Dec.	2 610	3 307	- 697

1977*

Jan.	2 470	2 383	+ 87
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Indices of exports and
imports 1969 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1971	103	119	115	
1972	118	124	123	125	98
1973	127	141	138	139	99
1974	126	151	196	200	98
1975	105	151	232	218	106
1976*	126	148	234	228	103

1974

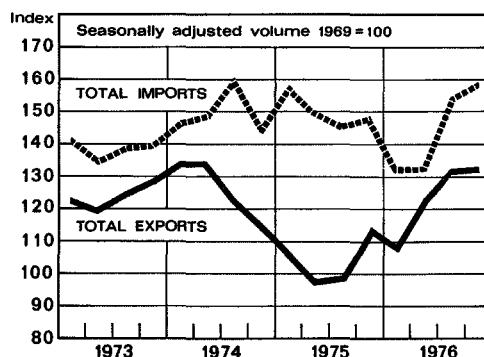
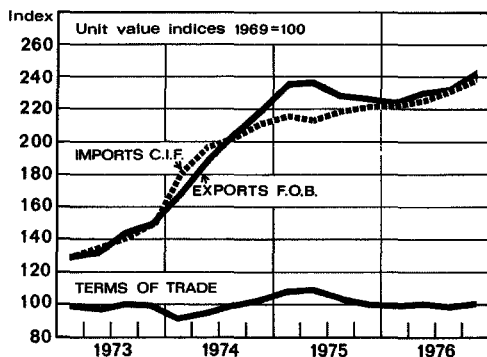
Jan.-Mar.	131	146	169	184	92
Apr.-June	131	147	190	199	95
July-Sept.	119	158	206	204	101
Oct.-Dec.	125	152	221	213	104

1975

Jan.-Mar.	104	160	237	217	109
Apr.-June	95	146	238	216	110
July-Sept.	94	143	230	220	105
Oct.-Dec.	124	153	228	223	102

1976*

Jan.-Mar.	106	134	226	224	101
Apr.-June	122	130	231	226	102
July-Sept.	125	152	234	233	100
Oct.-Dec.	147	165	244	240	102



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	
1971	313	1 643	3 797	1 764	2 380	7 037	570	2 333	1 746	48
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
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	4 972	4 102	77

1975

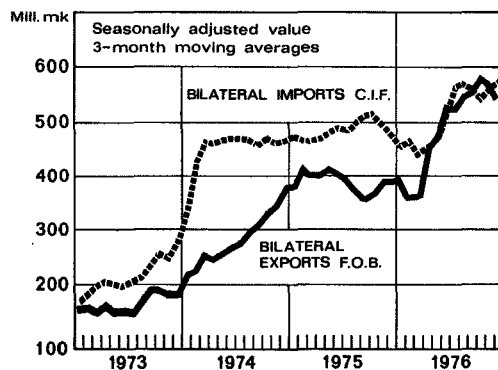
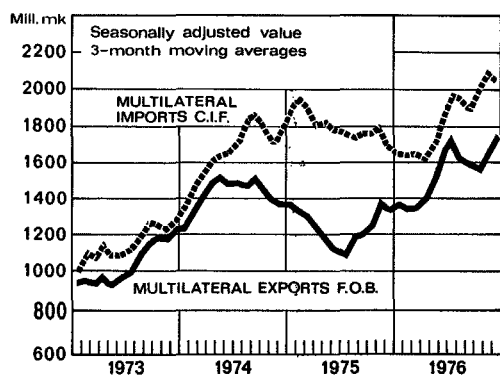
Dec.	82	234	659	877	519	1 511	140	565	323	6
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1976*

Jan.	114	190	477	436	347	1 190	133	495	312	1
Feb.	14	196	592	287	389	1 211	114	327	291	6
March	125	214	780	338	510	1 339	91	461	353	5
April	19	140	397	475	421	1 034	66	433	318	0
May	78	158	601	837	538	1 236	106	291	316	7
June	38	302	804	529	559	1 604	100	390	347	0
July	29	320	693	739	475	1 725	164	342	307	5
Aug.	42	257	645	324	490	1 483	163	381	308	22
Sept.	47	276	665	554	577	1 564	166	515	386	1
Oct.	71	255	741	749	578	1 448	177	380	346	10
Nov.	66	273	724	826	574	1 849	157	371	397	9
Dec.	161	311	741	797	600	2 145	144	586	421	11

1977*

Jan.	204	286	655	748	577	1 379	144	546	308	6
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FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January				January			
	1976*		1977*		1976*		1977*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	63.1	986	67.0	1 656	69.3	1 476	68.2	1 624
Austria	0.6	10	0.7	17	2.4	52	1.5	36
Belgium-Luxembourg	1.5	24	1.1	27	2.2	46	2.0	48
Denmark	3.3	51	4.2	104	2.8	59	2.9	70
France	3.7	57	3.3	82	2.9	61	3.3	78
Federal Republic of Germany	9.3	145	10.7	265	14.9	318	19.6	468
Italy	1.7	27	1.6	39	1.9	41	2.2	51
Netherlands	2.8	44	3.0	73	3.5	74	3.1	74
Norway	5.2	82	8.4	208	5.9	126	2.3	54
Portugal	0.3	4	0.2	6	0.3	6	0.3	8
Spain	1.1	17	0.9	22	2.5	53	2.2	51
Sweden	14.9	233	18.7	462	18.3	389	16.8	401
Switzerland	2.6	40	2.2	54	3.0	65	3.8	89
United Kingdom	14.8	231	11.0	272	8.4	180	7.8	186
Other	1.3	21	1.0	25	0.3	6	0.4	10
OECD countries outside Europe	5.8	90	5.5	135	6.1	130	6.5	156
Canada	0.6	9	0.6	15	0.4	8	0.7	17
Japan	0.7	11	0.8	19	1.3	27	1.5	35
United States	3.9	61	3.4	85	4.4	95	4.3	103
Other	0.6	9	0.7	16	0.0	0	0.0	1
CMEA countries	22.8	357	20.1	497	19.6	418	21.7	516
Czechoslovakia	0.5	8	0.2	6	0.5	10	0.5	12
Democratic Republic of Germany	0.9	14	0.9	23	0.6	12	0.6	14
Poland	2.2	34	0.6	15	1.6	35	1.7	39
Soviet Union	18.4	288	17.5	431	16.2	345	18.0	429
Other	0.8	13	0.9	22	0.7	16	0.9	22
Latin America	2.7	42	1.4	35	1.6	34	1.7	41
Argentina	0.4	7	0.3	8	0.0	0	0.0	0
Brazil	0.2	3	0.4	10	0.9	18	0.5	11
Colombia	0.1	1	0.1	2	0.5	11	0.6	15
Other	2.0	31	0.6	15	0.2	5	0.6	15
Other	5.6	88	6.0	147	3.4	73	1.9	46
GRAND TOTAL	100.0	1 563	100.0	2 470	100.0	2 131	100.0	2 383
of which								
EFTA countries	23.7	371	30.4	750	30.1	642	24.9	593
EEC countries	37.5	586	35.4	874	36.6	780	41.1	979
OECD countries	68.8	1 076	72.5	1 791	75.4	1 606	74.7	1 780

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
1974 r	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976*	24 419	28 529	-4 110	+1 186	+ 8	+348	-2 568	-1 741	-91	-4 400

1974

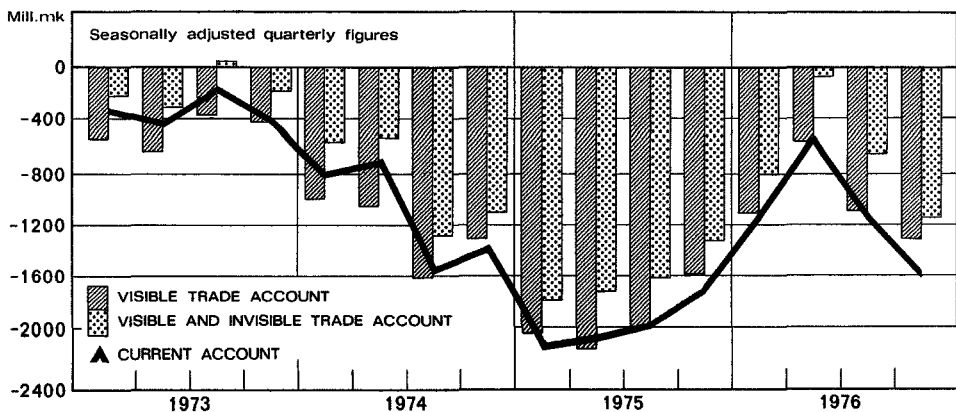
Jan.-March	4 589	5 683	-1 094	+338	+ 10	+ 5	- 741	-233	-25	- 999
Apr.-June	5 159	6 198	-1 039	+282	+ 74	+47	- 636	-239	-11	- 886
July-Sept.	5 104	6 838	-1 734	+251	+243	-36	-1 276	-243	- 4	-1 523
Oct.-Dec.	5 753	6 879	-1 126	+204	- 1	+89	- 834	-291	-29	-1 154

