



# BANK OF FINLAND

*Monthly Bulletin*

employment situation

monetary policy and financial  
developments

supplementary budgets

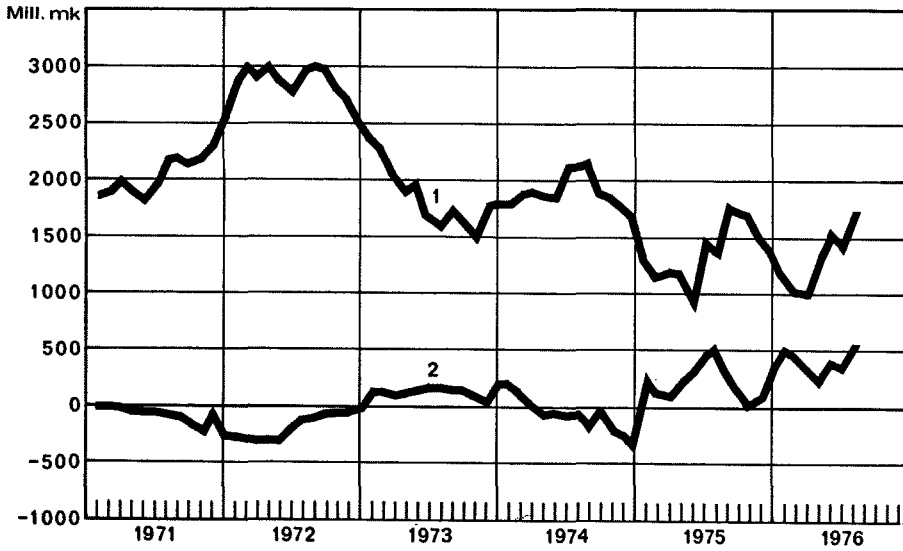
the Bank of Finland investment  
survey of May 1976

Bank of Finland publication

**SEPTEMBER 1976**

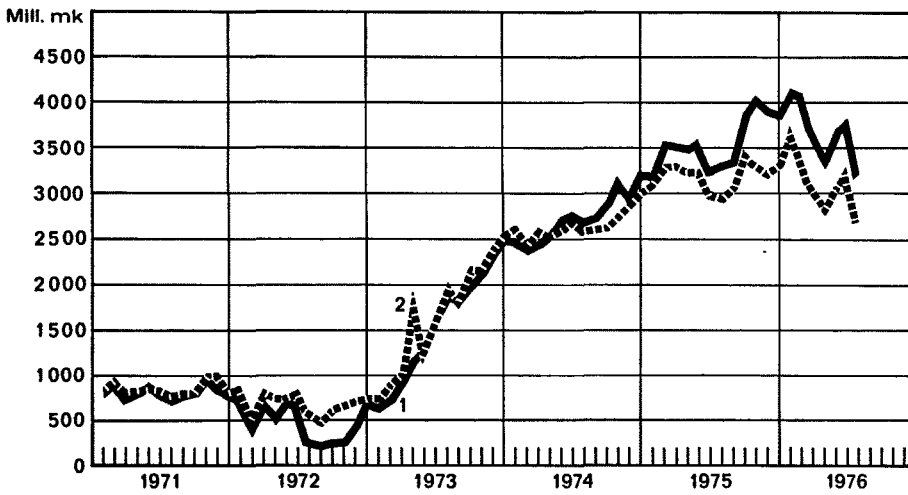
**Vol. 50 No. 9**

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



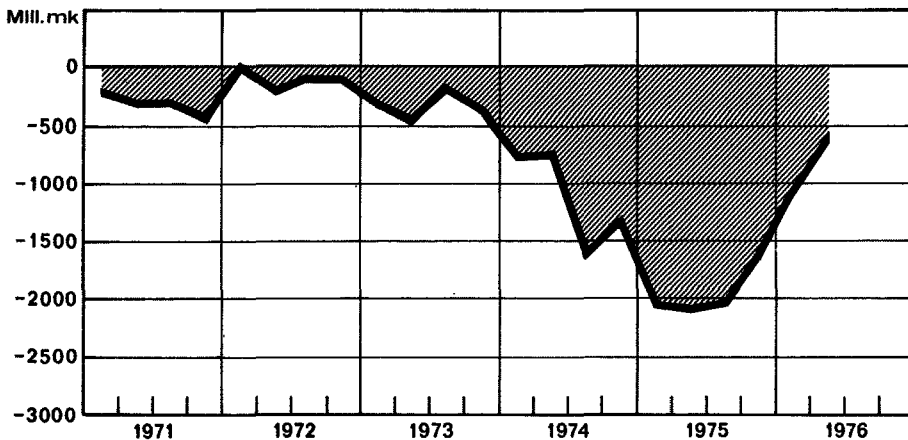
- 1. Gold and convertible currencies
- 2. Non-convertible currencies

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



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

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



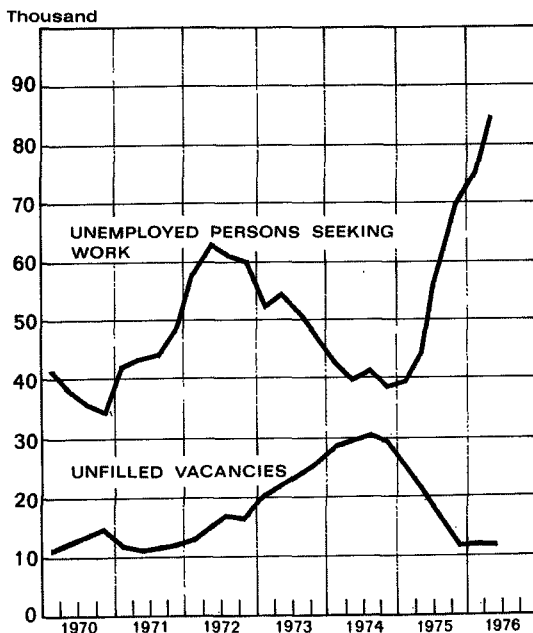
Seasonally adjusted quarterly figures

# EMPLOYMENT SITUATION

Despite a slackening in productive activities, the employment situation remained fairly good during the first half of 1975, although a decline in the number of unfilled vacancies reported to the Employment Service indicated an approaching downward trend. In fact, the number of unfilled vacancies fell almost constantly throughout 1975 to less than 15 000 in the first six months of the current year. This is less than half the figure for the boom year of 1974 (Chart 1).

Measured in terms of registered unemployment, the employment situation started to deteriorate markedly during the autumn of 1975. From August of that year, the rate of unemployment rose steadily every month. During the winter months the number of unemployed remained at some 90 000 persons, corresponding to an unemployment rate of about four per cent. Unemployment reached its highest level in April 1976 (96 400); this

**CHART 1. UNEMPLOYED PERSONS SEEKING WORK AND UNFILLED VACANCIES AT THE EMPLOYMENT SERVICE, SEASONALLY ADJUSTED QUARTERLY FIGURES**



**TABLE 1. NUMBER OF UNEMPLOYED PERSONS SEEKING WORK AT THE EMPLOYMENT SERVICE, AUGUST 1975—AUGUST 1976**

Year/Month	Change on the previous year		
	Number of persons	Number of persons	Per cent
1975			
August	39 200	+12 100	+ 45
September	46 300	+18 200	+ 65
October	52 500	+19 700	+ 60
November	63 400	+28 400	+ 81
December	74 400	+38 400	+107
1976			
January	89 300	+42 200	+ 90
February	90 500	+43 100	+ 91
March	88 300	+40 900	+ 87
April	96 400	+47 400	+ 97
May	77 200	+38 900	+102
June	70 000	+27 800	+ 66
July	80 800	+16 600	+ 26
August	64 500	+25 300	+ 65

was, however, partly due to certain distortions in the labour market. The small decline in unemployment since then is due to seasonal factors in the summer. The high figure for July can be attributed to the fact that the majority of lay-offs in industry tend to occur during the holiday season; this phenomenon has been noticeable for a couple of years (Table 1). However, in August there was already a clear decline in unemployment.

On the basis of the development so far, it can be estimated that the average rate of unemployment, which in 1975 was 2.2 per cent, will this year amount to almost 3.5 per cent. When comparing percentage figures, it should also be taken into account that, in keeping with the normal cyclical pattern, the labour participation rate in 1976 has been lower than that in the previous year. Although the population in working age in the first quarter of 1976 was 20 000 persons larger than one year earlier, the actual labour force (the total of employed and unemployed persons) had declined by 6 000 persons. Clearly, part of the potential supply of labour did not materialize.

When the development of employment is examined by industrial sectors, one can observe rather sharp fluctuations caused by the cyclical situation. According to the labour force survey, the sectoral employment pattern changed from the first quarter of 1975 to the corresponding period in 1976 as follows:

	Change	
	Number of persons	Per cent
Agriculture	— 9 000	— 3.4
Forestry	—18 000	—26.0
Industry	—27 000	— 4.5
Construction of buildings	—18 000	—15.1
Land and waterway construction	+ 1 000	+ 1.6
Service industries	+24 000	+ 2.2
Employed persons, total	—47 000	— 2.2

Employment in forestry and the construction of buildings has been relatively most severely affected by the economic recession. Despite the recession, the number of persons employed by service industries has increased steadily, although more slowly than previously. The fact that employment has remained very good in land and waterway construction is due to the implementation of measures designed to promote employment in this sector. Furthermore, it should be noted that, in this cyclical situation, the agricultural labour force has not declined at nearly the same rate as in the previous years.

The development in the autumn of 1975 already reflected certain changes in the regional distribution of unemployment, as compared with previous recessions. When examined by major regions, both the absolute and relative increases in the number of unemployed persons were the largest in the industrial part of Finland, that is in the four southernmost labour administrative districts. Although regional differences in employment has been reduced in the 1970s, due to structural differences the rates of unemployment in the development regions of northern and eastern Finland have been — and still are — higher than the average for the country as a whole. In northern and eastern

parts of the country, the unemployment rates have been about double the average.

When examined by occupational grouping, the increase in unemployment has been the largest in industry, where also the majority of lay-offs have taken place. In the two sectors which are traditionally cyclically sensitive, construction and forestry, the rate of unemployment during the winter season had risen markedly: in the construction sector to almost twice the previous year's figure. However, it should be taken into account that the statistics on the occupational breakdown of unemployment are neither completely comprehensive nor absolutely accurate. There has been a sharp increase in the number of unemployed school and college-leavers. As enterprises tend, even in a situation with poor sales prospects, to avoid dismissals and to keep their existing labour force, to refrain from recruiting new labour remains the most generally used adjustment measure. Hence, the impact of structural unemployment has been particularly focussed on the young and on newly-graduated persons entering the labour market for the first time. The rate of unemployment has been lower for women than for men, because female labour is concentrated to a great extent on those productive sectors where cyclical fluctuations in employment are not particularly sharp.

