



BANK OF FINLAND

Monthly Bulletin

Investment in 1968—1973

The Finnish sickness insurance scheme

Finland's balance of payments January-
September 1973

Cancellation of a foreign exchange
stipulation

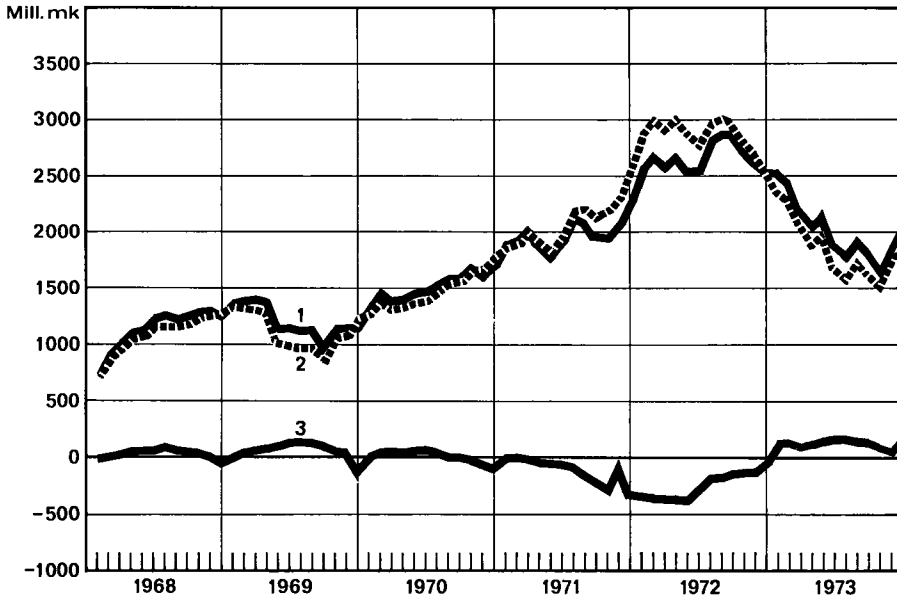
Natural gas from the Soviet Union to
Finland

Publication of the Bank of Finland

FEBRUARY 1974

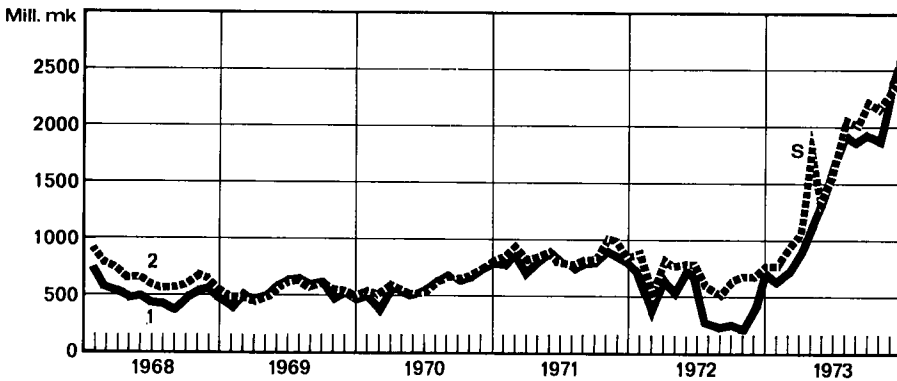
Vol. 48 No. 2

Bank of Finland foreign exchange reserve, 1968 - 1973



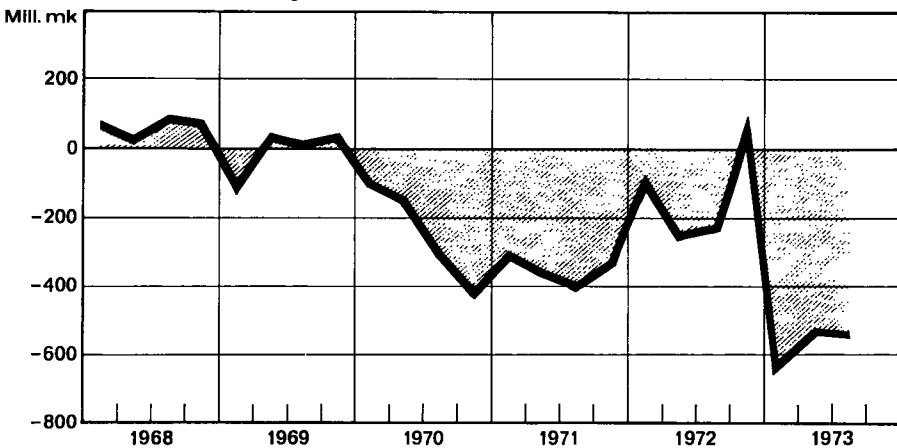
- 1. Total gold and foreign exchange
- 2. Gold and convertible currencies
- 3. Other currencies

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



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

Balance of payments current account surplus / deficit, 1968 - 1973



Seasonally adjusted quarterly figures

INVESTMENT IN 1968—1973

After the devaluation of the Finnish mark in 1967, investment picked up sharply. The recession in private investment following the vigorous upswing in 1969 and 1970 was unusually mild, owing to the rather high degree of capacity utilization and the easing of the credit market. The material expansion of public sector investment and the revival of residential construction, which was promoted by an increase in the number of State housing loans, led to a rise in the growth rate of total investment during 1972. Last year investment continued to underpin economic growth. According to preliminary figures, the volume of total fixed investment grew by 6.7 per cent. Private productive investment increased by 8.6 per cent, whereas public investment declined as a result of the improved employment situation (Table 1).

In 1973 demand remained strong and the degree of capacity utilization was relatively high, so that most firms had good reason to invest. Although the prospects for obtaining the credit were not as bright as a year or so ago the firms were better placed to generate funds internally. However, some industrial enterprises may have held up their investment plans until the ratification of the Free Trade Agreement between Finland and the EEC became clear at the end of the year.

On the other hand, construction of buildings to be used for service sector activities was quite vigorous in the first half of 1973, because at that time plans were being formulated to introduce a tax on this type of investment (Table 2).

Migration to growth centres, coupled with the threat of a possible investment tax and rapidly accelerating inflation, produced brisk specu-

TABLE 1. ANNUAL PERCENTAGE CHANGES IN THE VOLUME OF GROSS FIXED CAPITAL FORMATION BY TYPE OF INVESTMENT

	1969/ 68	1970/ 69	1971/ 70	1972/ 71	1973/ 72
Residential construction	13	19	2	15	6
Other construction of buildings	18	14	-5	2	10
Land and waterway construction	-8	-3	7	10	-4
Machinery and equipment	22	17	8	0	11
Gross fixed capital formation	12	13	4	6	7
Private	15	19	4	4	9
Public	0	-8	1	16	-4

TABLE 2. ANNUAL PERCENTAGE CHANGES IN THE VOLUME OF GROSS FIXED CAPITAL FORMATION, BY INDUSTRY

	1969/ 68	1970/ 69	1971/ 70	1972/ 71	1973/ 72
Agriculture	30	6	-4	-4	-1
Forestry	6	-2	2	2	-6
Manufacturing	18	35	12	-2	13
Construction	16	6	-1	4	10
Transport	5	-5	1	9	2
Commerce, banking and insurance	15	15	4	9	11
Ownership of dwellings	13	22	1	16	6
Other services	4	-4	-1	6	2

lative demand for housing, particularly in southern Finland. Residential construction continued at a strong pace, boosted by the easiness in the credit market of the previous year and the increase in State housing loans.

The revival in industrial construction, together with efforts to expand residential construction, meant that capacity ceilings were soon reached both in construction and the production of raw materials. Furthermore, the building strike in May and June reduced the growth of investment in construction. A shortage of labour during the latter half of 1973 confounded

attempts to make up the losses brought about by this strike. Overheating was exceptionally severe in the construction of buildings in southern Finland. One indication of this was the 26 per cent rise in building costs of the past year.

Investment in inventories increased sharply in 1973 as a consequence of the improved equity position of enterprises, and above all, of fairly firm expectations of continuing inflation.

Vigorous growth in total demand and sluggishness in the import of financial capital led to a tightening of the credit market in the middle of the year. A number of monetary and fiscal policy measures were also implemented in order to curb the excessively rapid expansion of the economy, which led to a sharp rise in the demand for imports and a pronounced current account deficit. The central bank credit quotas of the commercial banks were kept low relative to the demand for credits. Furthermore, a portion of imported capital and of advance payments for timber products were to be deposited in the Bank of Finland. In the summer interest rates were raised by 1 ½ percentage units, and during the autumn financial institutions were advised to grant credit selectively.

In fiscal policy, attempts were made to curb investment considered to be less important for

expansion; from the beginning of June a temporary 40 per cent investment tax was imposed in southern Finland on the construction of buildings of secondary importance, such as shops, warehouses serving other than productive purposes, as well as entertainment, cultural and administrative buildings. As mentioned earlier, some investment projects of this type were started at the time when the investment tax was under consideration so that it did have a great impact on the growth of total secondary investment in 1973. However, as this tax will be collected from the beginning of the current year until the end of September, investment of this type will certainly decline substantially during 1974. Last year's fiscal policy measures also included the postponement of the central government's construction projects, which was reflected in the decline in public investment.

The outlook for 1974 is clouded by a number of exceptional factors. Worldwide uncertainty about the supplies and price of oil and about future demand prospects may have an impact on investment. But its extent is almost impossible to assess at this stage. Moreover, the continuous rise in prices may, if it accelerates further, aggravate overheating in construction and lead to more speculative investment despite the tight money market and the imposition of the investment tax.

