



BANK OF FINLAND

Monthly Bulletin

Monetary policy in 1971

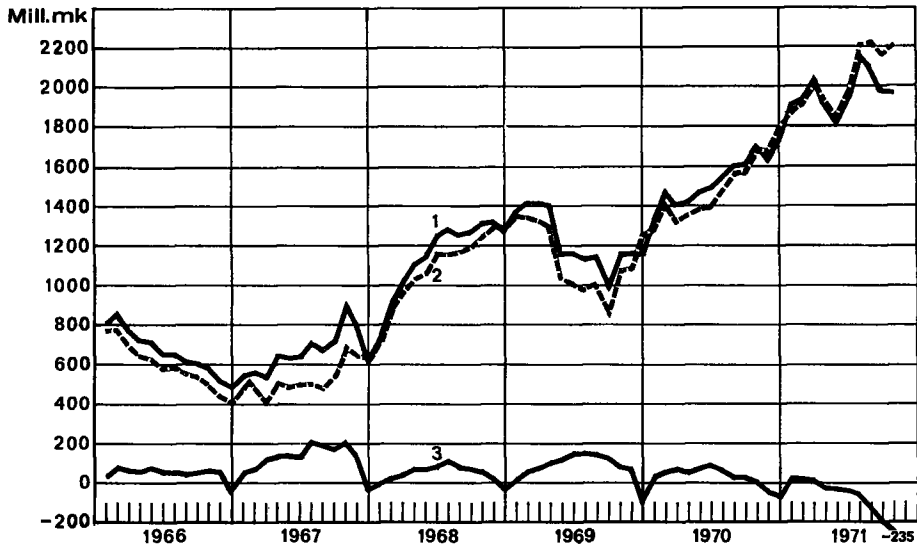
Finnish mortgage credit institutions

Investment capital flows in January—
September 1971

DECEMBER 1971

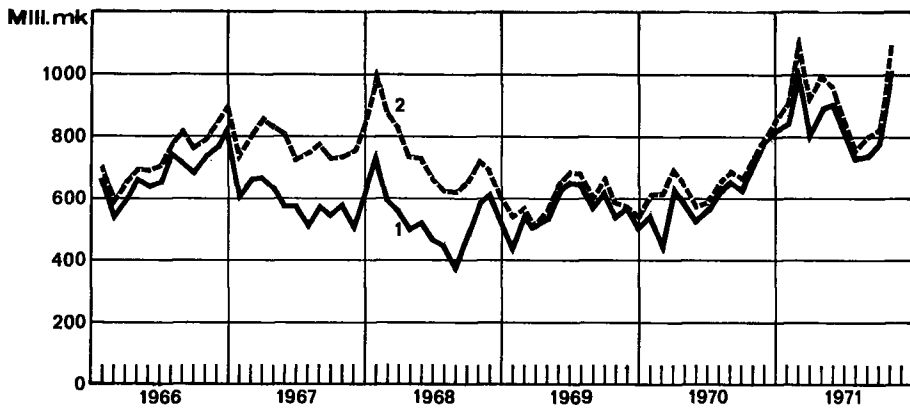
Vol. 45 No. 12

Bank of Finland foreign exchange reserve, 1966-1971



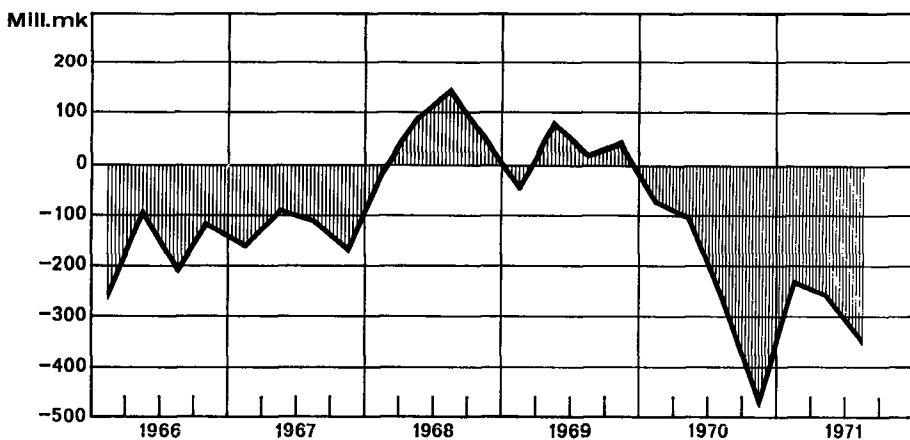
- 1. Total gold and foreign exchange
- 2. Gold and convertible currencies
- 3. Other currencies

Bank of Finland's position in regard to the banks, 1966-1971



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

Balance of payments current account surplus/deficit, 1966-1971



Seasonally adjusted quarterly figures

BANK OF FINLAND MONTHLY BULLETIN
INDEX TO VOL. 45, 1971
ARTICLES AND ITEMS

- No. 1** **On the occasion of the closing of the 1970 accounts**
The Finnish commercial banks by Kimmo Kara and Rolf Kullberg
Supplementary budgets
Revised regulations for the Bank of Finland
- No. 2** **Incomes policy in Finland for January 1, 1971—March 31, 1972**
Finland's foreign trade and structural changes in manufacturing in the 1960's by Keijo Rääkkönen
Foreign investment in 1970
Trade agreements
Suomen Vientiluotto Oy
Domestic bond issues
- No. 3** **Monetary policy in 1970**
The Finnish savings banks by Unto Luukko
Finland's balance of payments in 1970
World Bank's third highway loan to Finland
Mortgage Bank of Finland Oy raises US \$ 15 million in Western Europe
Trade agreement
Board of Management of the Bank of Finland
- No. 4** **Employment situation**
The Finnish economy in 1970 by Jouko Varjonen
Reconstructed Cabinet
Supplementary budget
Domestic bond issues
- No. 5** **Finland's foreign trade in 1970**
The Finnish co-operative banks by Matti Paavonsalo and Lauri Jalli
The Bank's new director
Imatran Voima Osakeyhtiö
Domestic bond issues
- No. 6** **Economic, technical and industrial co-operation between Finland and the Soviet Union**
Public finance in 1970 by Antero Arimo
Finland's balance of payments in January—March 1971
- No. 7** **Recent stabilization measures**
Finland's balance of payments in 1970 by Esko Aurikko
Supplementary budget
Finnish municipal loan of 1971
Domestic bond issue
Trade agreement
Silver commemorative coin
- No. 8** **Regional Development Fund**
Postipankki (Post Office Bank) in Finland by Matti Korhonen
- No. 9** **Private consumption**
Industrial policy in Finland by Pentti Viita
Finland's balance of payments, January—June 1971
The Loviisa nuclear power stations
- No. 10** **Recent developments in Finnish wholesale and retail trade**
The Finnish insurance companies by Matti L. Aho and Yrjö Niskanen
National income
Investment capital flows in January—June 1971
Mortgage Bank of Finland Oy
- No. 11** **The budget proposal 1972**
Outlook for the future in Finnish local government finances by Bertil Roslin
New Cabinet
Recent trade agreements
Inflow of long-term capital in January—September 1971
Pekema Oy
Domestic bond issues
Publications of the Bank of Finland
- No. 12** **Monetary policy in 1971**
Finnish mortgage credit institutions by Raimo Ilaskivi
Investment capital flows in January—September 1971

MONETARY POLICY IN 1971

By the beginning of 1971 it had become rather evident that the very strong economic upswing which had lasted for three years was rapidly weakening. In spite of the monetary and other economic policies pursued in 1969 and 1970 in order to check the upswing, the economy had become overheated. This showed itself in the full utilization of productive capacity and the decline in the unemployment rate to a seasonally adjusted level of 1 ½ per cent at the end of 1970, which can be regarded as very low in view of structural and frictional unemployment. Greatest concern was, however, caused by the sharp weakening in the balance of payments on current account in 1970. This was caused not only by the continuation of the upward trend in the Finnish economy, but also by the slackening of the growth of exports as a result of international cyclical developments. Moreover, there were substantial cost pressures in the economy, although the rise in prices had been curbed by price control.

The continuously deteriorating balance of payments was one of the most important reasons for the general increase in interest rates in May 1971. At the same time fiscal measures were taken to improve the balance of payments. Another reason for the increase in the level of interest rates was the desire to maintain the prevailing real interest rate level in order to bolster saving, which was essential for the development of the balance of current transactions. This measure was also aimed at decreasing profitability of capital-intensive investments and increasing that of labour-intensive projects. Lending and deposit rates of interest were raised by one percentage unit; for deposits this increase took effect at the beginning of June and for loans as soon as the banks' lending terms allowed. The rate which banks were charged on credit from the central bank

was raised from 7 per cent to 8 ½ per cent at the beginning of June.

At the same time as the interest rate level was increased the banks were advised to limit their personal lending, excluding that for the acquisition of real estate, or for housing or study purposes. The total of personal credits with the exception of these three groups was limited to 95 per cent by the end of September and to 85 per cent by the end of December of the level prevailing at the end of 1970.

At the same time the Bank began negotiations with the banks and other credit institutions in order to intensify interest rate differentiation in commercial banks and to start its application on loans granted by other credit institutions. As a result, agreement was reached on a general outline in June according to which the highest interest rate will be charged on credits granted for consumption and the import of consumer goods and the lowest rate on those for export and import-substituting production. The new interest rate differentiation was to be applied only on new and re-newed credits, and the existing credits were only affected by the general one percentage unit rise in the interest rates.