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.	5 861	7 234	-1 373	+234	- 7	+206	- 940	-411	-30	-1 381

1976*

Jan.-March	4 989	6 357	-1 368	+276	- 53	+ 51	-1 094	-349	-24	-1 467
Apr.-June	5 833	6 241	- 408	+295	- 5	+ 15	- 103	-484	-37	- 624
July-Sept.	6 113	7 481	-1 368	+322	+112	+115	- 819	-436	-17	-1 272
Oct.-Dec.	7 484	8 450	- 966	+293	- 46	+167	- 552	-472	-13	-1 037

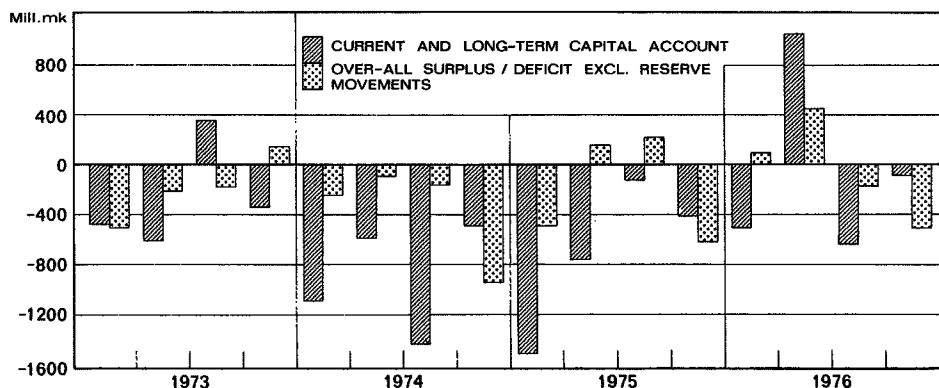


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+ 736
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+638	+1 449	+ 8	- 747	-444	+1 191
+6 130	-1 785	-191	+ 56	+4 210	- 190	+292	-1 288	+1 058	- 128	+ 78	+ 50
+481	-522	- 24	-26	- 91	-1 090	+288	+124	+409	-269	+138	+131
+758	-362	-114	+13	+295	- 591	+349	+ 58	+ 88	- 96	- 99	+195
+549	-379	- 61	-25	+ 84	-1 439	+502	+312	+462	-163	+202	- 39
+942	-274	- 24	+15	+659	- 495	-209	-157	- 86	-947	+498	+449
+1 206	-310	- 24	+11	+ 883	-1 510	+310	+758	- 35	-477	- 32	+509
+1 870	-433	- 48	+ 9	+1 398	-757	-140	+758	+296	+157	-668	+511
+2 121	-287	- 3	+57	+1 888	-157	+131	- 34	+265	+205	+ 91	-296
+1 532	-415	-139	-15	+ 963	-418	+337	- 33	-518	-632	+165	+467
+1 404	-374	+ 2	-79	+ 953	- 514	-579	+119	+1072	+ 98	+373	-471
+2 096	-394	-115	+83	+1 670	+1 046	-158	+119	- 549	+458	-485	+ 27
+1 239	-568	- 20	-25	+ 626	- 646	+520	-764	+ 717	-173	+263	- 90
+1 391	-449	- 58	+77	+ 961	- 76	+509	-762	- 182	-511	- 73	+584

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 ¹		
	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			
1975	562	575	513	570	637	532	629	536	539	139	131	142
1976	626	646	548	614	707	621	679	594	614	152	142	154
1976												
May	610	629	537	598	696	604	666	576	598	149	146	149
June	611	629	539	599	698	605	669	576	599	150	146	150
July	628	648	554	610	706	633	686	596	615	151	146	153
Aug.	641	662	560	627	709	642	697	611	627	154	146	155
Sept.	648	670	565	640	721	640	700	623	633	157	146	160
Oct.	650	671	567	642	726	640	699	624	637	158	146	161
Nov.	656	678	570	646	727	651	706	627	645	159	146	163
Dec.	659	681	573	647	738	654	710	627	649	160	146	164
1977												
Jan.	669	692	584	653	770	665	710	629	672	165	149	169
Feb.	676	698	588	658	781	672	718	635	677	166	149	171

¹ New series.

Period	Consumer prices 1972 = 100											
	Cost of living Oct. 1951 = 100	Con-sumer prices Oct.—Dec. 1957 = 100	Total	Food	Bever-ages and tobacco	Clothing and foot-wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1975	392	308	153	157	135	150	162	184	150	145	144	156
1976	449	352	174	182	164	166	171	200	164	174	162	185
1976												
May	441	346	171	176	161	164	169	201	161	172	160	182
June	442	347	172	176	161	164	171	201	161	172	161	182
July	450	353	175	185	168	161	171	202	162	175	161	186
Aug.	456	358	177	191	168	163	171	202	165	176	161	187
Sept.	460	361	179	193	169	168	171	202	166	177	162	190
Oct.	465	365	181	192	168	173	174	208	167	178	167	194
Nov.	468	367	182	194	168	173	174	209	170	180	169	194
Dec.	469	368	182	195	168	173	174	209	170	181	171	195
1977												
Jan.	476	374	185	196	174	173	174	210	174	185	179	198
Feb.	482	378	187	200	174	176	175	210	176	187	180	201

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							
1975	508	383	389	313	312	307	362	300	384	347
1976*	597	441	427	360	361	353	417	346	441	399
1975										
Jan.-March	467	354	362	281	280	277	330	269	351	315
Apr.-June	500	392	395	316	315	310	371	304	393	354
July-Sept.	514	390	395	319	322	311	374	308	396	358
Oct.-Dec.	559	399	405	335	334	332	380	318	404	366
1976*										
Jan.-March	584	416	411	351	349	347	396	337	417	382
Apr.-June	591	448	427	362	364	355	422	348	448	404
July-Sept.	600	447	434	362	365	355	425	349	451	406
Oct.-Dec.	608	453	437	363	365	356	427	351	453	408

PRODUCTION

Volume indices of production 1964 = 100

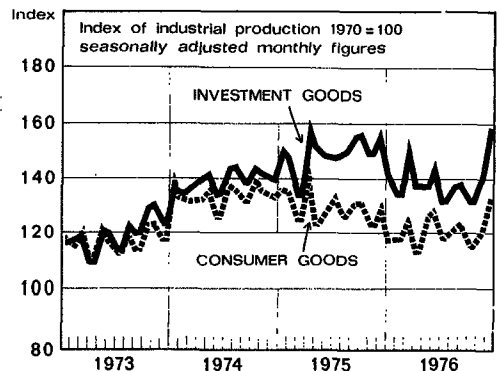
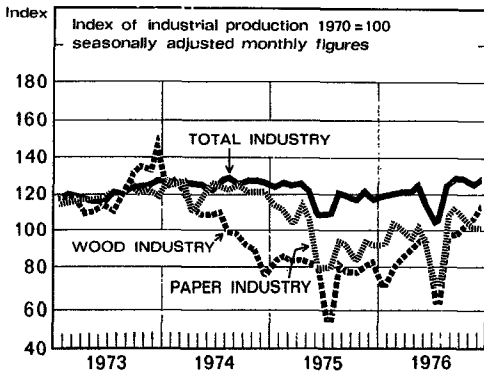
Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1974	160	197	90	96	168	103	163	179	158	159	165
1975*	160	189	97	83	170	105	158	188	166	168	172
1976*	161	193	105	77	145	103	159	188	173	174	177
1975*											
Jan.-March	161	200	52	119	163	106	157	185	163	166	171
Apr.-June	161	193	81	100	161	108	162	185	165	167	173
July-Sept.	157	164	179	48	178	103	155	185	166	168	171
Oct.-Dec.	162	200	77	64	180	103	158	198	170	171	174
1976*											
Jan.-March	156	199	64	84	115	104	149	182	171	172	175
Apr.-June	161	193	95	91	149	106	159	185	172	173	177
July-Sept.	161	170	186	55	155	101	162	187	173	175	176
Oct.-Dec.	166	208	77	76	160	101	168	201	177	177	178

