



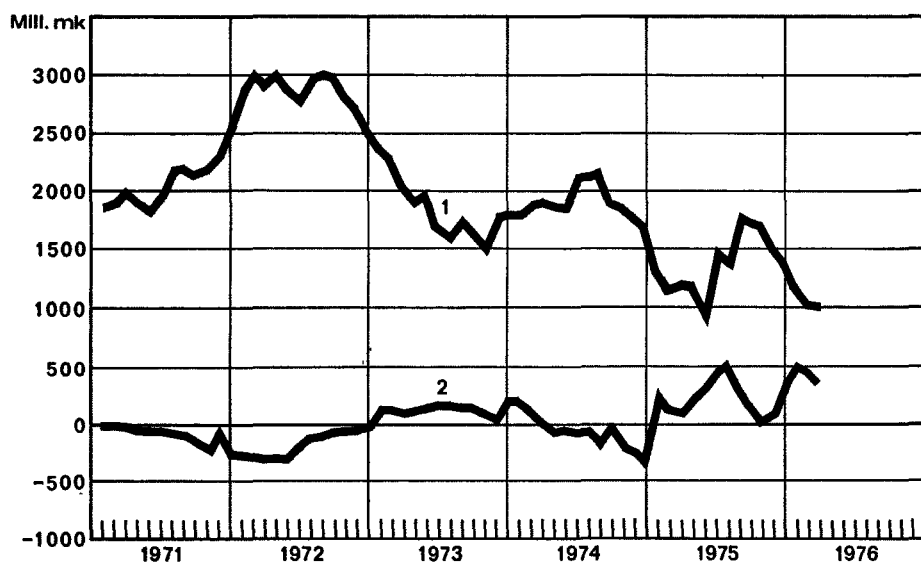
# BANK OF FINLAND

*Monthly Bulletin*

the call money market  
Finnish economy in 1975 and the  
current outlook

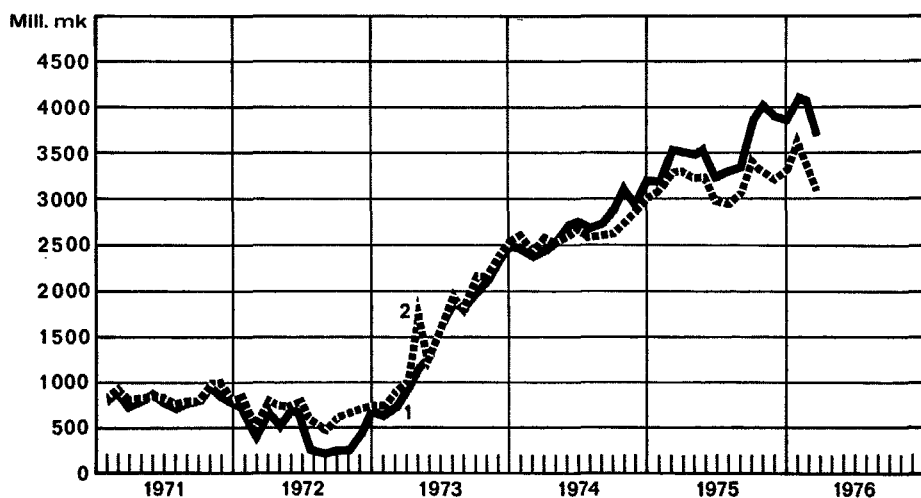
MAY 1976  
Vol. 50 No. 5

**BANK OF FINLAND'S CONVERTIBLE AND NON-CONVERTIBLE  
FOREIGN EXCHANGE RESERVES, 1971-1976**



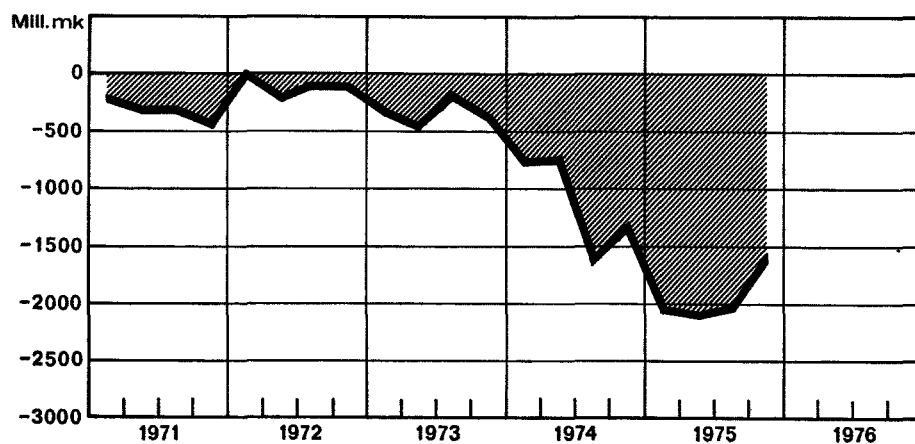
1. Gold and convertible currencies
2. Non-convertible currencies

**BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC  
FINANCIAL SECTOR, 1971-1976**



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

# THE CALL MONEY MARKET

The Bank of Finland opened a call money market in September 1975 in order to improve the functioning of the financial market and to increase the Bank's ability to influence the liquidity of the economy in the short run. The commercial banks had previously engaged in overnight transactions among themselves to even out their liquidity positions, but institutional rigidities engendered by oligopolistic competition in a banking system with only seven commercial banks prevented these transactions from distributing liquidity as efficiently as possible. The creation of an official market with well-defined rules of operation was designed to correct these deficiencies.

The establishment of this market has not altered the foundation for monetary policy which is still based on the central bank credit quotas allotted to the various commercial banks and the progressively increasing interest rate schedule on this credit. Operations in the call money market influencing the cost and availability of short-term liquidity are best seen as a complement to these traditional monetary policy measures which could not be used to affect the day-to-day liquidity of the banks because sharp, frequent and unexpected variations in the quotas would reduce the efficiency of financial intermediation.

## OPERATION

The call money market consists of accounts in the central bank into which designated institutions can deposit, withdraw or, up to a certain limit, overdraw. At the outset, the six commercial banks entitled to discount at the Bank of Finland were allowed to participate in the market. All transactions are made at the end of the banking day when each bank indicates the amount it wishes to deposit or borrow at the prevailing rate which is generally the one at which transactions were conducted on the previous banking day. If the market does not clear, the Bank of Finland can alter the call money rate and ask the banks to indicate the amounts they wish to deposit or borrow at the

new rate. The Bank can also participate in the market by supplying or absorbing funds.

The Bank Supervisors of Parliament set an upper limit of 30 per cent on the call money rate when they gave temporary permission to charge and pay interest on call money accounts. Subject to this limit, the Bank of Finland regulates the call money market. It placed no limit on the call money deposits which commercial banks can make, but it did set an absolute daily limit, originally amounting to 60 per cent of the central bank credit quota, on call money overdrafts. The purpose of this limit is to ensure that central bank debt does not grow excessively even if banks are willing to bear the high cost of call money overdrafts. In addition, a surveillance limit was placed on the use of the main domestic sources of marginal finance. If an individual bank's call money overdrafts, central bank debt, and borrowing from commercial banks, all in net terms, exceed a set percentage (initially 180 per cent) of its central bank credit quota on average over the calendar month, the activities of the bank in question become subject to progressively stricter scrutiny by the central bank.

In January 1976, the call money market was expanded so that it could be used to even out short-term fluctuations in commercial bank liquidity resulting from changes in the central government's financial position. This was done by giving the post office bank, which is banker to the government, permission to deposit its surplus funds in the call money market. At the same time, the banks' borrowing facility at the post office bank, which had existed to even out within-month fluctuations in liquidity, was dismantled. Because the Bank of Finland does not normally finance governmental activity, the post office bank was not allowed to borrow in the call money market. In connection with this reform, the absolute daily limit on call money overdrafts was raised from 60 to 100 per cent of the quota and the surveillance limit was increased from 180 to 200 per cent of the quota. Because borrowing from the central bank is a

major source of bank liquidity in Finland, the amount that the commercial banks are willing to place in the call money market depends on the interest rate schedule on quota-related borrowing. Since this schedule originally provided for stepwise increases in the average cost of central bank credit which entailed large jumps in the marginal rate, the call money market did not always function smoothly.

To eliminate this rigidity, the schedule setting forth the cost of quota related debt was changed from the beginning of April, so that the marginal cost of this debt would rise smoothly.

## DEVELOPMENT

The Bank of Finland has been pursuing a tight monetary policy in order to improve the balance of payments and to reduce the rate of inflation. Operations in the call money market have reflected this policy and have also been used to modulate the effects of measures explicitly designed to increase tightness in the financial market as well as the effects of events adventitiously changing the liquidity of the banking system.

In September, its first month of operation, the call money market operated purely as an exchange for liquidity between the commercial banks, and supply and demand were equilibrated almost exclusively with the aid of the interest rate. During this month, both the daily average supply of deposits and the daily average demand for overdrafts amounted to about a fifth of the central bank credit quotas, which then totalled 2 800 million marks. The average interest rate, weighted by volume, was 22 per cent.

In October the Bank of Finland lowered the quotas by about 10 per cent in order to increase tightness in the money market. This policy measure, together with simultaneous changes in the central government's financial position and the foreign exchange reserves, led to a substantial increase in demand for call money overdrafts, and the average interest rate in this market rose to 29 per cent, close to its upper limit. On average, demand for call money

during October and November amounted to 30 per cent of the quotas while the supply of deposits was about 14 per cent, with the difference being supplied by the Bank of Finland.