In May the Government announced that it would release the counter-cyclical funds of the private sector, mainly in 1972. Towards the end of August the Government made the final decision to release the counter-cyclical and investment deposits, totalling 330 million marks, which had accumulated at the Bank of Finland by the beginning of 1971 on the basis of the agreement concluded between the Government and the central organizations representing various industries in 1969. According to this decision the use of investment funds was permitted in certain cases from the

beginning of September 1971, and they are to be used between the beginning of 1972 and the end of the first quarter of 1973. Counter-cyclical deposits may be drawn in four lots between the beginning of October 1971 and the end of September 1972. This measure was intended to stimulate investment activity and thus to help mitigate impending unemployment problems.

To complete and support the Government's measures for stimulating investment activity the Bank of Finland decided to raise the commercial banks' credit quotas from 898 million marks to 1 224 million marks from the beginning of October 1971. The purpose of this measure was to improve the banks' ability to finance investments during the last quarter. Account was also taken of the fact that the need for credit increases due to seasonal reasons in many fields, e.g. corn trade and residential building towards the end of the year. Despite the increase in the banks' credit quotas, the restrictions imposed on personal credits in

May were maintained. This was intended to prevent the expansion of consumer credits as a result of improved credit facilities and to channel finance to investments.

There is rather great uncertainty in future developments affecting monetary policy. The international cyclical developments are exceptionally difficult to prognosticate. The resignation of the Government and the resulting dissolution of Parliament, which will be followed by parliamentary elections in January 1972, have left the decisions about future fiscal policy partly open. The incomes policy agreements now in force will expire at the end of March, and the future line in incomes policy will have a decisive impact on the monetary policy which will be followed. All these factors also affect the balance of payments which in turn sets limits on how active monetary policy can be for supporting demand during the period of slower growth.

November 19, 1971

BANK OF FINLAND

Mill. mk

	1970		1971			
	Nov. 30	Dec. 31	Nov. 8	Nov. 15	Nov. 23	Nov. 30
Assets						
Gold and other foreign assets	1 847	1 965	2 437	2 466	2 484	2 502
Gold	190	121	205	205	205	205
Special drawing rights	98	98	197	197	197	197
IMF gold tranche	199	281	268	268	268	268
Foreign exchange	1 250	1 344	1 634	1 663	1 680	1 694
Foreign bills	80	85	94	94	95	99
Foreign bonds	30	36	39	39	39	39
Claims on domestic banks	872	839	1 105	1 114	1 138	1 129
Discounted bills	818	827	1 087	1 091	1 134	1 109
Rediscounted bills	8	9	1	1	1	1
Cheque accounts	46	3	17	22	3	19
Other lending	263	283	352	352	348	344
Inland bills discounted						
In foreign currency	—	—	—	—	—	—
In Finnish marks	134	137	162	161	155	152
Loans	129	146	190	191	193	192
Other assets	787	689	717	728	724	714
Finnish bonds	415	64	155	166	162	153
Finnish coin	13	8	18	18	18	17
Currency subscription to Finland's quota in the IMF	326	518	530	530	530	530
Other claims	33	99	14	14	14	14
Total	3 769	3 776	4 611	4 660	4 694	4 689
Liabilities						
Notes in circulation	1 279	1 344	1 328	1 333	1 326	1 396
Liabilities payable on demand	204	126	459	502	543	477
Foreign exchange accounts	74	94	226	246	236	233
Mark accounts of holders abroad	11	12	27	27	29	28
Cheque accounts						
Treasury	61	2	25	35	31	39
Post Office Bank	45	4	166	179	232	162
Private banks	—	1	—	—	—	—
Other	2	3	4	3	3	3
Other sight liabilities	11	10	11	12	12	12
Term liabilities	799	633	1 023	1 020	1 014	1 004
Foreign	—	—	—	—	—	—
Domestic	799	633	1 023	1 020	1 014	1 004
IMF mark accounts	325	518	530	530	530	530
Allocations of special drawing rights	88	88	173	173	173	173
Equalization accounts	514	404	405	406	409	407
Bank's own funds	560	663	693	696	699	702
Capital	300	600	600	600	600	600
Reserve fund	200	0	32	32	32	32
Profits undisposed	—	—	—	—	—	—
Earnings less expenses (Dec. 31, Net profit)	60	63	61	64	67	70
Total	3 769	3 776	4 611	4 660	4 694	4 689

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
1964	974	85	889	76	83	882	9	5	4
1965	861	45	816	84	57	843	— 1	1	— 2
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
1970									
Aug.	1 685	78	1 607	440	331	1 716	—149	1	—150
Sept.	1 696	78	1 618	448	336	1 730	—147	3	—150
Oct.	1 788	74	1 714	431	326	1 819	—141	70	—211
Nov.	1 737	85	1 652	436	326	1 762	—137	62	—199
Dec.	1 844	106	1 738	639	518	1 859	—118	2	—120
1971									
Jan.	1 992	76	1 916	635	518	2 033	—118	2	—120
Feb.	2 024	77	1 947	631	518	2 060	—115	3	—118
March	2 137	86	2 051	642	518	2 175	—115	14	—129
April	2 010	87	1 923	647	526	2 044	—115	2	—117
May	1 888	56	1 832	650	526	1 956	—108	1	—109
June	2 011	59	1 952	653	526	2 079	—107	23	—130
July	2 246	81	2 165	658	530	2 293	—100	43	—143
Aug.	2 250	142	2 108	652	530	2 230	— 98	14	—112
Sept.	2 180	192	1 988	661	530	2 119	— 96	0	— 96
Oct.	2 227	246	1 981	664	530	2 115	— 92	22	—114
Nov.	2 364	261	2 103	668	530	2 241	— 90	39	—129

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1970			Net holdings, Oct. 31, 1971			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Oct.	Jan.—Oct.
Gold	121	—	121	205	—	205	—	+84
Special drawing rights	98	—	98	197	—	197	—	+99
IMF gold tranche	280	—	280	268	—	268	—	—12
Convertible currencies	1 302	—103	1 199	1 546	122	1 668	+25	+469
Other currencies	—63	—8	—71	—235	— 8	—243	—61	—172
Total	1 738	—111	1 627	1 981	114	2 095	—36	+468

End of year and month	Domestic banks						Other				Notes in circulation
	Dis-counted bills	Redis-counted bills	Cheque accounts ¹	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 ²	Post Office Bank ²						
1	2	3	4	5	6	7	8	9	10	11	
1964	—	448	—	16	50	382	78	92	2	168	1 003
1965	—	641	—	12	8	621	76	72	32	116	1 029
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
1970											
Aug.	664	12	28	—	1	703	162	161	553	-230	1 238
Sept.	687	8	23	—	3	715	147	162	551	-242	1 226
Oct.	737	8	13	—	3	755	150	156	663	-357	1 263
Nov.	818	8	46	—	45	827	134	161	674	-379	1 279
Dec.	827	9	3	1	4	834	137	246	528	-145	1 344
1971											
Jan.	731	2	3	—	3	733	123	248	668	-297	1 255
Feb.	848	7	1	—	2	854	101	224	720	-395	1 280
March	785	1	6	—	18	774	95	203	732	-434	1 204
April	856	1	7	—	0	864	93	155	662	-414	1 259
May	893	1	4	—	0	898	164	155	597	-278	1 360
June	877	1	16	—	44	850	209	164	760	-387	1 355
July	821	1	7	—	62	767	221	186	870	-463	1 341
Aug	785	—	15	—	11	789	214	185	912	-513	1 307
Sept.	866	1	15	—	0	882	180	208	918	-530	1 322
Oct.	1 097	1	5	—	79	1 024	188	207	950	-555	1 373
Nov.	1 109	1	19	—	162	967	152	206	929	-571	1 396

¹ Including special index accounts.

² Including cash reserve accounts.

SELLING RATES FOR FOREIGN EXCHANGE¹

Mk

November 11, 1971

New York	1 \$	4.162	Frankfurt o. M.	100 DM	125.89	Vienna	100 S	17.32
Montreal	1 \$	4.150	Amsterdam	100 Fl	125.85	Lisbon	100 Esc	15.30
London	1 £	10.380	Brussels	100 Fr	9.010	Reykjavik	100 Kr	4.77
Stockholm	100 Kr	82.90	Zurich	100 Fr	105.35	Madrid	100 Pta	6.08
Oslo	100 Kr	60.95	Paris ²	100 FF		Moscow ³	1 Rbl	4.6799
Copenhagen	100 Kr	57.70	Rome	100 Lit	0.6820	Clearing dollars ⁴	1 Cl \$	4.212

¹ Rates for New York, Moscow and Clearing dollars are official, others unofficial.

² 75.50 commercial rate; 76.90 financial rate.