PRODUCTION¹

Index of industrial production 1970 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	141	127
1975*	121	151	111	132	112	81	99	136	123	145	120
1976*	124	144	121	123	118	94	102	120	114	142	123
1975*											
Nov.	127	165	116	136	120	81	101	139	130	156	123
Dec.	116	147	107	126	98	73	88	134	110	139	116
1976*											
Jan.	125	157	121	124	108	70	96	129	102	150	119
Feb.	122	143	121	117	106	81	108	132	104	139	119
March	138	169	135	132	103	104	115	134	115	164	120
April	123	155	119	119	103	107	84	133	99	150	123
May	133	152	130	132	128	115	115	130	120	150	126
June	118	150	110	127	132	103	74	91	120	147	121
July	68	57	68	74	114	37	71	74	61	56	100
Aug.	123	133	120	126	124	85	113	116	118	133	123
Sept.	135	151	133	135	129	101	116	136	139	155	131
Oct.	136	151	135	132	126	102	121	119	133	153	128
Nov.	137	160	135	133	129	117	109	106	133	159	126
Dec.	132	152	130	130	112	104	97	143	120	154	129
1977*											
Jan.	129	144	129	120	104	97	98	150	124	146	125

¹ Revised figures.



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Population of working age 1 000 persons	Total labour force. 1 000 persons	Employed 1 000 persons	Un- employed 1 000 persons	Unemploy- ment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesale- sales volume index 1972 = 100
1974	3 483	2 268	2 229	39	1.7	34 457	114	114
1975	3 513	2 272	2 221	51	2.2	29 133	118	119
1976*	3 530	2 244	2 158	86	3.8	27 305	110	120

1976*								
Jan.	3 523	2 198	2 107	91	4.1	1 684	97	106
Feb.	3 525	2 190	2 100	90	4.1	2 332	92	104
March	3 527	2 187	2 102	85	3.9	3 269	104	124
April	3 529	2 195	2 105	90	4.1	3 217	110	113
May	3 531	2 224	2 151	73	3.3	2 735	111	116
June	3 533	2 396	2 320	76	3.2	1 821	114	124
July ¹	3 532	2 416	2 317	99	4.1	1 047	114	106
Aug.	3 531	2 352	2 253	99	4.2	1 155	106	121
Sept.	3 533	2 215	2 144	71	3.2	1 839	109	133
Oct.	3 532	2 183	2 111	72	3.3	2 293	111	125
Nov.	3 534	2 183	2 099	84	3.8	2 787	102	125
Dec.	3 535	2 186	2 085	101	4.6	3 126	143	147

¹ Revised figures since July 1976.

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Buildings- 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	
Million cubic metres											
1974	53.23	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975	51.42	19.65	3.79	21.62	3.39	47.85	20.59	2.80	18.68	3.64	52.45
1976*	46.90	19.95	3.93	15.81	3.83	40.95	17.60	3.12	15.32	2.58	52.48
1975											
July-Sept.	12.21	4.84	0.79	4.72	1.13	11.97	4.70	0.92	4.17	1.27	56.38
Oct.-Dec.	10.71	4.04	0.59	4.52	1.00	14.15	6.08	1.06	5.65	0.73	52.45
1976*											
Jan.-March	8.52	3.04	0.73	3.29	0.86	8.04	3.55	0.52	3.25	0.42	49.19
Apr.-June	14.00	7.39	1.80	2.81	0.55	9.59	3.60	0.35	4.45	0.78	51.30
July-Sept.	12.42	5.43	0.71	4.44	0.97	8.89	3.59	0.97	2.95	0.67	54.82
Oct.-Dec.	11.96	4.09	0.69	5.12	1.45	12.85	6.16	1.15	3.94	0.80	52.48

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE FINANCES

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

FOREIGN TRADE

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

BALANCE OF PAYMENTS

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

PRICE INDICES

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

WAGES — PRODUCTION

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

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

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

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

SYMBOLS USED

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1975 is as follows: Social Democrats 54, People's Democrats 40, Centre Party 39, Conservatives 35, Swedish Party 10, Liberal Party 9, Christian League 9, Finnish Farmers Party 2, Finnish People's Unification Party 1 and Finnish People's Constitutional Party 1.

INTERNATIONAL ORGANIZATIONS

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

LAND

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

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

POPULATION

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

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

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

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

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

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

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

TRADE AND TRANSPORT

NATIONAL INCOME (1975, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 5 625 (6 %), forestry and fishing 5 025 (6 %), manufacturing 28 290 (32 %).

construction 9 310 (10 %), transport and communication 8 841 (10 %), commerce, banking and insurance 11 964 (13 %), public administration 4 313 (5 %), ownership of dwellings 3 299 (4 %), services 13 035 (14 %), total 89 702. Index of real domestic product 159 (1964 = 100).

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

AGRICULTURE (1974): Cultivated land 2.6 million hectares. Number of holdings 258 600, of which 172 400 are of more than 5 ha. Measure of self-sufficiency in bread cereals 116 % in the crop year 1974/75.

INDUSTRY (1973): Gross value of industrial production 54 650 mill. marks, number of workers 417 884, salaried employees 119 436, motive power (1973) 6.0 mill. kW. Index of industrial production 122 for 1973 (1970 = 100).

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

MERCHANT FLEET (Dec. 31, 1976): Steamers 23 (10 300 gross reg. tons), motor vessels 363 (977 800 gross reg. tons) tankers 56 (1 102 400 gross reg. tons). Total 442 (2 090 500 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1975): Passenger cars 996 300 lorries and vans 128 400, buses 8 600, others 6 600. Total 1 139 900

FINNISH AIRLINES (Feb. 10, 1976): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6, 10 Super Caravelles, 9 DC-9s, 3 DC-9-51s, 2 DC-10-30 and 5 Convair Metropolitans. 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, 1976). There are two big and five small commercial banks with in all 856 offices, 280 savings banks 380 co-operative banks, six mortgage banks, Posti-pankki and five development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-nine private insurance companies also grant credits.

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

THE BALANCE OF PAYMENTS AND FOREIGN EXCHANGE POLICY IN 1976

by Esko Aurikko, Lic.Pol.Sc.,
Jorma Hilpinen M.Sc. (Econ)
and Pirkko Miikkulainen M.A.

Bank of Finland

GENERAL DEVELOPMENTS

Even though the recovery in the western industrial economies was rather uneven, and some of Finland's most important trading partners were only taking the first steps back to growth, the volume of Finnish exports increased in 1976 by a fifth. A remarkable contribution to this increase came from exports of wood and paper as the destocking of these products ceased in Finland's main customer countries. Forest industry exports are nevertheless still far below the level reached in the boom year of 1974. In spite of the growth of exports, domestic demand in Finland decreased, partly because of less willingness to invest and partly as a result of an economic policy which aimed at an improvement in the balance of payments and a reduction in inflation. Hence the volume of imports fell and the trade deficit narrowed considerably. Net interest payments again exceeded the surplus on services but the current account deficit decreased to 4 400 million marks (4 per cent of GDP) from 8 000 million marks (8 per cent of GDP) in 1975.

The current account deficit was covered almost entirely by imports of long-term capital. This posed no problems because low investment activity in most OECD countries kept the international financial markets easy and interest rates low. Nevertheless, as a part of its policy to keep domestic financial markets tight, the Bank of Finland adopted a more selective attitude towards drawings of new foreign loans, with the result that net imports of foreign capital were reduced by almost a fifth. Net imports of short-term capital decreased even more, in line with developments in commodity trade.