The market moved towards equilibrium in December as a result of a weakening in the financial position of the central government. Demand for call money overdrafts amounted to 16 per cent of the quotas while the supply of deposits totalled about 12 per cent. The weighted average interest rate for call money was 26 per cent during this month.

In January, seasonal factors tended to increase liquidity. The Bank of Finland also made technical placements in the call money market in order to ease the post office bank's transition into the market. As a result, the average call money rate fell from its December level to 21 per cent. Average demand in the market was equivalent to 18 per cent of the quotas while the supply of call money deposits came to 12 per cent.

In February and March the Bank of Finland stabilized the call money rate at 19 per cent by supplying funds to the market as needed. This support operation was undertaken to offset the tendency for the interest rate to rise as a result of temporary changes in the management of the liquid balances of the central government. This factor as well as a fall in the foreign exchange reserves caused demand for call market funds to rise to 37 per cent of the quotas while the supply of deposits amounted to 30 per cent.

The experience gained in the seven months since the establishment of the call money market suggests that the allocation of short-term liquidity has been improved and that the Bank of Finland's operations in the market are a useful complement to the other tools of monetary policy. Not only have overnight interbank transactions been shifted to the call money market, but their volume has grown considerably from the pre-September 1975 level and differences in the rates on overnight money have been eliminated.

April 22, 1976

	1975		1976			
	Apr. 30	Dec. 31	Apr. 8	Apr. 15	Apr. 23	Apr. 03
<b>Assets</b>						
Gold and foreign exchange receivables	1 684	1 950	1 670	1 718	1 695	1 721
Gold	121	121	121	121	121	121
Special drawing rights	286	278	272	272	272	272
IMF gold tranche	268	—	—	—	—	—
Convertible currencies	609	1 089	925	977	997	1 000
Tied currencies	400	462	352	348	305	328
Other foreign receivables	999	1 274	1 459	1 442	1 463	1 449
Foreign bills	274	272	307	290	294	281
Foreign bonds	195	204	326	326	343	342
Currency subscription to Finland's quota in the IMF	530	798	826	826	826	826
Receivables from financial institutions	3 847	4 164	4 532	4 483	5 129	4 344
Cheque accounts of the commercial banks	99	133	180	171	172	193
Discounted bills	3 441	3 385	3 112	3 188	3 242	3 053
Bonds	265	327	384	422	381	413
Call money market advances	—	—	838	672	1 323	671
Other financial institution receivables	42	319	18	30	11	14
Receivables from the public sector	310	339	341	340	341	341
Bonds	75	70	72	70	70	70
Total coinage	235	256	267	268	269	269
Other public sector receivables	0	13	2	2	2	2
Receivables from corporations	680	933	1 111	1 119	1 124	1 126
New export bills	106	128	129	127	127	128
Financing of suppliers' credits	294	402	461	460	460	456
Bonds	240	223	210	209	208	208
Other corporate receivables	40	180	311	323	329	334
Other assets	37	47	46	46	46	47
<b>Total</b>	<b>7 557</b>	<b>8 707</b>	<b>9 159</b>	<b>9 148</b>	<b>9 798</b>	<b>9 028</b>
<b>Liabilities</b>						
Foreign exchange liabilities	211	172	203	191	178	94
Convertible accounts	66	78	157	143	130	47
Tied accounts	145	94	46	48	48	47
Other foreign liabilities	788	1 385	1 413	1 413	1 413	1 413
IMF mark accounts	530	1 127	1 155	1 155	1 155	1 155
Allocations of special drawing rights	258	258	258	258	258	258
Notes and coins in circulation	2 396	2 855	2 525	2 676	2 627	2 676
Notes	2 194	2 617	2 294	2 443	2 393	2 441
Coins	202	238	231	233	234	235
Deposit certificates in circulation	1 170	250	—	—	—	—
Claims of financial institutions	86	29	810	668	1 353	684
Cheque account of Postipankki	1	1	0	0	1	0
Cheque accounts of the commercial banks	1	3	1	1	1	1
Call money market deposits	—	—	806	660	1 345	679
Other financial institution claims	84	25	3	7	6	4
Claims of the public sector	550	1 301	1 462	1 373	1 387	1 390
Cheque accounts	3	2	0	0	1	1
Counter-cyclical reserves	543	155	55	55	55	55
Import deposits	2	1 135	1 369	1 280	1 293	1 296
Other public sector claims	2	9	38	38	38	38
Claims of corporations	417	539	426	503	504	523
Investment deposits	63	73	68	68	67	68
Counter-cyclical withholdings	120	—	—	—	—	—
Capital import deposits	216	450	345	422	422	441
Import levy deposits	8	8	8	8	9	8
Other corporate claims	10	8	5	5	6	6
Other liabilities	12	15	13	14	12	12
Equalization accounts	969	331	419	419	427	335
Capital accounts	958	1 830	1 888	1 891	1 897	1 901
Primary capital	600	1 400	1 400	1 400	1 400	1 400
Reserve fund	237	237	334	334	334	334
Undisposed profits	75	—	97	97	97	97
Net earnings	46	193	57	60	66	70
<b>Total</b>	<b>7 557</b>	<b>8 707</b>	<b>9 159</b>	<b>9 148</b>	<b>9 798</b>	<b>9 028</b>

End of year and month	Foreign sector							Public sector			Deposit certificates in circulation
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserve (1—2)	Non-convertible exchange reserve	Other receivables	Other liabilities	Net receivables (3+4+5—6)	Receivables	Liabilities	Net liabilities (9—8)	
	1	2	3	4	5	6	7	8	9	10	11
1969	1 266	11	1 255	— 80	517	360	1 332	102	200	98	—
1970	1 812	11	1 801	— 63	639	606	1 771	119	121	2	203
1971	2 620	30	2 590	—297	686	704	2 275	148	140	— 8	400
1972	2 613	43	2 570	— 6	757	788	2 533	175	49	—126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250

## 1975

April	1 284	66	1 218	255	999	788	1 684	310	550	240	1 170
May	1 065	67	998	352	1 010	788	1 572	314	556	242	870
June	1 618	67	1 551	483	1 283	1 385	1 932	311	512	201	900
July	1 484	60	1 424	545	1 288	1 385	1 872	315	718	403	800
Aug.	1 879	60	1 819	327	1 266	1 385	2 027	322	871	549	700
Sept.	1 810	53	1 757	186	1 274	1 385	1 832	322	1 019	697	820
Oct.	1 778	50	1 728	61	1 315	1 385	1 719	324	1 189	865	740
Nov.	1 611	79	1 532	123	1 311	1 385	1 581	333	1 383	1 050	400
Dec.	1 448	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250

## 1976

Jan.	1 277	86	1 191	533	1 373	1 385	1 712	335	1 318	983	160
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	—

<sup>1</sup> 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, 1975			Net holdings, Jan. 31, 1976			Change
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	January
Gold	121	—	121	121	—	121	—
Special drawing rights	278	—	278	278	—	278	—
IMF gold tranche	—	—	—	—	—	—	—
Convertible currencies	1 011	—1 759	—748	792	—1 630	—838	—90
Total	1 410	—1 759	—349	1 191	—1 630	—439	—90
Non-convertible currencies	368	—1	367	533	—6	527	160

## Domestic financial sector

## Corporate sector

End of year and month	Dis-counted and redis-counted bills	Cheque account receiv-ables <sup>2</sup>	Other receiv-ables	Cheque account liabilities to the commer-cial banks <sup>3</sup>	Cheque account liabilities to Posti-pankki <sup>3</sup>	Other liabili-ties	Net receiv-ables (1+2+3-4-5-6)	Receiv-ables	Liabili-ties	Net receiv-ables (8-9)	Notes and coins in circula-tion
	1	2	3	4	5	6	7	8	9	10	11
1969	550	87	—	93	12	—	532	461	25	436	1 394
1970	836	3	—	1	4	—	834	383	324	59	1 455
1971	849	—	—	9	2	—	838	355	385	— 30	1 413
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

## 1975

April	3 441	99	307	1	1	84	3 761	680	417	263	2 396
May	3 417	136	304	2	1	134	3 720	690	446	244	2 479
June	3 083	139	347	2	—	128	3 439	722	374	348	2 692
July	3 082	136	377	3	0	120	3 472	821	423	398	2 544
Aug.	3 068	135	369	4	2	282	3 284	816	305	511	2 635
Sept.	3 565	196	424	2	1	274	3 908	827	401	426	2 620
Oct.	3 568	115	606	2	1	269	4 017	876	413	463	2 571
Nov.	3 519	172	622	2	1	2	4 308	888	530	358	2 678
Dec.	3 385	133	646	3	1	25	4 135	933	539	394	2 855

## 1976

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

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

<sup>2</sup> Including special index accounts.

<sup>3</sup> Including cash reserve accounts.

## SELLING RATES FOR FOREIGN EXCHANGE

Mk

April 22, 1976

New York <sup>1</sup>	1 \$	3.853	Frankfurt o. M.	100 DM	152.20	Vienna	100 S	21.30
Montreal	1 \$	3.921	Amsterdam	100 Fl	143.80	Lisbon	100 Esc	13.06
London	1 £	7.040	Brussels <sup>2</sup>	100 Fr		Madrid	100 Pta	5.75
Stockholm	100 Kr	87.80	Zurich	100 Fr	152.70	Tokyo	100 Y	1.300
Oslo	100 Kr	70.50	Paris	100 FF	82.70	Reykjavik	100 Kr	2.17
Copenhagen	100 Kr	64.40	Rome	100 Lit	0.440	Moscow <sup>3</sup>	1 Rbl	5.103

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

<sup>2</sup> 9.900 commercial rate; 9.630 financial rate.