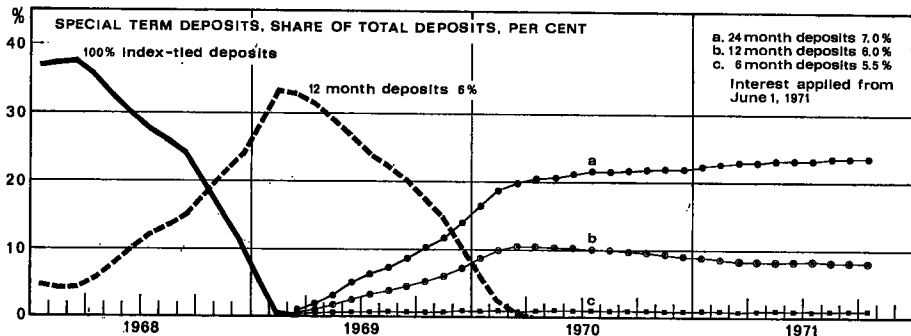
³ Clearing account; also Bucharest.

⁴ Berlin, Budapest, Sofia.

DEPOSITS BY THE PUBLIC

Mill. mk

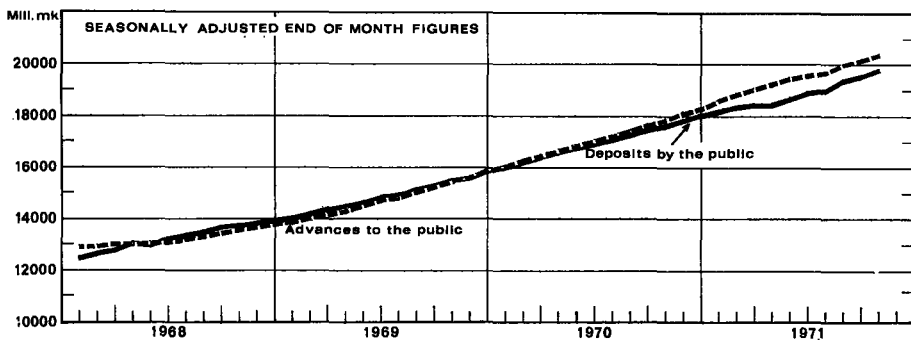
End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commercial banks	Savings banks	Co-op. banks	Post Office Bank	Co-op. stores	All credit institutions	
	Commercial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1963	729.1	876.0	250.3	2 451.6	2 336.6	1 437.5	648.5	310.7	7 185.0	8 311.3
1964	697.2	855.4	296.5	2 834.0	2 614.7	1 664.1	713.8	331.4	8 158.2	9 310.1
1965	676.9	843.7	309.4	3 182.6	2 954.4	1 931.0	773.2	357.2	9 198.6	10 351.7
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
1970										
Oct.	1 047.8	1 351.0	499.2	5 714.9	4 656.9	3 319.3	1 221.3	557.6	15 470.0	17 320.2
Nov.	1 101.0	1 396.0	554.3	5 777.4	4 703.7	3 372.4	1 230.5	559.2	15 643.2	17 593.5
Dec.	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*										
Jan.	1 132.8	1 437.1	656.8	6 139.7	4 903.3	3 514.1	1 309.2	580.7	16 447.0	18 540.9
Feb.	1 060.3	1 356.5	704.4	6 205.8	4 964.7	3 585.4	1 329.3	591.1	16 676.3	18 737.2
March	1 152.7	1 465.9	603.1	6 188.8	4 979.8	3 591.7	1 340.9	593.5	16 694.7	18 763.7
April	1 096.9	1 397.0	570.7	6 215.1	4 986.3	3 611.2	1 343.2	594.6	16 750.4	18 718.1
May	1 227.5	1 540.2	616.6	6 226.3	4 994.8	3 608.6	1 330.7	591.7	16 752.1	18 908.9
June	1 244.2	1 583.8	626.2	6 243.7	4 983.9	3 575.0	1 338.8	589.0	16 730.4	18 940.4
July	1 119.7	1 426.6	555.4	6 277.7	5 015.8	3 593.7	1 324.8	588.8	16 818.8	18 800.8
Aug.	1 201.2	1 542.6	610.4	6 284.1	5 061.4	3 626.3	1 359.5	590.2	16 921.5	19 074.5
Sept.	1 195.8	1 553.2	637.4	6 361.7	5 119.9	3 676.7	1 371.0	608.3	17 137.6	19 328.2
Oct.	1 175.9	1 514.0	612.2	6 425.4	5 177.3	3 720.5	1 390.6	617.8	17 331.6	19 457.8



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Post Office Bank	Co-op. banks	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1963	3 621.3	2 134.5	544.0	1 608.9	664.3	8 226.2	346.8	8 573.0	1 986.5
1964	4 153.2	2 318.0	607.7	1 820.7	829.4	9 320.5	408.5	9 729.0	2 042.5
1965	4 597.4	2 609.2	716.5	2 030.6	899.4	10 439.6	413.5	10 853.1	2 085.0
1966	5 205.4	2 951.4	783.9	2 261.0	908.8	11 630.7	479.8	12 110.5	2 221.7
1967	5 558.9	3 247.7	869.0	2 424.3	1 026.9	12 598.9	527.9	13 126.8	2 183.1
1968	5 865.5	3 448.4	940.3	2 600.5	1 053.0	13 419.5	488.2	13 907.7	2 668.7
1969	6 892.2	3 802.8	1 049.1	2 922.1	1 290.4	15 375.0	581.6	15 956.6	3 138.1
1970	7 963.5	4 342.1	1 244.9	3 403.8	1 454.0	17 749.4	658.9	18 408.3	3 959.6
1970									
Oct.	7 867.8	4 263.9	1 199.6	3 307.6	1 380.8	17 286.0	733.7	18 019.7	3 698.8
Nov.	7 929.1	4 321.3	1 225.6	3 366.9	1 431.2	17 556.6	717.5	18 274.1	3 829.1
Dec.	7 963.5	4 342.1	1 244.9	3 403.8	1 454.0	17 749.4	658.9	18 408.3	3 959.6
1971									
Jan.	8 084.6	4 379.9	1 276.7	3 438.5	1 452.9	17 954.7	677.9	18 632.6	3 939.8
Feb.	8 153.9	4 417.3	1 288.6	3 472.1	1 516.8	18 139.5	709.2	18 848.7	4 016.6
March	8 247.5	4 445.0	1 301.1	3 506.6	1 530.0	18 309.0	721.2	19 030.2	3 935.9
April	8 373.9	4 486.8	1 324.0	3 533.8	1 536.2	18 497.8	756.9	19 254.7	3 816.9
May	8 429.1	4 547.2	1 340.0	3 570.6	1 589.4	18 732.4	743.9	19 476.3	4 048.6
June	8 452.4	4 544.1	1 351.8	3 574.2	1 640.2	18 838.0	724.7	19 562.7	4 167.9
July	8 477.7	4 569.8	1 374.7	3 608.1	1 658.7	18 963.5	725.5	19 689.0	4 153.1
Aug.	8 539.0	4 604.7	1 411.0	3 631.4	1 660.1	19 120.4	725.8	19 846.2	4 280.3
Sept.	8 811.6	4 655.6	1 423.3	3 686.1	1 657.0	19 475.0	758.6	20 233.6	4 315.8
Oct.	8 956.0	4 712.2	1 452.2	3 739.1	1 662.5	19 770.7	751.3	20 522.0	4 429.1



STATE FINANCES

Mill. mk

Revenue	Jan.—Sept.		Expenditure	Jan.—Sept.	
	1970	1971		1970	1971
Income and property tax (net)	2 280	2 672	Wages, salaries, pensions etc.	1 336	1 509
Gross receipts	(5 235)	(6 032)	Repair and maintenance	205	237
Refunds & local authorities	(—2 955)	(—3 360)	Other consumption expenditure	544	659
Other taxes on income and property	44	59	Total consumption expenditure	2 085	2 405
Employers' child allowance payments	486	309	State aid to local authorities	1 142	1 250
Sales tax	1 974	2 314	State aid to industries	1 025	995
Revenue from Alcohol Monopoly	478	578	of which: agric. price subsidies	(757)	(734)
Customs duties & import charges	337	298	Child allowances	232	260
Counter-cyclical tax	—	84	Share in national pensions and health insurance	308	138
Excise duty on tobacco	315	330	Other transfer expenditure	779	883
» » on liquid fuel	464	541	Total transfer expenditure	3 486	3 526
Other excise duties	207	231	Machinery and equipment	232	247
Tax on autom. and motor cycles	246	242	House construction	194	159
Stamp duties	166	170	Land and waterway construction	477	503
Special diesel etc. vehicles tax	36	41	Total real investment	903	909
Other taxes and similar revenue ¹	108	134	Interest on State debt	178	175
Total taxes	7 141	8 003	Index compensations	24	22
Miscellaneous revenue	366	460	Net deficit of State enterprises	42	120
Interest, dividends etc.	140	175	Other expenditure	5	6
Sales and depreciation of property	59	66	Total other expenditure	249	323
Redemptions of loans granted	126	169	Increase in inventories	15	44
Total revenue	7 832	8 873	Lending	485	562
Foreign borrowing	1	7	Other financial investment	201	333
Domestic borrowing	366	325	Total expenditure	7 424	8 102
Total borrowing	367	332	Redemption of foreign loans	101	96
Deficit (+) or surplus (—)	—289	—739	Redemption of domestic loans	385	268
			Total redemptions	486	364
			Total	7 910	8 466
			Total	7 910	8 466

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

State debt	1968	1969	1970	1971			
	Dec.	Dec.	Dec.	July	Aug.	Sept.	Oct.
Foreign debt	2 074	1 656	1 557	1 527	1 533	1 532	1 515
Loans	2 160	2 316	2 437	2 491	2 494	2 487	2 458
Compensatory obligations	5	4	3	2	2	2	2
Short-term credit	320	158	46	49	50	70	68
Cash debt (net)	— 256	— 217	—284	—571	—586	—605	..
Domestic debt	2 229	2 261	2 202	1 971	1 960	1 954	..
Total State debt	4 303	3 917	3 759	3 498	3 493	3 486	..
Total debt, mill. \$	1 028	933	900	836	837	833	..

