



# BANK OF FINLAND

*Monthly Bulletin*

The new agricultural price act

Balance of payments in 1972

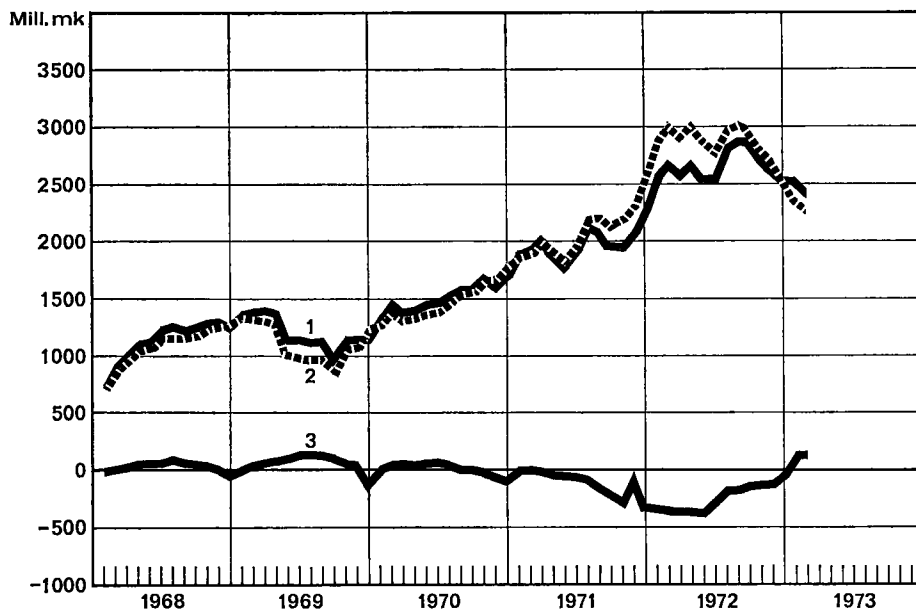
Direct investment in 1972

Trade agreements

**APRIL 1973**

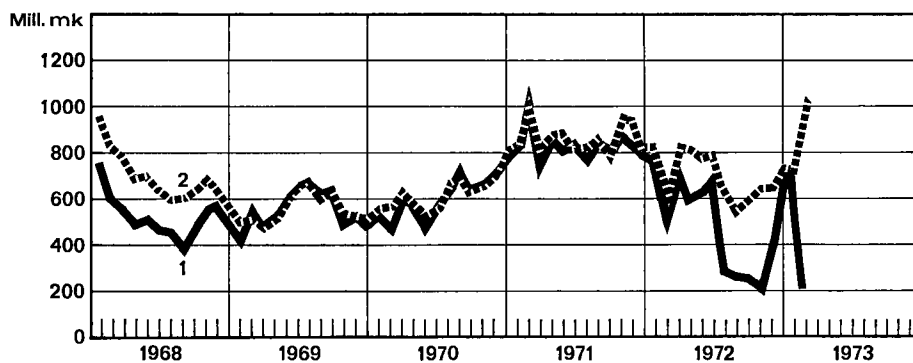
**Vol. 47 No. 4**

Bank of Finland foreign exchange reserve, 1968–1973



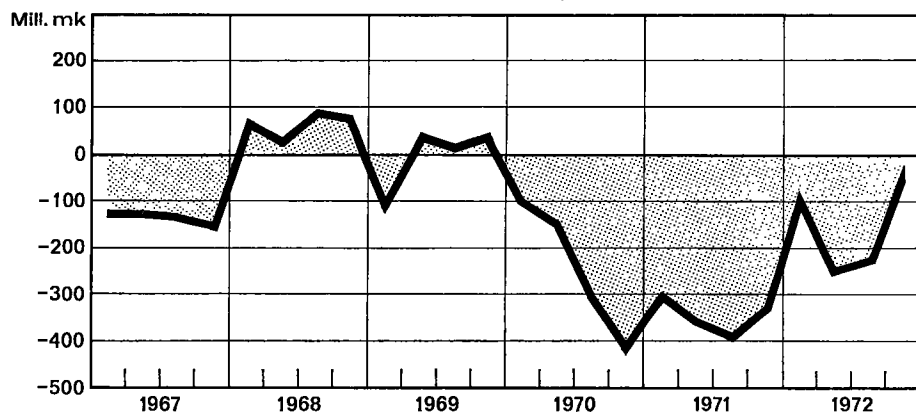
1. Total gold and foreign exchange
2. Gold and convertible currencies
3. Other currencies

Bank of Finland's position in regard to the banks, 1968–1973



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

Balance of payments current account surplus / deficit, 1967–1972



Seasonally adjusted quarterly figures

# THE NEW AGRICULTURAL PRICE ACT

For about two decades a legal framework has existed for the support of agricultural income in Finland. In general, the various acts concerning agricultural income have been in force for three years. The details of the laws have carried with prevailing market conditions, forecast output and the influence of the political parties which find their electoral support in rural communities. However, the basic structure of the price system itself has remained unchanged. Target prices are set each year for various types of agricultural produce, and attempts are made to adjust the price level so that it will, when combined with governmental subsidies, allow agricultural income to increase at the same rate as income earned in other branches. The target prices have recently been set under the 1969 Agricultural Price Act, (cf. this Bulletin, No. 8, 1969). The Act expires at the end of March of the current year, and a new act has been passed for the following three-year period. Target prices will be set under the new act starting from April 1973. However, the pricing year for grain will not begin until August, when the new crop begins to come to market.

The new act is similar to the previous act in broad outline. The target prices are set for each pricing year, and at the same time the size of the special subsidy to small farms and farms in the north or in otherwise less productive regions will be determined. The new act differs from the preceding one in that corn fodder and oat fodder as well as mutton have been added to the list of the farm produce for which target prices are set. This list already includes wheat, rye, milk, pork, beef and eggs. Moreover, the size of the agricultural subsidy, which was previously adjusted in proportion with the target prices, may now be altered in the same proportion but not by more than three times the average change in target prices.

Following the lines of the preceding act, the price agreement will consist of two parts: the calculation of agricultural income and the negotiations between the Cabinet and the central organizations of agricultural producers.

The first part will remain largely unchanged. It will indicate how price changes have affected agricultural costs since the preceding price agreement. Farmers are automatically entitled to changes in target prices to compensate them for changes in prices, wages and salaries, which have already occurred. The purpose of this provision is to keep farm income unchanged, notwithstanding past price developments.

The Cabinet and the central organizations of agricultural producers will negotiate each year on how much agricultural income should be changed, in order to keep the development of agricultural income parallel to income changes in other fields. The Act provides that the negotiations be based on estimates of (1) the changes in the remuneration of all wage and salary earners since the previous price agreement, (2) changes in agricultural productivity and (3) the share of the costs of marketing the agricultural surplus born by the agricultural sector. To assess changes in the incomes of wage and salary earners, account will be taken of how much negotiated wages and salaries have risen. It is intended that farmers will receive an equal increase in incomes. The negotiations will determine what impact wage drift and other similar factors will have on changes in agricultural support.

When agreement has been reached on how large the total change in agricultural income should be, negotiations will start to decide how much of this increase is to be covered by a rise in agricultural productivity, and how much is

to be offset by changes in target prices and agricultural subsidies. At the same time it is intended that the costs which the central government has incurred during the previous calendar year as a result of exports of the agricultural surplus, be reduced by ten percentage units per year, using 1972 as the benchmark. Account will be taken of any failure to reduce these costs according to schedule, and target prices may then be adjusted downwards. However, in the first pricing year, this downward adjustment must not be more than 40 million marks, in the second year not more than 50 million marks and in the third year not more than 60 million marks.

The former act authorized the Cabinet to set new target prices unilaterally for the pricing year beginning in April if agreement was not reached before a certain date. This authorization to set target prices unilaterally has not been included in the new act, and it is now presupposed that target prices will be set by agreement. The negotiations on agricultural incomes have thus come to resemble more and more wage and salary negotiations. It is intended that the agricultural price negotiations be carried out simultaneously with the wage and salary negotiations in other fields. The new target prices are designed to come into force

at the beginning of April, but if agreement is not reached in time the old target prices will be used until some satisfactory set of prices can be negotiated. In the latter case the new target prices will come into force at the beginning of the month following the reaching of an agreement. It should be noted that the automatic target price changes do not take place until the negotiated changes are agreed upon. Whenever the average price level has deviated by more than one per cent from the target price level during the previous pricing year, the target price level for the following year will be raised or lowered by the percentage deviation in excess of one per cent.

The new act is more clearly outlined than previous acts. The setting of prices for agricultural produce is only partly, and often to a minor extent, based on technical calculations. The key part depends on the negotiations. It is thus clear that the difficulties which frequently attend negotiation of wage and salary agreements can be expected to accompany the agricultural income negotiations. The significance of the act depends heavily upon the climate in which the agricultural agreements are made.