EXPORTS

Output grew by a little over 2 per cent last year in the western countries most important for Finnish exports. The recovery was powered partly by the inventory cycle in the EEC countries, which brought an end to destocking of and stimulated demand for wood and paper products. These products make up almost one half of all Finnish exports. The growth of Finnish exports was also stimulated by substantial consignments of ships and heavy industrial equipment, both to the Soviet Union and to western markets.

The volume of the market countries' imports grew markedly more slowly than did Finnish exports, which saw a 20 per cent increase by volume. Thus the apparent loss of overall market shares in 1975 was regained in 1976. However, the differences in structure between Finland's total exports and customer countries' total imports must be taken into account in the analysis. In recent years the main source of the variation in Finnish exports has been the wood and paper sector, where all Nordic producers have encountered the same sharp fluctuations in demand. Considering market shares commodity by commodity there has been no major change in Finland's position vis-à-vis her competitors.

Finnish export prices were rising throughout 1976, but the increase in the annual average price was only one per cent. This is partly due to the carry-over effect from 1975, during which year the prices of wood-based products were falling. The increase in exports in value terms, from 1975 to 1976 is thus almost en-

tirely attributable to volume growth, not higher average prices.

The wood and metal industries increased their shares in the commodity structure of Finnish exports, while the share of paper industry decreased. Paper prices fell, on a year-on-year comparison by 5 per cent, even though they started to rise in mid-1976. The volume of paper exports grew by 15 per cent. In the wood industry, the increase in export volume was even bigger, 27 per cent. The prices of wood products were, on average, 5 per cent higher than in the previous year, having risen steeply during 1976. Exports of metal and engineering products increased some 15 per cent by volume and almost 30 per cent by value. Of other exported goods, the most rapidly expanding were chemical industry products and agricultural products.

IMPORTS

Despite the recovery of exports, total output grew only slightly in 1976 because domestic demand diminished markedly. Private fixed investment went down by some 15 per cent and private consumption stagnated. Consequently the volume of imports decreased substantially during the first half of 1976 and the import of finished goods in particular stayed at a low level until the end of the year. On the other hand imports of raw materials and crude oil started to rise in mid 1976, following a revival in production and partly in the anticipation of price rises. In sum, although domestic

final demand declined considerably, the fall in the total volume of imports in 1976 was only modest. Since import prices went up by almost 5 per cent, the value of imports grew by 2 per cent. The import deposit scheme introduced in March 1975 was abolished step by step in the course of 1976 and the collection of new deposits was terminated at the end of December.

As a consequence of the different movements of various import categories, the commodity structure shifted back in favour of raw materials. The growth of imports of raw materials, excluding crude oil, was steep during the second half of the year after almost as steep a downswing during the first half. On an annual level, then, the volume imported increased only slightly. Raw material prices were rising during the whole of 1976, but the average for the whole year was still a little lower than in 1975. Imports of crude oil grew more than 15 per cent by volume as new refining capacity came on stream. However, the time pattern of deliveries was very uneven, with a large proportion taking place in the last quarter of the year, causing a temporary widening of the trade deficit. The price of crude oil was unchanged throughout the year, but the effect of earlier price rises made it 10 per cent more expensive on average than in 1975. Imports of oil products, other fuels and lubricants declined markedly.

The volume of investment goods imported went down by 16 per cent which is even more than the decrease in investment in machinery and equipment. The volume of imports of

TABLE 1. FOREIGN TRADE BY COUNTRIES, MILLION MARKS AND AS A PERCENTAGE OF TOTAL TRADE

Area	1975		Exports, f.o.b. 1976		Change 76/75 %	1975		Imports, c.i.f. 1976		Change 76/75 %
	Mill. mk	%	Mill.mk	%		Mill.mk	%	Mill.mk	%	
EEC	7 202	35.6	9 326	38.1	29.5	10 331	36.9	9 915	34.7	-4.0
EFTA	5 221	25.8	5 669	23.1	8.6	6 362	22.7	6 634	23.2	4.3
CMEA (Eur.)	4 780	23.6	5 818	23.7	21.7	5 817	20.8	6 220	21.8	7.0
Other	3 044	15.0	3 693	15.1	21.3	5 492	19.6	5 791	20.3	5.6
Total	20 247	100.0	24 506	100.0	21.0	28 002	100.0	28 560	100.0	2.0

Exports: by country of consumption
Imports: by country of origin

consumer goods was 5 per cent lower than in 1975. Imports of cars decreased by more than the average. The import prices of finished goods rose faster than the prices of raw materials. The import prices of investment goods were some 15 per cent higher than a year earlier.

The decrease in the imports of finished goods reduced the share of EEC-countries in particular in the regional distribution of total imports. The share of EFTA countries grew marginally whereas the increased crude oil imports from the Soviet Union increased the share of the CMEA countries. For exports this pattern was virtually the other way around. The share of the EEC increased considerably with the recovery in exports of wood-based products. The share of CMEA countries remained practically unchanged, but the relative importance of EFTA countries as Finnish markets declined temporarily because of the low level of economic activity in Sweden.

CURRENT ACCOUNT

The improvement in the trade balance can be attributed firstly to the recovery of foreign demand and secondly to the slowdown in

domestic demand. The terms of trade deteriorated by some 4 per cent, back to the level of the early 70's. The bulk of the deterioration in the terms of trade can be explained by the drop in export prices which had taken place already during 1975. The trade deficit was 4 100 million marks in 1976 having been 7 800 million marks a year earlier. In 1975 only 72 per cent of imports c.i.f. were covered by exports f.o.b., but in 1976 the ratio improved to nearly 86 per cent. The deficit in the trade with European CMEA countries was some 400 million marks, less than a half of the figure for 1975. (See the table above and the charts on page 10).

The current account was improved not only by the strengthening of the trade balance, but also by a surplus on services which was larger than in the previous year. This reflected higher net receipts from a wide range of services, but especially from shipping. Receipts increased by 12 per cent, considerably more than last year's 7 per cent increase. Although the growth of expenditure on services was about 20 per cent, the surplus on this account increased from 1 300 million marks in 1975 to 1 500 million marks in 1976.

Transport receipts rose from 1 000 million marks in 1975 to 1 200 million marks in 1976, because the substantial improvement in Finnish exports increased the amount of cargo shipped. The rate of capacity utilization improved as the amount of laid-up tonnage decreased. Even though new additions were made to the Finnish merchant fleet, there was hardly any net increase in tonnage because a considerable number of elderly vessels were disposed of. Shipping receipts were also increased somewhat by a rise in freight rates.

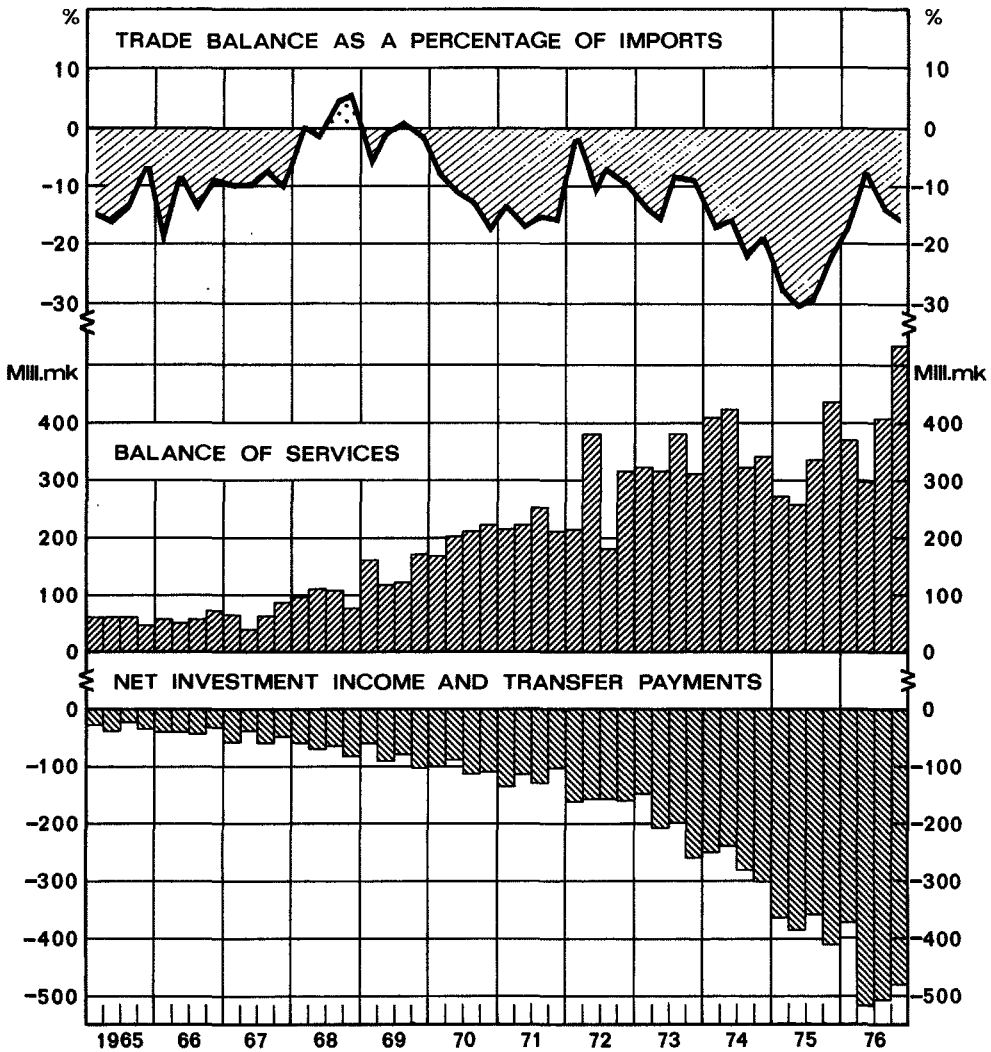
1976 was the third successive year with hardly any increase in travel receipts. Travel expenditure, however, was again up, by 15 per cent in 1976 as against 20 per cent in the year before. The net inflow consequently decreased from 100 million marks in 1975 to 10 million marks in 1976. This decrease can partly be explained by the stagnation in border