Although exports are picking up and the growth of total production is strengthening during the second half of the current year, no rapid cyclical improvement in employment can be expected before 1977. The growth in the volume of exports and output will largely involve a decline in stocks and a rise in productivity and the rate of capacity utilization, with no significant reduction in unemployment. A more noticeable improvement in employment will thus occur mainly during the latter half of 1977. In fact, it seems possible that during the first quarter of 1977, the employment situation will still be relatively severe. Looking at individual occupational categories, the employment situation in the construction

(continued on page 30)

	1975		1976			
	Aug. 29	Dec 31	Aug. 6	Aug. 13	Aug. 23	Aug 31
<b>Assets</b>						
Gold and foreign exchange receivables	2 349	1 950	2 427	2 368	2 286	2 336
Gold	121	121	121	121	121	121
Special drawing rights	284	278	265	265	265	265
IMF gold tranche	—	—	—	—	—	—
Convertible currencies	1 474	1 089	1 388	1 351	1 257	1 284
Tied currencies	470	462	653	631	643	666
Other foreign receivables	1 266	1 274	1 478	1 478	1 496	1 503
Foreign bills	278	272	283	283	301	303
Foreign bonds	190	204	368	368	368	373
Currency subscription to Finland's quota in the IMF	798	798	827	827	827	827
Receivables from financial institutions	3 572	4 164	4 137	3 930	4 383	3 844
Cheque accounts of the commercial banks	135	133	140	176	138	169
Discounted bills	3 068	3 385	2 747	2 678	2 718	2 749
Bonds	326	327	337	375	366	357
Call money market advances	—	—	876	670	1 154	533
Other financial institution receivables	43	319	37	31	7	36
Receivables from the public sector	322	339	362	365	386	388
Bonds	72	70	72	72	73	74
Total coinage	250	256	272	273	274	274
Other public sector receivables	0	13	18	20	39	40
Receivables from corporations	819	933	1 288	1 282	1 325	1 297
New export bills	124	128	144	146	144	144
Financing of suppliers' credits	336	402	485	484	489	490
Bonds	242	223	206	205	209	209
Other corporate receivables	114	180	453	447	483	454
Other assets	37	47	48	48	49	49
<b>Total</b>	<b>8 362</b>	<b>8 707</b>	<b>9 740</b>	<b>9 471</b>	<b>9 925</b>	<b>9 417</b>
<b>Liabilities</b>						
Foreign exchange liabilities	203	172	127	121	173	169
Convertible accounts	60	78	90	84	128	123
Tied accounts	143	94	37	37	45	46
Other foreign liabilities	1 385	1 385	1 923	1 923	1 923	1 923
IMF mark accounts	1 127	1 127	1 665	1 665	1 665	1 665
Allocations of special drawing rights	258	258	258	258	258	258
Notes and coins in circulation	2 635	2 855	2 855	2 891	2 855	2 858
Notes	2 413	2 617	2 611	2 647	2 611	2 614
Coins	222	238	244	244	244	244
Deposit certificates in circulation	700	250	—	—	—	—
Claims of financial institutions	288	29	877	665	1 147	534
Cheque account of Postipankki	2	1	0	0	1	0
Cheque accounts of the commercial banks	4	3	3	2	1	3
Call money market deposits	—	—	868	658	1 140	522
Other financial institution claims	282	25	6	5	5	9
Claims of the public sector	871	1 301	1 236	1 172	1 171	1 263
Cheque accounts	3	2	0	0	0	0
Counter-cyclical reserves	237	155	55	55	55	55
Import deposits	629	1 135	1 124	1 060	1 059	1 128
Other public sector claims	2	9	57	57	57	80
Claims of corporations	305	539	373	347	302	301
Investment deposits	67	73	63	63	63	63
Counter-cyclical withholdings	0	—	—	—	—	—
Capital import deposits	225	450	302	278	232	232
Import levy deposits	6	8	3	3	3	3
Other corporate claims	7	8	5	3	4	3
Other liabilities	12	15	14	14	12	15
Equalization accounts	1 027	331	470	469	470	477
Capital accounts	936	1 830	1 865	1 869	1 872	1 877
Primary capital	600	1 400	1 400	1 400	1 400	1 400
Reserve fund	237	237	334	334	334	334
Undisposed profits	—	—	—	—	—	—
Net earnings	99	193	131	135	138	143
<b>Total</b>	<b>8 362</b>	<b>8 707</b>	<b>9 740</b>	<b>9 471</b>	<b>9 925</b>	<b>9 417</b>

End of year and month	Foreign sector						Public sector			Deposit certificates in circulation	
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserve (1-2)	Non-convertible exchange reserve	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities		Net liabilities (9-8)
	1	2	3	4	5	6	7	8	9	10	11
1969	1 266	11	1 255	- 80	517	360	1 332	102	200	98	-
1970	1 812	11	1 801	- 63	639	606	1 771	119	121	2	203
1971	2 620	30	2 590	-297	686	704	2 275	148	140	- 8	400
1972	2 613	43	2 570	- 6	757	788	2 533	175	49	-126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	-388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1975											
Aug.	1 879	60	1 819	327	1 266	1 385	2 027	322	871	549	700
Sept.	1 810	53	1 757	186	1 274	1 385	1 832	322	1 019	697	820
Oct.	1 778	50	1 728	61	1 315	1 385	1 719	324	1 189	865	740
Nov.	1 611	79	1 532	123	1 311	1 385	1 581	333	1 383	1 050	400
Dec.	1 448	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976											
Jan.	1 277	86	1 191	533	1 373	1 385	1 712	335	1 318	983	160
Feb.	1 113	82	1 031	482	1 390	1 385	1 518	334	1 380	1 046	-
March	1 184	157	1 027	378	1 442	1 413	1 434	338	1 465	1 127	-
April	1 393	47	1 346	281	1 449	1 413	1 663	341	1 390	1 049	-
May	1 627	46	1 581	434	1 465	1 922	1 558	352	1 360	1 008	-
June	1 546	48	1 498	392	1 456	1 923	1 423	350	1 320	970	-
July	1 800	62	1 738	507	1 483	1 923	1 805	361	1 227	866	-
Aug.	1 670	123	1 547	620	1 503	1 923	1 747	388	1 263	875	-

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

## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1975			Net holdings, May 31, 1976			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	May	Jan.-May
Gold	121	-	121	121	-	121	-	-
Special drawing rights	278	-	278	271	-	271	-1	-7
IMF gold tranche	-	-	-	-	-	-	-	-
Convertible currencies	1 011	-1 759	-748	1 190	-1 717	-527	356	221
<b>Total</b>	<b>1 410</b>	<b>-1 759</b>	<b>-349</b>	<b>1 582</b>	<b>-1 717</b>	<b>-135</b>	<b>355</b>	<b>214</b>
Non-convertible currencies	368	-1	367	434	-13	421	150	54

End of year and month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Dis-counted and redis-counted bills	Cheque account receiv-ables <sup>2</sup>	Other receiv-ables	Cheque account liabilities to the commer-cial banks <sup>3</sup>	Cheque account liabilities to Posti-pankki <sup>3</sup>	Other liabili-ties	Net receiv-ables (1+2+3-4-5-6)	Receiv-ables	Liabili-ties	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1969	550	87	—	93	12	—	532	461	25	436	1 394
1970	836	3	—	1	4	—	834	383	324	59	1 455
1971	849	—	—	9	2	—	838	355	385	— 30	1 413
1972	753	5	—	—	2	—	756	321	73	248	1 879
1973	2 556	61	—	—	2	—	2 615	372	259	113	2 082
1974	3 034	114	266	4	4	1	3 405	631	195	436	2 462
1975	3 385	133	646	3	1	25	4 135	933	539	394	2 855
1975											
Aug.	3 068	135	369	4	2	282	3 284	816	305	511	2 635
Sept.	3 565	196	424	2	1	274	3 908	827	401	426	2 620
Oct.	3 568	115	606	2	1	269	4 017	876	413	463	2 571
Nov.	3 519	172	622	2	1	2	4 308	888	530	358	2 678
Dec.	3 385	133	646	3	1	25	4 135	933	539	394	2 855
1976											
Jan.	3 085	147	543	2	3	2	3 768	973	540	433	2 614
Feb.	3 035	196	1 408	5	0	709	3 925	1 031	548	483	2 677
March	3 035	202	1 421	1	1	843	3 813	1 098	427	671	2 544
April	3 053	193	1 098	1	0	683	3 660	1 126	523	603	2 676
May	3 235	176	1 004	2	0	551	3 862	1 175	488	687	2 775
June	3 358	196	1 111	1	0	685	3 979	1 215	413	802	2 969
July	2 775	164	1 189	3	0	793	3 332	1 284	374	910	2 895
Aug.	2 749	169	926	3	0	531	3 310	1 297	301	996	2 858

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

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

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

## SELLING RATES FOR FOREIGN EXCHANGE

Mk

August 23, 1976

New York <sup>1</sup>	1 \$	3.893	Frankfurt o. M.	100 DM	154.70	Vienna	100 S	21.76
Montreal	1 \$	3.950	Amsterdam	100 Fl	145.70	Lisbon	100 Esc	12.52
London	1 £	6.940	Brussels <sup>2</sup>	100 Fr		Madrid	100 Pta	5.73
Stockholm	100 Kr	88.60	Zurich	100 Fr	157.20	Tokyo	100 Y	1.345
Oslo	100 Kr	71.00	Paris	100 FF	78.10	Reykjavik	100 Kr	2.12
Copenhagen	100 Kr	64.40	Rome	100 Lit	0.465	Moscow <sup>3</sup>	1 Rbl	5.149

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

<sup>2</sup> 10.030 commercial rate; 9.630 financial rate.