January 24, 1974

BANK OF FINLAND

Mill. mk

	1973		1974			
	Jan. 31	Dec. 31	Jan. 8	Jan. 15	Jan. 23	Jan. 31
Assets						
Gold and other foreign assets	2 847	2 493	2 578	2 502	2 573	2 485
Gold	205	121	121	121	121	121
Special drawing rights	283	285	285	285	285	285
IMF gold tranche	268	268	268	268	268	268
Foreign exchange	1 873	1 546	1 630	1 552	1 622	1 533
Foreign bills	102	96	96	98	99	100
Foreign bonds	116	177	178	178	178	178
Claims on domestic banks	631	2 617	2 264	2 198	2 215	2 275
Discounted bills	621	2 556	2 200	2 091	2 164	2 146
Rediscounted bills	1	—	—	—	—	—
Cheque accounts	9	61	64	107	51	129
Other lending	309	362	365	362	364	359
Inland bills discounted						
In foreign currency	—	—	—	—	—	—
In Finnish marks	40	58	62	63	65	64
Loans	269	304	303	299	299	295
Other assets	585	598	624	626	604	627
Finnish bonds	18	33	53	53	28	53
Finnish coin	33	25	28	31	35	36
Currency subscription to Finland's quota						
in the IMF	530	530	530	530	530	530
Other claims	4	10	13	12	11	8
	Total 4 372	6 070	5 831	5 688	5 756	5 746
Liabilities						
Notes in circulation	1 497	1 907	1 779	1 736	1 693	1 706
Liabilities payable on demand	143	178	173	172	174	175
Foreign exchange accounts	25	80	68	72	74	66
Mark accounts of holders abroad	45	67	69	71	70	81
Cheque accounts						
Treasury	43	2	5	0	1	1
Post Office Bank	18	2	3	1	1	1
Private banks	—	—	—	—	—	—
Other	2	8	8	7	5	4
Other sight liabilities	10	19	20	21	23	22
Term liabilities	901	2 214	2 063	1 958	2 055	2 054
Foreign	—	—	—	—	—	—
Domestic	901	2 214	2 063	1 958	2 055	2 054
IMF mark accounts	530	530	530	530	530	530
Allocations of special drawing rights	258	258	258	258	258	258
Equalization accounts	282	171	213	217	227	202
Bank's own funds	761	812	815	817	819	821
Capital	600	600	600	600	600	600
Reserve fund	114	114	163	163	163	163
Profits undisposed	40	—	49	49	49	49
Earnings less expenses (Dec. 31, Net profit)	7	98	3	5	7	9
	Total 4 372	6 070	5 831	5 688	5 756	5 746

BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Treasury		
	Gold and foreign exchange	Liabilities on foreign exchange and mark accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Claims on Treasury	Liabilities, Cheque account	Net claims on the Treasury (7-8)
	1	2	3	4	5	6	7	8	9
1967	701	75	626	98	354	370	— 7	4	— 11
1968	1 353	62	1 291	125	34	1 382	—354	3	—357
1969	1 268	92	1 176	517	360	1 333	—196	4	—200
1970	1 844	106	1 738	639	518	1 859	—118	2	—120
1971	2 620	327	2 293	686	530	2 449	— 15	2	— 17
1972	2 685	121	2 564	757	530	2 791	— 2	1	— 3
1973	2 220	147	2 073	803	530	2 346	— 1	2	— 3
1973									
Jan.	2 629	70	2 559	748	530	2 777	— 2	43	— 45
Feb.	2 530	70	2 460	740	530	2 670	— 2	47	— 49
March	2 287	75	2 212	737	530	2 419	— 2	41	— 43
April	2 177	73	2 104	752	530	2 326	— 2	46	— 48
May	2 280	90	2 190	762	530	2 422	— 1	41	— 42
June	1 985	75	1 910	771	530	2 151	— 1	5	— 6
July	1 931	96	1 835	791	530	2 096	— 1	44	— 45
Aug.	2 113	156	1 957	777	530	2 204	— 1	29	— 30
Sept.	2 020	176	1 844	763	530	2 077	— 1	50	— 51
Oct.	1 861	169	1 692	768	530	1 930	— 1	49	— 50
Nov.	2 060	170	1 890	798	606	2 082	— 1	50	— 51
Dec.	2 220	147	2 073	803	530	2 346	— 1	2	— 3
1974									
Jan.	2 207	147	2 060	808	530	2 338	— 1	1	— 2

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1972			Net holdings, Dec. 31, 1973			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Dec.	Jan.-Dec.
Cold	205	—	205	121	—	121	—31	— 84
Special drawing rights	283	—	283	285	—	285	—	+ 2
IMF gold tranche	268	—	268	268	—	268	—	—
Convertible currencies	1 814	463	2 277	1 189	165	1 354	+ 145	—923
Other currencies	— 6	— 3	— 9	210	2	212	+148	+221
Total	2 564	460	3 024	2 073	167	2 240	+262	—784

BANK OF FINLAND

Mill. mk

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		
1967	—	868	—	155	35	678	197	383	56	524	1 052	
1968	—	618	107	163	16	546	186	195	43	338	1 160	
1969	—	550	87	93	12	532	192	269	25	436	1 298	
1970	827	9	3	1	4	834	137	246	528	-145	1 344	
1971	848	1	—	9	2	838	121	234	908	-553	1 479	
1972	752	1	5	—	2	756	44	277	909	-588	1 730	
1973	2 556	—	61	—	2	2 615	58	314	2 240	-1 868	1 907	
1973												
Jan.	621	1	9	—	18	613	40	273	911	-598	1 497	
Feb.	828	1	56	—	162	723	40	275	900	-585	1 521	
March	986	1	17	—	16	988	41	291	891	-559	1 562	
April	2 036	1	—	3	768	1 266	43	293	1 033	-697	1 937	
May	1 363	1	—	4	22	1 338	47	297	1 030	-686	1 795	
June	1 696	1	25	—	1	1 721	50	301	1 211	-860	1 829	
July	2 060	0	60	—	156	1 964	51	297	1 477	-1 129	1 695	
Aug.	1 776	0	8	—	5	1 779	52	295	1 646	-1 299	1 693	
Sept.	2 221	—	22	—	199	2 044	54	296	1 739	-1 389	1 773	
Oct.	2 363	—	54	—	320	2 097	57	302	1 730	-1 371	1 683	
Nov.	2 623	—	50	—	67	2 606	60	302	2 189	-1 827	1 790	
Dec.	2 556	—	61	—	2	2 615	58	314	2 240	-1 868	1 907	
1974												
Jan.	2 146	—	129	—	1	2 274	64	303	2 079	-1 712	1 706	

¹ Including special index accounts² Including cash reserve accounts.

SELLING RATES FOR FOREIGN EXCHANGE

Mk

January 24, 1974

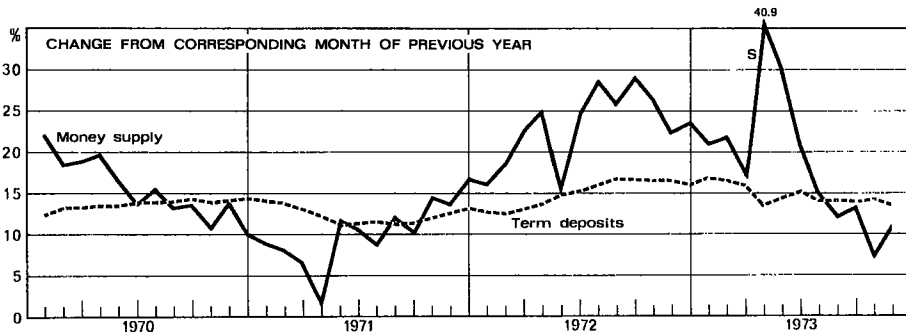
New York ¹	1 \$	4.030	Frankfurt o. M.	100 DM	141.40	Vienna	100 S	19.25
Montreal	1 \$	4.060	Amsterdam	100 FI	134.60	Lisbon	100 Esc	14.90
London	1 £	8.825	Brussels ²	100 Fr		Reykjavik	100 Kr	4.63
Stockholm	100 Kr	83.05	Zurich	100 Fr	119.15	Madrid	100 Pta	6.83
Oslo	100 Kr	67.15	Paris ³	100 FF		Moscow ⁴	1 Rbl	5.183
Copenhagen	100 Kr	59.80	Rome	100 Lit	0.5990			

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.² 9.250 commercial rate; 9.200 financial rate.³ 77.20 commercial rate; 75.60 financial rate.⁴ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