<sup>3</sup> Clearing account; also Bucharest.

# DEPOSITS BY THE PUBLIC

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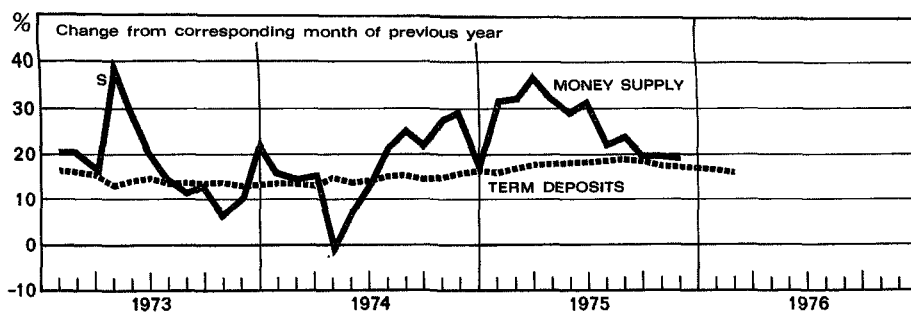
End of year and month	Sight deposits			Term deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
1	2	3	4	5	6	7	8	9	10	
1969	1 057	1 374	521	5 236	4 333	3 022	1 116	522	14 229	16 124
1970	1 143	1 508	603	6 099	4 847	3 458	1 288	574	16 266	18 377
1971	1 343	1 734	754	6 961	5 446	3 877	1 491	642	18 418	20 906
1972	1 851	2 371	979	8 096	6 232	4 500	1 806	720	21 353	24 703
1973	2 144	2 892	1 360	8 989	7 109	5 237	2 159	805	24 299	28 551
1974*	2 551	3 478	1 638	10 213	8 288	6 308	2 641	921	28 371	33 487
1975*	3 442	4 638	2 301	11 761	9 742	7 554	3 170	1 094	33 324	40 263

## 1975\*

Feb.	2 551	3 371	1 861	10 458	8 553	6 590	2 740	953	29 294	34 526
March	2 530	3 381	1 854	10 520	8 575	6 613	2 753	960	29 421	34 656
April	2 573	3 414	1 762	10 596	8 591	6 668	2 753	964	29 572	34 748
May	2 609	3 509	1 644	10 744	8 713	6 773	2 778	975	29 983	35 136
June	2 822	3 809	1 640	10 851	8 826	6 796	2 833	985	30 291	35 740
July	2 721	3 662	1 462	10 921	8 974	6 946	2 863	1 005	30 709	35 833
Aug.	2 566	3 533	1 669	11 046	9 155	7 091	2 920	1 021	31 233	36 436
Sept.	2 546	3 531	1 582	10 959	9 203	7 177	2 929	1 056	31 324	36 437
Oct.	2 686	3 653	1 417	11 011	9 225	7 206	2 939	1 058	31 439	36 509
Nov.	2 659	3 642	1 652	11 234	9 326	7 280	2 985	1 057	31 882	37 176
Dec.	3 442	4 638	2 301	11 761	9 742	7 554	3 170	1 094	33 324	40 263

## 1976\*

Jan.	3 268	4 301	2 038	11 872	9 891	7 685	3 229	1 117	33 794	40 133
Feb.	2 854	4 176	2 258	11 930	10 021	7 777	3 262	1 132	34 122	40 556





# ADVANCES TO THE PUBLIC—MONEY SUPPLY

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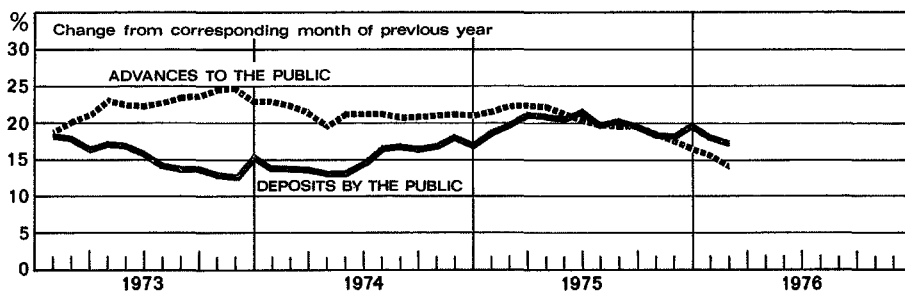
End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1969	6 892	3 803	2 922	1 040	1 290	15 354	593	15 947	3 126
1970	7 963	4 342	3 404	1 342	1 454	17 815	690	18 505	3 445
1971	9 234	4 795	3 834	1 747	1 799	20 640	769	21 409	4 025
1972	10 667	5 503	4 483	2 245	2 374	24 473	799	25 272	4 959
1973	13 365	6 497	5 302	3 399	2 696	30 286	973	31 259	6 115
1974*	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283
1975*	17 773	9 105	7 813	5 488	4 133	43 018	1 294	44 312	9 450

1975

Feb.	16 398	7 990	6 668	4 818	3 381	38 016	1 239	39 255	7 274
March	16 773	8 060	6 743	4 847	3 394	38 548	1 269	39 817	7 403
April	16 919	8 162	6 868	4 913	3 556	39 139	1 279	40 418	7 245
May	17 148	8 219	6 944	4 968	3 637	39 640	1 276	40 916	7 335
June	17 303	8 312	7 019	4 983	3 660	39 951	1 326	41 277	7 801
July	17 291	8 419	7 125	5 054	3 704	40 339	1 254	41 593	7 331
Aug.	17 307	8 582	7 249	5 063	3 776	40 674	1 303	41 977	7 517
Sept.	17 734	8 749	7 450	5 104	3 815	41 456	1 396	42 852	7 391
Oct.	17 811	8 785	7 542	5 275	3 900	41 907	1 406	43 313	7 321
Nov.	17 852	8 997	7 673	5 420	4 046	42 585	1 403	43 983	7 643
Dec.	17 773	9 105	7 813	5 488	4 133	43 018	1 294	44 312	9 450

1976\*

Jan.	17 769	9 279	7 900	5 551	4 223	43 456	1 266	44 722	..
Feb.	17 868	9 311	7 937	5 605	4 230	..	..	44 951	..



# STATE FINANCES

Mill. mk

Revenue	Jan.—Dec.		Expenditure	Jan.—Dec.	
	1974	1975		1974	1975
Income and property tax (net)	6 807	7 781	Wages, salaries, pensions etc.	3 398	4 366
Gross receipts	(16 077)	(20 414)	Repair and maintenance	537	643
Refunds & local authorities	(-9 270)	(-12 633)	Other consumption expenditure	1 529	2 088
Other taxes on income and property	165	196	Total consumption expenditure	5 464	7 097
Employers' child allowance payments	678	910	State aid to local authorities	3 269	4 684
Sales tax	5 412	6 127	State aid to industries	2 831	4 436
Revenue from Alcohol Monopoly	1 214	1 482	of which: agric. price subsidies	(1 890)	(2 147)
Customs duties & import charge	548	636	Child allowances	498	707
Counter-cyclical tax	—	—	Share in national pensions and health insurance	234	229
Excise duty on tobacco	627	648	Other transfer expenditure	2 234	2 749
» » on liquid fuel	1 009	1 219	Total transfer expenditure	9 066	12 805
Other excise duties	466	664	Machinery and equipment	786	1 073
Tax on autom. and motor cycles	519	764	House construction	452	639
Stamp duties	422	501	Land and waterway construction	1 187	1 432
Special diesel etc. vehicles tax	77	86	Total real investment	2 425	3 144
Other taxes and similar revenue <sup>1</sup>	458	603	Interest on State debt	226	222
Total taxes	18 402	21 617	Index compensations	39	47
Miscellaneous revenue	1 187	2 280	Net deficit of State enterprises	174	480
Interest, dividends etc.	494	534	Other expenditure	27	47
Sales and depreciation of property	6	11	Total other expenditure	466	796
Redemptions of loans granted	304	337	Increase in inventories	+94	+250
<b>Total revenue</b>	<b>20 393</b>	<b>24 779</b>	Lending	1 481	2 369
Foreign borrowing	16	534	Other financial investment	465	589
Domestic borrowing	253	454	<b>Total expenditure</b>	<b>19 461</b>	<b>27 050</b>
<b>Total borrowing</b>	<b>269</b>	<b>988</b>	Redemption of foreign loans	204	145
<b>Deficit (+) or surplus (—)</b>	<b>(-535)</b>	<b>(+1 779)</b>	Redemption of domestic loans	462	351
			<b>Total redemptions</b>	<b>666</b>	<b>496</b>
Total	20 127	27 546	Total	20 127	27 546

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

State debt	1973	1974	1975	1976	
	Dec.	Dec.	Dec.	Jan.	Feb.
<b>Foreign debt</b>	1 395	1 152	1 603	1 560	1 560
Loans	1 758	1 528	1 645	1 637	1 643
Compensatory obligations	1	1	1	1	1
Short-term credit	39	37	85	..	..
Cash debt (net)	-468	-571	-242	..	..
<b>Domestic debt</b>	1 330	995	1 489	..	..
<b>Total State debt</b>	<b>2 725</b>	<b>2 147</b>	<b>3 092</b>	<b>..</b>	<b>..</b>
Total debt, mill \$	710	590	798	..	..

# FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1970	9 687	11 071	-1 384
1971	9 897	11 734	-1 837
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975*	20 247	28 002	-7 755

1975\*

Jan.	2 030	2 750	- 720
Feb.	1 549	2 535	- 986
March	1 576	2 096	- 520
April	1 739	2 301	- 562
May	1 594	2 356	- 762
June	1 380	2 046	- 666
July	1 651	2 263	- 612
Aug.	1 135	2 167	-1 032
Sept.	1 710	2 236	- 526
Oct.	1 840	2 458	- 618
Nov.	1 672	2 247	- 575
Dec.	2 371	2 547	- 176

1976\*

Jan.	1 564	2 131	-567
Feb.	1 479	2 000	-521

Jan.-Feb.

1975*	3 579	5 285	-1 706
1976*	3 043	4 131	-1 088

Indices of exports and  
imports 1969 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1970	107	121	108	108	100
1971	103	119	115	116	99
1972	118	124	123	125	98
1973	127	141	138	139	99
1974	126	151	196	200	98
1975	105	151	232	218	106

1973

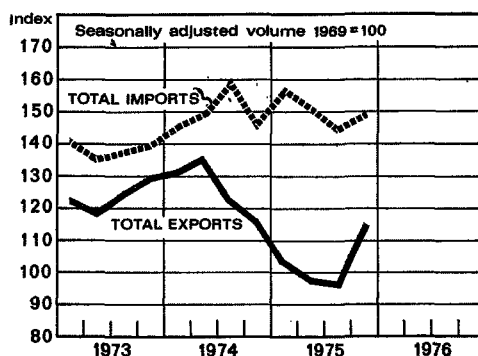
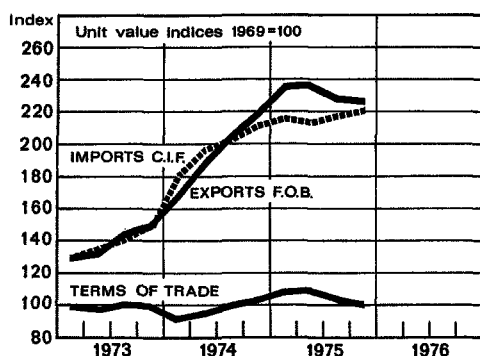
Apr.-June	115	133	133	136	98
July-Sept.	122	136	145	142	102
Oct.-Dec.	140	149	151	151	100

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	219	105
Oct.-Dec.	124	153	228	223	102



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agri- cultural and other primary products	Wood industry products	Paper industry products	Metal, en- gineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1970	286	1 536	3 883	1 828	2 154	6 891	422	1 949	1 750	59
1971	313	1 643	3 797	1 764	2 380	7 037	570	2 333	1 746	48
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
1975*	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63

## 1975\*

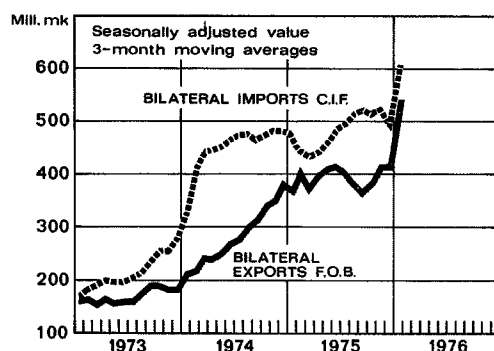
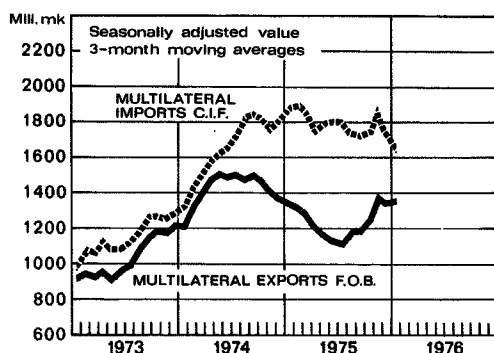
Jan.	71	229	780	496	454	1 682	146	541	380	1
Feb.	13	145	617	389	385	1 570	134	465	365	1
March	69	141	666	292	408	1 270	107	353	366	0
April	12	168	678	428	453	1 390	111	430	369	1
May	59	159	615	348	413	1 364	128	484	376	4
June	11	154	491	399	325	1 300	147	329	265	5
July	28	194	534	560	335	1 391	126	421	299	26
Aug.	18	139	451	226	301	1 279	170	433	276	9
Sept.	44	202	585	442	437	1 384	137	363	344	8
Oct.	25	199	570	505	541	1 554	154	412	337	1
Nov.	17	213	579	395	468	1 361	170	426	289	1
Dec.	82	234	659	877	519	1 513	140	565	323	6

## 1976\*

Jan.	114	191	477	436	346	1 191	133	494	312	1
Feb.	14	196	592	287	390	1 262	114	327	291	6

## Jan.-Feb.

1975*	84	374	1 397	885	839	3 252	280	1 006	745	2
1976*	128	387	1 069	723	736	2 453	247	821	603	7



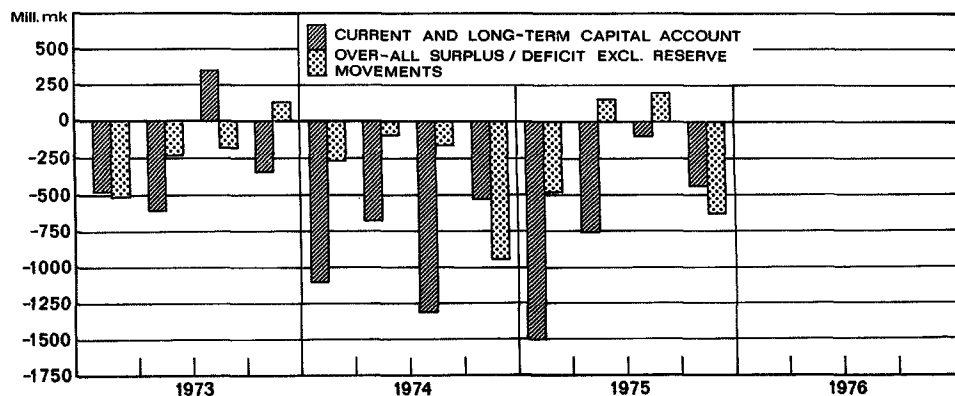
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, 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
+1 858	-1 366	+ 34	-114	+ 412	-1 068	-246	- 8	+ 538	- 784	+491	+293
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+736
+6 729	-1 445	-214	+ 52	+5 122	-2 751	+796	+1 413	-205	- 747	-444	+1 191
+ 364	- 396	+ 35	- 24	- 21	- 477	+ 21	- 98	+ 47	- 507	+353	+154
+ 481	- 522	- 24	- 26	- 91	-1 090	+288	+ 124	+409	- 269	+138	+131
+1 242	- 338	- 6	+ 5	+ 903	-1 509	+309	+ 102	+621	- 477	- 32	+509
+ 309	- 265	- 48	- 9	- 13	- 604	+ 95	+ 191	+ 91	- 227	+301	- 74
+ 758	- 362	-114	+ 13	+ 295	- 591	+349	+ 58	+ 88	- 96	- 99	+195
+1 834	- 418	- 67	+ 14	+1 363	- 759	-139	+ 787	+268	+ 157	-668	+511
+ 774	- 370	+ 59	- 15	+ 448	+ 359	-403	-322	+180	- 186	+ 66	+120
+ 549	- 379	- 61	- 25	+ 84	-1 439	+502	+ 312	+462	- 163	+202	- 39
+2 121	- 274	+ 3	+ 55	+1 905	- 101	..	..	+306 <sup>3</sup>	+ 205	+ 91	-296
+ 411	- 335	- 12	- 66	- 2	- 346	+ 41	+ 221	+220	+ 136	-229	+ 93
+ 942	- 274	- 24	+ 15	+ 659	- 495	-209	-157	- 86	- 947	+498	+449
+1 532	- 415	-144	- 22	+ 951	- 382	+491	- 51	-690	- 632	+165	+467

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.