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

# DEPOSITS BY THE PUBLIC

Mill. mk

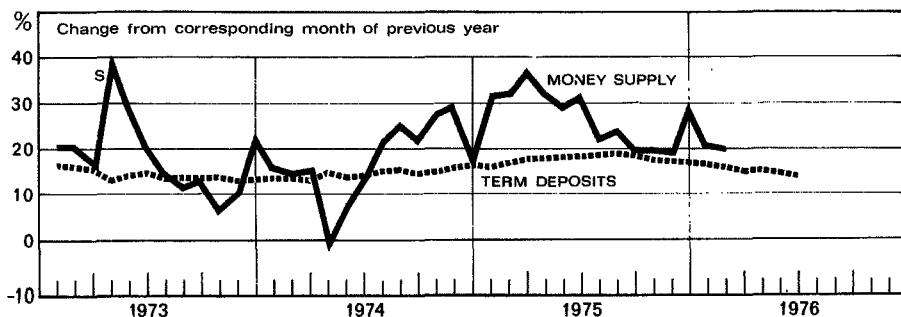
End of year and month	Sight deposits			Term deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1969	1 057	1 374	521	5 236	4 333	3 022	1 116	522	14 229	16 124
1970	1 143	1 508	603	6 099	4 847	3 458	1 288	574	16 266	18 377
1971	1 343	1 734	754	6 961	5 446	3 877	1 491	642	18 418	20 906
1972	1 851	2 371	979	8 096	6 232	4 500	1 806	720	21 353	24 703
1973	2 144	2 892	1 360	8 989	7 109	5 237	2 159	805	24 299	28 551
1974	2 551	3 478	1 638	10 213	8 288	6 308	2 641	921	28 371	33 487
1975	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260

## 1975

July	2 721	3 662	1 462	10 921	8 974	6 946	2 863	1 005	30 709	35 833
Aug.	2 566	3 533	1 669	11 046	9 155	7 091	2 920	1 021	31 233	36 435
Sept.	2 546	3 531	1 582	10 959	9 203	7 177	2 929	1 056	31 324	36 437
Oct.	2 636	3 653	1 417	11 011	9 225	7 206	2 939	1 058	31 439	36 509
Nov.	2 659	3 642	1 652	11 234	9 326	7 280	2 985	1 057	31 882	37 176
Dec.	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260

## 1976\*

Jan.	3 268	4 301	2 038	11 872	9 891	7 685	3 229	1 117	33 794	40 133
Feb.	2 854	4 176	2 258	11 930	10 021	7 777	3 262	1 132	34 122	40 556
March	3 004	4 332	2 032	11 837	10 031	7 752	3 224	1 139	33 983	40 347
April	3 038	4 121	2 155	11 894	10 082	7 820	3 270	1 148	34 214	40 490
May	2 841	4 017	2 048	11 972	10 174	7 870	3 292	1 162	34 470	40 535
June	3 003	4 221	1 865	11 963	10 279	7 965	3 332	1 167	34 706	40 792
July	2 984	4 174	1 951	11 966	10 389	8 065	3 390	1 184	34 994	41 119

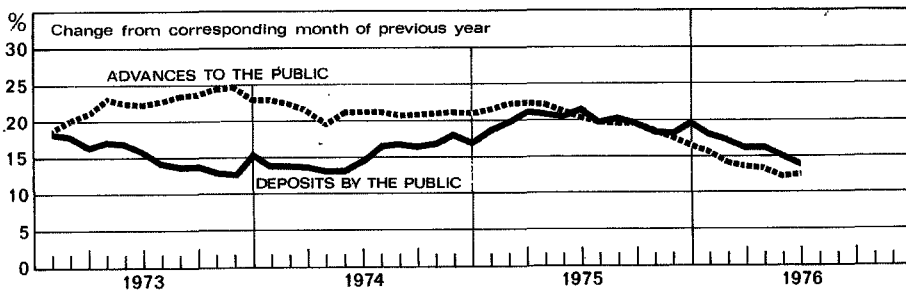




# ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7		
1969	6 892	3 803	2 922	1 040	1 290	15 354	593	15 947	3 126
1970	7 963	4 342	3 404	1 342	1 454	17 815	690	18 505	3 445
1971	9 234	4 795	3 834	1 747	1 799	20 640	769	21 409	4 025
1972	10 667	5 503	4 483	2 245	2 374	24 473	799	25 272	4 959
1973	13 365	6 497	5 302	3 399	2 696	30 286	973	31 259	6 115
1974	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283
1975	17 773	9 108	7 799	5 488	4 129	43 003	1 294	44 297	9 450
1975									
July	17 291	8 419	7 125	5 054	3 704	40 339	1 254	41 593	7 331
Aug.	17 307	8 582	7 249	5 063	3 776	40 674	1 303	41 977	7 517
Sept.	17 734	8 749	7 450	5 104	3 815	41 456	1 396	42 852	7 391
Oct.	17 811	8 785	7 542	5 275	3 900	41 907	1 406	43 313	7 321
Nov.	17 852	8 997	7 673	5 420	4 046	42 585	1 403	43 988	7 643
Dec.	17 773	9 108	7 799	5 488	4 129	43 003	1 294	44 297	9 450
1976*									
Jan.	17 769	9 279	7 900	5 551	4 223	43 456	1 266	44 722	8 621
Feb.	17 868	9 311	7 937	5 605	4 230	43 633	1 318	44 951	8 771
March	17 902	9 448	8 009	5 688	4 249	43 912	1 384	45 296	8 582
April	18 049	9 576	8 079	5 950	4 267	44 460	1 461	45 921	8 607
May	18 138	9 647	8 178	5 694	4 388	44 611	1 434	46 045	8 488
June	18 396	9 728	8 300	5 779	4 419	..	..	46 622	..
July	18 212	9 831	8 376	5 844	4 489	..	..	46 752	..



## STATE FINANCES

Mill. mk

Revenue	Jan.—June		Expenditure	Jan.—June	
	1975	1976		1975	1976
Income and property tax (net)	4 502	5 700	Wages, salaries, pensions etc.	2 009	2 497
Gross receipts	( 9 552)	(11 700)	Repair and maintenance	273	321
Refunds & local authorities	(—5 050)	(—6 000)	Other consumption expenditure	925	1 123
Other taxes on income and property	102	128	<b>Total consumption expenditure</b>	<b>3 207</b>	<b>3 941</b>
Employers' child allowance payments	362	466	State aid to local authorities	2 248	2 807
Sales tax	2 798	2 984	State aid to industries	2 092	2 095
Revenue from Alcohol Monopoly	612	784	of which: agric. price subsidies	(957)	(1 210)
Customs duties & import charge	272	293	Child allowances	311	392
Counter-cyclical tax	—	—	Share in national pensions and health insurance	110	138
Excise duty on tobacco	304	339	Other transfer expenditure	1 321	1 661
»  »  on liquid fuel	575	657	<b>Total transfer expenditure</b>	<b>6 082</b>	<b>7 093</b>
Other excise duties	241	330	Machinery and equipment	436	532
Tax on autom. and motor cycles	382	395	House construction	249	264
Stamp duties	238	303	Land and waterway construction	650	777
Special diesel etc. vehicles tax	32	39	<b>Total real investment</b>	<b>1 335</b>	<b>1 573</b>
Other taxes and similar revenue <sup>1</sup>	251	434	Interest on State debt	120	141
<b>Total taxes</b>	<b>10 671</b>	<b>12 852</b>	Index compensations	26	22
Miscellaneous revenue	1 109	844	Net deficit of State enterprises	170	162
Interest, dividends etc.	215	281	Other expenditure	15	19
Sales and depreciation of property	8	3	<b>Total other expenditure</b>	<b>331</b>	<b>344</b>
Redemptions of loans granted	92	206	Increase in inventories	+143	—19
<b>Total revenue</b>	<b>12 095</b>	<b>14 186</b>	Lending	1 085	1 098
Foreign borrowing	18	167	Other financial investment	221	383
Domestic borrowing	287	422	<b>Total expenditure</b>	<b>12 404</b>	<b>14 413</b>
<b>Total borrowing</b>	<b>305</b>	<b>589</b>	Redemption of foreign loans	64	199
<b>Deficit (+) or surplus (—)</b>	<b>(+333)</b>	<b>(—81)</b>	Redemption of domestic loans	265	82
			<b>Total redemptions</b>	<b>329</b>	<b>281</b>
<b>Total</b>	<b>12 733</b>	<b>14 694</b>	<b>Total</b>	<b>12 733</b>	<b>14 694</b>

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

State debt	1973	1974	1975	1976		
	Dec.	Dec.	Dec.	May	June	July
<b>Foreign debt</b>	1 395	1 152	1 603	1 752	1 725	2 020
Loans	1 758	1 528	1 645	1 835	1 851	1 901
Compensatory obligations	1	1	1	1	1	1
Short-term credit	39	37	85	44	44	..
Cash debt (net)	—468	—571	—242	—429	—609	..
<b>Domestic debt</b>	1 330	995	1 489	1 451	1 287	..
<b>Total State debt</b>	2 725	2 147	3 092	3 203	3 012	..
<b>Total debt, mill \$</b>	710	590	798	826	771	..

# FOREIGN TRADE

Mill. mk

Value mill. mk

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

1975*			
June	1 380	2 046	- 666
July	1 651	2 263	- 612
Aug.	1 135	2 167	-1 032
Sept.	1 710	2 236	- 526
Oct.	1 840	2 458	- 618
Nov.	1 672	2 247	- 575
Dec.	2 371	2 545	- 174

1976*			
Jan.	1 563	2 131	-568
Feb.	1 478	1 994	-516
March	1 967	2 249	-282
April	1 452	1 851	-399
May	2 177	1 956	+221
June	2 232	2 438	-206

Jan.-June			
1975*	9 868	14 086	-4 218
1976*	10 869	12 619	-1 750

Indices of exports and  
imports 1969 = 100

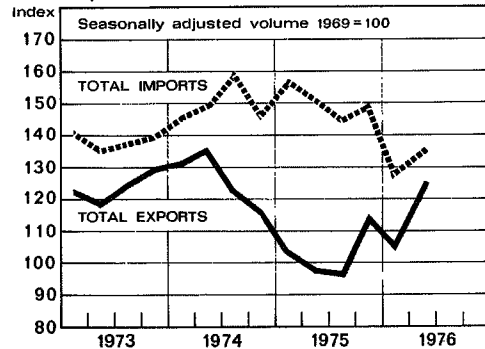
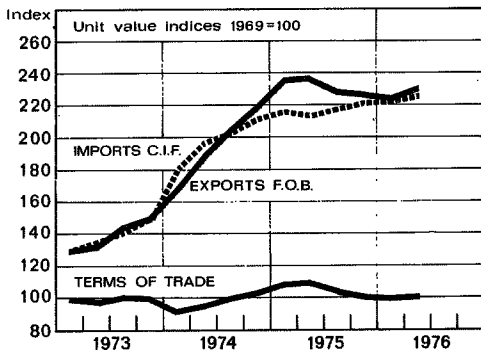
Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1970	107	121	108	
1971	103	119	115	116	99
1972	118	124	123	125	98
1973	127	141	138	139	99
1974	126	151	196	200	98
1975	105	151	232	218	106

1973					
Apr.-June	115	133	133	136	98
July-Sept.	122	136	145	142	102
Oct.-Dec.	140	149	151	151	100

1974					
Jan.-Mar.	131	146	169	184	92
Apr.-June	131	147	190	199	95
July-Sept.	119	158	206	204	101
Oct.-Dec.	125	152	221	213	104

1975					
Jan.-Mar.	104	160	237	217	109
Apr.-June	95	146	238	216	110
July-Sept.	94	143	230	220	105
Oct.-Dec.	124	153	228	223	102