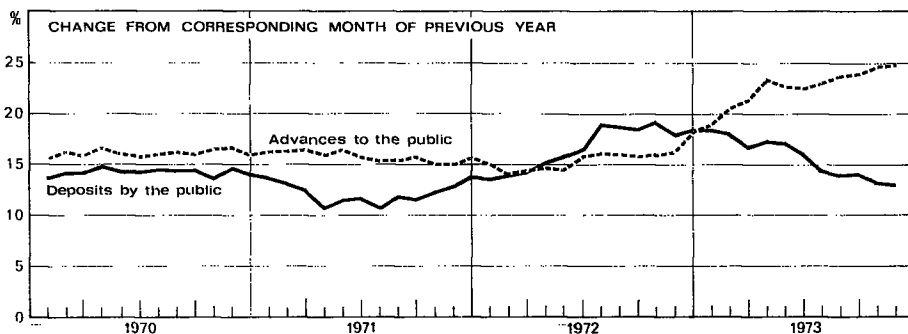
End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1966	639.8	849.4	318.0	3 660.9	3 329.9	2 202.1	863.6	380.7	10 437.3	11 604.7
1967	661.5	834.0	340.9	4 103.1	3 644.6	2 417.3	941.2	431.3	11 537.9	12 712.8
1968	856.2	1 087.6	428.4	4 597.8	3 966.4	2 683.1	1 027.2	465.0	12 739.8	14 255.8
1969	1 057.4	1 373.9	520.8	5 236.3	4 333.1	3 021.6	1 116.0	521.6	14 228.7	16 123.4
1970	1 142.7	1 507.7	603.3	6 098.7	4 846.9	3 458.4	1 287.6	574.2	16 265.8	18 376.8
1971	1 343.2	1 733.5	754.4	6 961.4	5 446.4	3 876.6	1 491.4	642.3	18 418.1	20 906.0
1972*	1 851.2	2 371.9	979.2	8 095.8	6 232.1	4 499.2	1 805.6	720.0	21 352.7	24 703.8
1972*										
Oct.	1 735.6	2 181.9	793.0	7 567.4	5 934.6	4 311.5	1 693.8	697.2	20 204.5	23 179.4
Nov.	1 689.1	2 140.7	797.0	7 658.3	6 018.3	4 396.2	1 727.8	700.9	20 501.5	23 439.2
Dec.	1 851.2	2 371.9	979.2	8 095.8	6 232.1	4 499.2	1 805.6	720.0	21 352.7	24 703.8
1973*										
Jan.	1 849.2	2 315.5	944.6	8 190.6	6 327.8	4 583.8	1 839.0	729.6	21 670.8	24 930.9
Feb.	1 796.9	2 261.8	1 047.7	8 221.3	6 399.2	4 655.8	1 866.7	737.5	21 880.5	25 190.0
March	1 649.4	2 132.3	989.5	8 197.1	6 412.9	4 672.2	1 869.7	742.3	21 894.2	25 016.0
April	1 660.4	2 144.0	1 488.1	8 028.9	6 325.3	4 647.3	1 892.5	747.5	21 641.5	25 273.6
May	1 919.5	2 512.9	1 037.9	8 259.6	6 462.6	4 712.7	1 893.8	753.0	22 081.7	25 632.5
June	1 816.1	2 292.4	1 092.5	8 345.6	6 490.8	4 699.2	1 926.3	752.0	22 213.9	25 598.8
July	1 754.2	2 236.9	1 041.5	8 326.0	6 506.9	4 735.7	1 950.5	757.7	22 276.8	25 555.2
Aug.	1 677.3	2 192.3	1 025.7	8 401.2	6 610.8	4 831.8	1 874.3	763.4	22 581.5	25 799.5
Sept.	1 630.7	2 155.5	1 098.0	8 442.8	6 689.7	4 924.3	1 994.5	783.9	22 835.2	26 088.7
Oct.	1 690.5	2 234.4	932.0	8 524.6	6 756.3	5 013.2	2 017.6	783.2	23 094.9	26 261.3
Nov.	1 681.9	2 221.5	989.1	8 508.2	6 833.8	5 113.1	2 052.0	785.2	23 292.3	26 502.9



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1966	5 205.4	2 951.4	2 261.0	779.6	908.8	11 618.1	488.1	12 106.2	2 181
1967	5 558.9	3 247.7	2 424.3	864.9	1 026.9	12 583.8	538.9	13 122.7	2 146
1968	5 865.5	3 448.4	2 600.5	927.9	1 053.0	13 392.0	503.3	13 895.3	2 642
1969	6 892.2	3 802.8	2 922.1	1 039.8	1 290.4	15 354.4	592.9	15 947.3	3 126
1970	7 963.5	4 342.1	3 403.8	1 341.9	1 454.0	17 814.9	690.4	18 505.3	3 445
1971	9 233.7	4 795.6	3 834.0	1 746.6	1 799.1	20 639.8	769.2	21 409.0	4 025
1972*	10 667.3	5 505.6	4 482.2	2 244.8	2 374.4	24 475.0	799.3	25 274.3	4 959
1972*									
Oct.	10 214.8	5 335.2	4 357.3	2 087.0	2 171.6	23 370.8	795.1	24 165.9	4 422
Nov.	10 386.3	5 429.3	4 417.6	2 107.8	2 229.2	23 758.6	811.6	24 570.2	4 418
Dec.	10 667.3	5 505.6	4 482.2	2 244.8	2 374.4	24 475.0	799.3	25 274.3	4 959
1973*									
Jan.	10 788.6	5 590.5	4 525.4	2 344.4	2 438.0	24 878.1	808.8	25 686.9	4 627
Feb.	11 007.4	5 659.5	4 593.6	2 399.7	2 446.4	25 249.9	856.7	26 106.6	4 757
March	11 284.3	5 732.6	4 626.6	2 538.3	2 450.7	25 699.4	933.1	26 632.5	4 644
April	11 839.6	5 829.5	4 681.0	2 648.4	2 490.1	26 490.4	998.2	27 488.6	5 584
May	11 805.2	5 876.4	4 730.2	2 777.4	2 486.8	26 806.2	869.8	27 676.0	5 225
June	12 074.3	5 954.0	4 788.3	2 790.3	2 510.9	27 180.8	937.0	28 117.8	5 170
July	12 238.0	6 005.7	4 833.9	2 854.7	2 547.8	27 520.3	959.8	28 480.1	4 883
Aug.	12 419.3	6 096.5	4 908.2	2 915.1	2 565.5	27 928.1	976.5	28 904.6	4 791
Sept.	12 702.8	6 202.6	5 009.5	3 023.8	2 573.6	28 451.7	1 060.6	29 512.3	5 004
Oct.	12 968.1	6 320.2	5 116.5	3 173.2	2 592.9	29 142.5	1 028.4	30 170.9	4 749
Nov.	13 162.8	6 414.2	5 209.2	3 284.9	2 629.6	29 677.4	1 023.3	30 700.7	4 906



FOREIGN TRADE

Mill. mk

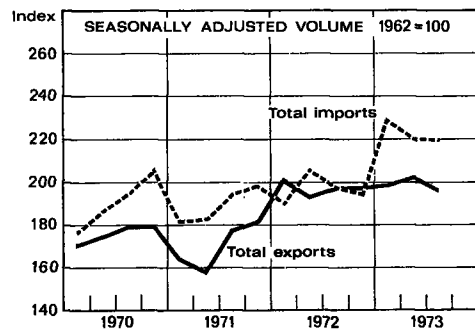
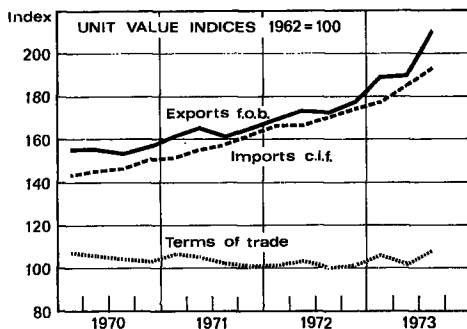
Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1967	5 231	5 794	- 563
1968	6 874	6 711	+ 163
1969	8 345	8 505	- 160
1970	9 687	11 071	-1 384
1971	9 897	11 734	-1 837
1972*	12 082	13 107	-1 025
1972*			
Nov.	1 135	1 257	-122
Dec.	1 175	1 207	- 32
1973*			
Jan.	1 055	1 391	- 336
Feb.	1 079	1 104	- 25
March	1 167	1 384	- 217
April	938	1 287	- 349
May	1 336	1 461	- 125
June	925	1 107	- 182
July	1 094	1 207	- 113
Aug.	1 218	1 404	- 186
Sept.	1 366	1 482	- 116
Oct.	1 538	1 684	- 146
Nov.	1 562	1 595	- 33
Jan.-Nov.			
1972*	10 907	11 899	- 992
1973*	13 278	15 106	-1 828

Indices of exports and
imports 1962 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1967	129	135	115	
1968	143	129	136	132	103
1969	167	160	141	135	104
1970	176	192	156	147	106
1971	171	190	164	157	104
1972*	197	196	174	170	102
1971					
Apr.-June	157	182	166	156	106
July-Sept.	176	184	162	158	103
Oct.-Dec.	198	223	166	163	102
1972					
Jan.-Mar.	192	179	170	167	102
Apr.-June	187	200	174	167	104
July-Sept.	197	190	173	171	101
Oct.-Dec.	212	215	178	175	102
1973 ¹					
Jan.-Mar.	197	222	190	178	107
Apr.-June	190	211	191	186	103
July-Sept.	197	214	211	194	109

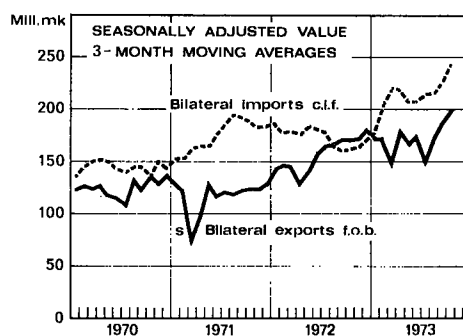
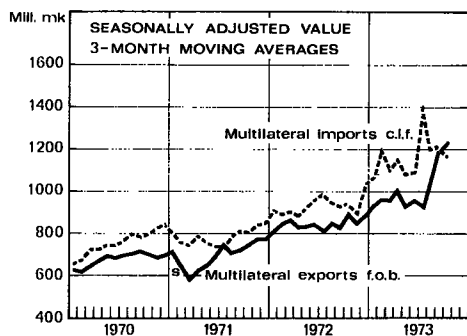
¹ The 1973 figures have been calculated by converting the final 1972 Fisher index with the percentage change in the 1973-1972 Laspeyres index.