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



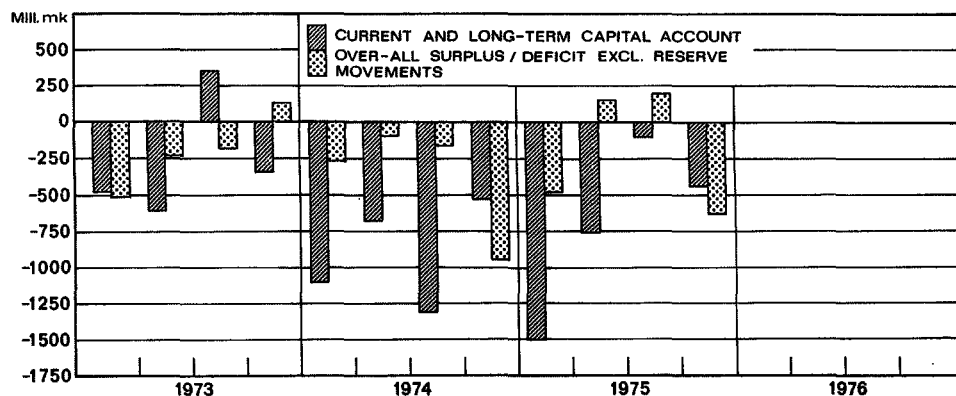
Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, 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
+1 858	-1 366	+ 34	-114	+ 412	-1 068	-246	- 8	+ 538	- 784	+491	+293
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+736
+6 729	-1 445	-214	+ 52	+5 122	-2 751	+796	+1 413	- 205	- 747	-444	+1 191
+ 364	- 396	+ 35	- 24	- 21	- 477	+ 21	- 98	+ 47	- 507	+353	+154
+ 481	- 522	- 24	- 26	- 91	-1 090	+288	+ 124	+409	- 269	+138	+131
+1 242	- 338	- 6	+ 5	+ 903	-1 509	+309	+ 102	+621	- 477	- 32	+509
+ 309	- 265	- 48	- 9	- 13	- 604	+ 95	+ 191	+ 91	- 227	+301	- 74
+ 758	- 362	-114	+ 13	+ 295	- 591	+349	+ 58	+ 88	- 96	- 99	+195
+1 834	- 418	- 67	+ 14	+1 363	- 759	-139	+ 787	+268	+ 157	-668	+511
+ 774	- 370	+ 59	- 15	+ 448	+ 359	-403	-322	+180	- 186	+ 66	+120
+ 549	- 379	- 61	- 25	+ 84	-1 439	+502	+ 312	+462	- 163	+202	- 39
+2 121	- 274	+ 3	+ 55	+1 905	- 101	..	..	+306 <sup>3</sup>	+ 205	+ 91	-296
+ 411	- 335	- 12	- 66	- 2	- 346	+ 41	+ 221	+220	+ 136	-229	+ 93
+ 942	- 274	- 24	+ 15	+ 659	- 495	-209	-157	- 86	- 947	+498	+449
+1 532	- 415	-144	- 22	+ 951	- 382	+491	- 51	-690	- 632	+165	+467

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.

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



# PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machinery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1974	495	498	482	523	536	448	555	495	459	233	231	230
1975	562	575	513	570	637	532	629	536	539	259	264	246
1975												
May	561	574	512	575	630	525	630	537	535	260	269	246
June	559	572	510	570	633	526	629	532	535	261	269	246
July	564	578	510	564	634	547	643	531	538	262	270	247
Aug.	567	580	518	566	651	547	630	540	546	263	270	247
Sept.	568	582	516	567	664	545	629	540	550	264	272	247
Oct.	573	588	517	568	671	556	629	541	562	265	272	248
Nov.	577	592	518	570	676	560	631	543	566	265	272	250
Dec.	578	595	514	574	677	559	632	546	567	266	272	251
1976												
Jan.	591	610	517	582	688	578	644	555	583	270	273	260
Feb.	599	617	531	587	691	591	647	565	593	271	273	261
March	605	624	532	589	691	604	656	572	597	272	273	261
Period	Consumer prices 1972 = 100											
	Cost of living Oct. 1961 = 100	Con- sumer prices Oct.-Dec. 1967 = 100	Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1974	333	261	129	130	109	128	144	161	129	128	118	127
1975	392	308	153	157	135	150	162	184	150	145	144	156
1975												
May	387	304	150	155	129	146	161	183	150	144	141	151
June	388	305	151	155	129	147	161	183	150	145	143	153
July	394	310	153	157	137	148	164	184	151	145	144	156
Aug.	399	313	155	161	137	152	164	185	153	146	144	159
Sept.	405	318	157	165	137	154	165	185	153	148	150	161
Oct.	411	323	160	166	148	158	166	187	155	148	151	166
Nov.	415	326	161	168	149	159	166	188	156	152	152	168
Dec.	418	328	162	169	149	160	166	188	157	154	152	169
1976												
Jan.	426	335	166	167	161	163	168	189	159	166	154	172
Feb.	432	339	168	167	161	163	168	191	160	169	156	181
March	436	343	170	174	161	163	169	191	161	170	157	182

# WAGES

Index of salary and wage earnings 1964 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1973	317	260	261	219	213	217	247	212	258	238
1974*	404	317	326	256	251	252	298	248	313	285
1975*	515	387	392	310	309	306	363	299	384	347

1974\*

Jan.-March	361	284	292	229	226	225	265	222	278	254
Apr.-June	388	316	320	260	251	256	300	251	315	287
July-Sept.	410	326	336	263	258	259	310	255	326	295
Oct.-Dec.	463	342	354	273	271	270	321	264	340	307

1975\*

Jan.-March	474	353	361	278	277	275	330	269	350	314
Apr.-June	507	391	394	313	312	308	370	303	392	353
July-Sept.	514	398	401	317	318	309	374	307	396	357
Oct.-Dec.	553	405	412	332	331	331	379	317	403	365

# PRODUCTION

Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1973	154	187	90	96	162	105	155	171	150	151	157
1974	161	200	90	96	168	102	164	179	158	161	165
1975	161	195	92	83	171	105	160	187	166	166	169

1974

Jyly-Sept.	160	179	165	62	176	100	166	176	157	161	164
Oct.-Dec.	166	212	63	87	199	100	167	197	162	163	167

1975\*

Jan.-March	161	206	51	119	162	104	159	180	164	165	168
Apr.-June	160	197	74	100	161	108	164	182	165	165	170
July-Sept.	158	168	171	48	178	104	157	185	165	167	169
Oct.-Dec.	164	207	73	64	185	105	160	201	170	169	171

1976\*

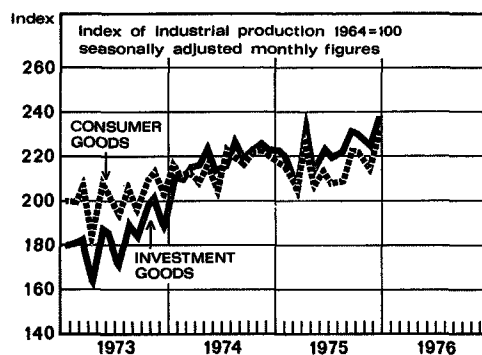
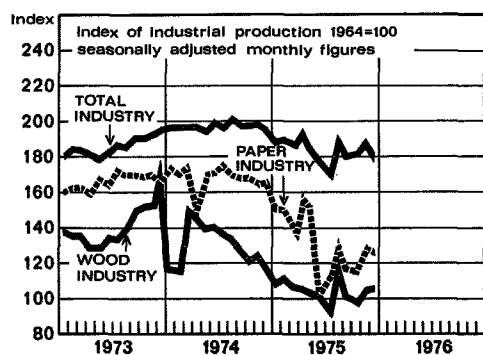
Jan.-March	158	202	53	90	149	108	154	182	172	170	172
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# PRODUCTION

Index of industrial production 1970 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1973	122	121	123	119	111	123	120	154	127	127	121
1974*	129	143	128	126	114	121	122	160	144	147	128
1975*	121	147	117	127	112	92	96	154	125	147	120
1974*											
June	118	137	116	115	110	119	99	146	133	139	130
July	89	66	94	81	117	70	123	128	100	69	128
Aug.	130	141	127	132	123	100	126	155	157	147	131
Sept.	130	147	129	129	112	115	126	152	153	151	129
Oct.	144	164	140	148	134	120	133	174	160	169	129
Nov.	137	159	132	139	118	111	127	170	145	164	129
Dec.	120	135	118	120	100	82	112	166	114	139	127
1975*											
Jan.	134	163	130	136	107	100	118	180	135	163	123
Feb.	125	152	123	125	96	102	108	169	125	153	123
March	124	148	122	125	92	98	105	170	135	150	122
April	137	172	131	145	115	113	106	181	143	172	127
May	127	151	123	129	112	107	104	162	133	153	121
June	110	143	103	119	109	91	64	135	126	140	116
July	77	67	79	74	115	48	79	97	75	68	112
Aug.	120	139	116	125	112	85	97	141	133	139	124
Sept.	123	157	116	135	118	95	88	147	131	156	118
Oct.	133	170	122	150	142	98	93	151	132	169	118
Nov.	127	160	120	134	120	90	100	160	130	159	123
Dec.	118	142	113	126	106	82	87	158	98	144	118



# 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	Whole- sellers' volume index 1972 = 100
1973	3 442	2 215	2 164	51	2.3	35 123	110	111
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	..	..
1975*								
Jan.	3 503	2 208	2 159	49	2.2	3 029	109	111
Feb.	3 505	2 194	2 146	48	2.2	3 899	106	111
March	3 507	2 191	2 144	47	2.1	4 535	114	121
April	3 509	2 199	2 151	48	2.2	3 799	124	128
May	3 511	2 238	2 199	40	1.8	2 646	119	121
June	3 513	2 445	2 400	45	1.8	2 381	116	108
July	3 514	2 448	2 400	48	2.0	934	120	107
Aug.	3 516	2 326	2 278	48	2.1	1 026	117	115
Sept.	3 517	2 257	2 208	49	2.2	1 272	..	..
Oct.	3 519	2 258	2 206	52	2.3	1 700	..	..
Nov.	3 520	2 250	2 189	61	2.7	1 884	..	..
Dec.	3 521	2 244	2 172	72	3.2	2 028	..	..
1976*								
Jan.	3 523	2 198	2 107	91	4.1	1 684	..	..

## CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Buildings- works under con- struction
	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1973	54.96	24.68	3.82	20.66	2.81	40.20	18.81	2.91	13.63	2.82	51.42
1974	53.23	22.35	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	47.59	20.49	2.76	18.34	3.93	53.73
1974											
Oct.-Dec.	11.73	4.58	0.40	5.21	0.81	15.83	7.31	1.05	5.89	1.01	52.84
1975*											
Jan.-March	12.59	3.31	0.75	5.95	0.75	11.21	4.51	0.45	4.89	1.07	48.79
Apr.-June	15.90	7.46	1.67	5.00	0.51	10.06	4.95	0.33	3.60	0.75	54.13
July-Sept.	12.21	4.84	0.79	4.72	1.13	10.95	4.45	0.85	3.73	1.29	54.64
Oct.-Dec.	10.71	4.04	0.59	4.36	1.00	13.86	5.97	1.02	5.50	0.77	53.73

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

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

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

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

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

EDUCATION (1975): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 12 colleges of university standard.