TABLE 2. BALANCE OF PAYMENTS, MILLION MARKS

	1974	1975	1976 ¹
Commodity exports	20 605	20 181	24 419
Commodity imports	25 598	27 939	28 529
TRADE BALANCE	-4 993	-7 758	-4 110
Services, net	1 506	1 306	1 542
BALANCE ON GOODS AND SERVICES	-3 487	-6 452	-2 568
Investment income & transfer payments	-1 075	-1 522	-1 832
CURRENT ACCOUNT	-4 562	-7 974	-4 400
Long-term capital, net	947	5 132	4 210
BASIC BALANCE	-3 615	-2 842	-190
Short-term capital, net	2 140	2 095	62
OVERALL BALANCE	-1 475	-747	-128
Reserve movements (increase —):			
Bank of Finland	739	-444	78
Other holders	736	1 191	50

¹ Preliminary. Final figures will be available in July 1977. For details, see pages 12 and 13.

CHART 1. PRINCIPAL CURRENT ACCOUNT COMPONENTS, SEASONALLY ADJUSTED



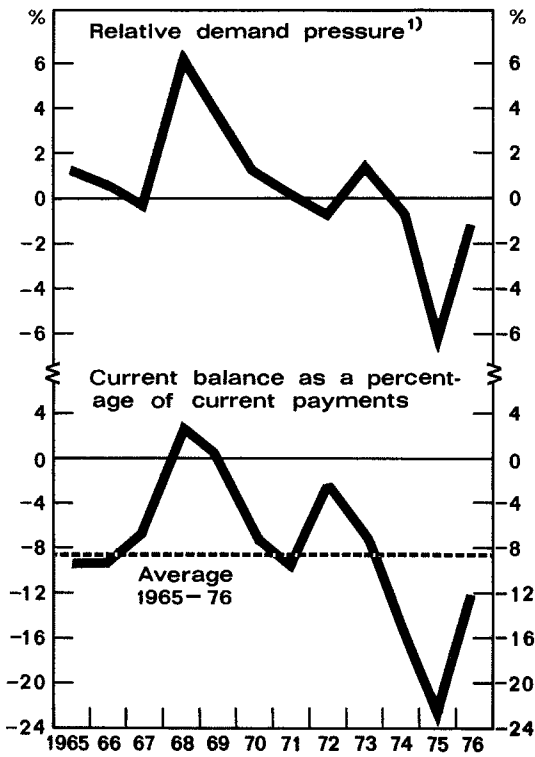
trade, but there was also a decrease in the number of travellers to Finland. Receipts and expenditures for other services make up about half of the service account flows and last year they provided about 300 million marks of the surplus.

The increase in borrowing from abroad which has taken place during the 1970's has given rise to increased interest payments. Because of the decrease in interest rates in 1976, this increase was clearly smaller than the growth of net foreign debt would have implied with unchanged interest rates. The investment income deficit rose from 1 400 million marks in 1975

to 1 700 million marks in 1976. A net outflow of transfer payments of 100 million marks increased the total deficit on invisibles to 200 million marks, the same as in the year before. The current account deficit totalled 4 400 million marks, some 13 per cent of current payments, and was only 56 per cent of the previous year's deficit of 8 000 million marks.

Differences between the cyclical position in Finland and that in her major western markets have played an important part in the developments of the Finnish current account. In 1975 foreign demand was at its trough level, whereas domestic demand was still rather strong. Con-

CHART 2. CYCLICAL FLUCTUATIONS AND THE CURRENT BALANCE



¹ Percentage deviation from the trend of the import volume of Finland's market countries minus the percentage deviation from the trend of Finland's GDP in 1950—1976

sequently the deficit was largest ever. In 1976, when foreign demand recovered and domestic demand was held down, the outcome was a considerably better foreign balance. Foreign demand pressure, measured as the percentage deviation from the long-term trend of Finland's main customer countries' import volume, stood at -7.4 per cent in 1975 and -6.4 per cent in 1976. The domestic demand pressure, measured in a similar way from Finland's GDP figures, was -0.7 per cent in 1975 and -5.1 per cent in 1976. In Chart 2, the relative demand pressure is the difference between these variables, and it reached its negative extreme value in 1975 and improved noticeably in 1976. These variations are closely followed by the variations of the current balance. However, this analysis does not take into account the large share of wood and paper products in Finnish exports, which had the effect of widening the deficit in 1975.

CAPITAL FLOWS AND EXTERNAL LIQUIDITY POSITION

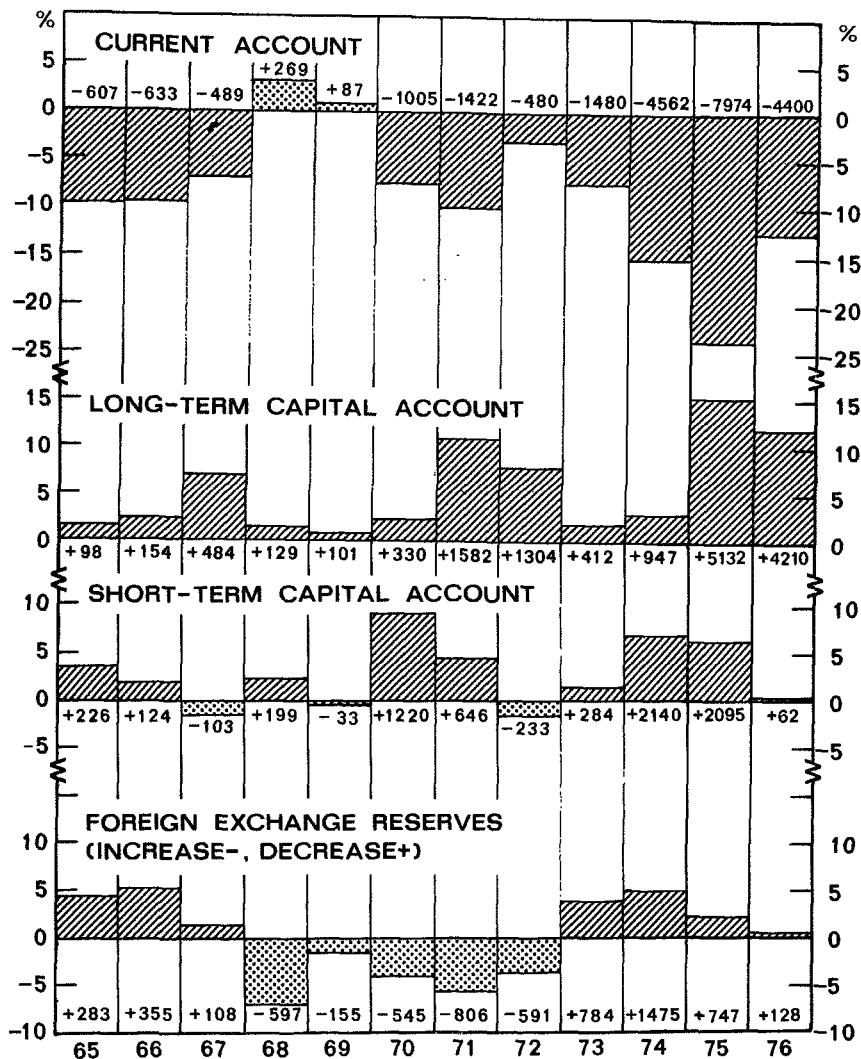
The principal capital account items corresponding to the current account developments are shown in Chart 3. Net imports of long-term capital had reached a rather high level in 1975; in 1976 they diminished clearly, especially towards the end of year. The need for foreign financing did not, however, decrease as much as did domestic investment, because the overall savings ratio decreased as well. The net inflow of short-term capital was negligible and the external liquidity position was more or less unchanged.