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
1967	261	54	866	2 384	1 081	585	2 546	668	1 463	1 117
1968	327	56	1 158	2 994	1 566	773	3 023	874	1 525	1 289
1969	360	72	1 400	3 374	2 012	1 127	3 693	949	2 229	1 634
1970	426	88	1 544	3 789	2 437	1 403	4 918	1 243	2 906	2 004
1971	547	89	1 653	3 721	2 323	1 564	4 639	1 557	3 427	2 111
1972*	634	56	1 824	4 253	3 246	2 069	5 238	1 626	3 586	2 657
1972*										
Nov.	41	9	189	380	310	206	508	162	313	274
Dec.	72	3	186	438	281	195	523	139	303	242
1973*										
Jan.	89	6	175	359	261	165	556	164	364	307
Feb.	24	6	159	398	308	184	444	86	311	263
March	83	3	166	424	271	220	532	101	415	336
April	49	5	142	350	218	174	501	125	344	317
May	71	6	202	463	388	206	580	117	458	306
June	34	3	103	249	369	167	454	123	308	222
July	30	4	193	412	296	159	474	174	343	216
Aug.	34	7	274	510	204	189	587	186	369	262
Sept.	33	12	262	481	325	253	648	173	375	286
Oct.	46	6	287	520	393	286	657	214	487	326
Nov.	38	7	283	508	477	249	659	281	356	299
Jan.-Nov.										
1972*	562	53	1 638	3 815	2 965	1 874	4 715	1 486	3 283	2 415
1973*	531	65	2 246	4 674	3 510	2 252	6 092	1 744	4 130	3 140



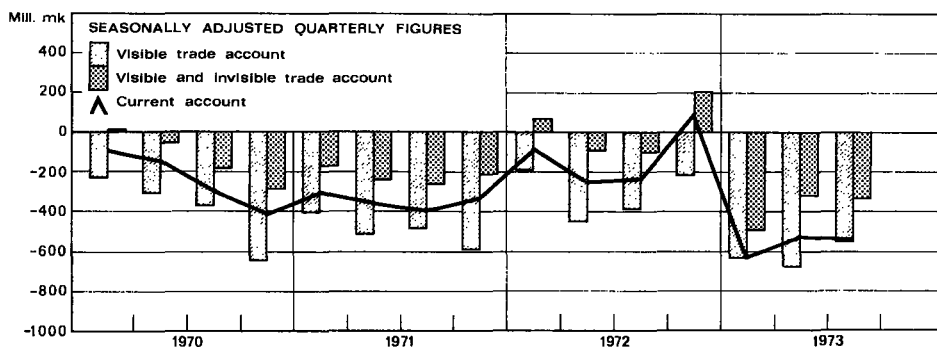
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—November				January—November			
	1972*		1973*		1972*		1973*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	72.2	7 877	72.2	9 582	74.3	8 847	73.3	11 068
Austria	0.9	103	1.1	151	1.5	180	1.7	252
Belgium-Luxembourg	1.9	213	2.0	266	1.8	219	2.2	332
Denmark	3.9	421	4.3	574	3.2	376	3.6	536
France	3.9	425	4.1	546	3.6	423	3.3	496
Federal Republic of Germany	10.2	1 113	10.5	1 394	17.8	2 122	18.6	2 817
Italy	1.5	159	1.8	238	1.9	229	1.8	275
Netherlands	3.6	388	4.1	539	3.7	438	3.4	511
Norway	4.3	474	4.1	548	2.9	346	2.8	420
Portugal	0.3	31	0.4	47	0.8	90	0.8	122
Spain	1.0	112	1.1	149	0.5	64	0.6	92
Sweden	18.0	1 963	15.2	2 022	18.9	2 250	19.7	2 983
Switzerland	2.0	214	2.1	273	3.4	403	3.2	488
United Kingdom	18.4	2 005	19.7	2 612	14.0	1 670	11.1	1 671
Other	2.3	256	1.7	223	0.3	37	0.5	73
OECD countries outside Europe	6.6	726	6.4	858	7.1	842	7.7	1 160
Canada	0.7	78	0.6	77	0.3	32	0.4	54
Japan	0.4	47	0.7	99	1.9	233	2.3	352
United States	4.8	525	4.3	577	4.5	530	4.8	729
Other	0.7	76	0.8	105	0.4	47	0.2	25
CMEA countries	14.7	1 600	13.7	1 819	15.3	1 815	15.2	2 304
Czechoslovakia	0.5	52	0.4	47	0.5	57	0.5	77
Democratic Republic of Germany	0.5	51	0.5	71	0.6	72	0.5	81
Poland	0.9	101	0.8	110	1.4	167	1.4	211
Soviet Union	11.9	1 301	11.3	1 500	11.7	1 395	11.9	1 792
Other	0.9	95	0.7	91	1.1	124	0.9	143
Latin America	2.0	215	2.1	276	1.5	184	1.6	243
Argentina	0.4	44	0.4	55	0.0	11	0.0	6
Brazil	0.7	75	0.7	91	0.5	58	0.6	84
Colombia	0.2	19	0.1	15	0.5	56	0.5	71
Other	0.7	77	0.9	115	0.5	59	0.5	82
Other	4.5	489	5.6	743	1.8	211	2.2	331
GRAND TOTAL	100.0	10 907	100.0	13 278	100.0	11 899	100.0	15 106
of which								
EFTA countries	25.7	2 801	23.1	3 073	27.6	3 285	28.4	4 289
EEC countries	44.1	4 812	47.2	6 270	46.1	5 483	44.1	6 668
OECD countries	78.8	8 603	78.6	10 440	81.4	9 689	81.0	12 228

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
1970	9 634	11 099	-1 465	+716	+142	+17	-590	-397	--18	-1 005
1971	9 845	11 762	-1 917	+660	+247	+66	-944	-477	- 1	-1 422
1972	12 012	13 087	-1 075	+731	+335	+72	+ 63	-586	+43	- 480
Jan.-Mar										
1970 ^f	2 074	2 309	-235	+192	- 9	- 3	- 55	- 86	-11	-152
1971 ^f	2 168	2 536	-368	+208	- 13	+19	-154	-135	- 1	-290
1972	2 870	2 960	- 90	+217	+ 3	+ 1	+131	-142	-22	- 33
1973*	3 301	3 868	-567	+229	- 5	+15	-328	-149	-14	-491
Apr.-June										
1970 ^f	2 429	2 721	-292	+180	+ 10	+ 0	-102	- 96	+ 1	-197
1971 ^f	2 291	2 797	-506	+141	+ 47	+21	-297	-118	- 1	-416
1972	2 856	3 298	-442	+162	+ 57	+46	-177	-155	- 8	-340
1973*	3 182	3 842	-660	+196	+ 48	+ 5	-411	-200	-23	-634
July-Sept.										
1970 ^f	2 469	2 690	-221	+180	+109	- 4	+ 64	-110	- 1	- 47
1971 ^f	2 501	2 864	-363	+159	+166	+16	- 22	-119	- 4	-145
1972	2 978	3 195	-217	+170	+191	+19	+163	-140	+20	+ 43
1973	3 635	4 081	-446	+210	+230	-15	- 21	-193	- 8	-222
Oct.-Dec.										
1970 ^f	2 662	3 379	-717	+164	+ 32	+24	-497	-105	- 7	-609
1971 ^f	2 885	3 565	-680	+152	+ 47	+10	-471	-105	+ 5	-571
1972	3 308	3 634	-326	+182	+ 84	+ 6	-54	-149	+53	-150

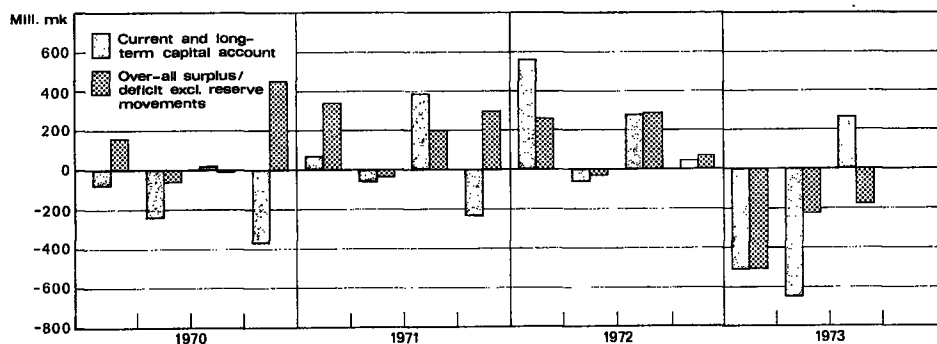


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+1 479	-694	-253	-202	+330	-675	+751	+237	+232 ²	+545	-563	+ 18
+2 730	-855	-208	- 85	+1 582	+160	+387	+197	+ 62 ²	+806	-555	-251
+3 014	-1 228	-376	-106	+1 304	+824	+104	- 90	-247 ²	+591	-271	-320
+ 278	-158	- 51	+ 1	+ 70	- 82	- 9	+225	+ 23	+157	-240	+ 83
+ 609	-228	- 5	-17	+359	+ 69	+ 21	+329	- 77	+342	-314	- 28
+ 968	-273	-115	+17	+597	+564	-152	- 27	-124 ²	+261	-327	+ 66
+ 365	-396	+ 34	-24	- 21	-512	+ 20	+ 7	- 22	-507	+353	+154
+ 220	-191	- 69	- 4	- 44	-241	+142	+ 42	- 4	- 61	- 86	+147
+ 596	-201	- 11	-30	+354	- 62	-140	+146	+ 19	- 37	+ 99	- 62
+ 655	-180	-192	- 5	+278	- 62	+ 92	+ 25	- 84	- 29	+ 37	- 8
+ 308	-265	- 48	- 9	- 14	-648	+ 94	+323	+ 4	-227	+301	- 74
+ 359	-175	- 60	-58	+ 66	+ 19	+ 87	+ 5	-119	- 8	-116	+124
+ 869	-252	- 89	+ 5	+533	+388	- 60	+ 21	-150	+199	- 35	-164
+ 628	-327	- 41	-25	+235	+278	+265	-124	-131	+288	-314	+ 26
+ 835	-353	+ 60	-54	+488	+266	-401	-115	+ 64	-186	+ 66	+120
+ 622	-170	- 73	-141	+238	-371	+531	- 35	+332	+457	-121	-336
+ 656	-174	-103	- 43	+336	-235	+566	-299	+270	+302	-305	+ 3
+ 763	-448	- 28	- 93	+194	+ 44	-101	+ 36	+ 92	+ 71	+333	-404

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

¹ Including Direct investment, net.