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

## TRADE AND TRANSPORT

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

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

FOREST RESOURCES (1974): The growing stock comprised of 1 511 million m<sup>3</sup> (solid volume with bark), of which 44 % was pine and 38 % spruce, the remaining 18 % being broad-leaved trees, chiefly birch. Of the growing stock, 606 million m<sup>3</sup> was up to the standard required for logs, 59 % of these being pine. The annual growth was 56.9 million m<sup>3</sup> and the total removal, calculated on the basis of roundwood consumption, was 52.9 million m<sup>3</sup>.

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

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

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

MERCHANT FLEET (March. 31, 1976): Steamers 24 (13 300 gross reg. tons), motor vessels 358 (896 400 gross reg. tons) tankers 58 (1 125 500 gross reg. tons). Total 440 (2 035 200 gross reg. tons).

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

FINNISH AIRLINES (Feb. 10, 1976): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-8, 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 1928. 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, 1975). There are two big and five small commercial banks with in all 864 offices, 283 savings banks 384 co-operative banks, six mortgage banks, Postipankki 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 ½ %. 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 %.

# FINNISH ECONOMY IN 1975 AND THE CURRENT OUTLOOK

by Timo Hämäläinen, M.Pol.Sc.  
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and Hannele Luukkainen, M.Pol.Sc.

Economics Department  
Bank of Finland

The protracted and deep recession in Finland's main export markets resulted in a sharp contraction in exports as from the end of 1974. Indeed, the volume of merchandise exports in 1975 fell by as much as 17 per cent. Vigorous domestic demand maintained the volume of total output at the same level as in 1974, although unemployment increased quite sharply towards the end of the year, when the effects of the downswing had been felt in most sectors. The average unemployment rate was, however, only 2.2 per cent. There were some signs of a levelling-off of inflation on an overall basis, but consumer prices continued to rise rapidly. Inflation was due both to domestic cost-push factors and to the lagged effects of excess demand and foreign sector price rises in the previous year. As a consequence of the asymmetry between cyclical positions at home and abroad, the balance of payments deteriorated further and the current account deficit in 1975 was 7 900 million marks. The usual problem of different cyclical positions was exacerbated by the exceptionally weak demand for forest industry products and by the continuing domestic investment boom.

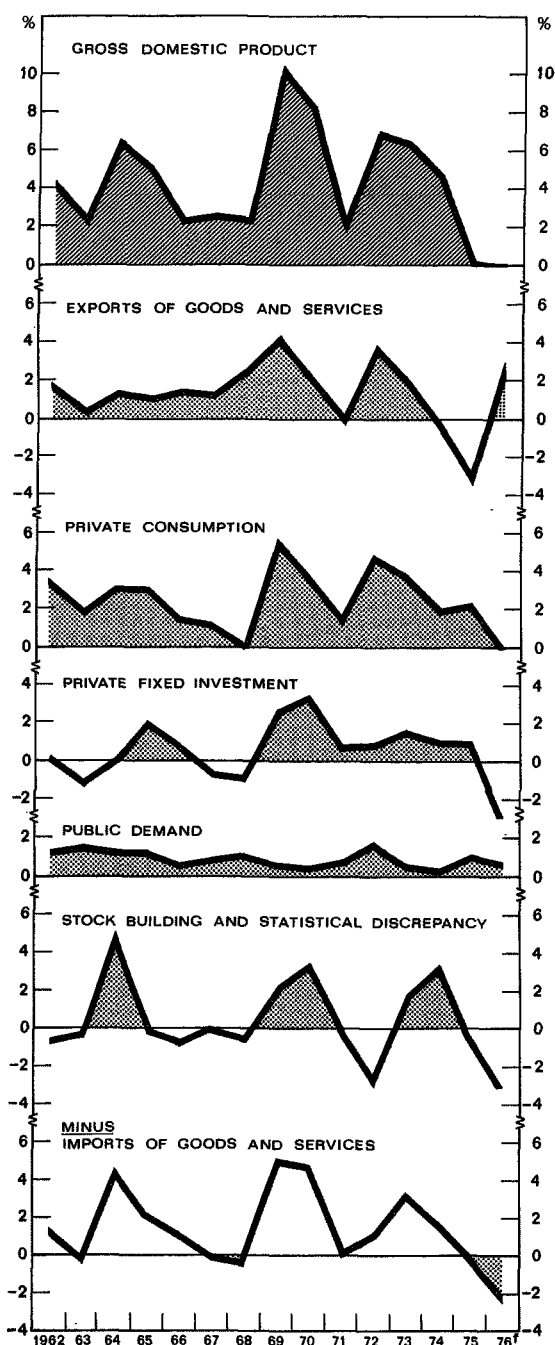
At present the short-term outlook for the Finnish economy is still rather poor. Although export demand will recover, there will be no substantial effect on production and employment until 1977. The balance of payments current account should, however, improve substantially, with the restrictive policy stance limiting the growth of domestic demand. Unemployment seems to have reached its peak during the first half of 1976, but it is estimated that it will remain relatively high. Inflation should level-off during 1976: the effect of domestic costs will

be more subdued, and the effects of international price rises are expected to be moderate.

## FOREIGN DEMAND

The full impact of the recession began to be felt in Finland almost a year later than in the major industrialized countries. However, Finnish exports then experienced a very sharp decline, chiefly because of the substantial export share of cyclically sensitive wood-based products, exports of which fell by as much as 30 per cent in 1975. This was due, to a great extent, to destocking in the market countries; it is estimated that actual consumption of paper industry products in Finland's European customer countries did not decline by more than about 10 per cent. The downswing in the building industry had already been reflected in Finnish exports of wood industry products during 1974, but these exports saw a further decline, of 25 per cent, in 1975. As a result of attempts to restore a balance in bilateral trade, exports to the Soviet Union increased substantially, particularly those of metal industry products. Exports of other industrial products, excluding textile manufactures, were sluggish. Receipts from exports of services grew only slightly; freight earnings decreased as a result of declining transport volumes; and travel earnings remained almost unchanged. Earnings from building projects in the Soviet Union increased the value of exports of other services. The volume of exports of goods and services declined by 14 per cent but, due to the higher prices of paper and metal industry products, there was no great fall in export value.

**CHART 1. CONTRIBUTION TO THE GROWTH  
OF GROSS DOMESTIC PRODUCT 1962-1975  
AND FORECAST 1976<sup>1</sup>**



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

Exports did pick up slightly during the latter half of 1975, when stocks were no longer being reduced, and a number of metal industry deliveries took place at the same time. As yet,

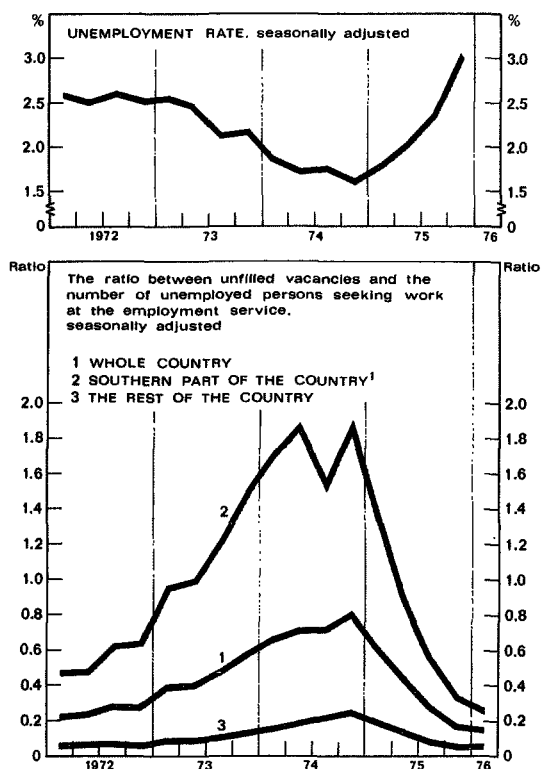
however, there have been no clear signs of any substantial improvement in exports this year. Nevertheless, export markets are expected to recover during the second half of 1976, and the volume of merchandise exports for the year as a whole is likely to increase by about 15 per cent. The average rise in export prices this year is expected to be small.

## DOMESTIC DEMAND

The capacity constraints experienced by industry during the last boom strongly encouraged efforts to increase production capacity. Investment activity in industry rose to a very high level in 1975, due to the many large projects initiated earlier. Industrial investment is calculated to have risen by nearly 8 per cent, with the emphasis on buildings. With the abolition, at the end of 1974, of the investment tax levied on lower priority building projects in southern Finland, fixed investment in the service sector, excluding housing, increased by 14 per cent. The effect of a relatively stringent monetary policy was largely offset by a high proportion of self-financing by firms, in the service sector. In spite of a falling-off in housing investment, the volume of total private investment increased by 5 per cent. Further tightening of the monetary market slowed down investment activity towards the end of the year, and the December 1975 investment inquiry by the Bank of Finland shows that a clear reduction in manufacturing investment is to be expected in 1976. In residential construction, which has been an exceptionally brisk sector for several years, the contraction in 1976 is likely to be over 10 per cent.