FOREIGN TRADE

Mill. mk

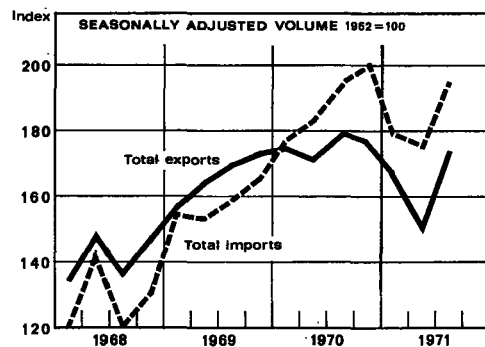
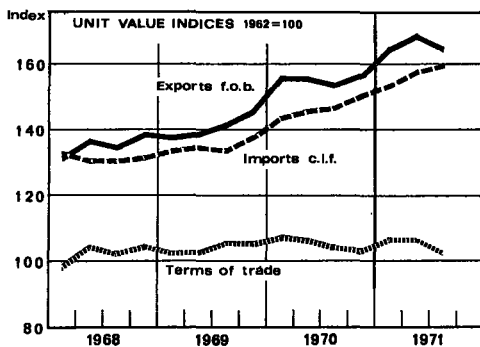
Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1966	4 816.9	5 524.4	-707.5
1967	5 231.2	5 794.4	-563.2
1968	6 874.2	6 710.9	+163.3
1969	8 344.7	8 504.8	-160.1
1970	9 686.7	11 071.4	-1 384.7
1970			
Nov.	849.7	991.5	-141.8
Dec.	914.4	1 412.0	-497.6
1971*			
Jan.	867.9	878.7	- 10.8
Feb.	655.7	735.6	- 79.9
March	656.5	914.3	-257.8
April	693.8	954.0	-260.2
May	778.6	1 015.8	-237.2
June	830.6	800.9	+ 29.7
July	847.3	864.3	- 17.0
Aug.	809.6	874.2	- 64.6
Sept.	858.1	1 108.6	-250.5
Jan.-Sept.			
1970	7 010.6	7 703.1	- 692.5
1971*	6 998.1	8 146.4	-1 148.3

Indices of exports and imports 1962 = 100

Period	Indices of exports and imports 1962 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1966	122	135	112	104	108
1967	129	135	115	110	105
1968	143	129	136	132	103
1969	167	160	141	135	104
1970	176	192	156	147	106
1969					
Jan.-Mar.	140	147	138	134	103
Apr.-June	164	151	139	135	103
July-Sept.	174	153	142	134	106
Oct.-Dec.	190	187	146	138	106
1970					
Jan.-Mar.	152	162	156	144	108
Apr.-June	178	189	156	146	107
July-Sept.	182	186	154	147	105
Oct.-Dec.	193	228	157	151	104
1971 ¹					
Jan.-Mar.	149	167	165	154	107
Apr.-June	154	179	169	158	107
July-Sept.	173	182	165	160	103

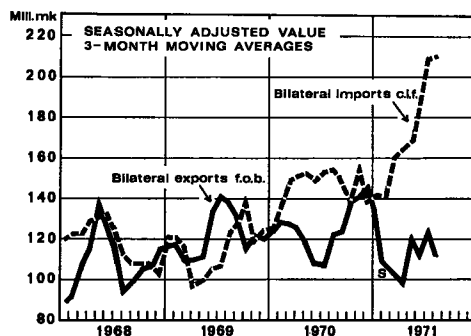
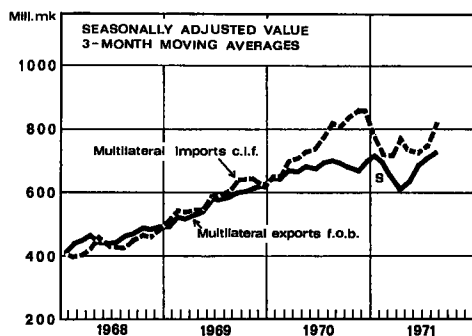
¹ The 1971 figures have been calculated by converting the final 1970 Fisher index with the percentage change in the 1971-1970 Laspeyres index.



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f. o. b.						Imports, c. i. f.			
	Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods	
									Investment goods	Consumer goods
1966	264.0	59.0	863.5	2 297.0	877.2	456.2	2 450.5	589.8	1 448.5	1 035.6
1967	261.4	54.3	865.7	2 384.5	1 080.6	584.7	2 545.9	668.2	1 462.8	1 117.5
1968	327.1	55.5	1 157.7	2 994.0	1 566.4	773.5	3 023.1	874.0	1 524.2	1 289.6
1969	360.2	71.9	1 400.4	3 373.9	2 011.8	1 126.5	3 692.9	948.6	2 229.4	1 633.9
1970	426.3	88.0	1 544.0	3 789.4	2 437.2	1 401.8	4 918.2	1 243.4	2 905.5	2 004.3
1970										
Oct.	24.6	11.0	161.5	340.6	230.9	143.4	419.4	117.2	245.6	182.6
Nov.	29.6	6.6	145.7	312.1	234.4	121.3	421.4	134.2	265.6	170.3
Dec.	52.3	7.2	153.6	326.2	262.3	112.8	617.7	136.6	458.6	199.1
1971*										
Jan.	57.9	4.3	115.2	305.1	276.9	108.5	368.9	96.5	258.7	154.6
Feb.	29.0	1.2	82.8	303.7	125.8	113.2	288.6	79.7	221.8	145.5
March	55.2	2.6	92.7	308.5	62.5	135.0	344.2	77.6	301.6	190.9
April	27.1	2.6	116.4	296.6	132.5	118.6	361.2	82.8	315.8	194.2
May	64.1	12.1	133.3	294.6	163.8	110.7	351.4	155.3	352.8	156.3
June	28.3	13.7	155.1	298.3	208.0	127.2	314.7	121.5	220.8	143.9
July	33.0	9.0	159.9	287.8	272.7	84.9	357.5	132.8	223.6	150.4
Aug.	37.9	13.7	148.5	287.5	187.6	134.4	345.3	164.7	213.6	150.6
Sept.	47.5	7.4	149.2	305.6	187.5	160.9	460.0	163.8	277.8	207.0
Jan.-Aug.										
1970	319.8	63.2	1 083.2	2 810.5	1 709.6	1 024.3	3 459.7	855.4	1 935.7	1 452.3
1971*	380.0	66.6	1 153.1	2 687.7	1 617.3	1 093.4	3 191.8	1 074.7	2 386.5	1 493.4



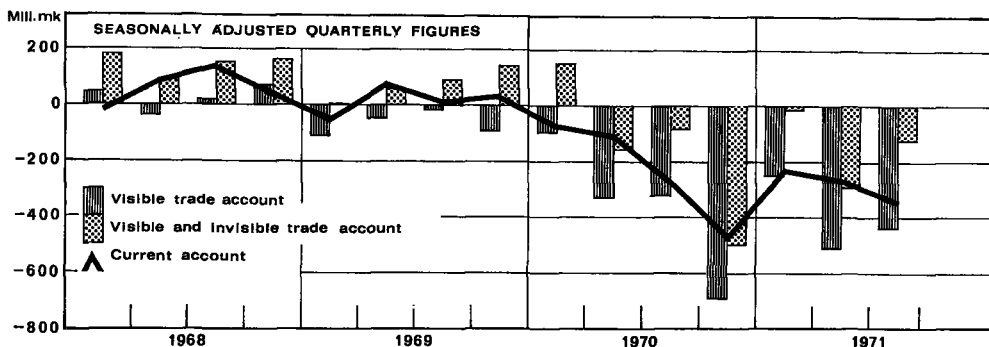
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—September				January—September			
	1970		1971		1970		1971	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	70.9	4 972.2	72.3	5 062.6	73.5	5 663.5	72.9	5 938.8
Austria	0.8	58.1	1.0	68.3	1.3	104.7	1.5	122.0
Belgium-Luxembourg	2.0	141.9	1.8	123.1	2.1	160.2	1.6	131.7
Denmark	4.1	288.4	3.9	276.8	3.2	249.3	3.3	267.7
France	3.8	269.1	3.9	270.6	3.5	274.3	3.2	262.1
Federal Republic of Germany	10.9	766.2	10.5	736.2	17.2	1 321.9	16.5	1 345.1
Italy	2.4	168.4	2.1	149.1	2.0	154.5	2.0	166.2
Netherlands	4.7	325.8	4.4	309.3	3.6	276.5	3.5	286.2
Norway	3.1	218.0	4.1	286.6	2.4	182.7	2.5	205.3
Portugal	0.4	26.0	0.2	16.8	0.8	59.2	0.6	46.4
Spain	1.1	73.0	0.9	64.5	0.3	22.7	0.7	59.0
Sweden	16.3	1 141.0	16.0	1 117.9	17.7	1 361.0	18.1	1 476.1
Switzerland	1.8	126.5	2.1	146.1	3.4	265.0	3.7	298.0
United Kingdom	17.7	1 241.2	19.3	1 347.4	15.7	1 210.1	15.4	1 253.1
Other	1.8	128.6	2.1	149.9	0.3	21.4	0.3	19.9
OECD countries outside Europe	6.0	421.3	6.2	436.0	5.9	450.6	6.8	554.2
Canada	0.9	64.2	0.8	55.1	0.3	25.4	0.2	20.3
Japan	0.3	20.4	0.1	11.1	2.0	151.5	2.3	181.4
United States	4.8	336.7	5.3	369.8	3.6	273.7	4.3	352.5
Eastern Bloc	15.2	1 060.6	13.9	969.5	16.4	1 265.0	18.1	1 470.8
Czechoslovakia	0.5	36.2	0.6	43.4	0.5	37.6	0.5	39.9
Democratic Republic of Germany	0.7	45.6	0.6	42.3	0.6	46.4	0.6	49.1
People's Republic of China	0.6	38.0	0.4	29.3	0.2	16.0	0.5	38.4
Poland	1.2	86.9	1.1	73.8	1.5	116.5	2.1	171.9
Soviet Union	11.3	794.7	10.3	719.7	12.8	987.0	13.9	1 131.1
Other	0.9	59.2	0.9	61.0	0.8	61.5	0.5	40.4
Latin America	2.7	190.7	2.5	172.3	2.5	190.8	0.8	66.0
Argentina	0.7	49.0	0.7	51.4	0.2	11.5	0.1	9.1
Brazil	0.5	33.8	0.7	47.0	0.6	48.3	0.1	4.4
Colombia	0.2	13.9	0.2	15.2	0.8	63.5	0.1	7.8
Other	1.3	94.0	0.9	58.7	0.9	67.5	0.5	44.7
Other	5.2	365.8	5.1	357.7	1.7	133.2	1.4	116.6
GRAND TOTAL	100.0	7 010.6	100.0	6 998.1	100.0	7 703.1	100.0	8 146.4
of which								
EFTA countries	44.3	3 107.6	46.8	3 272.3	44.6	3 438.0	45.2	3 679.4
EEC countries	23.8	1 671.4	22.7	1 588.3	28.4	2 187.3	26.9	2 191.2
OECD countries	76.9	5 393.5	78.5	5 498.6	79.4	6 114.1	79.7	6 493.0