March 30, 1973

## BANK OF FINLAND

Mill. mk

	1972		1973			
	March 30	Dec. 29	March 8	March 15	March 23	March 30
<b>Assets</b>						
Gold and other foreign assets	3 169	2 912	2 763	2 610	2 522	2 494
Gold	205	205	205	205	205	205
Special drawing rights	282	283	283	283	283	283
IMF gold tranche	268	268	268	268	268	268
Foreign exchange	2 236	1 929	1 800	1 647	1 558	1 531
Foreign bills	111	110	93	94	95	94
Foreign bonds	67	117	114	113	113	113
Claims on domestic banks	787	758	891	945	1 076	1 004
Discounted bills	786	752	872	944	1 065	986
Rediscounted bills	1	1	1	1	1	1
Cheque accounts	—	5	18	—	10	17
Other lending	314	316	311	313	324	325
Inland bills discounted						
In foreign currency	—	—	—	—	—	—
In Finnish marks	89	44	42	42	43	41
Loans	225	272	269	271	281	284
Other assets	601	607	616	618	645	621
Finnish bonds	32	47	48	48	74	47
Finnish coin	22	25	34	35	37	37
Currency subscription to Finland's quota in the IMF	530	530	530	530	530	530
Other claims	17	5	4	5	4	7
<b>Total</b>	<b>4 871</b>	<b>4 593</b>	<b>4 581</b>	<b>4 486</b>	<b>4 567</b>	<b>4 444</b>
<b>Liabilities</b>						
Notes in circulation	1 423	1 730	1 478	1 476	1 496	1 562
Liabilities payable on demand	477	136	377	278	335	146
Foreign exchange accounts	331	78	24	26	28	27
Mark accounts of holders abroad	39	43	50	49	49	48
Cheque accounts						
Treasury	30	1	50	50	43	41
Post Office Bank	48	2	239	139	204	16
Private banks	5	—	—	2	—	—
Other	4	1	2	1	1	3
Other sight liabilities	20	11	12	11	10	11
Term liabilities	1 089	899	890	889	883	879
Foreign	—	—	—	—	—	—
Domestic	1 089	899	890	889	883	879
IMF mark accounts	530	530	530	530	530	530
Allocations of special drawing rights	258	258	258	258	258	258
Equalization accounts	355	286	281	287	296	299
Bank's own funds	739	754	767	768	769	770
Capital	600	600	600	600	600	600
Reserve fund	74	74	114	114	114	114
Profits undisposed	42	—	40	40	40	40
Earnings less expenses (Dec. 31, Net profit)	23	80	13	14	15	16
<b>Total</b>	<b>4 871</b>	<b>4 593</b>	<b>4 581</b>	<b>4 486</b>	<b>4 567</b>	<b>4 444</b>

## BANK OF FINLAND

Mill. mk

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)	Claims on Treasury	Liabilities, Cheque account	Net claims on the Treasury (7—8)
	1	2	3	4	5	6	7	8	9
1966	556	61	495	81	101	475	10	40	— 30
1967	701	75	626	98	354	370	— 7	4	— 11
1968	1 353	62	1 291	125	34	1 382	—354	3	—357
1969	1 268	92	1 176	517	360	1 333	—196	4	—200
1970	1 844	106	1 738	639	518	1 859	—118	2	—120
1971	2 620	327	2 293	686	530	2 449	— 15	2	— 17
1972	2 685	121	2 564	757	530	2 791	— 2	1	— 3
1972									
Feb.	3 080	360	2 720	695	530	2 885	— 3	26	— 29
March	2 991	370	2 621	708	530	2 799	— 3	30	— 33
April	3 079	372	2 707	707	530	2 884	— 3	37	— 40
May	2 941	370	2 571	725	530	2 766	— 3	32	— 35
June	2 865	282	2 583	732	530	2 785	— 3	36	— 39
July	3 028	181	2 847	748	530	3 065	— 3	35	— 38
Aug.	3 073	175	2 898	743	530	3 111	— 3	43	— 46
Sept.	3 034	137	2 897	741	530	3 108	— 2	48	— 50
Oct.	2 881	134	2 747	742	530	2 959	— 2	43	— 45
Nov.	2 791	146	2 645	740	530	2 855	— 2	47	— 49
Dec.	2 685	121	2 564	757	530	2 791	— 2	1	— 3
1973									
Jan.	2 629	70	2 559	748	530	2 777	— 2	43	— 45
Feb.	2 530	70	2 460	740	530	2 670	— 2	47	— 49
March	2 287	75	2 212	737	530	2 419	— 2	41	— 43

## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1972			Net holdings, February 28, 1973			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Feb.	Jan.-Feb.
Gold	205	—	205	205	—	205	—	—
Special drawing rights	283	—	283	283	—	283	—	—
IMF gold tranche	268	—	268	268	—	268	—	—
Convertible currencies	1 814	463	2 277	1 545	290	1 835	—352	—442
Other currencies	— 6	— 3	— 9	159	—13	146	— 11	+155
Total	2 564	460	3 024	2 460	277	2 737	—363	—287

## BANK OF FINLAND

Mill. mk

End of year and month	Domestic banks					Other					Notes in circulation
	Dis- counted bills	Redis- counted bills	Cheque accounts <sup>1</sup>	Liabilities, Cheque accounts		Net claims on the banks (1+2+3-4-5)	Inland bills in Finnish marks	Other advances	Liabilities	Net claims on the rest of economy (7+8-9)	
				Private banks <sup>2</sup>	Post Office Bank <sup>2</sup>						
	1	2	3	4	5	6	7	8	9	10	11
1966	—	915	—	14	17	884	180	85	72	193	1 106
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	827	9	3	1	4	834	137	246	528	—145	1 344
1971	848	1	—	9	2	838	121	234	908	—553	1 479
1972	752	1	5	—	2	756	44	277	909	—588	1 730
1972											
Feb.	522	1	18	—	101	440	116	238	977	—623	1 377
March	786	1	—	5	48	734	89	242	1 110	—779	1 423
April	807	1	5	—	207	606	85	249	1 087	—753	1 451
May	796	1	6	—	74	729	79	254	1 067	—734	1 450
June	860	1	—	6	154	701	67	261	1 096	—768	1 555
July	616	1	19	—	347	289	63	256	1 072	—753	1 513
Aug.	488	1	5	—	249	245	63	256	1 057	—738	1 474
Sept.	661	1	15	—	388	289	63	248	977	—666	1 557
Oct.	753	1	29	—	507	276	65	262	949	—622	1 507
Nov.	787	1	17	—	312	493	57	265	937	—615	1 556
Dec.	752	1	5	—	2	756	44	277	909	—588	1 730
1973											
Jan.	621	1	9	—	18	613	40	273	911	—598	1 497
Feb.	828	1	56	—	162	723	40	275	900	—585	1 521
March	986	1	17	—	16	988	41	291	891	—559	1 562

<sup>1</sup> Including special index accounts.<sup>2</sup> Including cash reserve accounts.

## SELLING RATES FOR FOREIGN EXCHANGE

Mk

March 30, 1973

New York <sup>1</sup>	1 \$	3.870	Frankfurt o. M.	100 DM	136.60	Vienna	100 S	18.78
Montreal	1 \$	3.881	Amsterdam	100 FI	131.90	Lisbon	100 Esc	15.45
London	1 £	9.585	Brussels <sup>2</sup>	100 Fr		Reykjavik	100 Kr	4.03
Stockholm	100 Kr	86.20	Zurich	100 Fr	119.70	Madrid	100 Pta	6.70
Oslo	100 Kr	65.65	Paris <sup>3</sup>	100 FF		Moscow <sup>5</sup>	1 Rbl	5.241
Copenhagen	100 Kr	61.50	Rome <sup>4</sup>	100 Lit				

<sup>1</sup> As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.<sup>2</sup> 9.690 commercial rate; 9.940 financial rate.<sup>3</sup> 85.60 commercial rate; 85.70 financial rate.<sup>4</sup> 0.6700 commercial rate; 0.6590 financial rate.<sup>5</sup> Clearing account: also Bucharest.

# DEPOSITS BY THE PUBLIC

Mill. mk

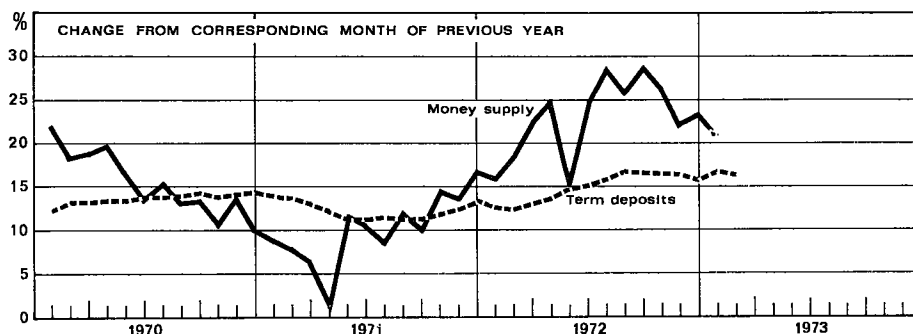
End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
1	2	3	4	5	6	7	8	9	10	
1966	639.8	849.4	318.0	3 660.9	3 329.9	2 202.1	863.6	380.7	10 437.3	11 604.7
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	2 371.9	979.2	8 095.8	6 232.1	4 499.2	1 805.6	720.0	21 352.7	24 703.8

## 1972\*

Jan.	1 456.2	1 805.2	721.2	6 970.3	5 480.9	3 930.1	1 520.8	648.4	18 550.5	21 076.9
Feb.	1 456.3	1 820.1	772.5	7 021.9	5 540.5	4 008.4	1 548.9	658.5	18 778.2	21 370.8
March	1 421.2	1 767.8	782.6	7 052.8	5 572.5	4 040.8	1 566.2	663.4	18 895.7	21 446.1
April	1 374.8	1 714.7	798.0	7 112.5	5 611.9	4 080.0	1 577.5	670.2	19 052.1	21 564.8
May	1 497.3	1 882.8	763.6	7 206.3	5 662.4	4 133.3	1 586.1	674.5	19 262.6	21 909.0
June	1 542.5	1 927.3	850.0	7 236.5	5 675.7	4 106.5	1 599.3	674.5	19 292.5	22 069.8
July	1 655.1	2 046.3	779.9	7 341.4	5 728.4	4 150.2	1 619.5	677.1	19 516.6	22 342.8
Aug.	1 637.3	2 078.4	793.6	7 418.0	5 813.8	4 218.5	1 634.3	678.4	19 763.0	22 635.0
Sept.	1 568.9	2 009.4	852.1	7 491.7	5 882.5	4 270.0	1 669.2	695.4	20 008.8	22 870.3
Oct.	1 735.6	2 181.9	793.0	7 567.4	5 934.6	4 311.5	1 693.8	697.2	20 204.5	23 179.4
Nov.	1 689.1	2 140.7	797.0	7 658.3	6 018.3	4 396.2	1 727.8	700.9	20 501.5	23 439.2
Dec.	1 851.2	2 371.9	979.2	8 095.8	6 232.1	4 499.2	1 805.6	720.0	21 352.7	24 703.8