The real disposable income of the household sector grew by only 1 per cent in 1975. Due to the increase in the share of labour incomes, the household propensity to consume increased and the volume of private consumption expenditure grew by as much as 4 per cent, with the emphasis on imported durable goods. In October 1975 the Government therefore imposed a temporary surtax on cars. This surtax will be abolished in two phases by the

## CHART 2. LABOUR MARKET



<sup>1</sup> The Helsinki, Turku, Tampere and Kouvola administrative districts of the Ministry of Labour.

end of 1976. Because of the weak development of incomes in 1976, the volume of private consumption will remain largely the same as in 1975.

In order to reduce the pressure on the balance of payments the Government endeavoured to decelerate the growth of public sector demand. However, government investment and consumption expenditure both exceeded their target levels in 1975. The strong expansion was due, among other things, to the assimilation into the public sector of some private universities and colleges, to the re-organization of public health services, and to a rapid increase in civil service pension expenditure. As a result of further efforts to restrict the growth of state consumption expenditure, the volume increase in 1976 is projected to be below its long-term average.

## PRODUCTION AND EMPLOYMENT

As the repercussions of the contraction of output in the export sector were felt in other sectors of economy, total output fell somewhat during the latter part of 1975. For the year as a whole, however, it remained at the same level as in 1974. The general rate of capacity utilization fell to a level lower than usual for that stage of the business cycle. In many branches of manufacturing, in particular in wood-based product, further lay-offs were avoided only by accumulating stocks of finished goods. The most remarkable exception to the general downturn of manufacturing was the metal industry; due to the good stock of orders for heavy metal products, growth continued as the shortages of manpower and productive capacity disappeared. Service industries, excluding transport, did increase their output during 1975, but signs of weakening became more widespread towards the end of the year, especially in trade and in branches dependent on tourism.

The decline in production in export-oriented industries affected employment after rather a long lag. The number of unemployed persons began to rise noticeably in the last quarter of 1975, when output in construction and forestry fell sharply. Nevertheless, the average unemployment rate, 2.2 per cent, was still one of the lowest in the OECD area.

One phenomenon always connected with rising national unemployment was the high unemployment rate in eastern and northern Finland, but lay-offs in industry caused high unemployment in many urban areas in southern Finland as well. Migration between Finland and other Nordic countries, which since 1970 had been a net inflow, reversed in 1975, and net emigration was 4 400 persons.

## IMPORTS

The volume of commodity imports still grew during the first months of 1975. Later on, import growth was checked by the weakening in economic activity, by the tight general

financial situation, and by the import deposit scheme. There was, however, a slight seasonal increase in total imports at the end of the year. Vigorous domestic demand substantially increased imports of investment and consumption goods. On the other hand, a decline in exports resulted in reduced production and, hence, imports of raw materials in general were weaker. Import prices of raw materials, with the exception of crude oil, fell steadily throughout the year; prices of investment and consumer goods rose substantially. Service expenditure continued to grow, with travel expenditure accounting for the largest increase. The volume increase in imports of goods and services was very slight; the value increase was about 10 per cent.

During the first months of the current year imports have continued to decline, particularly those of raw materials and fuels. It is expected that the year's imports of raw materials will be reduced, although imports of crude oil will grow because of new refining capacity. The recent increases in world raw material prices are not expected to have much effect on import prices before the end of the year. It is estimated that imports of investment goods, will also be substantially reduced, with the exception of transport equipment.

## PRICES AND WAGES

Inflation in Finland continued to exceed the average for OECD countries, the rise in consumer prices being 18 per cent in 1975. The main direct cause of increased inflationary pressure was a combination of higher labour costs and exceptionally low increases in productivity. It can also be seen partly as a consequence of the disequilibria created in the economy by earlier excess demand and the price shocks in the foreign sector: in 1974 both import and export prices rose by roughly 40 per cent. Reduced rates of increase in the GDP deflator, in wholesale prices and in building costs all indicated a reduction in inflationary pressures towards the end of 1975.

As a result of the incomes policy negotiations that took place early in 1975, certain revisions

were made to the agreement concluded in the spring of 1974. Wages and salaries were increased by 13 per cent on average, some 3—4 percentage points more than had originally been agreed upon. Due to substantial wage drift up to the middle of 1975, plus the so-called post vacation return-to-work payments, wages and salaries increased by as much as 23 per cent between 1974 and 1975. The development of other incomes was poor, especially for forestry incomes and company profits, and net national income rose by a little less than 18 per cent, in nominal terms.

In addition to labour incomes, pensions and transfers from the public sector contributed to the rise in household disposable income. However, because there was only a small nominal rise in property incomes, households' real disposable income was only 1 per cent above the level of 1974. The main reason for the increase in the propensity to consume was this shift in the distribution of income, which is expected to continue in 1976. Due to weak development of export prices on the one hand and tight control of domestic prices on the other, the share of profits and other capital income will show a further decline.

The latest income settlement, which came into force on February 1, 1976 was aimed at restraining inflationary pressures. On the basis of this settlement, it is estimated that wages and salaries will rise by an average of 7 per cent. Taking into account wage increases granted in the course of 1975, the year-on-year rise between 1975 and 1976 will, however, be considerably higher. Wage drift, which has contributed a substantial part of nominal wage rises during the last few years, is likely to be lower in 1976.

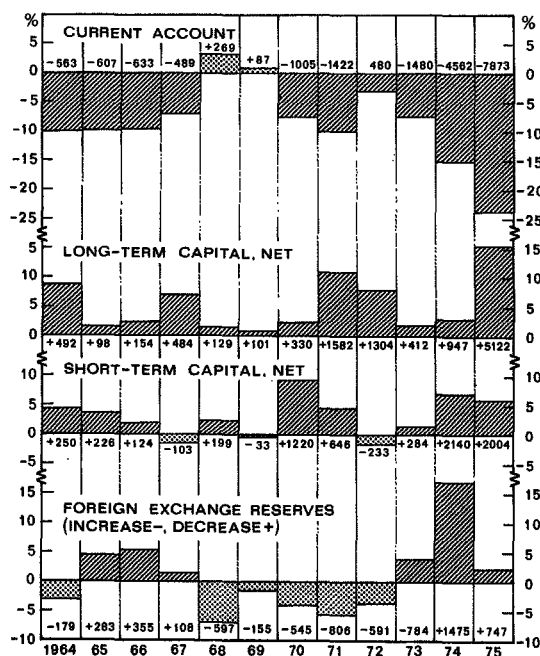
## CURRENT ACCOUNT AND EXTERNAL LIQUIDITY<sup>1</sup>

The widening of the trade account deficit from 5 000 million marks in 1974 to 7 700 million marks last year was caused by the combination

<sup>1</sup> For a more detailed analysis, see »The Balance of Payments and Foreign Exchange Policy in 1975» in the April issue of the Bulletin.



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



of a sharp fall in the volume of exports and no change in imports. The terms of trade, however, improved by eight per cent, as a result of a substantial rise in export prices of paper industry products in the first half of the year, and the levelling-off of prices of imported raw materials. The services account surplus declined slightly, primarily because of a weakening in the travel account. Since the growth in the country's foreign indebtedness caused a substantial increase in the deficit on investment income, the current account deficit exceeded that of the trade account and amounted to 7 900 million marks.

Two-thirds of the current account deficit was financed by the inflow of long-term capital. Import credits granted for purchases of ships, aircraft and other machinery covered one quarter of the gross inflow of long-term capital. Prepayments for export deliveries, plus other types of trade credit, produced an inflow of short-term capital as large as 1974's level of 2 000 million marks. The overall balance showed a deficit of almost 800 million marks. The foreign exchange reserves of the Bank of Finland grew by about 400 million marks, while

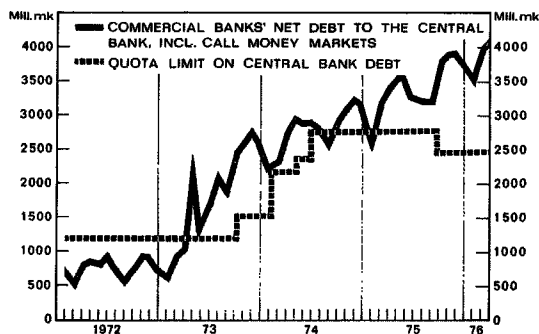
the net liabilities of other foreign exchange holders increased by about 1 200 million marks. The non-convertible foreign exchange reserves of the Bank of Finland increased by more than 700 million marks, whereas the convertible reserves declined by 300 million marks, totalling, at the end of the year, 1 410 million marks, which corresponds to about three weeks' imports in convertible currencies.

It is expected that export demand will pick up towards the end of the current year. As domestic demand will slacken at the same time, the pressure on the current account this year will be substantially reduced. Finland's external liquidity will be supported this year by the drawing of more than 500 million marks under the International Monetary Fund Oil Facility.

## MONETARY DEVELOPMENTS

The domestic financial market remained tight in 1975. The liquidity position of firms was aggravated by the collection by the Bank of Finland of 1 135 million marks in import deposits, and of some 130 million marks in capital import deposits. On the other hand, in order to keep up economic activity in export industries and in certain other key sectors, the Bank of Finland increased its direct lending by 400 million marks. Central government financial transactions eased conditions in the financial market to some extent, as the government drew upon 1 180 million marks of its short-term funds previously held dormant in the banking sector. Heavy pressure on credit finance was reflected most clearly in the commercial banking sector, which increased its net debt to the Bank of Finland by over 600 million marks. In addition, their foreign borrowing increased considerably. Commercial banks' central bank credit quotas were reduced from the beginning of October by 300 million marks to 2 500 million marks, which limit the banks exceeded throughout the year, despite the high penalty rates applied on central bank finance in excess of the quota limit. At the end of 1975 the commercial banks' net debt to the Bank of Finland, including call money market financing, amounted to 3 810 million marks.