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
1968	6 832	6 730	+102	+481	- 8	-25	+550	-276	- 5	+ 269
1969	8 296	8 528	-232	+579	+ 4	-13	+338	-323	+72	+ 87
1970	9 634	11 099	-1 465	+716	+142	+17	-590	-397	-18	-1 005
Jan.-Mar										
1968	1 385	1 515	-130	+103	- 16	+ 7	- 36	- 58	+ 1	- 93
1969	1 696	1 944	-248	+128	- 20	-11	-151	- 57	+80	-128
1970 ^r	2 074	2 309	-235	+192	- 9	- 3	- 55	- 86	-11	-152
1971*	2 168	2 536	-368	+198	- 13	+19	-164	-135	- 1	-300
Apr.-June										
1968	1 808	1 829	- 21	+133	- 12	+ 2	+102	- 67	- 1	+ 34
1969	2 002	2 008	- 6	+140	- 17	- 6	+111	- 84	- 7	+ 20
1970 ^r	2 429	2 721	-292	+180	+ 10	+ 0	-102	- 96	+ 1	-197
1971*	2 291	2 777	-486	+175	+ 47	+21	-243	-118	- 1	-362
July-Sept.										
1968	1 680	1 500	+180	+147	+ 32	+ 0	+359	- 67	- 1	+291
1969	2 168	2 022	+146	+116	+ 38	-14	+286	- 80	+ 1	+207
1970 ^r	2 469	2 690	-221	+180	+109	- 4	+ 64	-110	- 1	- 47
1971*	2 501	2 853	-352	+187	+166	+16	+ 17	-121	- 4	-108
Oct.-Dec.										
1968	1 959	1 886	+ 73	+ 98	- 12	-34	+125	- 84	- 4	+ 37
1969	2 430	2 554	-124	+195	+ 3	+18	+ 92	-102	- 2	- 12
1970 ^r	2 662	3 379	-717	+164	+ 32	+24	-497	-105	- 7	-609

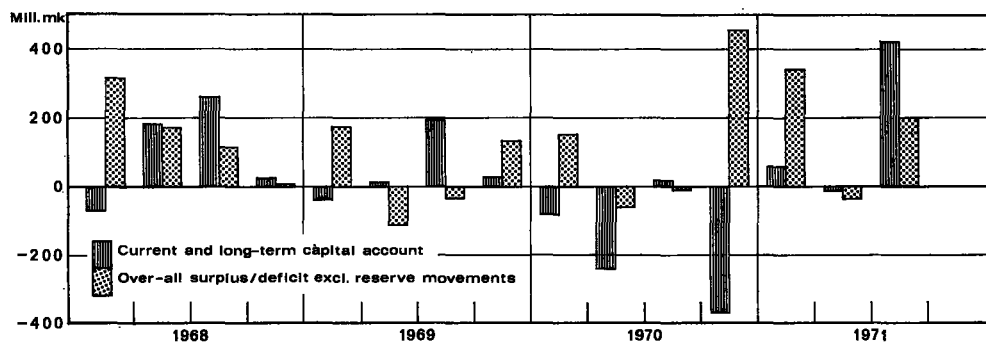


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+1 245	-868	-167	-81	+129	+398	+235	- 64	+ 28	+597	-664	+ 67
+1 055	-723	-180	-51	+101	+188	+284	-311	- 6	+155	+115	-270
+1 479	-694	-253	-202	+330	-675	+751	+237	+232 ²	+545	-563	+ 18
+ 214	-140	- 54	+ 4	+ 24	- 69	+168	+191	+ 24	+314	-401	+ 87
+ 311	-201	- 8	-15	+ 87	- 41	+112	+147	- 46	+172	-135	- 37
+ 278	-158	- 51	+ 1	+ 70	- 82	- 9	+225	+ 23 ²	+157	-240	+ 83
+ 617	-233	- 5	-20	+359	+ 59	+ 20	+329	- 66 ²	+342	-314	- 28
+ 396	-214	- 18	-18	+146	+180	+190	-144	- 56	+170	-233	+ 63
+ 279	-155	- 98	-39	- 13	+ 7	- 23	- 92	- 6	-114	+252	-138
+ 220	-191	- 69	- 4	- 44	-241	+142	+ 42	- 4	- 61	- 86	+147
+ 600	-202	- 11	-32	+355	- 7	-157	+144	- 17	- 37	+ 99	- 62
+ 226	-212	- 14	-29	- 29	+262	- 98	- 27	- 25	+112	- 18	- 94
+ 146	-146	- 17	+ 6	- 11	+196	+ 34	-284	+ 19	- 35	+151	-116
+ 359	-175	- 60	-58	+ 66	+ 19	+ 87	+ 5	-119	- 8	-116	+124
+ 889	-270	- 89	+ 3	+533	+425	- 70	+ 21	-177	+199	- 35	-164
+ 409	-302	- 81	-38	- 12	+ 25	- 25	- 84	+ 85	+ 1	- 12	+ 11
+ 319	-221	- 57	- 3	+ 38	+ 26	+161	- 82	+ 27	+132	-153	+ 21
+ 622	-170	- 73	-141	+238	-371	+531	- 35	+332	+457	-121	-336

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

¹ Including Direct investment, net.

² Including Allocations of special drawing rights 88 million in 1970 and 85 million in 1971.



PRICE INDICES

Wholesale prices 1949 = 100

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			
1968	275	280	259	271	276	281	301	264	268	126	133	115
1969	285	288	271	283	291	285	313	276	273	131	139	119
1970	297	300	286	299	317	290	329	290	283	138	146	126
1971												
Jan.	305	307	297	305	345	295	341	290	294	141	148	130
Feb.	308	310	298	306	347	301	344	291	297	142	148	130
March	308	312	297	306	348	302	345	292	297	143	148	133
April	308	311	298	307	352	300	342	293	299	148	164	133
May	309	312	298	307	353	300	340	294	299	149	164	133
June	310	313	300	307	359	303	339	295	303	149	164	133
July	312	315	302	309	359	306	344	296	304	150	164	133
Aug.	315	318	303	310	360	309	349	298	305	150	164	133
Sept.	317	319	307	312	374	309	350	299	309	153	170	136
Oct.	317	320	306	312	375	309	349	299	310	153	170	136

Consumer prices 1967 = 100

Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 100	Consumer prices 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
1968	212	166	109	111	110	106	107	108	109	110	108	109
1969	217	170	112	115	111	108	111	109	110	110	110	112
1970	223	175	115	116	115	109	115	121	115	113	113	115
1971												
Jan.	228	179	117	117	117	111	116	137	115	117	115	122
Feb.	229	180	118	118	117	111	117	138	116	119	115	123
March	231	181	119	119	117	111	118	140	116	120	115	123
April	232	182	120	119	117	111	120	140	116	120	117	124
May	233	183	120	120	117	111	121	140	116	122	117	124
June	237	186	122	121	118	112	127	140	118	126	119	125
July	239	187	123	122	120	112	128	140	119	126	119	125
Aug.	241	189	124	123	121	112	128	141	122	128	120	125
Sept.	243	190	125	125	120	113	130	143	122	129	121	126
Oct.	243	191	125	124	120	114	130	144	123	129	121	126