² Including Allocations of special drawing rights 88 million in 1970, 85 million in 1971 and 85 million in 1972.



PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1971	312	315	302	309	361	304	346	295	303	149	162	134
1972	338	342	325	330	400	334	370	318	332	161	182	141
1973	398	401	385	403	447	378	435	395	378	188	202	176

1973

March	372	374	365	367	429	365	405	358	362	171	190	152
April	374	376	369	369	430	367	403	362	365	175	191	160
May	382	383	375	379	438	372	407	377	369	180	191	170
June	389	391	380	390	441	374	415	390	372	183	191	176
July	404	408	390	406	456	389	439	406	382	192	213	179
Aug.	408	412	391	414	456	388	440	414	384	198	213	188
Sept.	421	426	401	437	466	388	466	425	391	202	213	194
Oct.	427	433	408	448	469	390	476	429	397	204	214	198
Nov	430	436	408	452	465	393	478	434	399	205	214	199
Dec.	436	440	418	459	481	394	481	442	404	209	214	200

Period	Cost of living Oct. 1961 = 100	Con- sumer prices Oct.-Dec. 1967 = 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
1971	237	186	122	121	119	112	125	141	119	125	119	125
1972	254	199	131	133	125	118	131	147	126	135	128	135
1973	284	223	146	149	135	130	153	160	137	150	139	149

1973

March	269	211	139	142	132	126	137	153	133	142	133	143
April	272	214	140	143	137	127	140	155	135	143	136	145
May	277	218	143	147	137	128	142	157	135	147	137	147
June	280	220	144	150	137	128	143	158	136	148	139	150
July	288	226	148	152	138	128	161	158	137	152	139	151
Aug.	292	229	151	154	138	131	164	159	139	155	141	152
Sept.	295	231	152	156	135	133	167	162	140	154	142	153
Oct.	297	233	153	156	135	135	170	165	140	155	143	154
Nov.	299	235	154	155	135	136	171	167	145	158	145	155
Dec.	303	237	156	155	136	136	173	185	147	161	145	159

WAGES

Index of salary and wage earnings 1964 = 100

Period	By industries				By institutional sectors			All salary earners	All wage earners	All employees
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Manufacturing	Construction							
1970	181	170	170	164	161	165	164	157	169	164
1971	210	195	195	180	176	178	188	171	195	185
1972*	254	222	222	197	189	196	212	189	220	206
1973*	329	257	256	223	210	218	239	212	256	237
1972*										
Jan.-Mar.	236	207	206	186	179	186	197	178	205	193
Apr.-June	251	225	219	199	191	194	215	191	223	209
July-Sept.	256	227	228	202	194	201	219	193	229	213
Oct.-Dec.	272	230	235	203	193	202	220	193	229	213
1973*										
Jan.-Mar.	287	235	238	206	198	206	221	195	234	217
Apr.-June	331	260	251	227	213	222	239	213	259	240
July-Sept.	336	264	266	229	215	222	247	219	267	246
Oct.-Dec.	339	268	269	231	216	224	249	220	268	247

PRODUCTION

Volume indices of production 1964 = 100

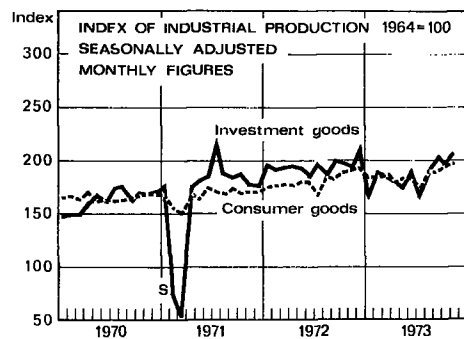
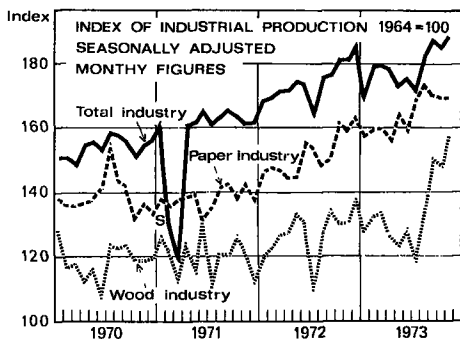
Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1970	132	154	96	111	141	98	132	132	129	128	134
1971	136	157	98	106	138	99	134	140	135	135	140
1972	145	176	94	95	149	103	144	155	142	141	149
1973*	152	187	90	99	159	104	154	165	150	145	157
1972											
July-Sept.	144	157	174	51	169	102	149	152	142	142	148
Oct.-Dec.	151	194	57	90	177	101	150	171	145	143	151
1973*											
Jan.-Mar.	150	194	53	128	124	107	144	162	147	143	156
Apr.-June	147	180	74	106	133	102	151	161	148	145	157
July-Sept.	152	168	171	53	188	105	159	159	149	146	156
Oct.-Dec.	161	207	61	110	191	101	161	178	153	147	159

PRODUCTION

Index of industrial production 1970 = 100¹

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	
1971	101	103	102	102	104	103	100	116	105	100	102
1972*	114	120	113	111	110	110	110	137	113	118	113
1972*											
May	116	125	114	116	120	130	100	133	106	125	113
June	110	117	108	110	117	116	97	134	104	114	113
July	78	62	83	69	103	63	107	105	87	61	108
Aug.	114	109	111	118	120	98	111	136	129	110	114
Sept.	115	124	114	113	108	112	109	126	130	122	115
Oct.	126	133	126	123	126	119	124	152	135	132	118
Nov.	125	131	123	125	118	111	121	148	131	132	118
Dec.	116	119	117	111	104	104	111	149	120	122	121
1973*											
Jan.	123	123	125	120	98	126	123	156	128	126	111
Feb.	116	121	117	112	96	117	115	139	122	123	117
March	129	132	130	127	108	132	126	152	138	138	117
April	112	112	111	113	103	111	99	145	124	115	116
May	123	125	120	126	126	132	122	140	96	131	113
June	106	114	103	109	108	111	94	121	70	117	114
July	83	56	88	72	109	65	118	105	109	57	112
Aug.	118	109	116	121	129	105	124	134	138	116	118
Sept.	118	120	119	114	113	120	124	145	128	123	122
Oct.	132	139	132	130	133	142	131	153	140	141	120
Nov.	129	138	129	128	125	133	126	148	140	139	122

¹ New series, see explanations on page 18.



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Unem- ployed 1 000 persons	Unemploy- ment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1968 = 100	Whole- sellers' volume index 1968 = 100
1969	3 480	2 189	2 127	62	2.8	35 338	108	117
1970	3 492	2 194	2 153	41	1.9	39 267	114	130
1971	3 507	2 199	2 150	49	2.2	36 238	118	137
1972*	3 541	2 206	2 149	57	2.6	31 441	128	151
1972*								
Dec.	3 558	2 187	2 132	55	2.5	3 328	177	173
1973 ¹								
Jan.	3 430	2 127	2 055	72	3.4	3 257	116	140
Feb.	3 432	2 116	2 047	69	3.3	3 529	117	153
March	3 433	2 111	2 048	63	3.0	4 175	132	176
April	3 434	2 120	2 060	60	2.8	4 088	125	160
May	3 436	2 177	2 128	49	2.3	2 446	131	174
June	3 440	2 365	2 315	50	2.1	1 461	139	151
July	3 444	2 379	2 333	46	1.9	818	134	141
Aug.	3 447	2 303	2 261	42	1.8	1 216	141	175
Sept.	3 449	2 226	2 188	38	1.7	1 606	138	172
Oct.	3 451	2 221	2 182	39	1.8	2 339

* See explanations on page 18.

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											
1970	41.42	17.96	3.72	15.56	2.36	38.55	16.41	4.29	12.59	3.35	36.56
1971*	42.63	19.54	3.10	15.18	2.60	37.35	15.79	3.16	13.88	2.91	37.64
1972*	47.73	20.56	3.08	17.04	4.28	39.72	18.02	2.81	14.13	2.96	39.29
1972*											
Jan.-Mar.	7.31	2.73	0.55	3.20	0.48	7.95	3.23	0.33	3.44	0.75	34.34
Apr.-June	13.52	6.22	1.55	3.91	0.85	8.28	4.21	0.35	2.64	0.68	39.33
July-Sept.	13.44	6.11	0.55	4.89	1.17	9.90	4.49	0.83	3.18	0.75	40.93
Oct.-Dec.	13.46	5.50	0.43	4.88	1.78	13.32	5.94	1.26	4.83	0.77	39.29
1973*											
Jan.-Mar.	10.62	3.99	0.80	4.85	0.50	8.07	3.71	0.42	3.17	0.51	38.65
Apr.-June	16.97	7.85	1.73	5.82	0.62	6.51	3.27	0.33	2.08	0.37	47.39

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. Since Dec. 31, 1969. *Gold and foreign exchange* = Gold (valued on basis of the value of the mark) + Special drawing rights + IMF gold tranche + Foreign exchange. *Liabilities on foreign exchange and mark accounts* = Foreign exchange accounts + Mark account of holders abroad. *Other foreign assets* = Foreign bills + Foreign bonds + Currency subscription to Finland's quota in the IMF. *Other foreign liabilities* = Foreign term liabilities + IMF mark accounts. *Claims on Treasury* = Treasury bills covering certain IMF and IBRD accounts + Advances for stand-by stocks — Export levies (net). *Foreign exchange situation*: Gold holdings are valued on basis of the par value of the mark. Gold tranche position measures that part of Finland's quota which may be drawn essentially automatically in convertible exchange against payment in marks.