On the international long-term capital markets, the supply of funds was stimulated by the uncertainty and low interest rates prevailing in the short-term capital markets. Due to weak investment demand in many industrialized countries, there were good opportunities for smaller borrowers to make use of the markets. Net borrowing by Finnish firms remained at a high level in the first half of the year, but later on the impact of the more selective attitude adopted by the Bank of Finland towards imports of foreign capital began to slow down the growth of foreign indebtedness.

Drawings of long-term foreign loans amounted to 6 100 million marks, which was 10 per cent less than in 1975. A large amount of this borrowing has comprised of long-term import credit connected with purchases of ships and aircraft, and deliveries for large investment projects already under way. Amortizations of long-term loans increased by 20 per cent. Other long-term capital movements did not greatly affect the country's foreign indebtedness. Foreign direct investment in Finland was 100 million marks more than investment abroad by Finnish enterprises, but the net inflow into Finland was less than half of that in 1975. Long-term export credits provided by Finnish firms were 200 million marks more than the amount of amortizations.

Short-term capital movements reflected the developments in commodity trade. As commod-

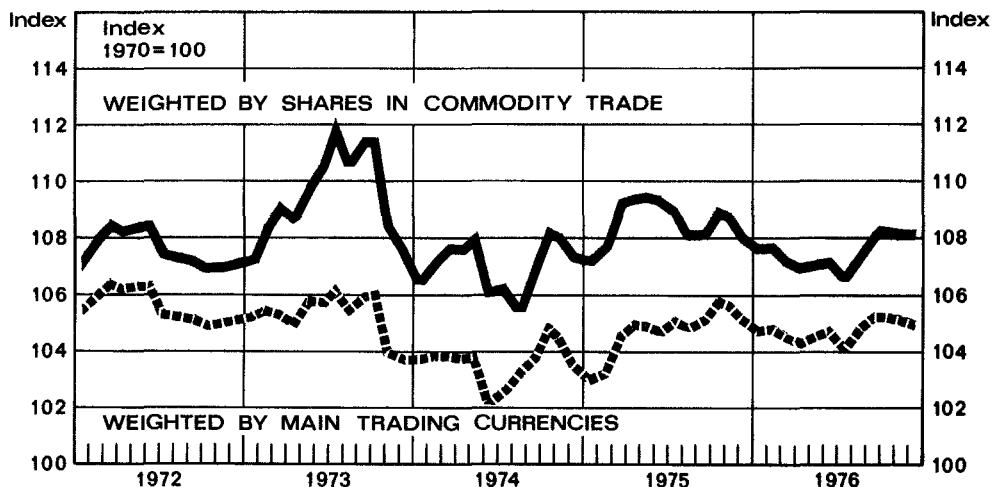
**CHART 3. PRINCIPAL BALANCE OF PAYMENTS COMPONENTS
AS A PERCENTAGE OF CURRENT PAYMENTS AND IN MILLIONS
OF MARKS**



ity exports revived export credits grew by 900 million marks, but prepayments outstanding slightly decreased because of the delivery of many prepayed metal industry products. It appears that, there was hardly any growth in short-term import credits which would be consistent with the decrease in the growth of imports. As miscellaneous short-term capital items (incl. errors and omissions) indicated an inflow of 1 000 million marks, net short-term borrowing decreased to only 100 million marks from about 2 000 million marks in 1974 and in 1975.

The deficit on the overall balance amounted to 128 million marks. The Bank of Finland's total foreign exchange reserves decreased by 78 million marks. There was an improvement of 21 million marks in the tied-currency clearing accounts, but the reserves in convertible currencies fell by 99 million marks and total reserves amounted to 1 700 million marks at the end of the year. The net foreign position of other currency holders deteriorated by 50 million marks; the net liabilities of the commercial banks decreased by 87 million marks while the net assets of the central government and other

CHART 4. DEVELOPMENT OF EXCHANGE RATE INDICES IN 1972—1976



financial institutions decreased by 137 million marks.

The country's net foreign debt increased by the amount of the current account deficit and was 24 500 million marks, 22 per cent of GDP, at the end of the year. The growth rate of net foreign debt decreased to one third of the 1975 rate. The share of the long-term debt grew and was four-fifths of the total foreign debt at the end of the year. The servicing of the debt took 3 100 million marks, 10 per cent of gross current receipts, an increase of only 1 percentage point since 1974.

FOREIGN EXCHANGE POLICY

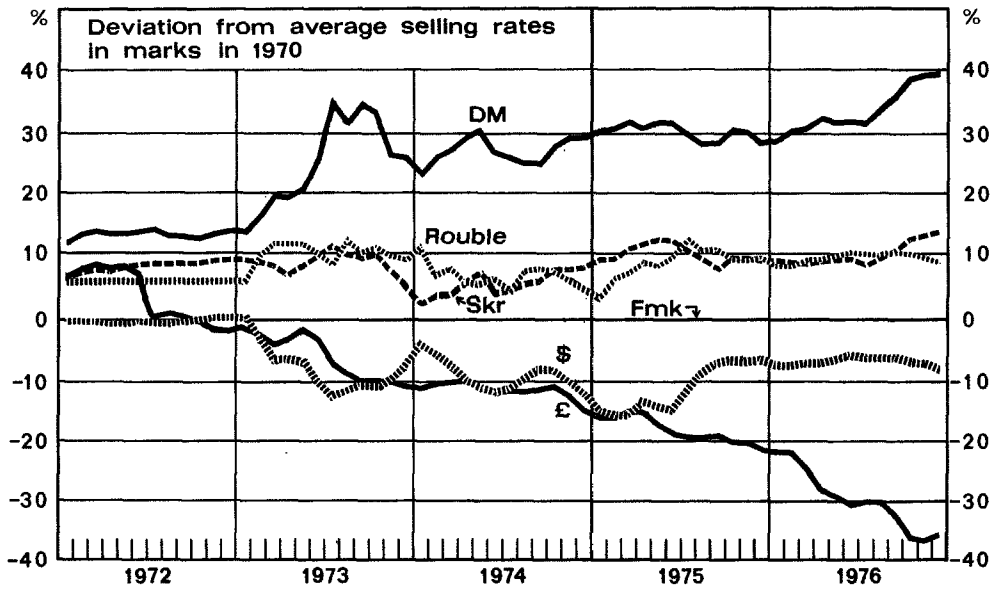
International foreign exchange markets in 1976 were rather unstable after the relative calm of the previous year. With the system of managed floating remaining in general use, the exchange rates of many currencies changed considerably, although undesirable short-term fluctuations in major currency rates were stabilized by central bank intervention. Movements of the rates for the US dollar and other important currencies in 1976 were influenced by the general uncertainty of the international economic situation and by the balance-of-payments

outlook and price movements in each particular country. The US dollar strengthened against other major currencies during the first half of the year, but weakened later on. The pound was weak for almost all the year, while the Deutschemerk and the Swedish crown appreciated.