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			State employees	Municipal employees	Employees in private sector				
	Agriculture	Manufacturing	Construction							Employees in services
1968	151	142	136	147	141	149	139	142	140	141
1969	162	154	149	155	151	158	150	149	153	151
1970	181	170	170	164	161	165	164	157	169	164
1970										
Jan.-Mar.	181	166	161	162	160	164	160	156	164	160
Apr.-June	180	169	168	163	162	165	165	157	170	164
July-Sept.	180	171	172	164	162	165	166	158	171	165
Oct.-Dec.	187	175	179	165	162	165	168	158	174	167
1971*										
Jan.-Mar.	200	183	184	176	174	176	180	169	185	178
Apr.-June	206	194	193	177	176	177	187	170	196	184
July-Sept.	219	197	196	180	178	180	189	173	197	186

PRODUCTION

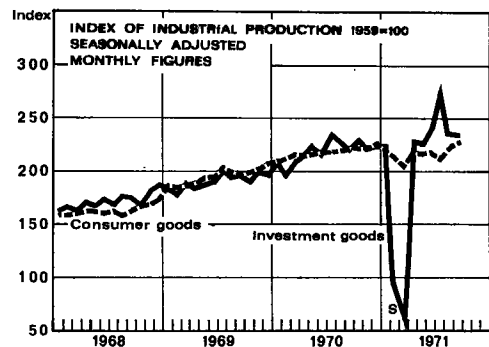
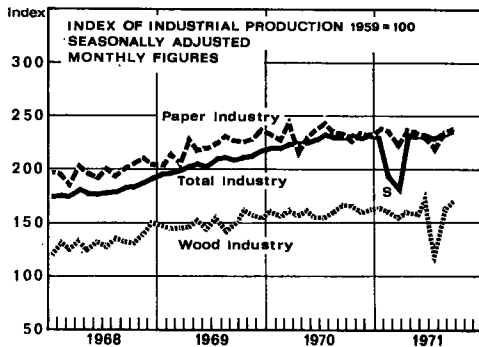
Volume indices of production 1964=100

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
1968	113	121	97	93	109	108	114	111	118	119	119
1969	123	138	97	102	123	104	124	123	123	123	127
1970*	132	153	94	111	143	99	131	133	129	129	134
1970*											
Jan.-Mar.	127	152	64	154	92	100	120	122	127	127	133
Apr.-June	131	154	76	127	125	100	132	133	128	128	133
July-Sept.	133	142	170	55	175	100	137	132	129	129	133
Oct.-Dec.	136	163	68	106	179	94	136	145	131	131	136
1971*											
Jan.-Mar.	127	142	62	159	98	96	126	130	132	132	139
Apr.-June	135	159	73	120	128	98	137	141	134	134	140

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	
1967	172	163	180	158	160	125	187	233	224	168	172
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*	228	222	232	220	190	162	234	328	328	226	228
1970*											
June	221	218	217	227	199	150	208	315	339	222	229
July	178	129	192	159	193	136	247	276	314	132	234
Aug.	225	206	227	225	193	131	247	307	338	209	231
Sept.	238	238	239	232	188	165	242	316	347	242	231
Oct.	247	253	250	235	222	172	238	357	358	255	232
Nov.	242	247	248	226	213	159	239	350	337	248	230
Dec.	240	242	243	230	198	167	215	374	321	245	233
1971*											
Jan.	236	234	243	217	163	168	247	352	324	238	231
Feb.	196	102	202	209	162	166	231	328	315	109	196
March	208	83	212	234	180	187	256	346	318	90	183
April	234	236	233	233	184	175	218	396	296	235	233
May	233	230	236	225	186	170	229	372	319	234	232
June	225	236	221	226	204	171	203	334	322	240	233
July	174	152	185	153	175	104	222	300	283	140	229
Aug.	229	215	229	232	189	134	247	320	333	219	233
Sept.	244	249	245	238	189	166	246	365	330	253	238



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
1967	2 205	2 142	63	2.9	30 240	103
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*	2 195	2 154	41	1.9	39 267	114	130	125
1970*								
Aug.	2 300	2 265	35	1.5	1 346	109	128	137
Sept.	2 180	2 152	28	1.3	1 894	115	146	131
Oct.	2 171	2 142	29	1.3	2 659	121	142	135
Nov.	2 161	2 131	30	1.4	3 308	116	138	120
Dec.	2 156	2 118	38	1.8	4 719	157	156	125
1971*								
Jan.	2 111	2 061	50	2.4	4 212	96	110	116
Feb.	2 115	2 057	58	2.7	4 932	99	124	103
March	2 122	2 060	62	2.9	5 067	110	138	120
April	2 130	2 073	57	2.7	4 163	119	140	125
May	2 185	2 135	50	2.3	3 157	135	149	119
June	2 347	2 308	39	1.7	2 408	118	133	124
July	2 360	2 315	45	1.9	1 092	129	139	127
Aug.	2 285	2 243	42	1.8	1 290	124	160	130
Sept.	2 194	2 154	40	1.8	1 794

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											
1968	31.58	14.00	2.95	9.56	3.06	26.44	11.72	2.58	9.15	1.35	34.09
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	37.99	16.12	4.22	12.47	3.31	36.56
1970*											
Apr.-June	14.25	6.04	1.81	5.26	0.50	7.65	3.53	0.59	2.48	0.67	41.20
July-Sept.	11.52	5.12	0.86	4.25	0.72	10.17	4.17	1.45	2.78	1.03	41.47
Oct.-Dec.	9.07	4.23	0.44	3.24	0.78	14.06	5.50	1.72	5.12	1.19	35.98
1971*											
Jan.-Mar.	6.52	2.86	0.52	2.45	0.33	6.55	3.00	0.49	2.19	0.72	32.98
Apr.-June	13.59	5.54	1.59	5.06	0.58	7.89	3.23	0.38	3.46	0.50	37.49

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 par 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

Commercial bank and mortgage bank figures obtained from the official bank statistics, savings bank figures from the Central Statistical Office, other figures from the respective credit institutions or their central banks.

Page 6. *Cheque accounts in all credit institutions* relates to commercial banks, savings banks, co-operative banks, and mortgage banks. *Term deposits in all credit institutions* includes a small amount of deposits in mortgage 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 and was raised in 1556 to the dignity of a Grand Duchy. 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, 1974, 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 1970 were as follows: Social Democrats 52, Conservatives 37, Centre Party 36, People's Democrats 36, Finnish Farmers' Party 18, Swedish Party 12, Liberal Party 8 and Christian League 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 %. On an average 15.8 % of the land in the South of Finland is cultivated (1960), 2.3 % in the North and 9.2 % of the land as a whole. Of the land area 21.8 mill. ha (53.9 mill. acres), or 71.3 %, are covered by forests.

OWNERSHIP OF LAND (1960): The total land area was distributed among different classes of owners approximately as follows: private 60.9 %, State 31.8 %, joint stock companies etc. 5.6 %, municipalities and parishes 1.7 %.

POPULATION

NUMBER OF INHABITANTS (1970): 4.6 million. Sweden 8.0, Switzerland 6.3, Denmark 4.9 and Norway 3.9 million.

DENSITY OF POPULATION (1970): In South Finland 43.5, in East and Central Finland 14.2, in North Finland 4.0 and in the whole country an average of 15.1 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1970): 51 % of the population inhabit the rural areas, 49 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 517 000 inhabitants, Tampere (Tammerfors) 156 400, Turku (Åbo) 153 300.

EMPLOYMENT (1970): Agriculture and forestry 23 %, industry and construction 35 %, commerce 15 %, transport and communications 7 %, services 20 %.

LANGUAGE (1960): Finnish speaking 92.4 %, Swedish speaking 7.4 %, others 0.2 %.

EDUCATION (1970): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 8 colleges of university standard, and 2 teacher training colleges, besides teacher training departments in two of the universities.

CHANGE OF POPULATION (1970): births 14.0 ‰, deaths 9.6 ‰, change — 3.7 ‰, net emigration 8.0 ‰. Deaths in France 10.6 ‰ and Great Britain 11.8 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1970, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 2 727 (7 %), forestry and fishing 2 683 (7 %), manufacturing 11 643 (30 %), construction 3 667 (10 %) transport and communication 3 719 (10 %), commerce, banking and insurance 4 733 (12 %), public administration 2 228 (6 %), ownership of dwellings 1 694 (4 %), services 5 328 (14 %), total 38 422. Index of real domestic product 131 (1964 = 100).

FOREST RESOURCES (1970). The growing stock comprised 1 450 million of solid cu. m incl. bark (51 210 million cu.ft), of which pine 43 % and spruce 38 %, the remaining 19 % being broad-leaf-trees, chiefly birch. Of the growing stock 17 411 million cu. ft, 48 % of them pine, was up to the standard required for logs. The annual growth is 47 million solid cu. m green wood excl. bark (1 660 mill. cu. ft). The total removal calculated according to the use of wood was 50.7 million cu. m excl. bark (1 791 million cu. ft).

AGRICULTURE (1970): Cultivated land 2.7 million hectares. Number of holdings 297 300, of which 188 400 are of more than 5 ha. Measure of self-sufficiency in bread cereals 123 % in the crop year 1969/70.