## 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

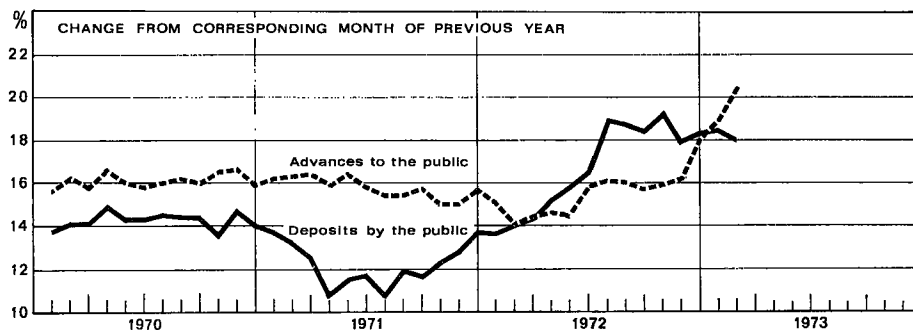




# ADVANCES TO THE PUBLIC—MONEY SUPPLY

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	Post Office Bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1966	5 205.4	2 951.4	2 261.0	779.6	908.8	11 618.1	488.1	12 106.2	2 181
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	5 505.6	4 482.2	2 244.8	2 374.4	24 475.0	799.3	25 274.3	4 974
1972*									
Jan.	9 262.7	4 851.8	3 884.0	1 782.7	1 808.1	20 838.9	750.4	21 589.3	3 821
Feb.	9 283.7	4 874.0	3 895.8	1 813.6	1 795.0	20 903.2	758.9	21 662.1	3 930
March	9 417.3	4 912.2	3 941.0	1 838.6	1 831.1	21 144.3	795.9	21 940.2	3 950
April	9 583.6	4 954.0	3 976.1	1 879.5	1 869.7	21 432.3	830.6	22 262.9	3 964
May	9 671.5	5 011.3	4 034.2	1 918.8	1 908.3	21 725.5	818.6	22 544.1	4 018
June	9 887.3	5 052.3	4 074.7	1 943.4	1 975.1	22 074.8	858.0	22 932.8	4 275
July	9 867.9	5 101.2	4 124.7	1 963.3	2 086.5	22 332.1	811.5	23 143.6	4 247
Aug.	9 865.5	5 167.3	4 187.4	2 022.3	2 103.7	22 540.1	806.1	23 346.2	4 268
Sept.	10 038.7	5 253.3	4 269.7	2 095.4	2 135.6	22 957.3	835.4	23 792.7	4 408
Oct.	10 214.8	5 335.2	4 357.3	2 087.0	2 171.6	23 370.8	795.1	24 165.9	4 422
Nov.	10 386.3	5 429.3	4 417.6	2 107.8	2 229.2	23 758.6	811.6	24 570.2	4 418
Dec.	10 667.3	5 505.6	4 482.2	2 244.8	2 374.4	24 475.0	799.3	25 274.3	4 974
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



# STATE FINANCES

Mill. mk

Revenue	Jan.—Nov.		Expenditure	Jan.—Nov.	
	1971	1972		1971	1972
Income and property tax (net)	3 251	4 042	Wages, salaries, pensions etc.	1 861	2 159
Gross receipts	(7 408)	(8 684)	Repair and maintenance	289	316
Refunds & local authorities	(—4157)	(—4642)	Other consumption expenditure	806	925
Other taxes on income and property	78	89	Total consumption expenditure	2 956	3 400
Employers' child allowance payments	378	405	State aid to local authorities	1 519	1 739
Sales tax	2 826	3 313	State aid to industries	1 210	1 378
Revenue from Alcohol Monopoly	710	769	of which: agric. price subsidies	(879)	(1 003)
Customs duties & import charges	370	403	Child allowances	314	310
Counter-cyclical tax	84	3	Share in national pensions and health insurance	165	237
Excise duty on tobacco	420	463	Other transfer expenditure	1 094	1 440
»    »    on liquid fuel	659	703	Total transfer expenditure	4 302	5 104
Other excise duties	284	326	Machinery and equipment	320	436
Tax on autom. and motor cycles	267	363	House construction	201	273
Stamp duties	212	249	Land and waterway construction	657	886
Special diesel etc. vehicles tax	47	51	Total real investment	1 178	1 595
Other taxes and similar revenue <sup>1</sup>	201	275	Interest on State debt	218	222
Total taxes	9 787	11 454	Index compensations	23	24
Miscellaneous revenue	541	875	Net deficit of State enterprises	127	96
Interest, dividends etc.	205	247	Other expenditure	8	20
Sales and depreciation of property	81	—	Total other expenditure	376	362
Redemptions of loans granted	196	179	Increase in inventories	+39	+56
<b>Total revenue</b>	10 810	12 755	Lending	699	921
Foreign borrowing	7	143	Other financial investment	368	264
Domestic borrowing	401	376	<b>Total expenditure</b>	9 918	11 702
<b>Total borrowing</b>	408	519	Redemption of foreign loans	117	143
<b>Deficit (+) or surplus (—)</b>	(—743)	(—905)	Redemption of domestic loans	440	524
			<b>Total redemptions</b>	557	667
Total	10 475	12 369	Total	10 475	12 369

<sup>1</sup> Including supplementary turnover tax and import-equalization tax from June 1971.

State debt	1969	1970	1971	1972		1973	
	Dec.	Dec.	Dec.	Nov.	Dec.	Jan.	Feb.
<b>Foreign debt</b>	1 656	1 557	1 524	1 538	1 517	1 519	1 532
Loans	2 316	2 437	2 467	2 339	2 268	1 508	1 521
Compensatory obligations	4	3	2	2	2	2	1
Short-term credit	158	46	61	55	56	54	49
Cash debt (net)	—217	—284	—528	—585	—488	..	..
<b>Domestic debt</b>	2 261	2 202	2 002	1 811	1 838	..	..
<b>Total State debt</b>	3 917	3 759	3 526	3 349	3 355	..	..
Total debt, mill. \$	933	900	849	803	804	..	..

# FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1967	5 231	5 794	— 563
1968	6 874	6 711	+ 163
1969	8 345	8 505	— 160
1970	9 687	11 071	—1 384
1971	9 897	11 734	—1 837
1972*	12 082	13 114	—1 032

## 1972\*

Jan.	872	957	— 85
Feb.	963	958	+ 5
March	1 050	1 032	+ 18
April	857	1 093	—236
May	892	1 080	—188
June	1 123	1 116	+ 7
July	993	1 100	—107
Aug.	832	999	—167
Sept.	1 171	1 092	+ 79
Oct.	1 019	1 215	—196
Nov.	1 135	1 257	—122
Dec.	1 175	1 215	— 40

## 1973\*

Jan.	1 074	1 391	—317
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Indices of exports and  
imports 1962 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1967	129	135	115	110	105
1968	143	129	136	132	103
1969	167	160	141	135	104
1970	176	192	156	147	106
1971	171	190	164	157	104
1972*	200	194	171	172	99

## 1970

July-Sept.	182	186	154	147	105
Oct.-Dec.	193	228	157	151	104

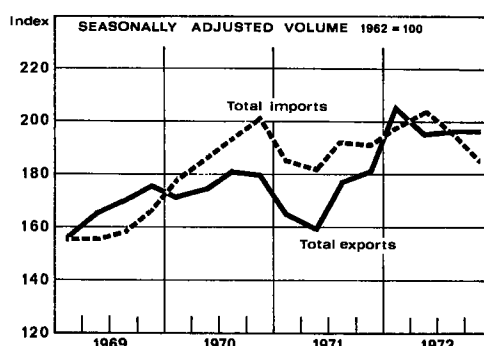
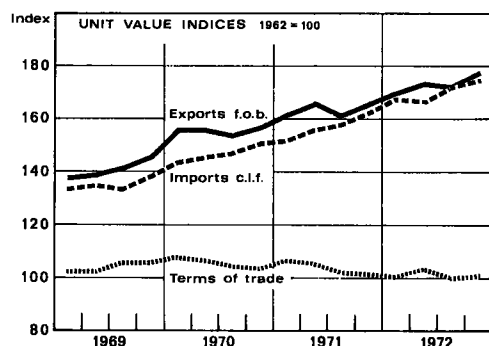
## 1971

Jan.-Mar.	152	169	162	152	107
Apr.-June	157	182	166	156	106
July-Sept.	176	184	162	158	103
Oct.-Dec.	198	223	166	163	102

## 1972<sup>1</sup>

Jan.-Mar.	192	179	170	168	101
Apr.-June	187	200	174	167	104
July-Sept.	197	189	173	172	101
Oct.-Dec.	212	215	178	175	102

<sup>1</sup> The 1972 figures have been calculated by converting the final 1971 Fisher index with the percentage change in the 1972—1971 Laspeyres index.