Throughout 1976 Finnish economic policy was primarily designed to restrict domestic demand, both public and private, and thereby to reduce the current account deficit and the rate of inflation. Exchange rate policy continued to be aimed at keeping the effective external value of the mark relatively stable. Chart 4 shows the trade-weighted index of the exchange rates for the most important currencies. Measured against this basket, the effective value of the mark at the end of 1976 was approximately the same as it had been a year earlier. Over the whole year, however, the effective value of the mark was 1.0 per cent higher than in 1975. Using payment currency weights the external value of the mark increased by 0.1 per cent.

Although the effective value of the mark was kept stable, the rates for individual currencies changed considerably, reflecting movements in the international foreign exchange markets

CHART 5. EXCHANGE RATE DEVELOPMENTS SINCE JANUARY 1972



(Chart 5). In the course of 1976 the US dollar depreciated against the mark by 2 per cent, while the pound weakened by nearly 18 per cent. The rates for the Deutschemark and the Swedish crown appreciated by some 9 per cent and 4 per cent respectively. The rouble rate at the end of the year was approximately the same as at the beginning of the year.

In the forward market the Bank of Finland, through its transactions with the authorized foreign exchange dealers, has aimed to balance the supply and demand of forward exchange transactions. As expectations about future spot rates varied considerably, forward rates also fluctuated. The discount of the mark in relation to the US dollar was at its largest during the fourth quarter of the year. At the end of the year the difference between three-month selling rates and spot rates for the dollar was 11.8 per cent on an annual basis. Apart from the US dollar, the rouble is the only other currency used in forward dealings between the central bank and the authorized dealers.

The import deposit scheme introduced in 1975 was gradually eased during 1976 and abolished completely at the end of the year. The deposit scheme had covered some 60 per cent of total imports. The cash payment requirement, applying mainly to imports of consumer goods, remained in force during the year, as did the capital import deposit scheme for long- and medium-term capital.

In March 1976 Finland made a second purchase, a sum of 115.11 million special drawing rights, under the International Monetary Fund's 1975 oil facility. In addition, the Bank of Finland increased, by \$ 200 million to \$ 690 million, the credit facilities negotiated with foreign private banks for the support of the foreign exchange reserves. These facilities were not drawn upon during the year. The stand-by arrangement of 95 million special drawing rights approved in 1975 by the International Monetary Fund lapsed in June 1976. No purchases were made under the arrangement.

ITEMS

Devaluation of the Finnish markka. After studying the impact on the Finnish economy of the decisions to devalue the Swedish, Norwegian and Danish currencies the government of Finland has decided to depreciate the external value of the Finnish markka against the Bank of Finland's trade-weighted basket of currencies by 5.7 per cent compared with the level prevailing on April 1, 1977. The decision became effective on April 5, 1977.

Cash payment scheme. The Bank of Finland has extended the range of the cash payment requirement applied to certain imported goods. The extended scheme came into effect on March 1, 1977, and it will remain operative until further notice.

The cash payment scheme lays down that, for specified imported goods, payment must be made to the seller or to his account, or an equivalent sum must be deposited in the Bank of Finland, before the goods can be cleared from the Customs.

Before being extended, the scheme covered about 18 per cent of Finnish imports, concentrating on consumer goods. The additions made to the list of goods have now increased the coverage to about one third of all imports, even to include some producer goods and raw materials.

This measure is designed to curb the growth of short-term foreign debt and to make the average terms of payment for commodity imports more similar to those currently applied in domestic trade.

The Bank of Finland is of the opinion that continued efforts must be made to produce a much smaller current account deficit this year than that in 1976. Given this strict control of the current account, the extension of the cash payment requirement, by cutting down imports of short-term capital, should provide some scope for higher inflows of long-term capital,

which could be used in particular for the financing of industrial projects already under way which will promote output and employment.

Finland's gross long-term foreign debt in 1976. Finland's gross long-term foreign debt amounted to 23 721 million marks at the end of 1976. The net inflow of long-term capital during the year totalled 4 570 million marks, 18 per cent less than in 1975.

Drawings of long-term foreign loans amounted to 6 390 million marks. These drawings include the purchase of 514 million marks under the Oil Facility granted by the International Monetary Fund. Redemptions of loans totalled 1 820 million marks. Drawings were 10 per cent smaller and redemptions 20 per cent larger than in the previous year. Total debt service charges (redemptions, interest expenses and dividends) amounted to 3 220 million marks, 18 per cent more than in 1975.

Financial loans, 4 267 million marks, import credits and leasing credits, together totalling 1 863 million marks, and direct investments, 237 million marks, accounted respectively for 67, 29 and 4 per cent of total drawings of long-term foreign loans. As compared with the previous year, drawings of financial loans fell by 11 per cent and the inflow of direct investments by 25 per cent, while drawings of import credits and leasing credits increased by 13 per cent.

Nine Finnish bond issues, with a total value of 986 million marks, were floated abroad in 1976 (Enso-Gutzeit Oy: 25 million EUA; Finnish Export Credit Ltd: \$ 20 million; the Mortgage Bank of Finland Ltd: \$ 20 million; Imatran Voima Oy: Sfr 60 million; the Finnish Government three issues: DM 100 million, Sfr 80 million and \$ 50 million; the Industrialization Fund of Finland Ltd: \$ 25 million; and Rautaruukki Oy: \$ 15 million). This compares with thirteen bond issues, with a total value of 1 059 million marks, in 1975.