Page 5. *Other advances* = Inland bills discounted in foreign currency + Loans + Other claims (excl. Treasury's IMF and IBRD bills and Advances for stand-by stocks). *Liabilities* = Other cheque accounts + Other sight liabilities + Domestic term liabilities — Cash reserve accounts — Export levies (net).

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

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

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

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

STATE FINANCES

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

FOREIGN TRADE

Pages 9—11. Figures supplied by the Board of Customs. *Indices* (p. 9): The indices are calculated according to the Laspeyres formula. At the end of the year the arithmetic mean of the Laspeyres indices corresponds to the annual level of the Fisher index formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries* (p. 11): imports by countries of purchase, exports by countries of sale.

BALANCE OF PAYMENTS

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

PRICE INDICES

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

WAGES — PRODUCTION

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

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

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

Page 17. *Labour* figures supplied by the Central Statistical Office. As of the beginning of 1973, the figures for the labour force, the employed labour force and the rate of unemployment are not fully comparable to the previous figures. The sample population used in the Labour Force Sample Survey was changed to accord with the data provided by the demographic forecast made in 1973. In January 1973, the labour force was estimated to be about 30 000 persons smaller, and the seasonally unadjusted rate of unemployment about 0.1 percentage point lower, than the corresponding figures derived with the aid of the former sample population.

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

SYMBOLS USED

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current period, March 1, 1968, to March 1, 1978, is Urho Kekkonen.

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1972 is as follows: Social Democrats 56, People's Democrats 37, Centre Party 35, Conservatives 33, Finnish People's Unification Party 13, Swedish Party 9, Liberal Party 6, Finnish Farmers' Party 5, Christian League 4 and Finnish People's Constitutional Party 2.

INTERNATIONAL ORGANIZATIONS

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

LAND

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

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

POPULATION

NUMBER OF INHABITANTS (1972): 4.6 million. Sweden 8.1, Switzerland 6.4, Denmark 5.0 and Norway 3.9 million.

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

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

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

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

EDUCATION (1972): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 11 colleges of university standard, and 2 teacher training colleges, besides teacher training departments in two of the universities.

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

TRADE AND TRANSPORT

NATIONAL INCOME (1972, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 3 225 (7 %), forestry and fishing 2 721 (6 %), manufacturing 15 147 (31 %),

construction 4 703 (10 %), transport and communication 4 750 (10 %), commerce, banking and insurance 6 174 (13 %), public administration 2 191 (4 %), ownership of dwellings 2 538 (5 %), services 6 891 (14 %), total 48 340. Index of real domestic product 143 (1964 = 100).

FOREST RESOURCES (1972): The growing stock comprised of 1 481 million m³ (solid volume with bark), of which 44 % was pine and 38 % spruce, the remaining 18 % being broad-leaved trees, chiefly birch. Of the growing stock, 619 million m³ was up to the standard required for logs, 55 % of these being pine. The annual growth was 56.2 million m³ and the total removal, calculated on the basis of roundwood consumption, was 54.3 million m³.

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

INDUSTRY (1971): Gross value of industrial production 29 705 mill. marks, number of workers 395 501, salaried employees 105 915, motive power (1971) 5.5 mill. kW. Index of industrial production 101 for 1971 (1970 = 100).

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

MERCHANT FLEET (Dec. 31, 1973): Steamers 28 (21 300 gross reg. tons), motor vessels 378 (760 000 gross reg. tons), tankers 57 (731 700 gross reg. tons), sailing vessels with auxiliary engines 3 (500 gross reg. tons). Total 466 (1 513 500 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1972): Passenger cars 818 000, lorries and vans 116 100, buses 8 400, others 5 400. Total 947 900.

FINNISH AIRLINES (March 31, 1973): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6s, 8 Super Caravelles 8 DC-9s and 5 Convair Metropolitan. Companies have scheduled traffic outside of Finland to 26 airports and to 18 domestic airports.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). Since Oct. 12, 1967, the par value of the mark is 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per U.S. dollar). Since Feb. 15, 1973 a central rate of 3.90 marks to one U.S. dollar has been applied.

THE CENTRAL BANK. The Bank of Finland (estab. 1811) functions under the guarantee and supervision of Parliament. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1972). There are two big and five small commercial banks with in all 837 offices, 302 savings banks, 406 co-operative banks, six mortgage banks, and Post Office Bank. 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 (July 1, 1973). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 9 ¼ %. The range of rates for other credits granted by the Bank of Finland is between 7 ½ and 10 ½ %. Other credit institutions: term deposits 5 ¾ %, 6 month deposits 6 ¼ %, 12 month deposits 6 ¾ %, 24 month deposits 7 ¾ %; and sight deposits 1 ½ %; highest lending rate 12 ½ %.

THE FINNISH SICKNESS INSURANCE SCHEME

by Heikki Kaitaranta, M.Pol.Sc.

The Social Insurance Institution

INTRODUCTION

The sickness insurance scheme is the youngest of the major social security schemes in Finland. It was introduced in 1964 after a long period of planning, political discussion and debate.

The sickness insurance covers only the costs of out-patient care, and compensates persons for losses of earnings or working capacity resulting from illness or maternity. Along with providing compensation, the scheme aims at encouraging people to seek care, the target being a proper balance between the need and demand for medical services. Moreover, the scheme also includes prevention of diseases and rehabilitation.

The scheme is universal in the sense that it covers the costs of medical care of every resident in Finland, and provides daily and maternity allowances for all those aged between 16 and 64. Also the entitlement to any form of benefit does not depend on contributions. In 1972 more than half of the total population received compensation for medical care costs and about one tenth of those aged 16 to 64 were paid daily allowances.

ADMINISTRATION

The sickness insurance scheme is administered by the Social Insurance Institution (SII), which also implements the basic pensions schemes. The SII is financially and administratively an autonomous institution, and responsible directly to Parliament. The general management of the SII has been described in an earlier issue of the Bulletin (Vol. 47, No 11).

For purposes of local administration, the country is divided into five sickness insurance

areas and into 204 sickness insurance districts. In each district there is a sickness insurance board to deal with applications for sickness benefits. These boards have five members, three appointed by the local councils, one — a physician — by the county administration, and one — the chairman of the board — by the SII. The activities of the local boards are supervised and coordinated by the area offices and the Sickness Insurance Department of the SII.

The Rehabilitation Department and the Rehabilitation Examinations Centre take care of rehabilitation and the prevention of illnesses. In connection with the Centre there is a mobile clinic for the detection of hidden diseases and the charting of the most common illnesses in Finland. The effects of the sickness insurance scheme as well as of the other SII schemes are constantly evaluated in light of their targets through studies conducted in the research division of the SII, the Research Institute for Social Security. The aim of the research is to help the SII to fulfil one of its most important duties: formulating legislation in the field of social security.

BENEFITS

The scheme refunds a part of physicians' fees, charges for those medicines, examinations and treatments that are prescribed by a physician, and travelling expenses directly related to an illness. In more specific terms, the scheme provides compensation in the following way:

Care by a general practitioner or specialists: 60 per cent of the fee up to a limit set by a list of standard rates

Examination and treatments: 75 per cent of the charge less 6 marks, up to a limit set by a list of standard rates

Medicines: 50 per cent of the price less 4 marks, or, in cases where the medicine is for a severe chronic illness, 100 per cent of the total price

Travel by a physician or patient which is necessary on account of the illness: 100 per cent of the one-way cost less 2 ½ marks; travel is to be by the cheapest but most suitable form of transportation considering the state of the illness and other circumstances

Dental care; compensation is similar to that paid for a physician's services but only in cases where the treatment is necessary for curing other than a purely dental disease.

Some other expenses connected with out-patient care are also partially refunded, e.g., costs of housing or hotel accommodation related to travel necessitated by an illness. In order to receive compensation for physicians' fees the patient cannot change his doctor during the course of a particular illness without an acceptable reason. Otherwise, the patient can choose his physician freely.

Losses of earnings or working capacity are made up through daily and maternity allowances. The daily allowance is paid to everyone aged between 16 and 64, who on account of illness is incapable of doing his customary work. Consequently, self-employed persons such as farmers and those usually without any income such as housewives and students are entitled to the daily allowance. The minimum daily allowance amounts to 10 marks. Otherwise, the daily allowance is income-determined at the rate of 1.5 per mill of the insured person's annual income. This means that on the average 45 per cent of a day's earnings are made up. There is, however, an upper limit of slightly over 38 marks per day.

If the beneficiary is the principal provider of the family, the daily allowance is increased by 15 per cent for the spouse and by 10 per cent for each child under 16. The daily allowance is not paid for Sundays and only after seven days have elapsed from the first day of disability. If the period of disability lasts 300 week-days without cessation, the allowance is no longer paid but

the beneficiary is then entitled to apply for an invalidity pension which is paid under the basic pensions scheme of the SII.