## FOREIGN TRADE BY MAIN GROUPS

Mill. mk

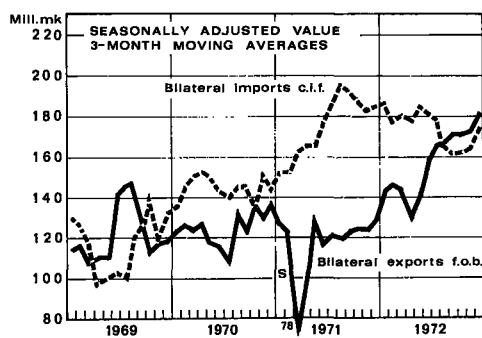
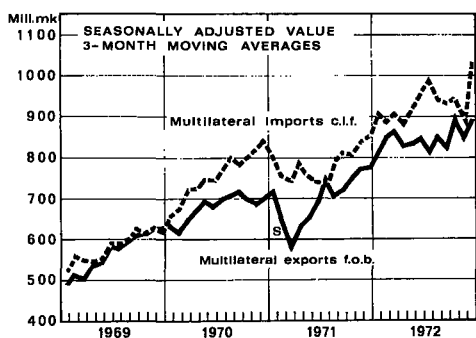
Period	Exports, f.o.b.						Imports, c.i.f.			
	Agri- cultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products	Other goods	Raw materials and pro- ducer goods	Fuels and lubricants	Finished goods	
									Investment goods	Consumer goods
1967	261	54	866	2 384	1 081	585	2 546	668	1 463	1 117
1968	327	56	1 158	2 994	1 566	773	3 023	874	1 525	1 289
1969	360	72	1 400	3 374	2 012	1 127	3 693	949	2 229	1 634
1970	426	88	1 544	3 789	2 437	1 403	4 918	1 243	2 906	2 004
1971	547	89	1 653	3 721	2 323	1 564	4 639	1 557	3 427	2 111
1972*	633	55	1 824	4 253	3 245	2 072	5 243	1 629	3 585	2 657

## 1972\*

Jan.	73	3	133	321	227	115	361	137	293	166
Feb.	38	4	115	341	312	153	387	84	291	196
March	88	1	114	378	287	182	437	76	279	240
April	33	3	119	310	235	157	396	105	364	228
May	65	4	128	269	274	152	419	125	319	217
June	48	5	153	371	375	171	463	157	291	205
July	46	9	173	363	267	135	400	188	312	200
Aug.	30	4	145	319	172	162	413	144	241	201
Sept.	55	7	199	420	248	242	451	143	269	229
Oct.	45	4	170	343	257	200	480	167	309	259
Nov.	41	8	189	380	310	207	508	162	313	274
Dec.	71	3	186	438	281	196	528	141	304	242

## 1973\*

Jan.	89	6	175	359	279	166	556	164	364	307
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## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January				January			
	1972*		1973*		1972*		1973*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	71.7	625	71.0	763	72.3	692	74.6	1 037
Austria	0.7	6	0.9	10	1.0	10	1.9	27
Belgium-Luxembourg	1.9	17	1.9	20	1.7	16	2.5	35
Denmark	4.2	37	4.5	48	2.7	26	3.6	50
France	4.5	39	5.1	55	3.8	36	3.5	48
Federal Republic of Germany	10.4	91	9.7	104	21.2	203	18.1	252
Italy	2.2	19	2.1	23	1.9	18	1.9	27
Netherlands	4.6	40	4.7	50	4.3	41	3.7	51
Norway	2.4	21	2.1	23	2.2	21	2.5	35
Portugal	0.1	1	0.3	3	0.5	5	0.8	11
Spain	0.6	5	1.2	13	0.5	5	0.5	7
Sweden	14.9	130	14.6	157	16.5	158	18.6	259
Switzerland	3.0	26	2.3	25	3.0	29	3.2	44
United Kingdom	18.6	162	19.7	212	12.9	123	13.2	183
Other	3.6	31	1.9	20	0.1	1	0.6	8
<b>OECD countries outside Europe</b>	8.1	71	7.1	76	7.7	74	8.3	115
Canada	1.1	10	0.6	7	0.4	4	0.3	4
Japan	0.3	3	0.4	4	1.7	16	2.9	40
United States	6.7	58	6.1	65	5.6	54	5.1	71
<b>Eastern Bloc</b>	11.5	100	15.5	166	16.9	162	12.6	176
Czechoslovakia	0.6	5	0.2	2	0.7	7	0.3	5
Democratic Republic of Germany	0.6	5	0.8	8	0.5	5	0.6	9
People's Republic of China	0.5	4	1.0	11	0.1	1	0.1	2
Poland	0.5	4	4.2	45	0.6	6	1.4	19
Soviet Union	9.0	79	8.2	88	12.6	120	8.8	122
Other	0.3	3	1.1	12	2.4	23	1.4	19
<b>Latin America</b>	1.8	16	2.3	25	1.8	17	1.8	25
Argentina	0.4	4	0.5	5	0.0	0	0.1	1
Brazil	0.7	6	1.0	11	0.2	2	0.3	5
Colombia	0.0	0	0.1	1	1.3	12	1.2	16
Other	0.7	6	0.7	8	0.3	3	0.2	3
<b>Other</b>	6.9	60	4.1	44	1.3	12	2.7	38
<b>GRAND TOTAL</b>	100.0	872	100.0	1 074	100.0	957	100.0	1 391
of which								
<b>EFTA countries</b>	21.2	185	20.4	219	24.3	233	27.1	377
<b>EEC countries</b>	47.4	413	48.3	519	48.4	463	47.0	654
<b>OECD countries</b>	79.8	696	78.1	839	80.0	766	82.9	1 152

# 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
1970	9 634	11 099	-1 465	+716	+142	+17	-590	-397	-18	-1 005
1971	9 845	11 762	-1 917	+660	+247	+66	-944	-477	-1	-1 422
1972*	12 012	13 145	-1 133	+731	+327	+89	+14	-603	-23	-612

## Jan.-Mar

1970 <sup>r</sup>	2 074	2 309	-235	+192	-9	-3	-55	-86	-11	-152
1971 <sup>r</sup>	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

## Apr.-June

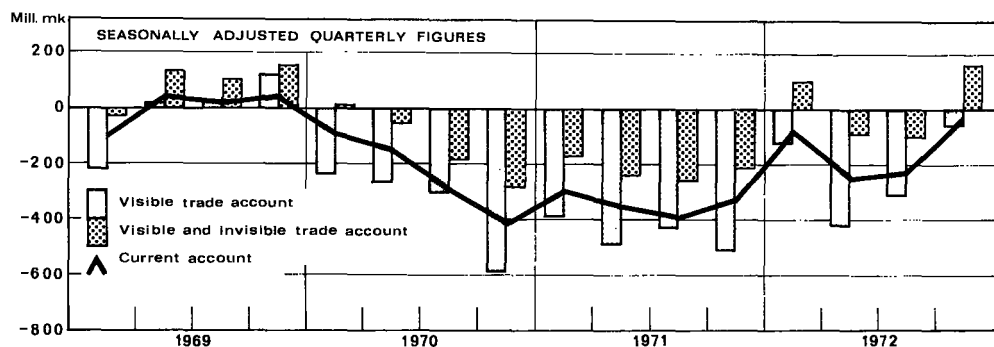
1970 <sup>r</sup>	2 429	2 721	-292	+180	+10	+0	-102	-96	+1	-197
1971 <sup>r</sup>	2 291	2 797	-506	+141	+47	+21	-297	-118	-1	-416
1972	2 856	3 298	-442	+162	+57	+46	-177	-155	-8	-340

## July-Sept.

1970 <sup>r</sup>	2 469	2 690	-221	+180	+109	-4	+64	-110	-1	-47
1971 <sup>r</sup>	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

## Oct.-Dec.

1970 <sup>r</sup>	2 662	3 379	-717	+164	+32	+24	-497	-105	-7	-609
1971 <sup>r</sup>	2 885	3 565	-680	+152	+47	+10	-471	-105	+5	-571
1972*	3 308	3 692	-384	+182	+76	+23	-103	-166	-13	-282

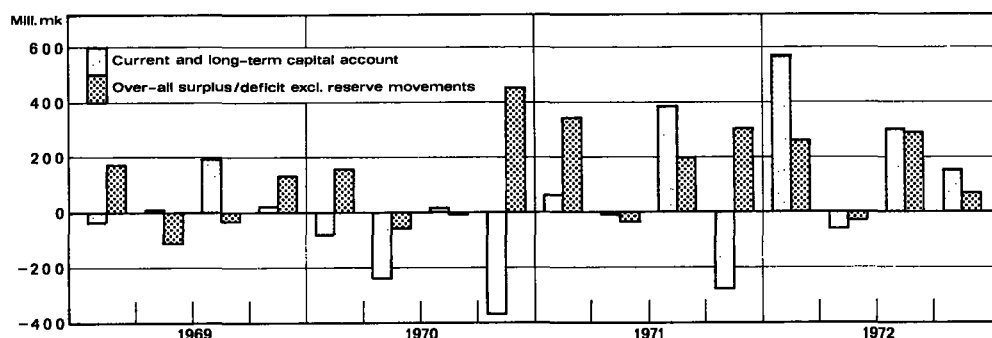


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, 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
+1 479	-694	-253	-202	+330	-675	+751	+237	+232 <sup>2</sup>	+545	-563	+ 18
+2 730	-855	-208	- 85	+1 582	+160	+387	+197	+ 62 <sup>2</sup>	+806	-555	-251
+3 014	-1 011	-376	- 81	+1 546	+934	+130	-143	-330 <sup>2</sup>	+591	-271	-320
+ 278	-158	- 51	+ 1	+ 70	- 82	- 9	+225	+ 23	+157	-240	+ 83
+ 609	-228	- 5	-17	+359	+ 69	+ 21	+329	- 77	+342	-314	- 28
+ 968	-273	-115	+17	+597	+564	-152	- 27	-124 <sup>2</sup>	+261	-327	+ 66
+ 220	-191	- 69	- 4	- 44	-241	+142	+ 42	- 4	- 61	- 86	+147
+ 596	-201	- 11	-30	+354	- 62	-140	+146	+ 19	- 37	+ 99	- 62
+ 655	-180	-192	- 5	+278	- 62	+ 92	+ 25	- 84	- 29	+ 37	- 8
+ 359	-175	- 60	-58	+ 66	+ 19	+ 87	+ 5	-119	- 8	-116	+124
+ 869	-252	- 89	+ 5	+533	+388	- 60	+ 21	-150	+199	- 35	-164
+ 628	-327	- 41	-25	+235	+278	+265	-124	-131	+288	-314	+ 26
+ 622	-170	- 73	-141	+238	-371	+531	- 35	+332	+457	-121	-336
+ 656	-174	-103	- 43	+336	-235	+566	-299	+270	+302	-305	+ 3
+ 763	-231	- 28	- 68	+436	+154	- 75	- 17	+ 9	+ 71	+333	-404

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

<sup>1</sup> Including Direct investment, net.