INDUSTRY (1968): Gross value of industrial production 26 033 mill. marks, number of workers 353 526, salaried employees 89 973, motive power (1968) 4.4 mill. kW. Index of industrial production 223 for 1970 (1959 = 100).

STATE RAILWAYS (Jan. 1, 1971): Length 5 874 km.

MERCHANT FLEET (Oct. 31, 1971): Steamers 43 (44 867 gross reg. tons), motor vessels 375 (589 396 gross reg. tons), tankers 57 (717 270 gross reg. tons), sailing vessels with auxiliary engines 6 (833 gross reg. tons). Total 481 (1 352 366 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1970): Passenger cars 712 000, lorries and vans 102 900, buses 8 100, others 5 000. Total 828 000.

FINNISH AIRCRAFT (June 1971): Finnish Airlines, Finnair and Kar-Air have in use 3 DC-8-62s, 3 DC-8s, 8 Super Caravelles, 4 DC-9s and 9 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 24 airports and to 16 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).

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, 1970). There are two big and five small commercial banks with in all 825 offices. 327 savings banks, 445 co-operative banks, six mortgage banks, and Post Office Bank. The co-operative stores accept deposits from their members. The National Pension Institute and sixty-one private insurance companies also grant credits.

RATES OF INTEREST (June 1, 1971). Bank of Finland discount rates 6—9 %, the rate for discounts or rediscounts for banks 8 ½ %. Other credit institutions: term deposits 5 %, 6 month deposits 5 ½ %, 12 month deposits 6 %, 24 month deposits 7 %; highest lending rate 11 % from May 24, 1971.

FINNISH MORTGAGE CREDIT INSTITUTIONS

by Raimo Ilaskivi, D.Pol.Sc.

Managing Director of the Industrial Mortgage Bank of Finland Ltd

SOME SPECIAL FEATURES OF MORTGAGE CREDIT INSTITUTIONS

Mortgage credit institutions have existed in Finland for more than a hundred years. These institutions have specialized in granting long-term credits against mortgage guarantee. The mortgage constitutes a conditional right to the borrower's property and is valid only if it is confirmed in court. The property which is mortgaged, however, remains in the possession of the person who is granted credit.

The mortgage credit institutions raise the major part of the finance needed for their lending through bond issues. Because bonds are repaid according to fixed redemption schedules, the granting of mortgage bank credits is also planned beforehand. The mortgage credit institutions may to some extent make use of short-term credits as well, but they are not allowed to accept deposits from the public.

New Finnish bank legislation, including a revised law governing the mortgage banks, came into force at the beginning of 1970. The new mortgage bank law contains detailed stipulations on the legal form and functions of mortgage banks. The Bank Inspectorate ensures that the law is observed. One of the mortgage credit institutions is governed by the law on mortgage societies, and another is governed by the law on residential mortgage societies, and neither are affected by the law on mortgage banks.

A mortgage bank is a joint-stock company which can be established by five corporate bodies (joint-stock companies, co-operatives, foundations, etc.) or at least ten Finnish citizens. A licence from the Ministry of Finance is needed for the establishment of a mortgage

bank. Before granting this, the Ministry will consult the Bank Inspectorate. The law contains some special stipulations concerning the articles of association for a mortgage bank.

The share capital of a mortgage bank must total 2 million marks at the minimum. In addition, there are stipulations concerning a mortgage bank's solvency: own funds must, after the deduction of certain claims, amount to at least 4 per cent of total obligations.

THE EXISTING MORTGAGE CREDIT INSTITUTIONS

At present there are six mortgage credit institutions in Finland. In the 1920's and 1930's their number was slightly greater, but because of the small size of the Finnish capital market and increasing rationalization, their number has been reduced to six. Four of these are mortgage banks, which are backed and owned by various groups of banking institutions.

The existing Finnish mortgage credit institutions are listed below, together with the year when they were established and their total assets.

	Estab- lished	Dec. 31, 1959	Dec. 31, 1969	Aug. 31, 1971
		Mill. mk		
Industrial Mortgage Bank of Finland Ltd	1924	145.9	411.7	619.3
Mortgage Bank of Finland Oy	1956	114.9	544.2	547.7
Real Estate Bank in Finland Ltd	1907	27.0	167.3	247.4
Land and Industrial Mortgage Bank Ltd	1916	15.7	194.6	252.0
Finnish Mortgage Society	1860	69.5	86.0	93.7
Residential Mortgage Bank of Finland	1927	7.8	6.1	6.7

The first four mortgage credit institutions given here have the legal form of joint stock companies and are governed by the law on mortgage banks.

The Industrial Mortgage Bank of Finland Ltd and the Mortgage Bank of Finland Oy grant long-term investment credits mainly to industrial concerns. The former, which is a subsidiary of the commercial banks, has expanded its activity considerably in the last few years. The Mortgage Bank of Finland Oy is a subsidiary of the Bank of Finland, which was set up to channel funds from foreign capital markets to Finnish industry. The operations of this bank underwent a change, and it was re-organized in 1971 (See Bulletin No. 10, 1971). The Real Estate Bank in Finland Ltd is the mortgage bank of the savings banks. It grants credit to local government and owners of real estate in both urban and rural districts. The Land and Industrial Mortgage Bank Ltd is owned by the co-operative banks and grants long-term finance to agriculture, industry and local government.

The mortgage banks of the commercial banks, savings banks and co-operative banks have sometimes co-operated when arranging foreign loans to finance their lending. In 1969 and 1971 they made two joint bond issues in the Federal Republic of Germany, the funds from which were granted as long-term loans to local government authorities.

The other two mortgage credit institutions, the Finnish Mortgage Society and the Residential Mortgage Bank of Finland are associations, not joint-stock companies. The former is governed by the law on mortgage societies passed in 1925, and the latter by the law on residential mortgage societies passed in 1927. These institutions provide finance for the owners of real estate. The Finnish Mortgage Society operates mainly in rural districts and the Residential Mortgage Bank of Finland in urban districts. However, these two mortgage credit institutions are of minor significance.

SOURCES OF FUNDS

The mortgage credit institutions finance their own credit-granting through bond issues. The

successful sale of bonds depends largely on the size and potential demand of the security market.

The Finnish capital market is small, and the role of the State is dominant. These features have meant that the mortgage credit institutions have not been able to raise sufficient funds from this source, and consequently they have not been able to meet satisfactorily the demand for long-term credit from all the different sectors.

The legislation on the tax treatment of bonds was revised in 1969. As a result of the revision the same tax exemptions are granted to private holders of both government and non-government bonds. In spite of these revisions, such issuers as mortgage credit institutions continue to need the permission of the Cabinet to launch bond issues.

However, private borrowers are not on an equal footing with the Government in respect to the terms of bond issues. The share of Government issues in the domestic bond market is still as high as 70 per cent. Nonetheless, since 1969 there has been a sharp increase in the number of non-government bond issues, especially of those by mortgage credit institutions.

Domestic bond issues floated by mortgage credit institutions in 1969 totalled 352 million marks. The corresponding figure 10 years earlier was only 53 million marks. The foreign bond issues of these institutions have also increased in the 1960's; the Mortgage Bank of Finland Oy and the Industrial Mortgage Bank of Finland Ltd have been especially active in launching bond issues abroad. This can be partly attributed to the fact that foreign loans have become easier to take. The total of outstanding bonds of Finnish mortgage credit institutions was 1 072 million marks in 1969 as against 221 million marks in 1959.

The table below shows the break-down of total liabilities of Finnish mortgage credit institutions.

TABLE 1. BREAK-DOWN OF TOTAL LIABILITIES OF MORTGAGE CREDIT INSTITUTIONS

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Percent	Mill. mk	Per cent
Bond issues	230.0	60.4	1 072.1	76.0
Loans from the central government	69.4	18.2	72.5	5.2
Other loans	48.7	12.8	125.9	8.9
Share capital, reserve funds and debentures	24.8	6.5	91.3	6.5
Other liabilities	7.9	2.1	48.2	3.4
Total	380.8	100.0	1 410.0	100.0

The table reveals that 76 per cent of all obligations consist of bonds. The shares of the other sources of finance are of approximately equal size. The significance of the latter, however, varies considerably between the various mortgage credit institutions. The greater part of central government loans has been granted to the Finnish Mortgage Society.

ALLOCATION OF FUNDS

Long-term loans on mortgage make up the major share of credits granted by mortgage credit institutions.

TABLE 2. BREAK-DOWN OF TOTAL ASSETS OF MORTGAGE CREDIT INSTITUTIONS

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Percent	Mill. mk	Percent
Outstanding loans	325.8	85.6	1 290.4	91.5
Bonds and shares	10.1	2.6	29.0	2.0
Claims on domestic banks and cash	41.7	11.0	66.6	4.7
Other assets	3.2	0.8	24.0	1.8
Total	380.8	100.0	1 410.0	100.0

Industry has received about a half of the total loans, and the share of the wood and paper industry has been especially large. Of other recipients of these loans, the more important are local government, residential real estate, and power, water and electricity. Local government in particular has increased its share in the 1960's. This is due to the tightening financial posture of many local government authorities, which has increased the need for long-term investment credits. On the other hand the share of power, water and electricity as well as

of certain other recipients of credit has declined. The break-down among various industries of credits granted to the public by mortgage credit institutions is shown in the table below.