1976*					
Jan.-Mar.	106	134	226	224	101
Apr.-June	122	130	231	226	102



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

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

## 1975\*

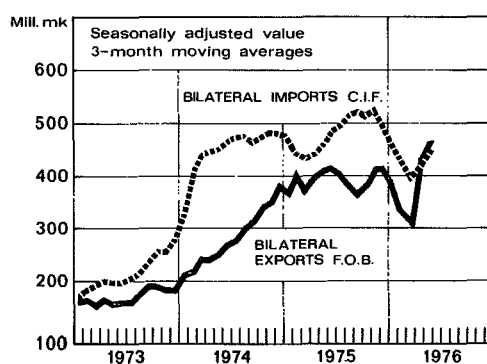
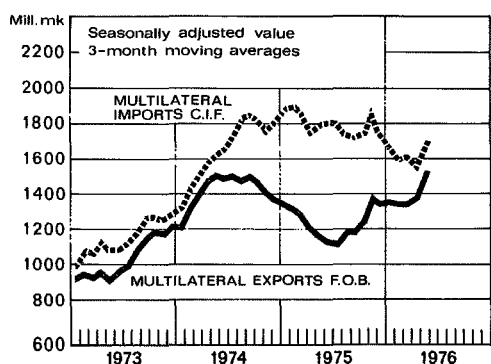
June	11	154	491	399	325	1 300	147	329	265	5
July	28	194	534	560	335	1 391	126	421	299	26
Aug.	18	139	451	226	301	1 279	170	433	276	9
Sept.	44	202	585	442	437	1 384	137	363	344	8
Oct.	25	199	570	505	541	1 554	154	412	337	1
Nov.	17	213	579	395	468	1 361	170	426	289	1
Dec.	82	234	659	877	519	1 511	140	565	323	6

## 1976\*

Jan.	114	190	477	436	346	1 191	133	494	312	1
Feb.	14	196	592	287	389	1 256	114	327	291	6
March	125	214	780	338	510	1 339	91	461	353	5
April	19	140	397	475	421	1 034	66	433	318	0
May	78	158	601	837	503	1 236	106	291	316	7
June	38	302	804	529	559	1 602	100	389	347	0

## Jan.-June

1975*	235	996	3 847	2 352	2 438	8 578	773	2 602	2 121	12
1976*	388	1 200	3 651	2 902	2 728	7 658	610	2 395	1 937	19



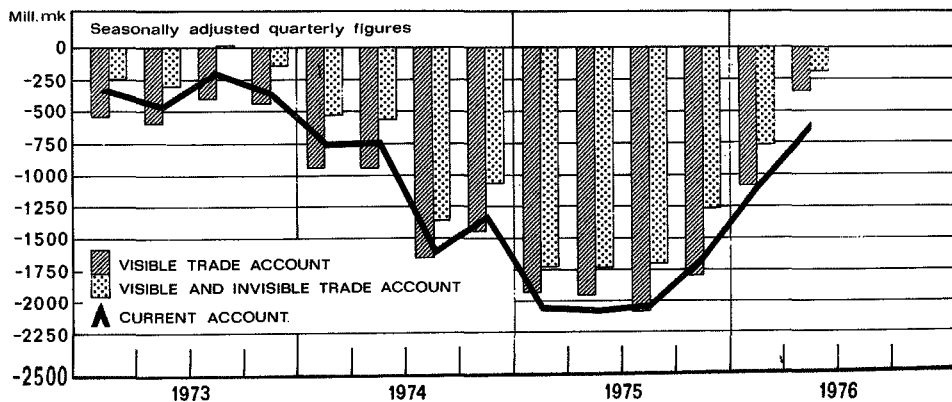
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—June				January—June			
	1975*		1976*		1975*		1976*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	62.5	6 169	65.6	7 125	67.3	9 487	67.6	8 528
Austria	0.8	75	0.7	70	1.3	183	1.5	194
Belgium-Luxembourg	1.4	140	1.4	155	1.9	273	1.9	239
Denmark	3.5	342	3.8	414	3.4	480	3.0	384
France	3.6	358	4.1	440	3.2	443	2.8	356
Federal Republic of Germany	9.1	896	9.8	1 069	16.6	2 343	16.6	2 094
Italy	1.3	129	1.8	193	2.0	285	2.1	268
Netherlands	2.5	251	3.0	321	2.9	414	3.0	372
Norway	4.2	418	3.7	398	3.0	425	3.4	427
Portugal	0.3	31	0.4	47	0.6	78	0.3	41
Spain	1.0	95	1.0	111	1.0	142	1.4	173
Sweden	17.3	1 709	18.5	2 015	19.0	2 679	19.4	2 445
Switzerland	1.6	154	1.7	187	3.3	459	3.5	446
United Kingdom	14.4	1 419	14.5	1 577	8.9	1 258	8.4	1 056
Other	1.5	152	1.2	128	0.2	25	0.3	33
<b>OECD countries outside Europe</b>	5.0	491	4.9	537	9.8	1 387	7.4	936
Canada	0.5	47	0.7	76	0.3	43	0.4	44
Japan	0.5	50	0.7	74	1.7	240	1.6	205
United States	3.5	341	2.9	316	7.8	1 101	5.4	684
Other	0.5	53	0.6	71	0.0	3	0.0	3
<b>CMEA countries</b>	23.8	2 351	21.6	2 352	19.2	2 703	20.4	2 571
Czechoslovakia	0.6	54	0.6	63	0.4	51	0.5	67
Democratic Republic of Germany	0.7	73	0.7	74	0.8	113	0.5	59
Poland	1.2	119	1.2	132	2.1	300	1.6	196
Soviet Union	20.5	2 024	18.2	1 982	14.9	2 099	17.0	2 151
Other	0.8	81	0.9	101	1.0	140	0.8	98
<b>Latin America</b>	2.6	260	2.2	235	1.3	177	1.9	241
Argentina	1.2	116	0.3	29	0.1	11	0.1	12
Brazil	0.6	63	0.6	65	0.3	40	0.5	66
Colombia	0.1	7	0.1	9	0.5	69	0.6	76
Other	0.7	74	1.2	132	0.4	57	0.7	87
<b>Other</b>	6.1	597	5.7	620	2.4	332	2.7	343
<b>GRAND TOTAL</b>	100.0	9 868	100.0	10 869	100.0	14 086	100.0	12 618
of which								
<b>EFTA countries</b>	24.4	2 404	25.1	2 732	27.2	3 833	28.3	3 567
<b>EEC countries</b>	36.5	3 604	38.9	4 224	39.1	5 505	37.9	4 781
<b>OECD countries</b>	67.5	6 660	70.5	7 662	77.1	10 874	75.0	9 464

# 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
1973 <sup>r</sup>	14 525	16 560	-2 035	+ 996	+340	+ 29	- 670	- 753	-57	-1 480
1974 <sup>r</sup>	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
Jan.-March										
1973 <sup>r</sup>	3 282	3 868	- 586	+ 260	- 5	+ 28	- 303	- 139	-14	- 456
1974 <sup>r</sup>	4 589	5 683	-1 094	+ 338	+ 10	+ 5	- 741	- 233	-25	- 999
1975*	5 127	7 369	-2 242	+ 291	- 43	- 44	-2 038	- 316	-58	-2 412
1976*	4 989	6 357	-1 368	+ 276	- 53	+ 51	-1 094	- 349	-24	-1 467
Apr.-June										
1973 <sup>r</sup>	3 182	3 843	- 661	+ 218	+ 48	+ 16	- 379	- 190	-22	- 591
1974 <sup>r</sup>	5 159	6 198	-1 039	+ 282	+ 74	+ 47	- 636	- 239	-11	- 886
1975*	4 695	6 689	-1 994	+ 221	+ 12	- 2	-1 763	- 383	-14	-2 160
July-Sept.										
1973 <sup>r</sup>	3 656	4 084	- 428	+ 271	+240	+ 10	+ 93	- 173	- 9	- 89
1974 <sup>r</sup>	5 104	6 838	-1 734	+ 251	+243	- 36	-1 276	- 243	- 4	-1 523
1975*	4 498	6 647	-2 149	+ 237	+143	+ 58	-1 711	- 309	- 6	-2 026
Oct.-Dec.										
1973 <sup>r</sup>	4 405	4 765	- 360	+ 247	+ 57	- 25	- 81	- 251	-12	- 344
1974 <sup>r</sup>	5 753	6 879	-1 126	+ 204	- 1	+ 89	- 834	+ 291	-29	-1 154
1975*	5 861	7 234	-1 373	+ 235	- 7	+205	- 940	- 406	-30	-1 376

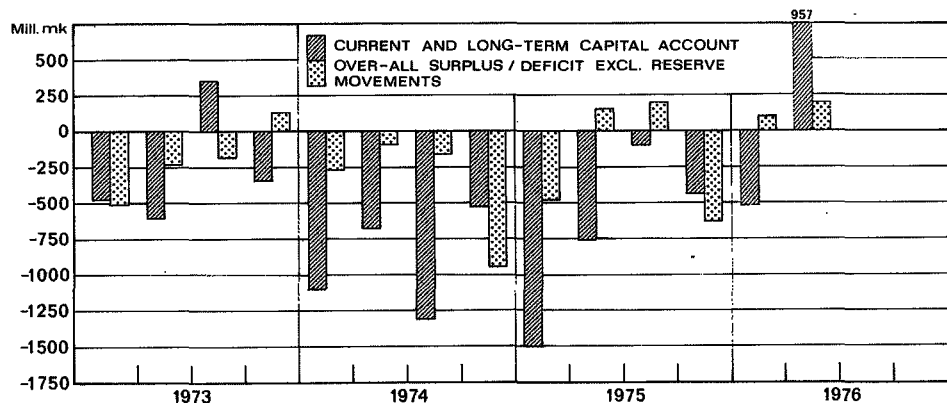


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+1 858	-1 366	+ 34	-114	+ 412	-1 068	-246	- 8	+ 538	- 784	+491	+293
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+736
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+638	+1 449	+ 8	- 747	-444	+1 191
+ 364	- 396	+ 35	- 24	- 21	- 477	+ 21	- 98	+ 47	- 507	+353	+154
+ 481	- 522	- 24	- 26	- 91	-1 090	+288	+ 124	+409	- 269	+138	+131
+1 206	- 310	- 24	+ 11	+ 883	-1 529	+309	+ 758	- 15	- 477	- 32	+509
+1 404	- 374	+ 2	- 79	+ 953	- 514	-579	+ 806	+385	+ 98	+373	-471
+ 309	- 265	- 48	- 9	- 13	- 604	+ 95	+ 191	+ 91	- 227	+301	- 74
+ 758	- 362	-114	+ 13	+ 295	- 591	+349	+ 58	+ 88	- 96	- 99	+195
+1 870	- 433	- 48	+ 9	+1 398	- 762	-139	+ 758	+300	+ 157	-668	+511
+ 774	- 370	+ 59	- 15	+ 448	+ 359	-403	-322	+180	- 186	+ 66	+120
+ 549	- 379	- 61	- 25	+ 84	-1 439	+502	+ 312	+462	- 163	+202	- 39
+2 121	- 287	- 3	+ 57	+1 888	- 138	+130	- 34	+247	+ 205	+ 91	-296
+ 411	- 335	- 12	- 66	- 2	- 346	+ 41	+ 221	+220	+ 136	-229	+ 93
+ 942	- 274	- 24	+ 15	+ 659	- 495	-209	-157	- 86	- 947	+498	+449
+1 532	- 415	-139	- 15	+ 963	- 413	+338	- 33	-524	- 632	+165	+467