The maternity allowance is payable to every expectant mother for 72 week-days, partly before and partly after childbirth. It is income-determined on the same basis as the daily allowance. The entitlement to the maternity allowance begins after a period of 180 days of pregnancy. Both the daily and maternity allowances are paid to the employer of a beneficiary if the employer pays a salary or wages during sickness or maternity leave. Moreover, if the beneficiary is also entitled to compensation from other sources, the allowances are paid only to the extent that money from other sources falls short of the sickness insurance allowance.

Besides compensation in cash, the SII provides preventive and rehabilitation services in order to prevent disabilities and to restore the working capacity of those taken ill. The services include health screening, examinations for defining the need for rehabilitation, medical care, work experiments, and vocational training. The SII also defrays some of cost of occupational and students' health services.

All benefits and allowances of the sickness insurance scheme are tax-free.

FINANCING

The financing of both the basic pensions schemes of the SII and the sickness insurance scheme is based on the pay-as-you-go principle, i.e., annual expenditures are financed directly through annual contributions, and funds are formed only in order to maintain liquidity. In keeping with the common tripartite formula, the insured persons, the employers and the State all participate in the financing of the scheme.

The insured pay one and a half pennies per mark of their income subject to municipal taxation. The employers contribute at a rate of two per cent of their payroll. If these contributions do not cover the total expenditures,

**TABLE 1. REVENUE AND EXPENDITURE WITHIN THE SICKNESS INSURANCE SCHEME OF THE SII
1965—1972**

Revenue (excl. transfers of funds)

Source of revenue	1965		1966		1967		1968		1969		1970		1971		1972	
	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent
The insured	89	52.0	102	46.4	177	51.5	200	50.1	222	50.5	251	50.7	285	44.9	316	39.4
Employers	58	33.9	64	29.1	166	48.3	194	48.6	214	48.6	241	48.7	323	50.9	377	46.9
State	24	14.0	53	24.1	—	—	—	—	—	—	—	—	—	—	72	9.0
Other	—	—	1	.5	1	.3	5	1.3	4	.9	3	.6	27	4.3	38	4.7
Total	171	99.9	220	100.1	344	100.1	399	100.0	440	100.0	495	100.0	635	100.1	803	100.0

Expenditure (excl. transfers of funds and administration)

Benefits	1965		1966		1967		1968		1969		1970		1971		1972	
	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent	Mill. mk	Per cent
Daily allowances	68	44.7	84	45.7	121	41.7	132	39.2	142	38.5	184	41.1	223	39.0	285	39.4
Maternity allowances	22	14.5	25	13.6	29	10.0	30	8.9	29	7.9	34	7.6	48	8.4	56	7.7
Physicians' fees	—	—	—	—	42	14.5	50	14.8	54	14.6	58	12.9	64	11.2	78	10.8
Medicine	43	28.3	50	27.2	63	21.7	83	24.6	94	25.5	111	24.8	142	24.8	182	25.2
Examinations and treatment	10	6.6	13	7.1	18	6.2	21	6.2	24	6.5	30	6.7	36	6.3	46	6.4
Travel and other	9	5.9	12	6.5	17	5.9	21	6.2	26	7.0	31	6.9	59	10.3	76	10.5
Total	152	100.0	184	100.1	290	100.0	337	99.9	369	100.0	448	100.0	572	100.0	723	100.0

the State pays the rest. According to the sickness insurance law, two per cent of the insured persons' annual contributions is used to finance special expenditure on preventive and rehabilitation services.

Although the sickness insurance scheme and the basic pensions schemes are administrated by a single agency, they have separate financing systems and separate funds. The sickness insurance fund is considerably smaller than that of the basic pensions schemes, which account for over 70 per cent of the total SII budget. Only short-term loans were granted from the sickness insurance fund in 1972.

DEVELOPMENT OF REVENUE AND EXPENDITURE

A broad range of factors — both connected with the expanding economy and unique to

the sickness insurance scheme — has contributed to the rapid growth of income and expenditure during the past years. The basic factor is the partial linkage of the daily and maternity allowances and the contributions paid by the insured and employers to changes in wages and salaries. Other factors are the expansion and development of the scheme, the rising cost of providing medical services, and increased consumption of these services which in turn is partly due to the fall in price and partly to improved availability of services. The growth of revenue has kept pace with rise in expenditure, largely on account of increases in the contribution rate. These adjustments were and obviously will be needed to make up for the fact that expenditures having been growing more quickly than wages and salaries, which serve as the basis for determining the contributions.

TABLE 2. EXPENDITURE OF THE SICKNESS INSURANCE SCHEME IN RELATION TO DIFFERENT COMPONENTS OF THE DOMESTIC PRODUCT AND SOCIAL EXPENDITURE

		1965	1966	1967	1968	1969	1970	1971	1972
All benefits ¹ paid under the sickness insurance scheme	Per cent of private consumption expenditures	1.01	1.15	1.66	1.79	1.76	1.94	2.30	2.55
	Per cent of the total amount of wages and salaries	1.36	1.48	2.18	2.27	2.25	2.40	2.76	3.05
	Per cent of all social expenditures	5.19	5.36	7.31	7.10	6.90	7.13	7.72	8.82
Total budget ² (all expenditures incl. administration and transfers of funds) for the sickness insurance scheme	Per cent of NDP at factor cost	0.87	0.99	1.44	1.48	1.43	1.46	1.68	1.89
	Per cent of all social expenditures	6.15	6.44	8.70	8.46	8.23	8.05	8.60	9.90
	Per cent of the total budget of the SII	18.29	19.16	24.41	25.11	25.13	25.56	26.77	28.69
¹ All benefits, mill. mk		151	182	289	335	369	445	573	723
² Total budget, mill. mk		179	219	344	399	440	502	638	812

Table 1 shows the development of revenue and expenditure from 1965 to 1972. In the course of these years, both revenue and expenditure have increased at an average annual rate of nearly 26 per cent. The variation in the growth rates for different years is similar for both income and expenditure. This is again a result of the pay-as-you-go system, which guarantees that expenditure and revenue are at least roughly matched each year.

The distribution of expenditure arising from the payment of different benefits has remained quite constant since 1967 when for the first time physicians' fees were included in the refundable costs of care. Expenditures are divided almost evenly between income-determined allowances and compensation for the costs of medical care. The shares of the various sources of funds in total revenue are also relatively constant, provided that those few years when the State did contribute are not taken into account. The amount paid by the insured was a little greater than that paid by the employers until 1971 when there was an adjustment in the contribution rates.

The development in relation to the components of domestic product and total social expenditures can be seen in table 2. Although

the trend is somewhat uneven, the sickness insurance scheme does seem to have increased its share in all the items concerned over the long run. The trend is more distinct when measured against components of the domestic product than against social expenditures, which have generally grown faster than the economy as a whole — a phenomenon that is common to all industrialized countries.

In 1972 the total sickness insurance budget amounted to about two per cent of net domestic product, while total benefits and allowances came to about two and a half per cent of private consumption expenditure and slightly over three per cent of wages and salaries. The sickness insurance scheme has also constantly increased its share in the total budget of the SII, from about 18 per cent in 1965 to nearly 30 per cent in 1972.

IMPACT OF THE SICKNESS INSURANCE ON THE CONSUMPTION OF MEDICAL COMMODITIES

Before the implementation of the scheme it was argued that it would lead not only to lower prices for medical services but also to some »unnecessary» consumption of health services. To evaluate this argument as well as

to assess the overall effects of the scheme, an extensive research project based on interview surveys was carried out in two phases, before (1964) and after (1968) the implementation of the sickness insurance scheme. The project was designed to analyze the basic structure of and the factors determining the use of medical services, and to estimate the changes in utilization, the cost of the scheme and illness among different population groups, and to evaluate the changes from the standpoint of the general targets of national health policy.¹

The data collected before the implementation of the scheme showed that the use of physicians' services and most other kinds of medical goods and services varied not only with awareness of illness, but also with family income, place of residence and differences in the availability of the goods and services. Consequently use of medical services depended heavily on the factors enabling the patient to obtain care, although the awareness of the need for care was by far the most important determinant of consumption². The results of the second phase of the study reflect changes which are in accordance with the targets of the sickness insurance scheme. The patterns of the use of and the need for medical care became more uniform with the introduction of the scheme — although differences still remained. The changes were most marked in those population groups where the ratio between care obtained and care needed was lowest prior to the implementation of the sickness insurance scheme, i.e., among persons with low incomes living in rural areas. The scheme

was thus quite effective in reaching its main objective, the solution of problems revolving around the use of health services and caused by differences in income.

However, only a small increase was found in the overall consumption rates for most types of medical goods. This was explained mainly by the limited availability of medical services, especially those of physicians; since the number of out-patient care units was not increased markedly when the scheme was introduced, sickness insurance could only lead to a redistribution of the services among the population groups. It was concluded that in order to better reach the targets set for the sickness insurance scheme, decisions on the supply, availability, price and financing of health services should be more closely coordinated when developing further the medical care system.

FUTURE PROSPECTS

In keeping with this conclusion, quite extensive health policy measures have already been implemented. These are the result of a new health care law that came into force in 1972. The law aims at gradually reorganizing and balancing out-patient care services in the country, and at replacing re-imburement with direct subsidization. So far this approach has been applied only to medicines. Moreover, the sickness insurance scheme is not yet complete in two respects: it does not cover the total price of most services, and certain kinds of medical services, such as those of dentists are still outside the scheme. According to plans, the part of medical care costs directly paid by the patient will gradually be reduced, and, by the end of the present decade, the services will be free of charge for all practical purposes.