**CHART 4. COMMERCIAL BANKS' CENTRAL BANK FINANCING**



The growth rate of credit granted to the public by the banks slowed down by 4 percentage points to 20 per cent in 1975. Bank lending was concentrated on the financing of industrial investment. The rate of growth of housing loans was substantially lower than that of bank lending as a whole.

The public's total bank deposits increased by 19 per cent, which was 2 percentage points more than in the previous year. The supply of time deposits increased by nearly 17 per cent. Precautionary motives kept up the willingness to deposit, despite the continuing inflation. Furthermore, there was an increase in the share of pre-loan saving demanded by the banks as a condition for housing loans. Towards the end of the year there were clear signs of a slackening in the growth rate of time deposits. This was mainly a result of the reduced forest income. Demand deposit development was relatively

favourable during the whole of 1975; growth in December was exceptionally fast, increasing the annual growth rate to 32 per cent.

Bank credits to the public increased by 1 300 million marks more than deposits during 1975, and this brought the gap between the stock of deposits and credit outstanding to 6 400 million marks at the end of the year. The corresponding figure for commercial banks was nearly 7 200 million marks. Due to the deterioration in the central government's financial position, Postipankki's rate of credit-granting to the public fell markedly.

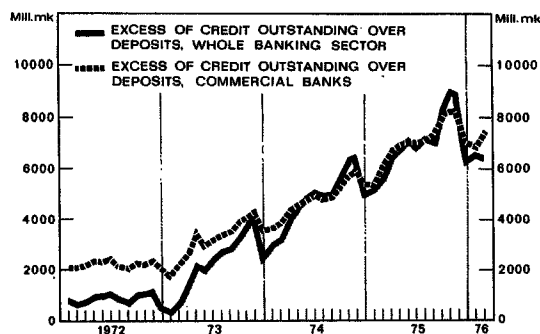
## POLICY ISSUES

As the external position deteriorated sharply during the first months of 1975, it became necessary to assume a restrictive line in economic policy, instead of the selective growth-supporting one which had been followed since the outbreak of the energy crisis. Since then, on the other hand, the rapid worsening of employment prospects towards the end of the year, coupled with continuing inflationary and balance-of-payments pressures has further aggravated the dilemma for economic policy. Although it is expected that both external and internal imbalances will be reduced in 1976, the situation will still remain very difficult.

In 1975 fiscal policy was aimed at restraining the growth of domestic demand by limiting the growth of government demand, although this still remained high. Another important target of fiscal policy was to limit inflationary pressures via income tax reliefs, the abolition of sales tax on basic foodstuffs and of excise tax on light and heavy fuel oils, and by increasing subsidies to offset production costs in agriculture.

In accordance with the incomes policy settlement of the spring of 1974, price controls were relaxed in September and again in January 1975. In connection with the measures designed to balance foreign trade the government decided, in March 1975, to extend temporarily the range of the price-fixing pro-

**CHART 5. CREDIT OUTSTANDING IN EXCESS OF DEPOSITS**



cedure. However, since a large proportion of the goods affected had formerly been in the price notification category, the change did not amount to any great tightening of price control.

In connection with the latest income settlement, the Government decided upon a five-month price freeze, beginning on February 1, 1976, for both domestic and imported goods, although price rises on the basis of the agricultural price agreement are permitted during the freeze. The price freeze will be followed by a further period of tight price control. The aim of these measures is to reinforce the already existing reduction in inflationary pressures.

The weak cyclical position has led to increased support to employment via fiscal policy. Although the number of people employed directly in public works is estimated to be only slightly larger than in 1975, the measures taken to promote employment have been concentrated on job-creation in the private sector. In order to ease the difficult liquidity position of state finances the Government decided in April 1976 to seek a reduction of some 600 million marks in already-budgeted expenditure. Savings will be made both in government consumption expenditure and in transfer payments.

The rapid weakening of the current account in early 1975 necessitated urgent measures to restrain the growth of imports. In March the Government introduced a temporary import deposit scheme, the purpose of which was to curb imports by tightening the financial market through the collection of import deposits. About half of Finnish imports were made

subject to the six-month deposit requirement, and the average amount to be deposited with the Bank of Finland was 20 per cent of the c.i.f. price.

Economic policy targets called for a tight overall monetary policy. Accordingly the regulations concerning the commercial banks' access to central bank financing were twice made more restrictive during the year. Firstly, in March the commercial banks' right to exceed their central bank credit quotas by more than 50 per cent was abolished, and any excess was made subject to negotiations with the Bank of Finland. Secondly, the quotas themselves were reduced by 300 million marks, to 2 500 million marks, at the beginning of November. In September, the Bank of Finland opened call-money markets in order to facilitate short-term financing between banking groups. Throughout the year, the Bank of Finland, in its directions to the banks, emphasized the importance of selectivity in credit granting. Towards the end of the year the Bank of Finland's attitude towards capital imports became more restrictive as well.

Because of the still high current account deficit, and the rate of price inflation there is unlikely to be any room for a relaxation of monetary policy in 1976. For the same reason, the Government decided in February to delay the abolition of the import deposit scheme from March 1976 until the end of the year. For this extension period, some deposit rates have already been reduced, and a timetable has been announced for further reductions.



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# BANK OF FINLAND

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## Board of Management

Mauno Koivisto

*Governor*

A. Simonen

*Deputy Governor*

Ahti Karjalainen

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

---

## Directors

Markku Puntila

Jorma Aranko

Jouko J. Voutilainen

Seppo Lindblom

Eino Helenius

Pentti Koivikko

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## Senior officials

Pertti Kukkonen

*Director, ADP-planning*

Reino Airikkala

*Monetary Policy*

Antti Lehtinen

*Domestic Financial  
Operations*

Kari Pekonen

*Foreign Exchange Policy*

Raine Panula

*Foreign Exchange*

Raili Nuortila

*Eastern Trade*

Kalle Koski

*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*

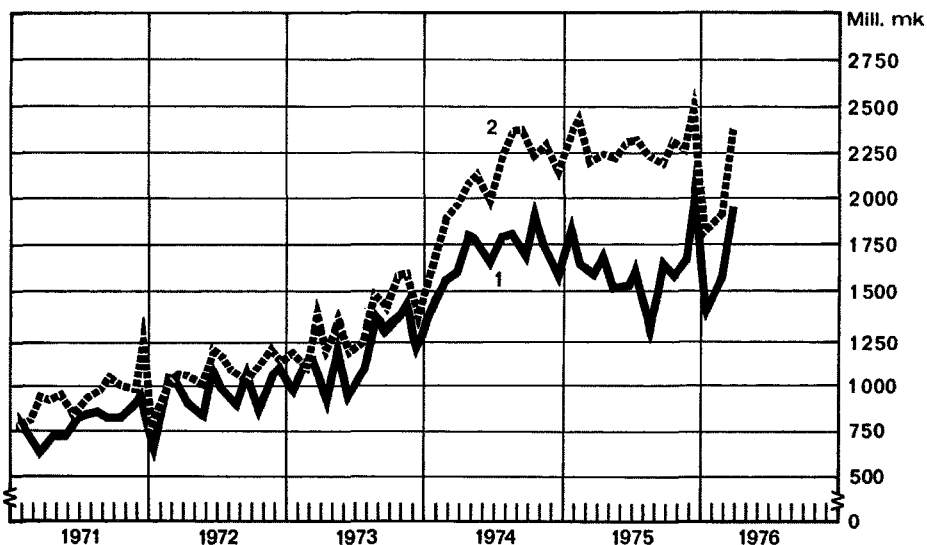
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# FOREIGN TRADE, 1971-1976

1. Exports f.o.b.

2. Imports c.i.f.

Seasonally adjusted monthly figures

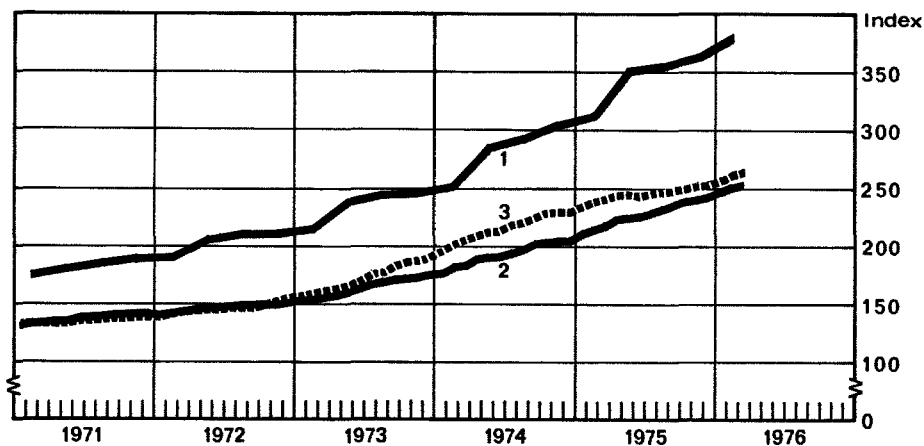


# PRICES AND WAGES, 1971-1976

1. Index of salary and wage earnings 1964 = 100, quarterly

2. Cost of living index 1964 = 100, monthly

3. Wholesale price index 1964 = 100, monthly



# PRODUCTION, 1971-1976

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