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

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

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



# PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machinery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1974	495	498	482	523	536	448	555	495	459	233	231	230
1975	562	575	513	570	637	532	629	536	539	259	264	246

## 1975

Oct.	573	588	517	568	671	556	629	541	562	265	272	248
Nov.	577	592	518	570	676	560	631	543	566	265	272	250
Dec.	578	595	514	574	677	559	632	546	567	266	272	251

## 1976

Jan.	591	610	517	582	688	578	644	555	583	270	273	260
Feb.	599	617	531	587	691	591	647	565	593	271	273	261
March	605	624	532	589	691	604	656	572	597	272	273	261
April	610	630	535	597	696	606	669	575	598	275	273	268
May	610	629	537	598	696	604	666	576	598	282	292	268
June	611	629	539	599	698	605	669	576	599	282	292	269
July	628	648	554	610	706	633	686	596	615	285	292	274

## Consumer prices 1972 = 100

Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 100										
			Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1974	333	261	129	130	109	128	144	161	129	128	118	127
1975	392	308	153	157	135	150	162	184	150	145	144	156

## 1975

Oct.	411	323	160	166	148	158	166	187	155	148	151	166
Nov.	415	326	161	168	149	159	166	188	156	152	152	168
Dec.	418	328	162	169	149	160	166	188	157	154	152	169

## 1976

Jan.	426	335	166	167	161	163	168	189	159	166	154	172
Feb.	432	339	168	167	161	163	168	191	160	169	156	181
March	436	343	170	174	161	163	169	191	161	170	157	182
April	440	345	171	176	161	164	169	192	161	171	160	182
May	441	346	171	176	161	164	169	201	161	172	160	182
June	442	347	172	176	161	164	171	201	161	172	161	182
July	450	353	175	185	168	161	171	202	162	175	161	186



# WAGES

## Index of salary and wage earnings 1964 = 100

Period	By industries			By institutional sectors			All salary earners	All wage earners	All employees	
	Wage earners in			Employees in services	State employees	Municipal employees				Employees in private sector
	Agriculture	Industry	Construction							
1974	395	317	325	256	252	250	298	248	313	285
1975*	506	384	389	310	312	302	363	300	383	347
1974										
Apr.-June	379	316	319	260	252	253	301	251	315	287
July-Sept.	401	327	336	262	259	256	310	255	326	295
Oct.-Dec.	454	342	354	273	271	266	321	263	340	306
1975*										
Jan.-March	464	354	361	278	280	272	330	269	350	315
Apr.-June	479	391	395	313	315	304	371	304	392	353
July-Sept.	511	390	395	316	322	306	375	308	395	357
Oct.-Dec.	556	400	404	331	334	327	381	319	403	366
1976*										
Jan. March	571	417	416	347	349	342	396	336	417	381
Apr.-June	..	..	..	357	357	349	411	345	433	395

# PRODUCTION

## Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1973	154	187	90	96	162	105	155	171	150	151	157
1974	160	197	90	96	168	103	163	179	158	159	165
1975	159	189	95	83	170	107	158	188	166	164	169
1975*											
Jan.-March	160	200	51	119	162	107	157	185	163	162	167
Apr.-June	160	193	77	100	161	110	163	185	165	163	169
July-Sept.	156	164	174	46	178	105	155	184	166	165	168
Oct.-Dec.	162	200	76	64	179	105	158	198	170	167	171
1976*											
Jan.-March	154	198	54	85	116	106	152	182	171	167	172
Apr.-June	159	193	83	95	130	110	155	186	172	168	174

# PRODUCTION<sup>1</sup>

Index of industrial production 1970 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1971	101	103	102	102	104	103	100	116	105	100	102
1972	114	116	114	111	111	109	112	142	115	118	113
1973	122	121	123	119	111	123	120	154	127	127	121
1974	129	143	128	126	114	121	122	160	144	147	128
1975*	121	147	117	127	112	92	96	154	125	147	120

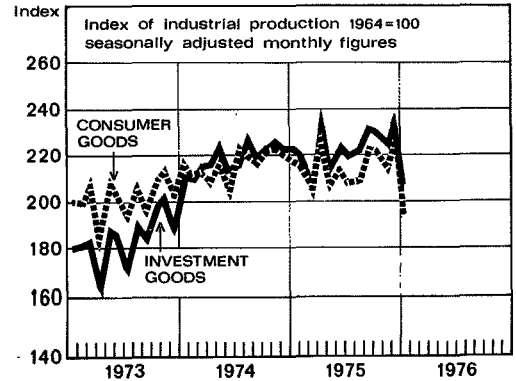
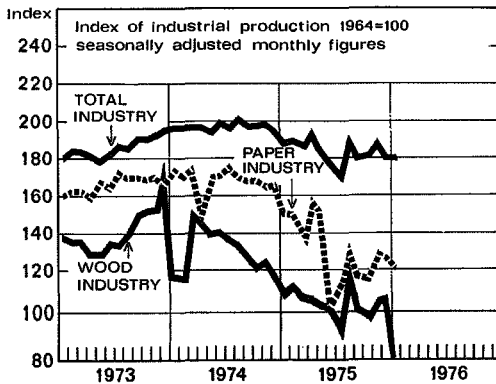
1975\*

Jan.	135	164	132	128	110	81	118	181	141	161	124
Feb.	128	155	126	123	104	86	108	162	129	156	126
March	125	147	123	121	100	81	105	168	128	151	124
April	138	171	132	142	118	102	106	169	140	172	126
May	128	162	124	123	112	93	105	155	126	158	121

1976\*

Jan.	123	152	119	122	108	68	94	145	103	148	118
Feb.	123	145	120	120	105	80	105	150	107	142	120
March	138	171	134	137	103	103	111	154	118	168	120
April	123	156	118	124	103	101	81	152	101	152	123
May	132	152	128	134	126	109	111	148	121	151	125

See explanation 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	Un-employed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1973	3 442	2 215	2 164	51	2.3	35 123	110	111
1974	3 483	2 268	2 229	39	1.7	34 457	114	114
1975*	3 513	2 272	2 221	51	2.2	29 133	118	119
1975*								
March	3 507	2 191	2 144	47	2.1	4 535	114	121
April	3 509	2 199	2 151	48	2.2	3 799	124	128
May	3 511	2 238	2 199	40	1.8	2 646	119	121
June	3 513	2 445	2 400	45	1.8	2 381	116	108
July	3 514	2 448	2 400	48	2.0	934	120	107
Aug.	3 516	2 326	2 278	48	2.1	1 026	117	115
Sept.	3 517	2 257	2 208	49	2.2	1 272	119	128
Oct.	3 519	2 258	2 206	52	2.3	1 700	124	130
Nov.	3 520	2 250	2 189	61	2.7	1 884	104	117
Dec.	3 521	2 244	2 172	72	3.2	2 028	143	126
1976*								
Jan.	3 523	2 198	2 107	91	4.1	1 684	97	106
Feb.	3 525	2 190	2 100	90	4.1	2 332	92	104
March	3 527	2 187	2 102	85	3.9	3 269	104	124
April	3 529	2 195	2 105	90	4.1	3 217	..	..
May	3 531	2 224	2 151	73	3.3	2 735	..	..

## CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Buildings-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											
1973	54.96	24.68	3.82	20.66	2.81	40.20	18.81	2.91	13.63	2.82	51.42
1974	53.23	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975*	51.42	19.65	3.79	21.62	3.39	47.59	20.49	2.76	18.34	3.93	53.73
1975*											
Jan.-March	12.59	3.31	0.75	7.23	0.75	11.45	4.64	0.46	4.94	1.10	50.24
Apr.-June	15.90	7.46	1.67	5.00	0.51	10.06	4.95	0.33	3.60	0.75	54.13
July-Sept.	12.21	4.84	0.79	4.72	1.13	10.95	4.45	0.85	3.73	1.29	54.64
Oct.-Dec.	10.71	4.04	0.59	4.36	1.00	13.86	5.97	1.02	5.50	0.77	53.73
1976*											
Jan.-March	8.52	3.04	0.73	3.29	0.86	8.04	3.55	0.52	3.25	0.42	49.19

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## STATE FINANCES

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

## FOREIGN TRADE

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

## BALANCE OF PAYMENTS

Pages 12—13. Figures are calculated by the Bank of Finland. In addition to the Board of Customs figures, exports include grants in kind but exclude stevedoring expenses and imports include seaman'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.

The volume index has been revised as from the beginning of 1975. Annual figures are published according to the old basis. Monthly figures are based on new indicators.

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

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

## SYMBOLS USED

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

# SOME PARTICULARS ABOUT FINLAND

## FORM OF GOVERNMENT

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

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

## INTERNATIONAL ORGANIZATIONS

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

## LAND

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

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

## POPULATION

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

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

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

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

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

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

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

## TRADE AND TRANSPORT

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

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

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

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

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

STATE RAILWAYS (Jan. 1, 1978): Length 5 919 km.

MERCHANT FLEET (June 30, 1976): Steamers 24 (13 300 gross reg. tons), motor vessels 358 (919 200 gross reg. tons), tankers 58 (1 135 400 gross reg. tons). Total 440 (2 067 900 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1975): Passenger cars 998 300, lorries and vans 128 400, buses 8 600, others 6 600. Total 1 139 900.

FINNISH AIRLINES (Feb. 10, 1976): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6, 10 Super Caravelles, 9 DC-9s, 3 DC-9-51s, 2 DC-10-30 and 5 Conqair Metropolitans. Companies have scheduled traffic outside of Finland to 27 airports and to 20 domestic airports.

## FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). Since Oct. 12, 1967, the par value of the mark is 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per one SDR). On Feb. 15, 1973 a central rate of 3.80 marks to one U.S. dollar was set, and since June 4, 1973 the mark has been allowed to float.

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1975). There are two big and five small commercial banks with in all 864 offices, 283 savings banks 384 co-operative banks, six mortgage banks, Posti-pankki and five development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-nine private insurance companies also grant credits.

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

# MONETARY POLICY AND FINANCIAL DEVELOPMENTS

by Ahti Huomo, M.PoL.Sc.  
Hannele Luukkainen, M.PoL.Sc.  
and Ralf Pauli, M.PoL.Sc.

Bank of Finland

In 1975 demand for Finnish exports fell sharply, and as domestic demand remained fairly buoyant the imbalance in Finland's external position was aggravated. The need to restrain the growth of foreign debt and to set the economy on a stable and sustainable growth path in the longer run called for an economic policy with stress placed on narrowing the current account deficit and reducing the rate of inflation. As this implied a restrictive policy stance at the same time as the effects of the slowdown in foreign demand were starting to be felt in the economy, steps were taken to support employment.