¹ The results of the first phase were published in English: Purola, T., Kalimo, E., Sievers, K. and Nyman, K., *The Utilization of the Medical Services and Its Relationship to Morbidity, Health Resources and Social Factors*; Social Insurance Institution, Helsinki, 1968. The results of the second phase will come out together with an evaluation of the scheme's effects later in 1974: Purola, T., Nyman, K., Kalimo, E., and Sievers, K., *Medical Care Use and Morbidity under National Sickness Insurance*; Social Insurance Institution, Helsinki.

² Kalimo, E., *Determinants of Medical Care Utilization*, Social Insurance Institution, Helsinki, 1969.

ITEMS

Finland's balance of payments January—September 1973. According to preliminary figures of the Bank of Finland, the current account deficit amounted to 1 347 million marks in January—September 1973. The current account deficit for the third quarter was substantially smaller than those for the first two quarters of the year. As the domestic money market tightened, the net inflow of long-term capital climbed back to the level of recent years, after almost coming to a standstill during the first half of the year. As the net inflow of short-term capital declined slightly in January—September, the current account deficit was mainly financed by drawing on the foreign exchange reserves. The decline in the foreign exchange reserves slowed down during the third quarter of the year, when the visible and invisible trade account was nearly balanced and the inflow of long-term capital picked up.

The weakening of the balance of trade during the first three quarters of the year was the result of overheating in the economy. The briskness of economic activity, coupled with the general rise in prices, boosted the expansion of imports. At the same time, the growth in the volume of exports was held in check as firms began to reach capacity ceilings and experience shortages of labour. The value of imports rose by one quarter compared with the corresponding period of the previous year, whereas the rise in the value of exports was ten percentage units smaller. Net income from trade in invisibles increased further. On the other hand, the current account felt the weight of increased investment expenditure and transfer payments abroad, mainly as a consequence of the growing costs of serving the country's foreign debt. In the first nine months of 1973, the current account deficit was about nine per cent of total current expenditure.

Drawings of long-term foreign loans totalled roughly 1 500 million marks in January—

September, which was more than 700 million marks less than in the corresponding period of 1972. However, as the international capital market ceased being so volatile and the domestic money market tightened, drawings of loans increased. During the third quarter they were clearly above the level of the first half of the year. On the other hand, the repayment of long-term loans increased substantially, thus reducing the net inflow of long-term capital to one third of the level of January—September 1972. Other long-term capital movements, i.e., export credits granted to foreign customers and direct investment, did not greatly affect the country's foreign indebtedness. Short-term foreign liabilities declined slightly as a result of the cash payment system for imports and the restrictions on advance payments for sawn timber exports. Both these provisions reduced drawings on trade credits during the third quarter of the year.

Total long-term and short-term net foreign liabilities increased by more than 400 million marks in January—September. The gold and foreign exchange reserves of the Bank of Finland declined by 720 million marks, and the net foreign exchange assets of other foreign exchange holders fell by 200 million marks. The country's total foreign exchange reserves thus declined by 920 million marks.

MAJOR BALANCE OF PAYMENTS ITEMS, MILL. MK

	January—September	
	1973	1972
Trade account	—1 672	—749
Service account	912	866
Visible and invisible trade account	—760	117
Other items of current account	—587	—447
Current account	—1 347	—330
Long-term capital	453	1 110
Short-term capital	—26	—260
Capital inflows	427	850
The change in the foreign exchange reserves	—920	520

Cancellation of a foreign exchange stipulation. On January 22, 1974, the Bank of Finland decided to cancel the decision made on September 11, 1973, concerning advance payments for exported goods listed in Chapter 44 of the Customs Tariff, i.e., wood and articles of wood. The Bank of Finland will thus permit the acceptance of advance payments for these products in accordance with the practice applied prior to the decision of last September. The cancellation of the restriction was deemed necessary because the growth of demand for exported sawn timber had decelerated, as had been forecast. See Item in Bulletin No. 10, 1973.

Natural gas from the Soviet Union to Finland. An agreement concerning the delivery of natural gas to Finland was concluded between Finland and the Soviet Union in the spring of 1971. In the beginning of 1972, a commercial delivery agreement on natural gas was signed by the Soviet company V/O Sojuznefteexport and the Finnish company Neste Oy. According to this agreement, the Soviet Union will deliver 500 million cubic metres of natural gas to Finland during the current year. The amount delivered will be increased annually, so that in 1979 the deliveries will come to 1 400 million cubic metres per annum. The

total present quota of 14 400 million cubic metres has been sold by Neste Oy to industrial enterprises in southeastern Finland.

The Soviet company V/O Tsvetmetpromexport designed and constructed the main natural gas pipeline from Imatra to Kouvola, a distance of 125 kilometres. This company also constructed a smaller pipeline from Kouvola to Kotka while Finnish contractors undertook the construction of distribution pipelines. The maximum annual output of this gas pipeline is 3 000 million cubic metres, and its working pressure is 55 atmospheres. Natural gas consists mainly of methane, propane and ethane. For this reason, it causes no ecological harm and no danger of poisoning if it escapes into the open air.

President Urho Kekkonen celebrated the opening of the pipeline on January 9, 1974 by igniting a flame of natural gas.

Publication of the Bank of Finland. The fifth publication in the series Studies on Finland's Economic Growth has appeared: Seppo Leppänen, *Liikenne Suomessa 1900—1965* (Transport and Communication in Finland, 1900—1965), in Finnish with a summary, statistical tables and graphs in English, 1973, 97 pp.

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

A. Simonen

Deputy Governor

Ahti Karjalainen

*Absent as a Member
of Government*

Heikki Valvanne

Päiviö Hetemäki

Pentti Uusivirta

Timo Helelä

ad int.

Directors

Jouko J. Voutilainen

Timo Helelä

Jorma Aranko

Pertti Tammivuori

Markku Puntila

Senior officials

Pertti Kukkonen

Director, ADP-planning

Pauli Kanerva

Administration

K. Ignatius

Personnel

Antti Lehtinen

*Domestic Financial
Operations*

Kalle Koski

Capital Transfers

Kari Nars

Foreign Exchange Policy

Raili Nuortila

Eastern Trade

J. Ojala

Foreign Exchange Control

Kari Puumanen

Economics Dept., ad int.

Heikki Koskenkylä

Research Dept., ad int.

Stig Törnroth

Cash

K. Eirola

Automatic Data Processing

A. Nenonen

Foreign Correspondence

Väinö Heiskanen

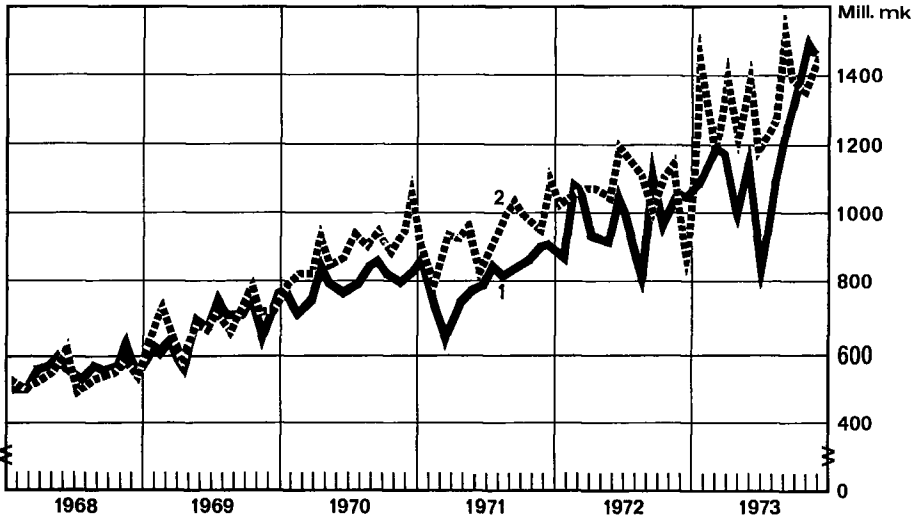
Banking Services

Eino Suomela

Internal Audit

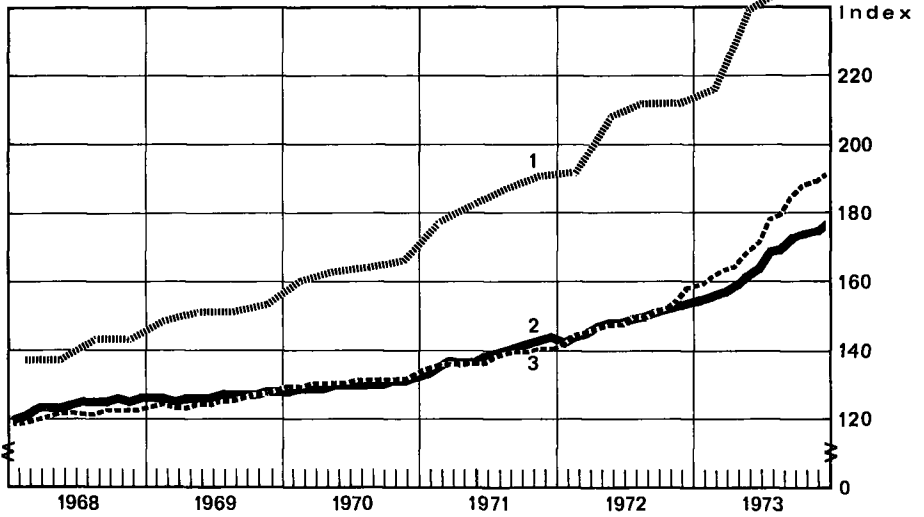
Foreign trade, 1968-1973

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



Prices and wages, 1968-1973

- 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, 1968-1973

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