<sup>2</sup> 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			
1970	297	300	286	299	317	290	329	290	283	138	146	126
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
1972												
June	335	338	322	325	400	331	366	313	331	162	187	140
July	339	343	325	329	401	337	373	318	333	163	187	142
Aug.	340	344	325	329	401	338	372	319	334	164	187	142
Sept.	343	347	328	334	402	340	375	324	337	164	187	144
Oct.	346	350	334	339	406	341	379	328	339	165	187	144
Nov.	352	356	335	347	406	344	393	333	340	165	187	145
Dec.	356	361	339	351	408	350	396	338	344	166	187	147
1973												
Jan.	363	365	352	356	413	359	401	345	352	168	190	147
Feb.	367	370	357	361	413	364	403	351	356	169	190	149

Period	Consumer prices 1967 = 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
1970	223	175	115	116	115	109	115	121	115	113	113	115
1971	237	186	122	121	119	112	125	141	119	125	119	125
1972	254	199	131	133	125	118	131	147	126	135	128	135
1972												
June	254	199	131	132	126	118	131	148	126	134	129	135
July	256	201	132	134	126	118	132	146	126	138	129	137
Aug.	257	202	133	135	126	119	132	146	127	137	129	138
Sept.	259	203	133	137	126	121	132	146	128	137	129	138
Oct.	260	204	134	137	126	121	134	146	128	138	129	139
Nov.	262	205	135	138	126	122	134	147	129	138	130	140
Dec.	262	206	135	139	127	122	135	149	130	139	130	140
1973												
Jan.	265	208	136	140	130	124	135	149	131	141	131	141
Feb.	267	210	138	141	131	126	136	151	132	142	132	142



## 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	220	195	191	193	211	187	220	205

### 1971

Jan.-Mar.	200	184	182	176	173	174	180	169	185	178
Apr.-June	209	193	193	177	175	175	187	169	195	183
July-Sept.	210	199	200	180	178	178	192	171	200	188
Oct.-Dec.	219	205	207	185	181	184	196	177	204	192

### 1972\*

Jan.-Mar.	236	207	206	186	182	185	197	177	205	193
Apr.-June	251	225	219	196	193	194	214	189	223	208
July-Sept.	255	226	226	198	196	196	218	190	228	212
Oct.-Dec.	271	228	228	199	196	197	218	191	226	211

## PRODUCTION

Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	House construction	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1969	123	138	97	102	123	104	124	123	123	123	127
1970	132	154	96	111	141	98	132	132	129	128	134
1971*	135	158	96	105	138	97	134	139	135	134	140
1972*	142	170	94	96	146	104	142	150	142	139	148

### 1971\*

Oct.-Dec.	139	173	67	90	171	97	136	148	139	136	142
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### 1972\*

Jan.-Mar.	140	179	61	134	104	101	132	144	141	138	146
Apr.-June	141	169	84	110	135	104	145	147	141	138	147
July-Sept.	141	153	167	51	168	107	146	147	142	139	147
Oct.-Dec.	145	180	65	90	176	103	145	161	145	141	150

# PRODUCTION

Index of industrial production 1959 = 100

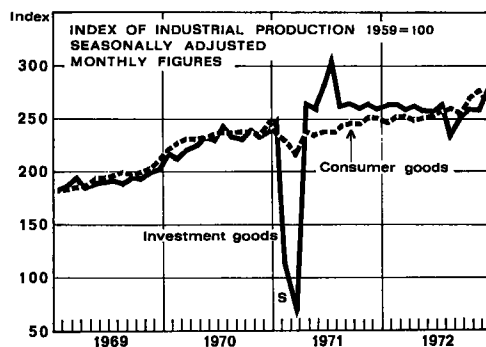
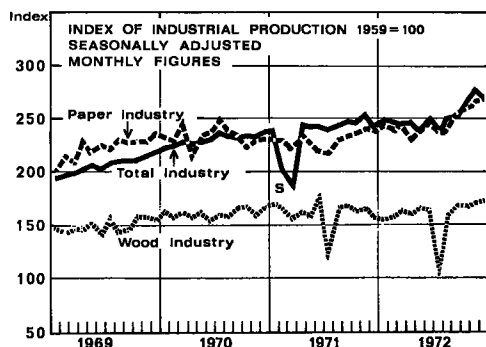
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1968	182	175	191	164	163	132	202	253	240	177	181
1969	207	194	214	196	173	151	223	285	281	199	207
1970	232	230	223	235	182	164	234	336	341	233	232
1971*	238	235	229	241	192	164	231	363	360	231	238
1972*	258	261	245	261	202	164	248	389	372	259	255

## 1971\*

Sept	256	283	244	258	192	170	241	374	378	278	248
Oct.	264	288	256	257	229	173	250	375	394	282	248
Nov	269	289	260	264	234	166	251	389	370	283	256
Dec	251	274	242	250	188	159	223	375	305	272	245

## 1972\*

Jan.	257	286	246	249	171	164	256	418	308	277	249
Feb.	258	280	245	257	175	171	245	402	321	273	248
March	277	295	261	280	190	188	262	423	372	287	245
April	254	270	236	265	183	180	218	386	349	267	248
May	259	271	242	271	213	191	231	394	350	270	250
June	244	247	226	262	207	164	220	371	340	250	251
July	180	144	178	178	183	91	235	238	325	139	240
Aug.	254	233	234	283	217	138	247	325	421	236	251
Sept.	262	267	249	265	195	168	261	369	425	266	254
Oct.	290	292	279	286	256	182	278	443	441	289	271
Nov.	292	284	281	292	244	172	278	450	433	287	278
Dec.	268	265	263	250	190	165	249	449	382	274	273



# LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Total labour force, 1 000 persons	Employed 1 000 persons	Unemployed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1968 = 100	Wholesalers' volume index 1968 = 100	Indicator of traffic activity 1964 = 100
1968	2 188	2 100	88	4.0	31 859	100	100	106
1969	2 189	2 127	62	2.8	35 338	108	117	118
1970	2 194	2 153	41	1.9	39 267	114	130	125
1971	2 199	2 150	49	2.2	36 238	118	137	122
1972*	2 206	2 149	57	2.6	31 441	128	151	132
1971								
Oct.	2 179	2 138	41	1.9	2 274	120	142	128
Nov.	2 177	2 131	47	2.2	2 616	117	144	123
Dec.	2 177	2 124	53	2.4	3 233	156	155	121
1972*								
Jan.	2 134	2 063	71	3.3	3 009	110	126	121
Feb.	2 128	2 055	73	3.4	3 927	110	137	116
March	2 126	2 053	73	3.4	4 658	119	152	125
April	2 142	2 078	64	3.0	3 774	114	143	125
May	2 192	2 141	51	2.3	2 842	123	152	130
June	2 355	2 303	52	2.2	1 854	133	149	144
July	2 359	2 305	54	2.3	768	126	132	127
Aug.	2 276	2 225	51	2.2	1 185	129	159	136
Sept.	2 198	2 153	45	2.0	1 637	130	157	137
Oct.	2 194	2 148	46	2.1	2 092	134	164	143
Nov.	2 190	2 142	50	2.3	2 367	134	169	147
Dec.	2 187	2 132	55	2.5	3 328	177	173	137

## CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1969	38.95	15.38	3.88	15.29	2.12	32.03	12.85	3.15	10.95	3.32	36.40
1970	41.42	17.96	3.72	15.56	23.6	38.55	16.41	4.29	12.59	3.35	36.56
1971 *	42.63	19.54	3.10	15.18	26.0	37.00	15.67	3.12	13.71	2.91	37.64
1971 *											
July-Sept.	12.90	6.66	0.61	4.18	0.89	9.08	3.78	1.07	2.70	0.85	41.76
Oct.-Dec.	9.62	4.48	0.38	3.49	0.80	12.67	5.35	1.12	5.03	0.76	37.64
1972 *											
Jan.-Mar.	7.31	2.73	0.55	3.20	0.48	7.75	3.16	0.33	3.34	0.73	34.34
Apr.-June	13.52	6.22	1.55	3.91	0.85	8.02	4.08	0.35	2.56	0.65	39.33
July-Sept.	13.44	6.11	0.55	4.89	1.17	9.90	4.49	0.83	3.18	0.75	40.93

# 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. *Claims on Treasury* = Treasury bills covering certain IMF and IBRD accounts + Advances for stand-by stocks — Export levies (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 and Advances for stand by stocks). *Liabilities* = Other cheque accounts + Other sight liabilities + Domestic term liabilities — Cash reserve accounts — Export levies (net).

## 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 the Post Office Bank 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 indices are calculated according to the Laspeyres formula. At the end of the year the arithmetic mean of the Laspeyres indices corresponds to the annual level of the Fisher index 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 Institute for Economic Research. 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 international nomenclature (ISIC). The seasonally adjusted series is calculated by the Bank of Finland Institute for Economic Research 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 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indices: food industry ISIC no. 20, weight 11.2, wood industry no. 25, weight 6.6, paper industry no. 27, weight 13.1, chemical industry no. 31, weight 5.2, non-metallic mineral industry no. 33, weight 3.6 and metal industry nos. 34—38, weight 23.5

## 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. *Indicator of traffic activity* calculated by the Bank of Finland Institute for Economic Research. Figures are weighted averages of the sea, air, railway and road traffic. *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. The President for the current period, March 1, 1968, to March 1, 1978, is Urho Kekkonen.