## MONETARY POLICY

For monetary policy, which has traditionally played an important role in Finland, this meant that the financial markets had to be kept tight despite the cyclical downturn. This policy was implemented through two principal channels: regulation of the cost and availability of credit from the Bank of Finland; and, as of late 1975, increased selectivity in permitting capital imports. Selective monetary measures were, however, implemented in the course of 1975 to support production and employment in high priority sectors particularly affected by the slackness in foreign demand.

Current account developments in the first half of 1975 suggested that the deficit for the year as a whole might be twice as large as that in 1974. The inflow of foreign capital was still abundant, and it more than covered the current account deficit. As government deposits in the central bank were at the same time drawn on

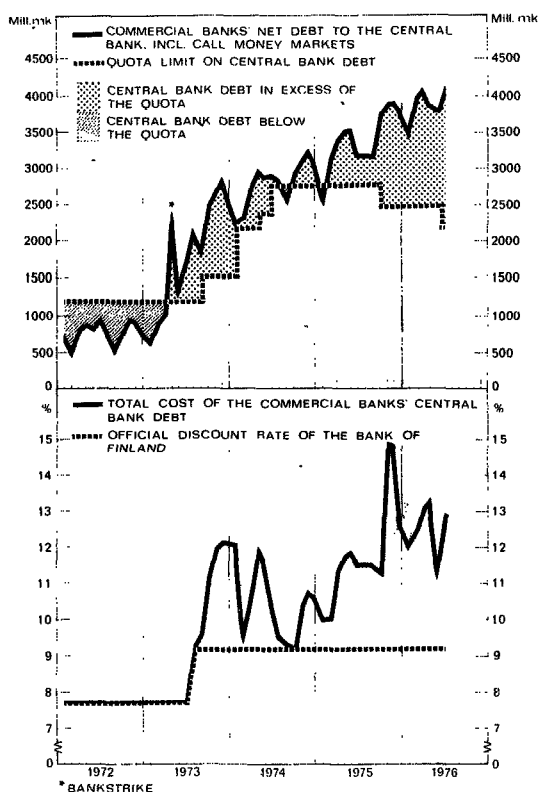
at a rapid rate, the commercial banks' central bank credit quotas were reduced from Fmk 2 800 million to Fmk 2 500 million on October 1st, 1975. At the same time the banks were informed that further reductions were to be expected. Their debt to the central bank remained high, however, and the total cost of that debt increased strongly in the last quarter of 1975 (Chart 1). On July 1st, 1976, the quotas were again reduced, by Fmk 200 million, so as to offset the increase in liquidity which would otherwise have occurred as a result of growing export earnings and the gradual release of import deposits.

As lending by the Postipankki (post office bank) to the commercial banks has, since the beginning of 1976, been channelled through the Bank of Finland call money market and is, therefore, now included in the commercial banks' central bank debt<sup>1</sup>, the desired policy impact cannot readily be seen from Chart 1. Adjusted for this institutional change the rise in commercial bank borrowing was first checked and then reversed in 1976. The total cost of the commercial banks' central bank debt fell from the peak of late 1975, but it still remained high.

In the guidelines issued in connection with last autumn's quota reduction, the Bank of Finland laid down priorities for bank lending. The banks were asked to favour lending for highly productive investments which put the least strain on the foreign exchange reserves during the construction phase. Compared with the guidelines issued a year earlier, employment considerations were given greater weight.

<sup>1</sup> See front article of this Bulletin, May 1976.

**CHART 1. COMMERCIAL BANKS' CENTRAL BANK FINANCING**



Priority was, for instance, to be given to credit extended in order to maintain production in fundamentally sound firms. Lending for consumption purposes and for investment in the service sector was, on the other hand, to be squeezed further.

The Bank of Finland's permanent special financing schemes were further developed in order to provide finance for high priority production. In order to support employment, the Bank of Finland also participated in temporary arrangements to finance increasing stocks of wood-based export products and the wood-processing industries' purchases of timber. The decision to release the firms' counter-cyclical investment funds in 1976 also had a similar effect.

A measure not directly required by the economic situation but one which has great bearing on the execution of day-to-day policy was the establishment of an official call money

market in September 1975. The rate of interest is determined by the interplay of supply and demand, and Bank of Finland at times participates in the market by supplying and absorbing funds in keeping with the needs of monetary policy. This arrangement can be used; and therefore has been used by the Bank of Finland to facilitate smooth adjustment by the banking sector to changes in the central bank credit quotas.<sup>1</sup>

Another measure promoting the prompt and efficient use of the Bank of Finland's lending facilities was the decision to modify the system of calculating the additional rate of interest charged when banks exceed their quotas. In place of a discontinuously rising schedule with only a few points used in practice, a more even schedule was introduced in April 1976. Now large and partly arbitrary jumps in the debt position of the banks can be avoided.<sup>2</sup>

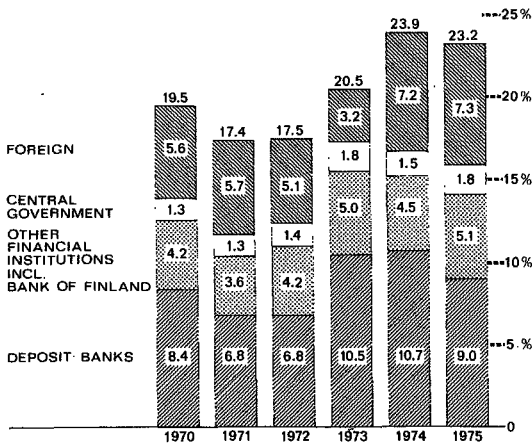
The Bank of Finland's basic lending rate has not been altered since it was raised to 9 ¼ per cent in 1973. The general level of bank deposit and lending rates has also remained more or less unchanged. As a result of the stringent liquidity position of the financial institutions and the general public, bonds have been issued at rising rates of interest. With the fall in the rate of inflation over the past year, the general level of interest rates is now higher in real terms than it was a year ago. This may help marginally to narrow the gap between saving and investment and thus produce some strengthening of the foreign position.

Given the gradual nature of the process of adjustment to changes in financial conditions, the restrictive monetary policy first affected the liquidity position of the banking sector. Only towards the end of 1975 was there a clear impact on bank lending and final demand, and this was one factor underlying the marked improvement in the current account that occurred in the first half of 1976.

<sup>1</sup> For a more detailed presentation of the call money market see the front article of this Bulletin, May 1976.

<sup>2</sup> See front article of this Bulletin, May 1976.

**CHART 2. TOTAL CREDIT EXPANSION TO THE PUBLIC<sup>1</sup>**



<sup>1</sup> The growth of the total stock of credits granted to the public (firms, households, local authorities) by credit-granting sector, in per cent of the total stock of credits of the previous year.

**FINANCING OF HOUSEHOLDS, CORPORATIONS AND THE PUBLIC SECTOR**

Total credit expansion to the private sector in 1975 was 23 per cent, only one percentage point less than in the previous year (Chart 2). Demand for credit was supported on the one hand by lively investment activity and on the other by unexpectedly large fall in corporate income development. Furthermore, high inflation, with the consequent rises in costs and increased incentives to borrow, put additional pressure on external financing, both from domestic and foreign sources.

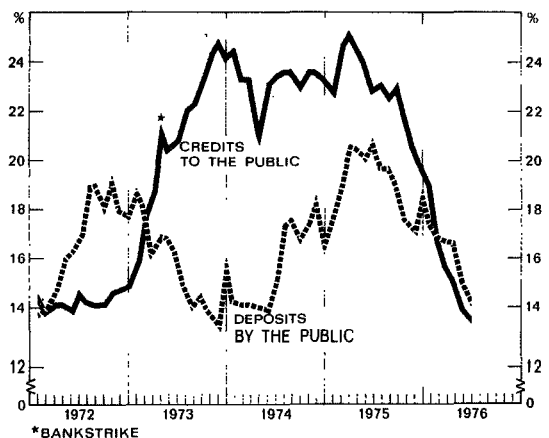
Good availability of finance from abroad facilitated continuing heavy capital imports. Consequently the foreign debt of the private sector increased by 34 per cent, which was only 4 per cent less than in the previous year. Domestic credits to the public grew clearly more slowly than did foreign credit. The annual rates of growth of credit granted by the major groups of domestic credit granters (deposit banks; non-bank financial intermediaries; central government) were all close to 20 per cent. For the deposit banks this rate of growth meant a deceleration of some 3 percentage points from the previous year. This slowing down

took place mainly during the last months of the year and reflected the effects of tight monetary policy. On the contrary the credit flows from non-bank financial intermediaries and from the central government accelerated somewhat from the previous year.

Available figures indicate that during the first half of this year foreign borrowing has decelerated somewhat, while credit expansion in deposit banks has fallen sharply. Figures for bank credit so far indicate growth of 9 per cent for the year as a whole (Chart 3). This clear slowdown is to a certain degree the lagged result of the continuing tight conditions in the financial market.

Corporations' propensity to borrow remained high in 1975. Demand for credit was supported first of all by the fact that corporations were in the process of carrying through large investment projects, which had been started during the boom years. Moreover, inventory investment also continued strongly, partly because the current recession was expected to be short-lived, and partly because authorities set up special credit facilities to encourage this type of investment because of employment reasons. In general, access to domestic credit was limited and with corporate incomes simultaneously decreasing, a growing share of

**CHART 3. CREDITS AND DEPOSITS; CHANGE FROM CORRESPONDING MONTH OF PREVIOUS YEAR**





corporate sector's financial demand was directed abroad. Consequently some 28 per cent of corporate gross investment was financed by net capital imports, while the corresponding figure for 1974 had been 19 per cent. The corporate sector's liquidity position was affected markedly by the collecting of import deposits. However, corporations were able to compensate for some of this drain of their liquidity by extending their foreign payment schedules.

During the first half of the current year investment activity by corporations has been slower than in 1975, and the emphasis in company financing has shifted more onto working capital. Inventory financing has been further supported by special credits. In general the credit flows have diminished in step with the weakening of investment activity.

The household sector's position as a net lender in the economy deteriorated substantially in 1975, despite a clear fall in their investment activity. This development was mainly a result of relatively slow income growth and the concomitant fall in the household propensity to save. Deposit growth, as well as the increase in debt, remained quite small. Credits from banks were affected by the tightening of the conditions on bank loans. On the other hand the growth of housing loans from the central government increased strongly.

During the current year household income development has slackened further and, together with the increasing burden of taxation, this has retarded deposit growth. Because of the continuing tightness in the financial market credits to households have also remained scarce. The central government has continued to expand its lending for housing and, consequently, its share of households total credit has increased markedly.

The central government's financial position deteriorated substantially in 1975. Rapid increases in expenditure at a time of tapering income flows changed the government's financial position from a surplus into a deficit

of 1 800 million marks. To satisfy its financial requirement the government had to supplement its long-term borrowing by running down 1 180 million marks of its short-term assets in the banking sector.