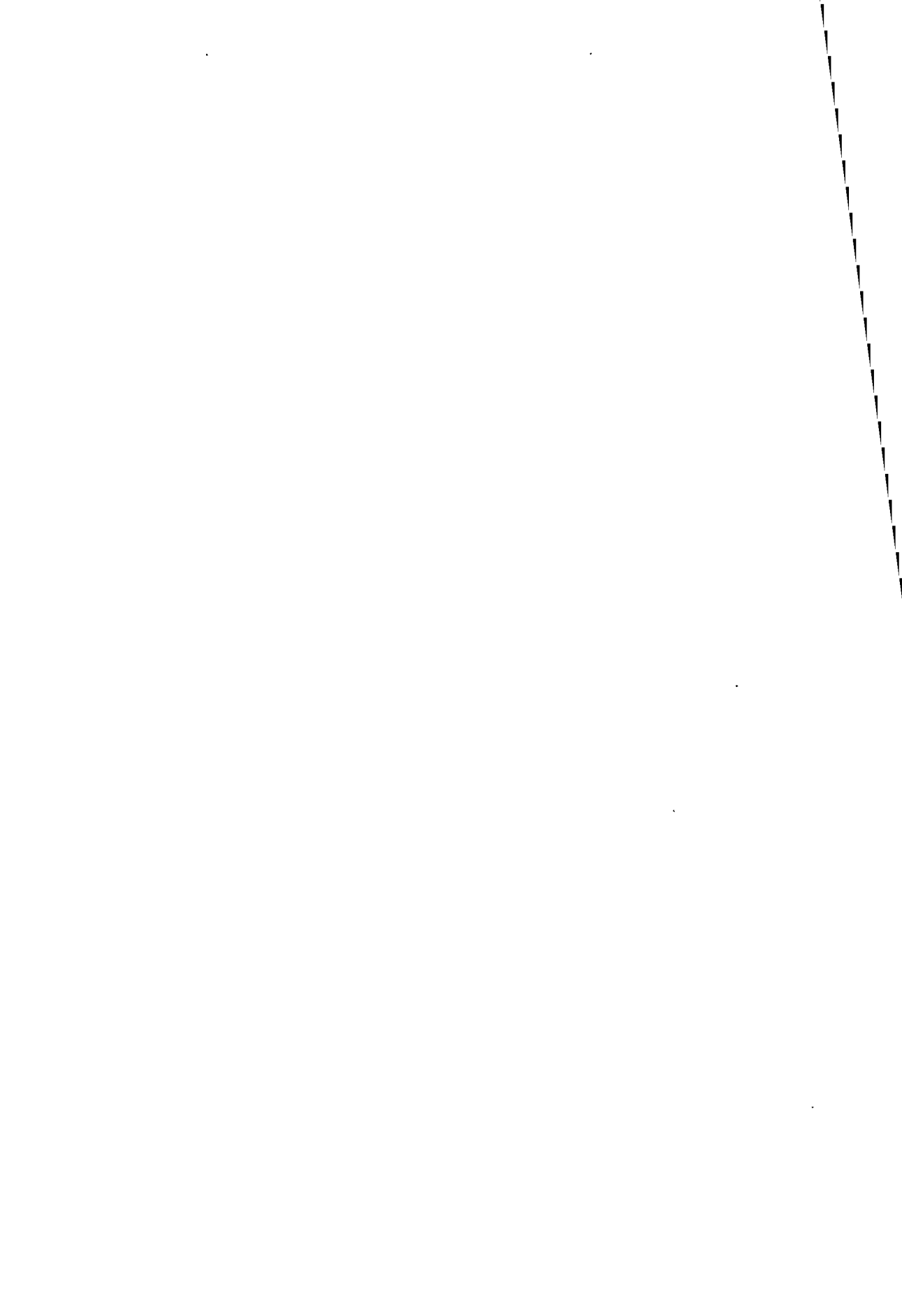
FINLAND'S GROSS LONG-TERM FOREIGN DEBT IN 1976, MILLION MARKS

	Debt ¹ Dec. 31, 1975	Drawings ²	Redemp- tions ²	Net change	Impact of exchange rates ³	Debt ¹ Dec. 31, 1976	Interest expenses, commissions and dividends
Financial loans	14 295	4 267	1 192	+3 075	+114	17 484	1 044
Individual financial loans	7 823	2 477	626	+1 851	— 23	9 651	512
Boans and debentures	6 472	1 790	566	+1 224	+137	7 833	532
Bond issues	3 704	986	272	+ 714	+ 98	4 516	300
Private placement loans	2 314	782	214	+ 568	+ 34	2 916	204
Loans from the World Bank	454	22	80	— 58	+ 5	401	28
Import credits	3 373	1 784	572	+1 212	— 14	4 571	226
Leasing credits	67	79	21	+ 58	— 2	123	5
Direct investments ³	1 125	237	16	+ 221	— 34	1 497	125
(Equity capital and loans to subsidiaries)							
Subscriptions to international financial institutions	42	23	19	+ 4	—	46	—
Total³	18 902	6 390	1 820	+4 570	+ 64	23 721	1 400
Financial loans, import credits and leasing credits	17 735	6 130	1 785	+4 345	+ 98	22 178	1 275

¹ The mark values of debt outstanding have been calculated by using the selling rates of the same date, excluding the debt in the form of direct investments which has been obtained by adding the net change to the debt outstanding at the end of the previous year.

² Drawings and redemptions have been calculated by using the average monthly selling rates; however, daily rates have been used for direct investments.

³ The difference between the debts outstanding does not, in this particular case, equal the sum of the net change and the impact of exchange rates figure, since the basis for calculating the debt outstanding in the form of direct investments was revised on December 31, 1976



BANK OF FINLAND

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Mauno Koivisto

Governor

Ahti Karjalainen

*Absent as a Member
of Government*

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

Directors

Jouko J. Voutilainen

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Senior officials

Pertti Kukkonen

Director, ADP-planning

Reino Airikkala

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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.

Heikki T. Hämäläinen

Administration and Legal Affairs

A. Nenonen

Foreign Correspondence

Eino Suomela

Internal Audit

K. Eirola

Automatic Data Processing

Pauli Kanerva

*Personnel Administration and
General Affairs*

Stig G Björklund

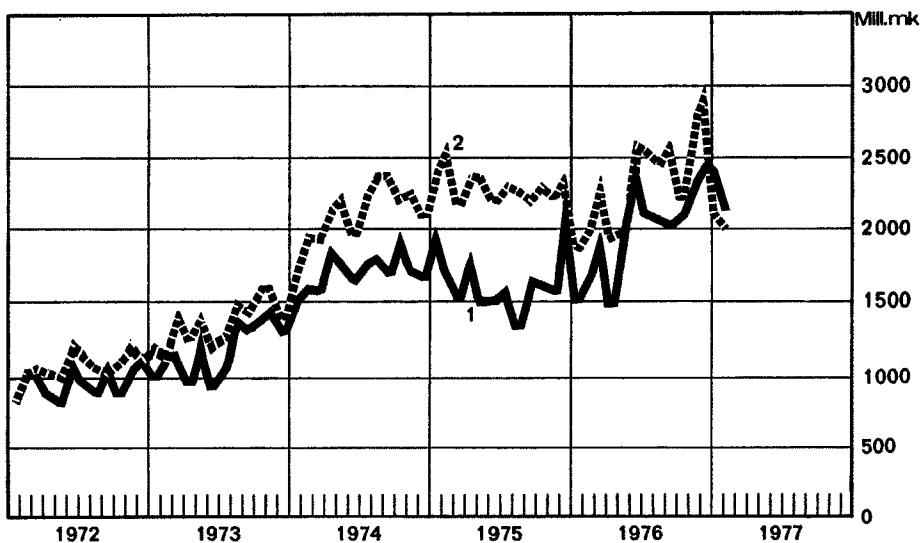
Banking Services

Antti Luukka

Cash

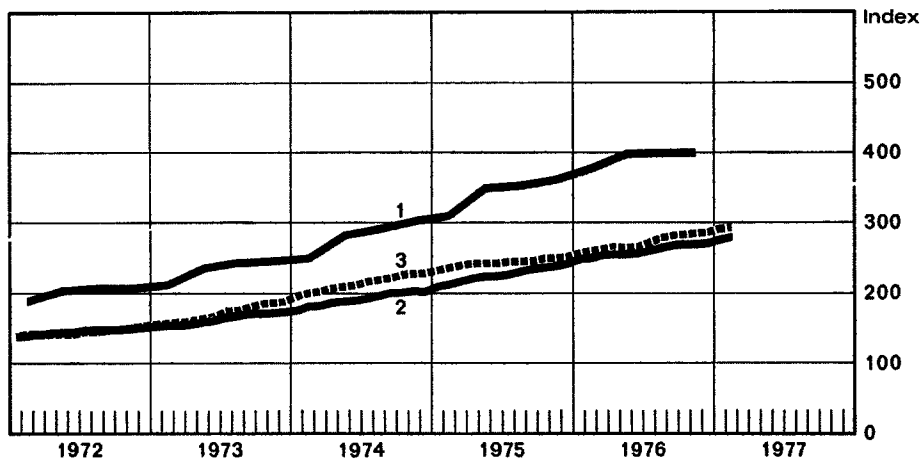
FOREIGN TRADE, 1972-1977

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



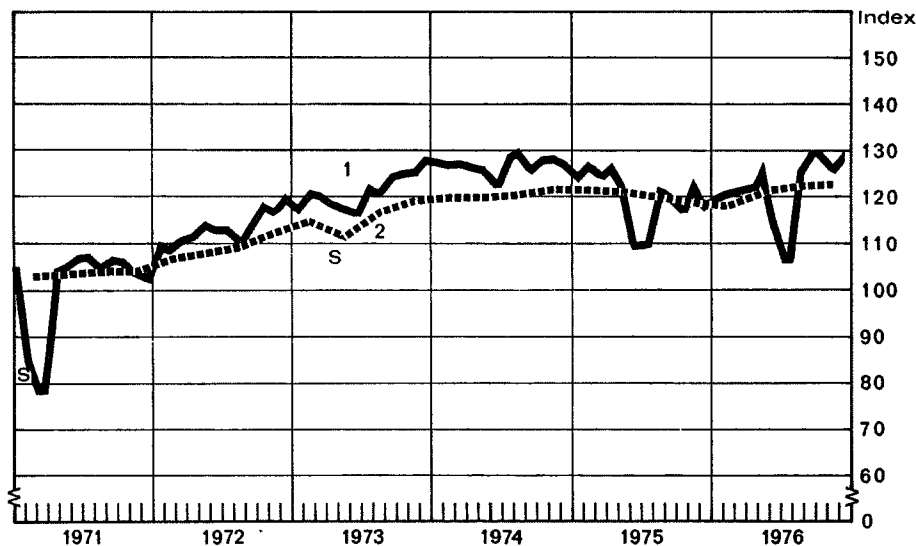
PRICES AND WAGES, 1972-1977

Index of salary and wage earnings 1964 = 100, quarterly
Cost of living index 1964 = 100, monthly
Wholesale price index 1964 = 100, monthly



PRODUCTION, 1971-1976

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



Bank of Finland Monthly Bulletin
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