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 were as follows: Social Democrats 55, People's Democrats 37, Centre Party 35, Conservatives 34, Finnish People's Unification Party 13, Swedish Party 10, Liberal Party 7, Finnish Farmers Party 5 and Christian League 4.

## INTERNATIONAL ORGANIZATIONS

Finland became a member of BIS 1930, IMF 1948, IBRD 1948, GATT 1950, UN 1955, IFC 1958, 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 (88.4 %) are covered by forests.

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

## POPULATION

NUMBER OF INHABITANTS (1971): 4.6 million. Sweden 8.1, Switzerland 6.3, Denmark 5.0 and Norway 3.9 million.

DENSITY OF POPULATION (1971): In South Finland 44.2 in East and Central Finland 14.2, in North Finland 3.9 and in the whole country an average of 15.2 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1971): 62 % of the population inhabit the rural areas, 48 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 519 900 inhabitants, Tampere (Tammerfors) 159 600, Turku (Åbo) 159 900.

EMPLOYMENT (1971): Agriculture and forestry 21 %, industry and construction 38 %, commerce 15 %, transport and communications 7 %, services 21 %.

LANGUAGE (1970): Finnish speaking 93.2 %, Swedish speaking 6.6 %, others 0.2 %.

EDUCATION (1971): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 10 colleges of university standard, and 2 teacher training colleges, besides teacher training departments in two of the universities.

CHANGE OF POPULATION (1971): births 13.3 ‰, deaths 9.9 ‰, change + 3.3 ‰, net emigration 0.0 ‰. Deaths in France 10.7 ‰ and Great Britain 11.6 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1971, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 2 857 (7 %),

forestry and fishing 2 922 (7 %), manufacturing 12 695 (30 %), construction 4 066 (10 %), transport and communication 4 084 (10 %), commerce, banking and insurance 5 225 (12 %), public administration 1 931 (5 %), ownership of dwellings 2 326 (5 %), services 6 103 (14 %), total 42 209. Index of real domestic product 135 (1964 = 100).

FOREST RESOURCES (1971). The growing stock comprised 1 448 million of solid cu. m incl. bark (51 135 million cu. ft), of which pine 44 % and spruce 37 %, the remaining 19 % being broad-leaf-trees, chiefly birch. Of the growing stock 17 386 million cu. ft, 48 % of them pine, was up to the standard required for logs. The annual growth is 47.6 million solid cu. m green wood excl. bark (1 681 mill. cu. ft). The total removal calculated according to the use of wood was 48.4 million cu. m excl. bark (1 709 million cu. ft).

AGRICULTURE (1971): Cultivated land 2.7 million hectares. Number of holdings 297 257, of which 188 461 are of more than 5 ha. Measure of self-sufficiency in bread cereals 97 % in the crop year 1970/71 and 115 % in 1971/72.

INDUSTRY (1970): Gross value of industrial production 35 577 mill. marks, number of workers 502 981, salaried employees 103 449, motive power (1970) 5.1 mill. kW. Index of industrial production 238 for 1971 (1959 = 100).

STATE RAILWAYS (Jan. 1, 1973): Length 5 887 km.

MERCHANT FLEET (Feb. 28, 1973): Steamers 36 (39 837 gross reg. tons), motor vessels 392 (752 497 gross reg. tons), tankers 58 (740 029 gross reg. tons), sailing vessels with auxiliary engines 3 (499 gross reg. tons). Total 489 (1 532 862 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1971): Passenger cars 753 000, lorries and vans 113 600, buses 8 200, others 5 200. Total 880 000.

FINNISH AIRLINES (May 1972): Finnair and Kar-Air have in use 3 DC-8-62s, 2 DC-6s, 8 Super Caravelles 8 DC-9s and 7 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 24 airports and to 17 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 U.S. dollar). Since Feb. 15, 1973 a central rate of 3.90 marks to one U.S. dollar has been applied.

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, 1971). There are two big and five small commercial banks with in all 833 offices, 306 savings banks, 424 co-operative banks, six mortgage banks, and Post Office Bank. The co-operative stores accept deposits from their members. The National Pension Institute and fifty-nine private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1972). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 7 <sup>3</sup>/<sub>4</sub> %. The range of rates for other credits granted by the Bank of Finland is between 6 and 9 %. Other credit institutions: term deposits 4 <sup>1</sup>/<sub>4</sub> %, 6 month deposits 4 <sup>3</sup>/<sub>4</sub> %, 12 month deposits 5 <sup>1</sup>/<sub>4</sub> %, 24 month deposits 6 <sup>1</sup>/<sub>4</sub> %; highest lending rate 11 %.

# BALANCE OF PAYMENTS IN 1972

by Timo Hämäläinen, M.Pol.Sc.  
and Tapio Peura, M. Sc. (Econ.)

International Economics Office  
Economics Department  
Bank of Finland

## GENERAL DEVELOPMENTS

The trough in international economic activity in western markets was passed at the very start of 1972 and the largest part of the year witnessed a revival in activity. Although the rate of inflation was slightly lower than during the preceding year, it was still high compared with the 1960s. Despite the Smithsonian Agreement of December, 1971, there were clear signs that strains remained in the international exchange system.<sup>1</sup> International capital markets remained easy throughout the year.

The revival of foreign demand, together with some special factors, brought growth in Finnish exports to the same level as in the previous peak years of 1960 and 1969. Favourable export developments worked their way through to domestic demand, but imports did not grow substantially. The trade deficit was thus appreciably smaller than in the two previous years. As the service account surplus increased still further, the deficit on current account was less than half of that of the preceding year.

The underlying deficit on current account should be viewed from the perspective of the effort to transform the structure of the economy. Last year, as in the recent past, the current account deficit was more than covered by the considerable import of long-term capital, which led to a further increase in foreign exchange

reserves. Although domestic investment activity was slow in 1972, there was a noticeable increase in drawings of foreign long-term loans.

There was some outflow of short-term capital, owing to changes in the composition of official foreign assets.

The external balance did not explicitly constrain economic policy last year, and the emphasis of economic policy was clearly on problems of internal stability. The favourable development of the current account made it possible to allow the cash payment rules for consumer goods imports to lapse.

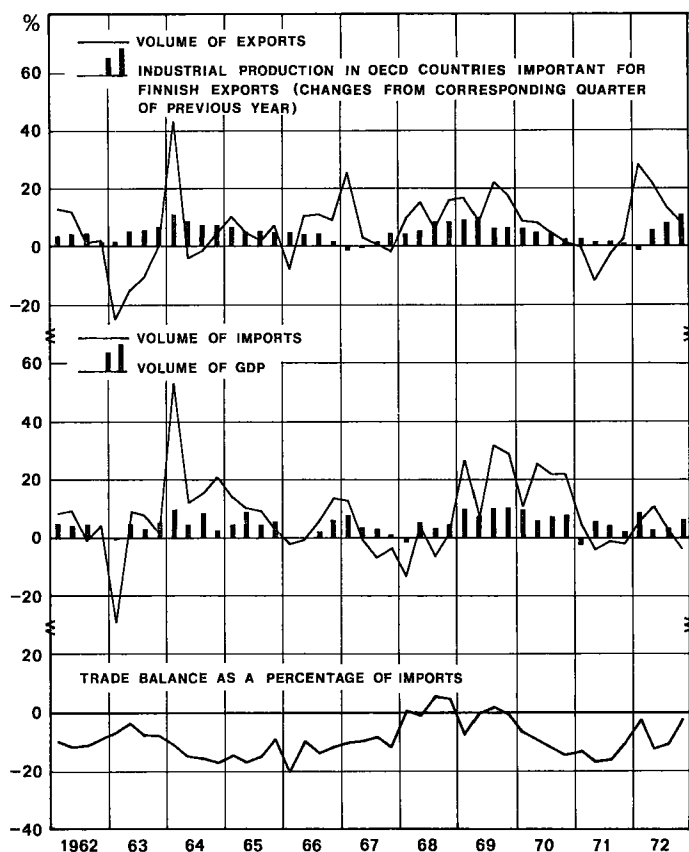
## EXPORTS

In the market countries most important for Finnish exports, economic activity was noticeably more vigorous than in the preceding year. The growth in GNP weighted by export shares was below the long-term average of 4 per cent mainly because of the slow growth of the Swedish economy. However, overall imports of the main markets for Finnish exports grew by more than 8 per cent.

The growth in market shares of Finnish exports in 1972 must be judged against the pronounced loss in 1971 which was partly a result of the strike in the metal industry. As the growth of Finnish export volume in 1972 was nearly 17 per cent (Chart 1), the market losses suffered in the preceding year were more than made up. Recovery from the effects

<sup>1</sup> On Finnish exchange rate policy, see »Recent Exchange Rate Developments and the Finnish Mark», Bank of Finland Monthly Bulletin, Vol. 47 No. 2, February 1973, pp. 20—26.

# CHART 1. MERCHANDISE TRADE



of the strike and the revival of foreign demand were not the only reasons for this estimable performance. The prices of Finnish exports were quite competitive and substantial spare capacity existed in the export industries. In 1971 the price competitiveness of Finnish exports deteriorated slightly, but the situation was reversed in 1972. Since the export prices of Finland's main competitors grew at the same rate as Finnish export prices, i.e. 4½ per cent, the price competitiveness of Finnish exports improved as much as the domestic currency depreciated. This depreciation is estimated to have been some 4 per cent against the main trading currencies.

The change in the commodity structure of Finnish exports continued along the lines of the 1960s. The share of wood-based exports made up only a bit more than half of total commodity exports in 1972. However, the volume of exports of the wood industry grew appreciably and confounded the expect-

tations of the beginning of the year. The growth in the value of paper exports was as high as 17 per cent. But exports of pulp increased by only some 5 per cent in value. Furthermore, the considerable share of trade denominated in the depreciating currencies, i.e. sterling and the dollar, dampened the increase in prices. The unit value of pulp and paper exports did not grow at all on the preceding year. The exports of the metal industry performed well, and an annual growth rate of 40 per cent was recorded after the decline in 1971. This large figure is in part a result of the «echo effect» of the strike: the abnormally low level of exports in 1971 and postponement of some deliveries into 1972. The growth in exports of other industrial products, mostly chemicals and clothing, picked up once again.