Stringency in central government finances has continued in the first half of the current year. The government's domestic bond issuing activity has increased significantly, but sales have remained modest. Some foreign borrowing has also taken place and the bulk of it has been made by the Investment Fund.<sup>1</sup>

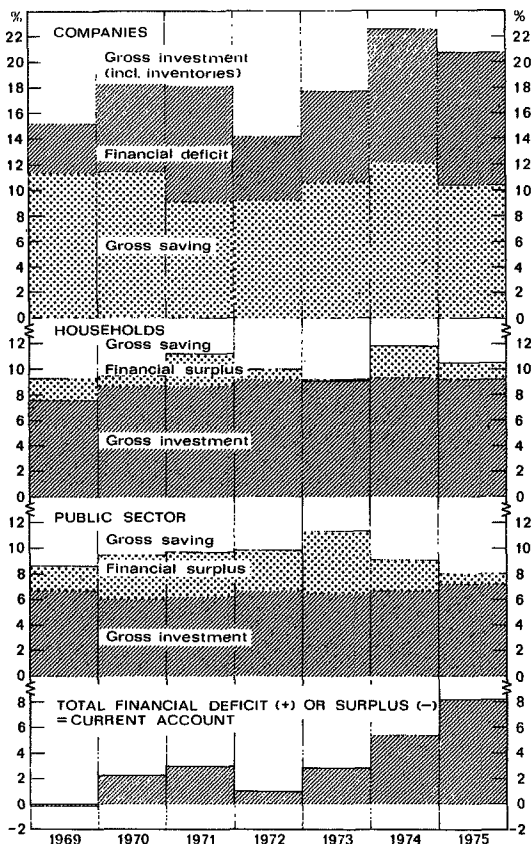
Local government finances in 1975 were characterized on the one hand by strong growth in consumption and investment demand and on the other by rapidly rising tax revenue and aid from the central government. The growth of credit granted to local government was also slightly faster than in 1974.

In 1976 the growth of both tax revenue and the aid from the central government is slower and local government's access to the credit market is more difficult than in 1975, and this is also reflected in their investment demand.

As households and the public sector markedly increased their expenditure on consumption and investment in relation to their incomes, and as the corporate sector simultaneously expanded its net borrowing, the aggregate financial deficit of the domestic sectors was unprecedentedly large in 1975. In total this gap between domestic investment and domestic saving i.e. the deficit on the current account of the balance of payments, widened from 4 600 million marks in 1974 to 8 000 million marks in 1975 (Chart 4). In contrast to the previous year, a major part of the deficit was financed through long-term foreign borrowing. Only about one quarter was covered by short-term foreign credits. The rest of the deficit was financed with the net foreign borrowing arranged by the commercial banks and consequently the net foreign position of

<sup>1</sup> A new special government agency, starting its full scale lending activity in 1976. See also item: Supplementary Budget, in this Bulletin, July 1975.

**CHART 4. SAVING, INVESTMENT AND FINANCIAL SURPLUSES AND DEFICITS BY SECTOR, PER CENT OF GDP**



the central bank was left unchanged. The large current account deficit had therefore no automatic tightening effect of the financial market through central bank accounts.

### BANK OF FINLAND

The fact that the total net foreign assets of the Bank of Finland did not diminish from the previous year was to a large extent a consequence of a marked increase in the accumulation of tied currency balances. Convertible currencies started to fall as from the beginning of the year and in summer a loan of 315 million marks was drawn from the International Monetary Fund Oil Facility to support the foreign exchange position. Nevertheless by

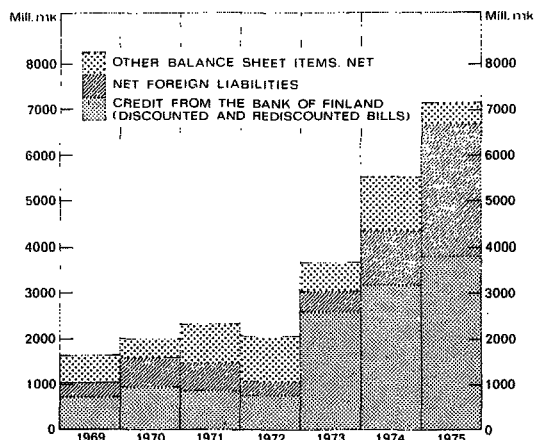
the end of the year convertible exchange reserves were 310 million marks below the level of the end of 1974.

Balance of payments considerations led to the favouring of economic policy measures intended to limit liquidity in the economy. The most significant of these was the introduction of a temporary import deposit scheme through which 1 400 million marks was gathered from import firms and deposited on a special account in the Bank of Finland. In addition to this the collection of capital import deposits from firms restrained some of the monetary expansion arising from large capital imports. These deposits increased during 1975 by 350 million marks.

On the other hand the Bank of Finland increased markedly its selective direct lending to certain key sectors, and the running-down of the central government's short term balances in the banking sector also tended to alleviate the private sector's liquidity position. Nevertheless the pressure on bank credit remained strong and commercial banks resorted heavily to central bank financing. Commercial banks' net debt to Bank of Finland rose in 1975 by 620 million marks and amounted to 3 810 million marks at the end of the year. With the exception of January, central bank finances exceeded the penalty-free quotas by a clear margin all the year (Chart 1, upper part).

During the first half of 1976 the current account deficit has been substantially smaller than in 1975 and it has been financed mainly by long-term foreign borrowing. Short-term borrowing has fluctuated markedly and the oscillations have also been reflected in the net foreign position of the central bank. In total, the net foreign assets of the Bank of Finland have diminished during the first half of the current year by some 220 million marks. Commercial bank debt to the central bank has grown simultaneously by some 340 million marks. The commercial banks have therefore continued this year to resort to central bank finances clearly in excess of the penalty-free quotas (Chart 1 upper part).

**CHART 5. THE FINANCING OF CREDITS GRANTED IN EXCESS OF DEPOSITS BY THE COMMERCIAL BANKS**



## DEPOSIT BANKS

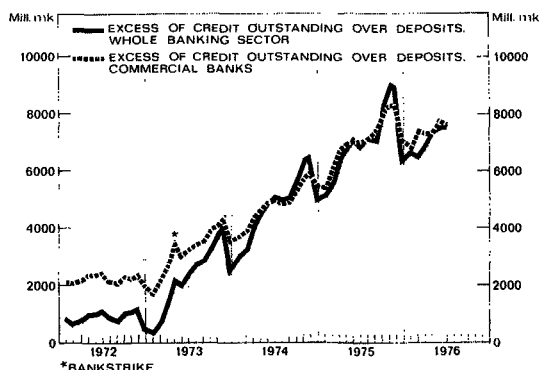
The financial disequilibrium in the economy also manifested itself clearly in the difference between the development of bank deposits and bank credits. The situation was most acute in the commercial banks where the gap between credit outstanding and deposits widened further, by over 1 600 million marks, and amounted to nearly 7 200 million marks at the end of 1975. Commercial banks financed approximately half this gap with credits from the central bank and half with foreign borrowing (Chart 5). Commercial banks' net foreign borrowing increased during 1975 by 1 700 million marks, which meant a two-and-a-half-fold increase in their net foreign debt. A considerable part of these new funds were brought in with the Bank of Finland's special permission, and were used for the financing of inventories in export industries. The combined share of foreign finance and commercial banks' debt to the central bank in total bank credit rose to an unprecedentedly high level in 1975. Commercial banks' central bank borrowing in relation to the penalty-free quotas also increased significantly. In the other banking categories the flow of total deposits exceeded that of credits by 300 million marks.

According to the preliminary data for the first half of current year, the gap between total bank credits and deposits has widened further — by nearly 1 200 million marks (Chart 6). However, a large part of this arises because the interest return on deposits is not credited to depositors until the end of the year. The development of credits and deposits up to now indicates that at the end of the current year the excess of credit over deposits will not be much larger than it was at the end of 1975.

In 1975 total deposits by the public grew by 19 per cent. The growth in time deposits was about 17 per cent i.e. more or less the speed of inflation. This relatively slow increase in deposits was due to a slow growth in wages and a fall in forest incomes. On the other hand deposit saving was supported by the precautionary motives that the stagflationary circumstances had generated. Demand deposits grew in 1975 by 32 per cent, the growth being partly due to an exceptionally large increase in December. This pace was relatively fast considering that the private sector's liquidity was also squeezed by the import deposit scheme.

In the first half of the current year deposit saving activity has slackened significantly (Chart 3). Figures for first six months imply a growth rate of 10 per cent for the whole year. Time deposits have so far grown faster

**CHART 6. CREDIT OUTSTANDING IN EXCESS OF DEPOSITS**



than demand deposits. However, during the latter half of the year the growth of time deposits is likely to decelerate, partly because of the imposition of special taxes, and partly because the Central Government has decided to postpone the refunding of excess pre-payment of tax. Normally these refunds would be made at the end of the year. However, in 1977 they will be made in March. The growth of demand deposits is expected to pick up towards the end of the year following the rise in export earnings.

## OTHER FINANCIAL INSTITUTIONS <sup>1</sup>

The growth of total credit from non-bank financial institutions accelerated slightly in 1975 and was somewhat faster than the growth of both bank credit and government credit. Employee pension funds, both in private insurance companies and non-corporate insurance institutions, continued to accumulate strongly and this was the main feature of the growth of total credit from non-bank financial institutions. Mortgage institutions made relatively large domestic sales of debentures and bonds to institutional investors and were also able to increase their foreign borrowing significantly. Consequently the growth of their credit picked up markedly from the previous year. Credits from smaller non-bank financial institutions (i.e. development credit institutions, hire purchase and credit card companies and factoring institutions) decelerated clearly from the previous year.

## CAPITAL MARKETS <sup>2</sup>

In addition to the tight conditions in the domestic credit markets, corporations also experienced difficulties in raising funds from the capital market. This is evident from the

<sup>1</sup> Official figures for credit from the various non-bank financial institutions were only partly available at the time of writing of this article. Even the available figures have to be taken with certain reservations as the comparability of the time series has been somewhat impaired by recent revisions in the basic official statistics.

<sup>2</sup> See front article of this Bulletin, July 1976.

fact that the ratio of new shares issued to total issues outstanding decreased significantly in 1975. New issues by Finnish corporations quoted on the Helsinki Stock Exchange brought in 365 million marks, which was nearly a third less than in the previous year. The lack of demand for shares was connected with the deteriorating profitability of the corporate sector, uncertain future prospects and the general tightness in the financial markets.

The net growth in domestic bonds outstanding was 16 per cent. The growth was mainly due to the Central Government's increased net borrowing from the public and to financial institutions' and industrial companies' expanded sales of bonds to institutional investors.

In the secondary market the unwillingness to invest was also clearly evident. Firstly the annual turnover of shares decreased by 3 per cent, while sales of subscription rights increased by 14 per cent. Secondly, the exchange of bonds and debentures fell by 16 per cent from the previous year.