TABLE 3. CREDITS GRANTED TO THE PUBLIC BY MORTGAGE CREDIT INSTITUTIONS, BY INDUSTRY

Industry	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Percent	Mill. mk	Percent
Industry	149.3	46.9	630.3	48.4
Power, water and electricity	64.4	20.2	219.3	16.8
Real estate	35.2	11.0	113.4	8.7
Local government	19.4	6.1	165.9	12.7
Other	50.2	15.8	174.5	13.4
Total	318.5	100.0	1 303.4	100.0

The increase in lending by mortgage credit institutions was slightly more than 115 million marks or 9.6 per cent in 1969. The share of these credit institutions in total outstanding credits was 5.5 per cent. Ten years earlier this share had been 4.7 per cent and in 1949 only 1.1 per cent.

REVENUE AND EXPENDITURE OF MORTGAGE CREDIT INSTITUTIONS

Because of the nature of the mortgage credit institutions' activities, interest revenue and expenses play a more important role in their accounting than in other banks. At the end of 1970, the number of personnel in the mortgage credit institutions was 73. Their other management expenses are also rather small. The Finnish mortgage credit institutions' revenue and expenditure in 1959 and 1969 is shown below.

Approximately 92 per cent of total revenue of mortgage credit institutions is derived from interest on lending. Correspondingly, 86 per cent of their total expenditure consists of interest expenses on bond issues and on other loans. The difference between interest revenue and expenditure was no more than 7.2 million marks in 1969. Thus the difference between the average lending and deposits rates of mortgage credit institutions is very small.

TABLE 4. DISTRIBUTION OF THE REVENUE AND EXPENDITURE OF MORTGAGE CREDIT INSTITUTIONS

	1959		1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Revenue				
Interest revenue on loans	13.3	71.9	87.6	91.6
Other interest revenue	4.4	23.8	5.7	6.0
Other revenue	0.8	4.3	2.3	2.4
Total	18.5	100.0	95.6	100.0
Expenditure				
Interest expenses on bonds etc.	16.3	88.1	85.8	89.7
Taxes	0.4	2.2	1.9	2.0
Salaries and wages	0.5	2.7	1.4	1.5
Other expenses	0.6	3.2	2.5	2.6
Depreciation	0.1	0.6	0.4	0.4
Profit	0.6	3.2	3.6	3.8
Total	18.5	100.0	95.6	100.0

Taxes make up a rather substantial share of what expenses remain after the deduction of interest costs; they accounted for 2 per cent of total expenditure in 1969. Salaries and wages totalled no more than 1.5 per cent of total expenditure, which is considerably less than in other credit institutions. The share of profit in total expenditure for 1969 was 3.8 per cent. However, there were great differences in the

relative size of profits among the various mortgage credit institutions.

CO-OPERATION BETWEEN FINNISH MORTGAGE CREDIT INSTITUTIONS

In the new bank legislation special attention has been paid to increasing the efficiency of mortgage banks. Consequently the mortgage banks are now allowed to grant credit to a limited extent on guarantees other than mortgages. The new law on bonds and debentures, which came into force at the beginning of 1970, eased considerably the acquisition of own funds by the mortgage banks. Future prospects are favourable for the mortgage banks; their outlook will, however, be significantly influenced by the development of the Finnish security market.

The mortgage banks have no central organization. Because of their small number it is possible for these institutions to co-operate directly. Contacts are usually needed in matters taken up by the Bank Inspectorate or in such matters as taxation. However, there are considerable differences among the various mortgage banks in respect to their other activities as can be seen from, e.g., the distribution of their credits among different types of recipients.

ITEMS

Investment capital flows in January—September 1971. Foreign direct investment in Finland, according to the permits granted by the Bank of Finland, amounted to 63.9 million marks in the first three quarters of 1971. Of this, 21.2 million marks was invested in production, 40.4 million in trade and 2.3 million in other types of enterprises. Investment originating in EFTA countries totalled 33.7 million marks, and that in EEC countries 4.3 million, while the remainder, 25.9 million marks, came mainly from the Soviet Union and the United States. In addition, during the first three

quarters of 1971, loans granted or arranged by foreign parent companies for subsidiaries in Finland amounted to 32.8 million marks. Thus the total inflow of investment capital was 96.7 million marks during the first three quarters of 1971. Direct investment in Finland in the corresponding period one year earlier was 33.1 million marks and loans granted to subsidiary companies 23.1 million marks, which together totalled 56.2 million marks.

According to the statistics based on permits granted by the Bank of Finland, Finnish direct

investment in other countries was 46.0 million marks, and loans granted or arranged by Finnish parent companies for their subsidiaries, 85.6 million. Thus the total outflow of investment capital in the first three quarters of 1971 was 131.6 million marks. Investment in and lending to productive enterprises totalled 101.7 million marks while the remainder, 29.9 million marks went to other enterprises. Firms in EFTA countries received 33.7 million marks and those in EEC countries 13.2 million. The remaining 84.7 million marks went to other countries, and the major part of this was invested in the Eurocan project in Canada. In the corresponding period of 1970, direct investment and lending from Finland amounted to 119.1 million marks.

Thus in the first three quarters of 1971 the net outflow of investment capital was 34.9 million marks. Of this, the net inflow of direct investment was 17.9 million marks, while the net outflow of loans was 52.8 million marks. However, the direct impact of these loans on the Finnish balance of payments was slight since the parent firms raised the major share of the funds used for the financing of these loans in foreign capital markets.

BANK OF FINLAND

Board of management

Mauno Koivisto

Governor

A. Simonen Ahti Karjalainen

Heikki Valvanne Jaakko Lassila

Päiviö Hetemäki

Absent as a Member of Government

Directors

Jouko J. Voutilainen Timo Helelä

Jorma Aranko Pertti Tammivuori

Heads of department

Pauli Kanerva

Administration

K. Ignatius

Personnel

Markku Puntila

Monetary policy

Antti Lehtinen

Domestic financial operations

Helge Lindström

Credits and securities

Kalle Koski

Foreign credits

P.-E. Österlund

*Direct investments and
capital transfers*

Leo Lindström

Foreign exchange control

Stig Törnroth

Cash

K. Eirola

Automatic Data Processing

A. Nenonen

Foreign correspondence

Väinö Heiskanen

Office

Eino Suomela

Internal Audit

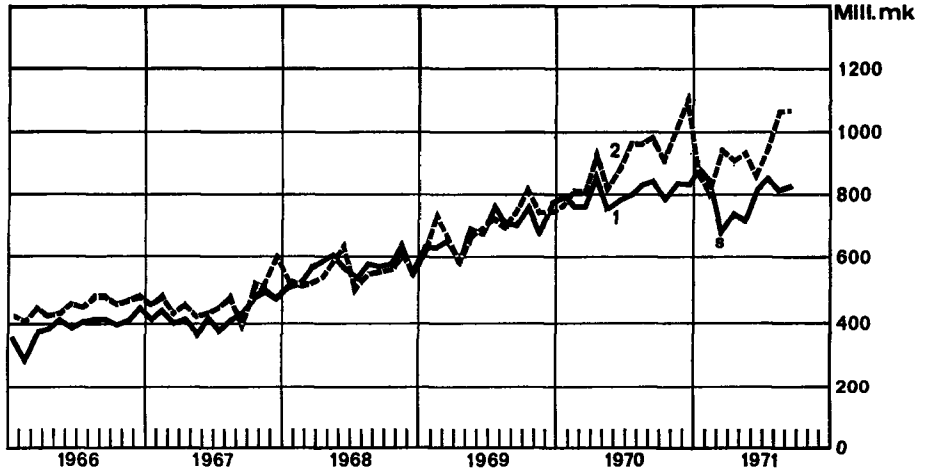
Institute for economic research

Pertti Kukkonen

Director

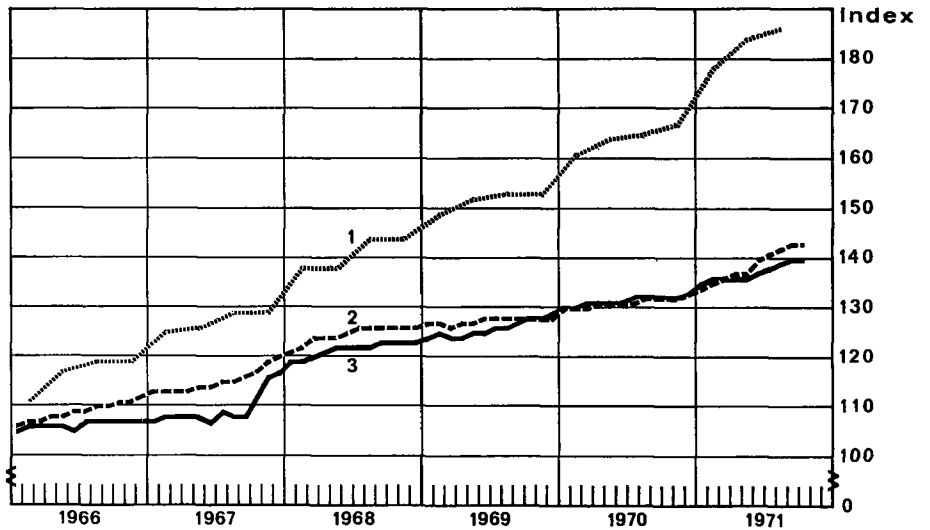
Foreign trade, 1966-1971

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



Prices and wages, 1966-1971

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, 1966-1971

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