Exports to the Socialist countries increased by a third, after a slight fall in 1971. The growth of exports to Sweden was even higher, despite the sluggishness of economic activity in that

country. The share of the six EEC-countries in Finnish exports fell, as did the share of the rest of the world. This allowed a further increase in the share of the EFTA-countries in Finnish exports.

## IMPORTS

The revival of domestic economic activity was based on growth in exports and consumption demand. Since export demand was partly met by running down stocks, the main factor increasing imports was consumption. The volume of imports increased only by some 2 per cent, which is below the long-term average of 8 ½ per cent (Chart 1). This meant a fall in the share of imports in the total supply of goods and services because the volume growth of GDP is estimated to have been some 6 per cent.

In addition to the favourable structure of the growth in total demand, the considerable increase in import prices may also have produced the slow expansion in the volume of imports. The comparatively high rate of growth of world market prices linked with the depreciation of Finnish mark raised the unit value of imports by 9 per cent from the preceding year.

There were no material changes in the commodity structure of imports. A reduction in the import volume of investment goods took place, but in 1971 this was the only commodity group to grow. The growth of imports of non-productive goods, i.e. consumer goods and passenger cars, was greater than that of other imports. Imports of passenger cars increased by 47 per cent in value terms, and the value of imports of consumer goods grew by 26 per cent; some 10 per cent of this growth was due to increased prices. The import of some goods was shifted to 1972 by the abolition of the supplementary turnover tax in the beginning of the year, and the easier payment terms for imports also contributed the strong advance in the growth of consumer imports. The volume of imports of raw materials and fuels increased both by some 5 per cent which is less than the growth of industrial production. However, the

prices of raw materials went up by nearly 10 per cent while those of fuels fell 2 per cent following the vigorous growth of 1971. This was mainly due to a reduction in coal prices. The slow-down in investment activity reduced the volume of imports of investment goods by 9 per cent, but the growth of prices meant that the value of these imports did not fall.

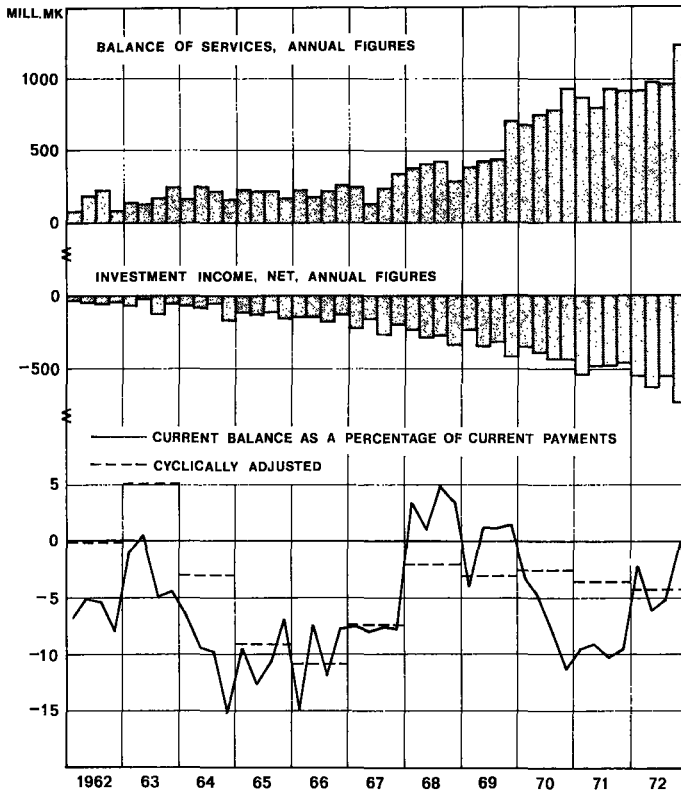
Changes in the regional distribution of imports were quite the reverse of changes in the regional distribution of exports: the share of the six EEC-countries increased while the share of the EFTA-countries, especially the United Kingdom, declined. The share of the Socialist countries also fell following a rise in the preceding year.

## BALANCE OF PAYMENTS, BASIC TRENDS MILLION MARKS

	1962—66 Annual average	1967—71	1971	1972
Exports f.o.b.	4 121	7 960	9 845	12 012
Imports c.i.f.	4 697	8 787	11 762	13 145
TRADE BALANCE	—576	—827	—1 917	—1 133
Services, net	242	642	973	1 147
BALANCE OF GOODS AND SERVICES	—334	—185	—944	14
Investment income & transfer pay- ments	— 99	—327	—478	—626
CURRENT BALANCE	—433	—512	—1 422	—612
Long-term loans, net	286	775	1 875	2 003
Other long-term capital	—46	—250	—293	—457
BASIC BALANCE	—193	13	160	934
Short-term trade credits	8	310	584	—13
Other short-term capital	107	76	62	—330
OVER-ALL BALANCE	—78	399	806	591
Reserve movements:				
Bank of Finland	55	—317	—555	—271
Other foreign ex- change holders	23	—82	—251	—320



# CHART 2. CURRENT BALANCE



## CURRENT ACCOUNT

As the value of exports increased nearly twice as fast as the value of imports (22 per cent vs. 12 per cent), the trade account deficit including the trade adjustment items declined from 1917 million marks in 1971 to 1 133 million marks in 1972 (see table). The import surplus on bilateral trade fell from 716 million marks to only 172 million marks in 1972. The improvement of the bilateral trade balance was twice as great as the improvement in multilateral trade balance. The favourable cyclical position and the competitiveness of domestic products were the major causes for the improvement in the trade balance. In the short run the deterioration in the terms of trade of more than 4 per cent may have prevented the picture from being better than it was.

Invisible earnings totally offset the trade deficit (Chart 2). The low level of freight rates kept the growth of transport receipts and payments slow. Nevertheless, the surplus on transport account increased to 731 million marks. As the growth of other service items was higher, trans-

port earnings made up a smaller share of the surplus on service account than earlier.

The travel account continued to develop favourably, as it has done since the devaluation of 1967. Travel receipts and payments increased by nearly a third, and the resulting surplus on travel account amounted to 327 million marks. The surplus from other services also increased from the previous year, but compared to the transportation and travel accounts, net earnings were not large. Service receipts increased by 20 per cent and payments by 22 per cent from the previous year, giving a surplus of 1 147 million marks in service account. Trade in goods and services was thus almost in balance compared to the deficit of 944 million marks in 1971.

In 1972 imports of foreign long-term capital remained brisk. The deficit in net investment income (Chart 2), consisting mainly of interest payments, increased by 26 per cent to 603 million marks. Taken with transfers, which are of minor importance, current receipts increased

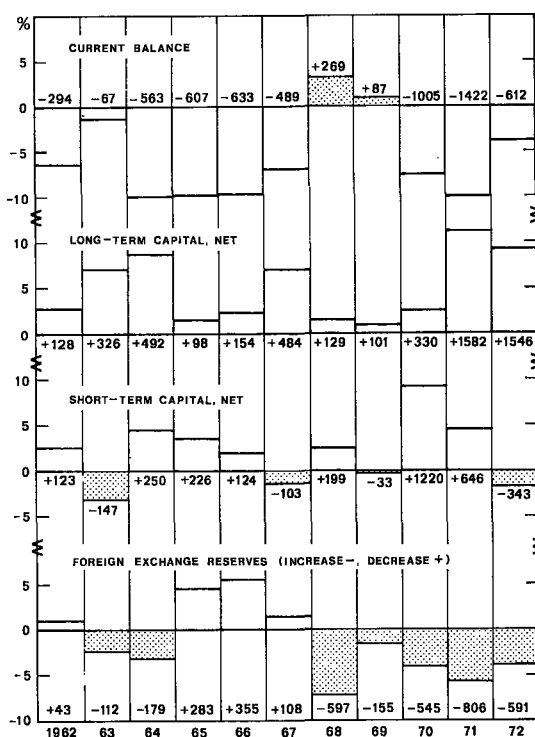
by 22 per cent and payments by 14 per cent, reducing the current account deficit from 1 422 million marks in 1971 to 612 million marks in 1972. Expressed as a share of current payments, the current deficit fell from 10 per cent in 1971 to 4 per cent in 1972, well below the average of some 6 per cent in the 1960s.

Differences in the timing and magnitude of demand pressure at home and abroad have a major impact on the short-term development of the Finnish current account. Special factors, including trade with the Socialist countries, occasionally affect the current account deficit. In the medium and long-run, the current account balance depends on the overall competitiveness of the domestic economy. If adjustments are made for cyclical factors, developments in bilateral trade and other special factors, the major part of the current deficit in 1970 and 1971 can be explained (Chart 2). Furthermore, using such a procedure, it was possible to forecast the current account deficit for 1972 rather accurately. Last year relative demand pressure favoured exports slightly. In contrast with the previous two years, trade with the Socialist countries was nearly in balance. For these reasons the underlying deficit on current account did not differ substantially from the actual one. However, the adjusted current account deficit has shown a slight tendency to deteriorate over the past five years.

## CAPITAL FLOWS AND RESERVE POSITION

The principal balance of payments components are shown in Chart 3 as a percentage of current payments in order to facilitate comparison of the relative importance of the different financing items in various years. As in 1971, there was a material inflow of long-term capital last year, giving rise to a substantial surplus on the basic balance and to the further accumulation of foreign exchange reserves. The easiness on international capital markets during 1972 contributed to the large inflow of long-term capital at a time when investment activity was fairly low.