During the current year issuing activity has remained relatively quiet, and the exchange of securities has also been quite limited. Towards the end of the year the issuing activity as well as exchange are expected to increase somewhat following the improvement of prospects. Central government borrowing will dominate the bond market.

## CURRENT PROSPECTS

The effects of the international economic recovery are expected to be felt in the Finnish economy in the second half of 1976. However, because rising export demand will be partly satisfied from inventories, no great improvement in general economic activity will take place immediately. The rate of inflation will decelerate and the monthly current account deficits will fall steadily towards the end of the year. However, the problems will still remain

and therefore no relaxation of monetary policy will be possible despite the slack in production and the severity of the unemployment situation. This means, among other things, that the liquidity effect arising from growing export incomes

and from the release of import deposits will be neutralized on the one hand by termination of the special inventory financing facilities and on the other by reductions in central bank financing for the commercial banks.

## ITEMS

**Supplementary budgets.** In June, Parliament approved the first and second supplementary budgets for 1976, involving increases in state expenditure of 1 236 million marks and 289 million marks respectively. With these supplementary budgets included, budgeted state expenditure for 1976 now totals 30 774 million marks and state revenue 31 028 million marks.

It is anticipated that the employment situation will remain quite difficult, at least until the spring of 1977. In the supplementary budgets a total of 656 million marks was set aside for the maintenance of employment and for assistance to the unemployed. Although the major part of this expenditure was appropriated for financing public investments, noticeable appropriations were made for job-creation in the private sector and for helping firms to avoid lay-offs and redundancies.

Because of the good harvest in 1975 the marketing of agricultural products will require considerably more state funds than was estimated when the ordinary budget for 1976 was under preparation. Additional state outlays have also been necessitated by the agreement on farm incomes and agricultural prices. In the supplementary budgets 400 million marks was earmarked for marketing of agricultural products and for other subsidies to agriculture.

Other substantial additions to state expenditure were made for state aid to local authorities, for appropriation to pay one third of Finland's share of the primary capital of the Nordic Investment Bank, and for extra provision for spending by the Finnish UN troops in Cyprus and the Middle East due to the extended duration of these operations.

Extra state revenue in the supplementary budgets amounts to 1 772 million marks. Owing

to the State's worsened financial position, numerous changes in revenue rates were made in

order to finance the additional outlays. A temporary wealth tax surcharge on those in high wealth brackets and a loan tax on large personal incomes were imposed. It is estimated that the former will yield 150 million marks and the latter 100 million marks. The speeded-up collection of the sales tax will yield 100 million marks. In addition, it was decided that the repayment of tax withholdings made in excess of the finally assessed tax liability is to be deferred from December 1976 until March 1977. As a result of this deferment the State's cash revenue will grow by some 750 million marks in 1976. Numerous excise and other duties were increased and some new duties were imposed, for instance a tax on home-produce and imported electricity. In addition, nationalised industries' prices and certain other charges payable to the State will be increased. The State's authority to take out new long-term loans was increased by 300 million marks to 1 300 million marks in all in 1976.

**The Bank of Finland investment inquiry of May 1976.** According to the investment inquiry conducted by the Bank of Finland in May 1976, there has been a substantial decline in industrial investment this year. The slackening in industry's investment activity has been due to weak export demand so far, and to difficulties in obtaining foreign credit. Having adjusted for the degree of underestimation normally connected with investment plans, it can be estimated that the volume of industrial fixed investment will decline this year by almost one quarter from the record volume of 1975. This decline is much larger than was suggested by the inquiry conducted in November 1975. However, the difference is entirely explained by the fact that the volume of total industrial investment in 1975 proved to be substantially larger than had been predicted in November, reaching 34 per cent of the economy's total fixed investment.

The sharpest decline in investment will take

place in the forest industries, and particularly in the paper industry. Following a two-year period of very vigorous growth, investment in the metal industry has also started to decline. Of other branches of manufacturing, a noticeable decline is expected in the investment projects of the chemical industries.

During the current year, industrial investment activities will be concentrated on the completion of projects started during the previous boom and on the replacement of old machinery. Accordingly, building investment will decline more sharply than purchases of machinery and equipment.

In May 1976 the industrial sector had investment projects scheduled for 1977 up to approximately the same value as that of the projects to be completed in the current year. Allowing for the usual degree of underestimation in the replies, this implies that the volume of industrial investment will again grow substantially in the coming year — provided that the cyclical outlook improves, as is generally expected, and assuming that the firms succeed in arranging finance for their investment projects. According to the inquiry, the growth

in industrial investment next year will be attributable to the investment projects of the forest and the energy supply industries, and these investments will consist mainly of purchases of machinery and equipment.

It is expected that the rate of capacity utilization in industry will rise during the second half of the current year and that output growth will remain vigorous throughout next year. There is expected to be a particularly obvious increase in the rate of capacity utilization in forest industries. On the other hand, the rate of capacity utilization in the metal industry is expected to fall during the second half of this year and to rise only slowly next year.

**Bank of Finland publication.** The seventh publication in the series Studies on Finland's Economic Growth has appeared: Reino Hjerppe — Riitta Hjerppe — Kauko Mannermaa — O. E. Niitamo — Kaarlo Siltari, Suomen teollisuus ja teollinen käsityö 1900—1965 (Industry and Industrial Handicraft in Finland, 1900—1965), in Finnish with a summary and statistical tables in English, 1976, 220 pp. ISBN 951-686-032-X.

(continued from page 2)

sector next winter will no doubt be even more serious than this year. On the other hand, it seems that employment in forestry will start to recover this autumn, and the same is expected to happen in industry at the turn of the year. Employment in service industries is not likely to increase to any significant extent. With the employment situation improving more clearly during the second half of 1977, the average annual rate of unemployment may go down to about three per cent, which would be an average of less than 70 000 unemployed persons.

Central Government measures designed to maintain the level of employment have centred on the promotion of residential construction; on employment training; and on various forms of employment support granted to the corporate sector. In addition, it has been necessary to channel an increasing amount of funds to public works. It seems that even during the

coming winter there will be a special need for policies promoting employment. However, it will be necessary all the time to be prepared for the fact that, in certain industrial sectors and in certain occupational groups, bottlenecks caused by a shortage of labour may appear very rapidly in 1977.

The threat of emigration has always been an additional problem in the pursuit of Finnish manpower policy. Although the number of unfilled vacancies in Sweden has not yet started to rise to any significant extent, the revival of economic activity there, coupled with an already low rate of unemployment, will form an obvious threat in the near future. From the Finnish point of view it would thus be of vital importance that productive activity revives, and that the demand for labour grows at least in pace with that in other Nordic countries, with which Finland has formed a common labour market area since 1954.

August 24, 1976





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# BANK OF FINLAND

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## Board of Management

Mauno Koivisto

*Governor*

A. Simonen

*Deputy Governor*

Ahti Karjalainen

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

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## Directors

Markku Puntila

Jorma Aranko

Jouko J. Voutilainen

Seppo Lindblom

Eino Helenius

Pentti Koivikko

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## Senior officials

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*Director, ADP-planning*

Reino Airikkala

*Monetary Policy*

Antti Lehtinen

*Domestic Financial  
Operations*

Kari Pekonen

*Foreign Exchange Policy*

Raine Panula

*Foreign Exchange*

Raili Nuortila

*Eastern Trade*

Kalle Koski

*Capital Transfers*

J. Ojala

*Foreign Exchange Control*

Kari Puumanen

*Economics Dept.*

Heikki Koskenkylä

*Research Dept.*

Heikki T. Hämäläinen

*Administration and Legal Affairs*

A. Nenonen

*Foreign Correspondence*

Eino Suomela

*Internal Audit*

K. Eirola

*Automatic Data Processing*

Pauli Kanerva

*Personnel Administration and  
General Affairs*

Stig G Björklund

*Banking Services*

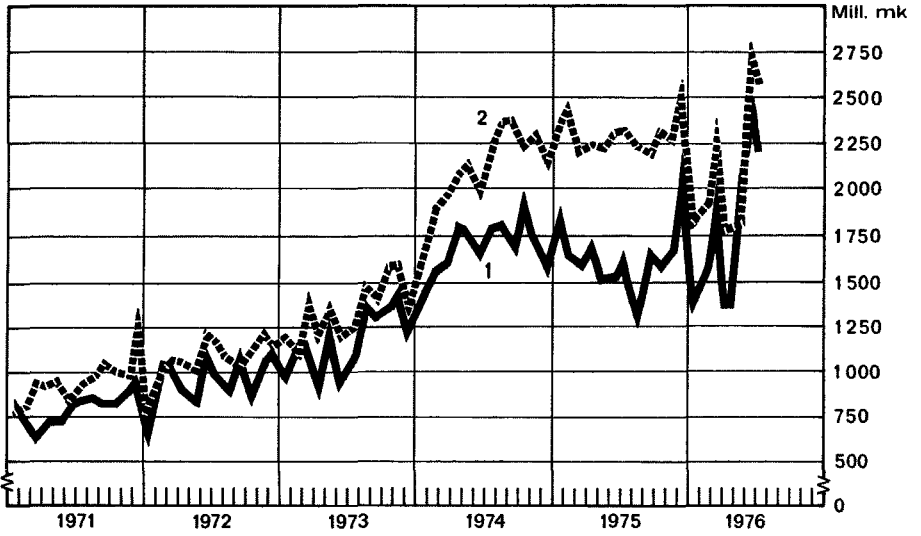
Antti Luukka

*Cash*

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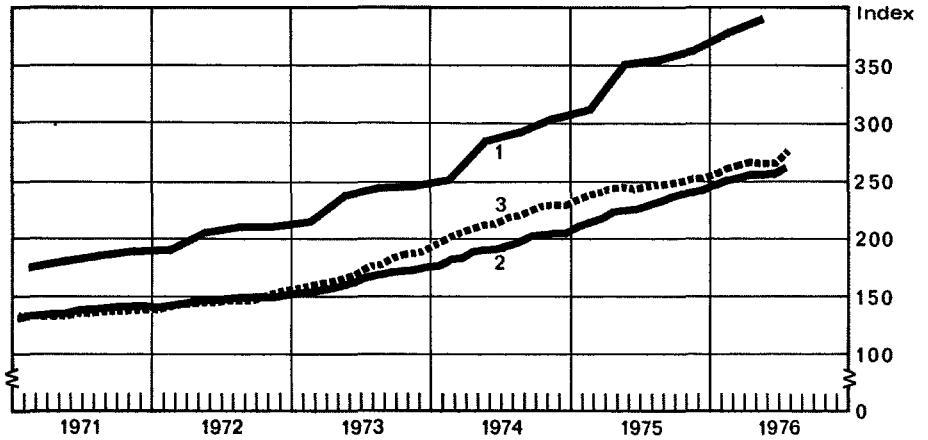
**FOREIGN TRADE, 1971-1976**

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



**PRICES AND WAGES, 1971-1976**

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



**PRODUCTION, 1971-1976**

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