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



More than a half of the borrowing took the form of direct financial credits, which totalled 1 686 million marks. Although there was a distinct increase in the number of large, privately placed loans, which are a practicable alternative to bond loans for many borrowers, bond loans grew substantially. Eleven Finnish bond issues were placed abroad in 1972, totalling 735 million marks. Four of these loans were denominated in Swiss francs, three in Euro-dollars, three in Deutsche Marks, and one in Luxembourg francs. New long-term supplier's credits totalled 553 million marks. Drawings of previously approved loans from the World Bank amounted to 40 million marks, but this figure was exceeded by amortizations of other World Bank loans.

At the end of 1972 gross long-term foreign debt stood at 9 985 million marks. In the year under review 530 million marks was used to defray interest expenses, and total servicing costs amounted to 1 568 million marks. The ratio of servicing costs to current receipts remained unchanged at 10 per cent.

Increased exports of metal and engineering products led to a substantial capital outflow in the form of long-term export credits. The stock of these credits — nearly 1 500 million marks — is, for the most part, made up of credits for ships and paper mill machinery. Direct investment abroad also led to a capital outflow.

Finnish investment abroad totalled 250 million marks in 1972 and exceeded the corresponding inflow by about 100 million.

One major change affecting short-term capital flows was the abolition of the cash payment requirement for imports of consumer goods which led to an increase in import credits. However the growth in short-term export credits, which resulted from the revival in exports, more than offset this inflow. When account is taken of the increases in miscellaneous short-term foreign assets held largely by official bodies and

of errors and omissions, short-term debt declined by 428 million marks, or by 343 million when the 85 million mark allocation of special drawing rights is included. This gives an overall balance surplus of 591 million marks.

Total foreign exchange reserves thus increased considerably last year, as in the two preceding years. The accumulation of reserves led to growth in the foreign currency holdings of the authorized banks and the elimination of the Bank of Finland's debt in non-convertible currencies which arose from bilateral trade.

Finland's international liquidity position improved both in absolute and relative terms. At the end of 1972, total reserves amounted to 3 024 million marks, corresponding to the imports of nearly three months. Foreign exchange reserves increased from 17 per cent of current payments in 1971 to 19 per cent in 1972.

**Direct investment in 1972.** The distinct growth in investment capital flows of the recent past continued in 1972. As in previous years, the outflow of investment capital was substantially larger than the inflow. This continuing imbalance has been largely the result of one major investment project abroad, which in itself reflects the relatively small amounts involved in Finland's investment capital flows.

According to permits granted by the Bank of Finland, foreign direct investment in Finland amounted to 102.9 million marks in 1972. At the same time, subsidiaries drew 44.9 million marks from foreign parent companies in the form of loans, so that the total net inflow of investment capital amounted to 147.8 million marks. The corresponding figure for 1971 was 129.8 million marks.

Of total foreign investment and loans, only 26 million marks was invested in production; the major part, or nearly 120 million marks, was invested in marketing. Table 1 indicates the regions of origin of the investments. It is noteworthy that Sweden's share in investment capital from the EFTA region is almost 70 per cent.

In all, 77 permits were granted to foreign firms for new investments in Finland.

**TABLE 1. DIRECT INVESTMENT AND LOANS OF FOREIGN PARENT COMPANIES TO SUBSIDIARIES IN FINLAND IN 1972 (GROSS, MILL. MK)**

	1970	1971	1972
Investments	46.1	91.0	102.9
from EFTA countries	19.6	56.5	29.3
from EEC countries	19.7	5.8	7.6
from North America	2.3	16.3	50.3
from other countries	4.5	12.4	15.7
Loans	35.9	38.8	44.9
Total	82.0	129.8	147.8

According to data based on the permits granted by the Bank of Finland, Finnish direct investment in foreign countries and loans granted by Finnish parent companies to subsidiaries founded in 1972, amounted to 254.0 million marks. The share of loans in this was 110.5 million marks. In 1971, the total outflow of investment capital was 194.9 million marks.

In 1972 the wood-processing complex of Eurocan Pulp and Paper Co. Ltd., which is being constructed in Canada, absorbed most of the investment capital outflow. The influence of Eurocan is also reflected by the fact that in 1972 more than 80 per cent of the outflow of capital investment went to enterprises engaged primarily in production; the remainder was used for marketing and other purposes. It is worth noting that most of the loans granted by Finnish parent companies to their subsidiaries abroad were financed by long-term credits

obtained in foreign capital markets and accordingly do not encumber the balance of payments directly.

Finnish firms were granted 70 permits for new investments abroad in 1972.

**TABLE 2. DIRECT INVESTMENT AND LOANS  
OF FINNISH PARENT COMPANIES TO  
SUBSIDIARIES ABROAD IN 1972  
(GROSS, MILL. MK)**

	1970	1971	1972
Investments	37.0	60.1	143.5
to EFTA countries	16.4	39.1	23.6
to EEC countries	12.7	15.9	12.3
to North America	4.4	2.6	105.3
to other countries	3.5	2.5	2.3
Loans	182.3	134.7	110.5
Total	219.3	194.9	254.0

The net outflow of investment capital amounted to 106.2 million marks in 1972. In 1971, the outflow of investment capital exceeded the inflow by 65.1 million marks.

**Trade agreements.** An agreement has been signed between Finland and the People's Republic of China governing the exchange of goods during 1973. It is estimated that the total value of trade will increase by ten per cent from the previous year to 164 million marks.

According to the trade agreement between Finland and Poland, the total value of trade between these two countries should amount to 527 million marks in 1973.

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# BANK OF FINLAND

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## Board of Management

Mauno Koivisto

*Governor*

A. Simonen

*Deputy Governor*

Ahti Karjalainen

*Absent as a Member  
of Government*

Heikki Valvanne

Jaakko Lassila

Päiviö Hetemäki

Timo Helelä

*ad int.*

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## Directors

Jouko J. Voutilainen

Timo Helelä

Jorma Aranko

Pertti Tammivuori

Markku Puntila

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## Senior officials

Pertti Kukkonen

*Director, ADP-planning*

Pauli Kanerva

*Administration*

K. Ignatius

*Personnel*

Antti Lehtinen

*Domestic financial  
operations*

Helge Lindström

*Credits and securities*

Kalle Koski

*Capital transfers*

Kari Nars

*Foreign exchange policy*

Raili Nuortila

*Eastern trade*

J. Ojala

*Foreign exchange control*

Kari Puumanen

*Economics dept., ad int.*

Henri J. Vartiainen

*Research dept.*

Stig Törnroth

*Cash*

K. Eirola

*Automatic Data Processing*

A. Nenonen

*Foreign correspondence*

Väinö Heiskanen

*Banking services*

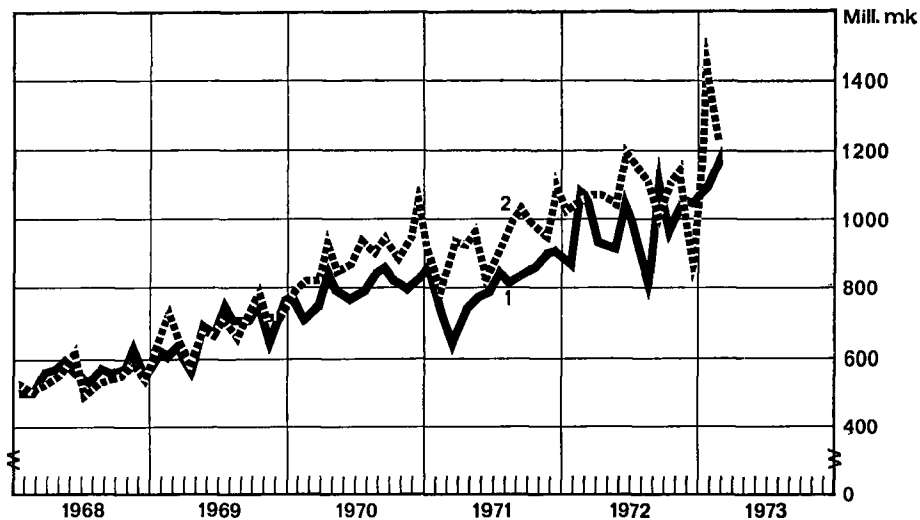
Eino Suomela

*Internal Audit*

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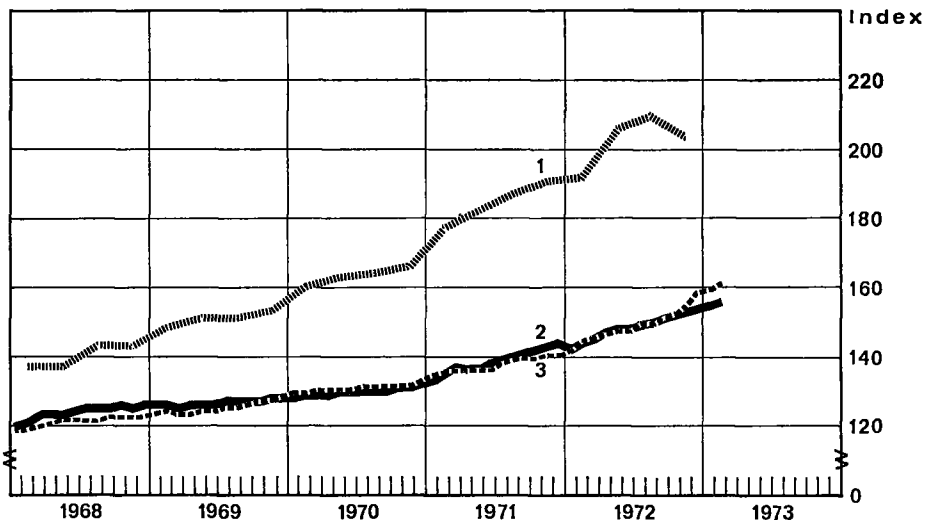
# Foreign trade, 1968-1973

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



# Prices and wages, 1968-1973

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



# Production, 1968-1973

- 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

