

BANK OF FINLAND

Monthly Bulletin

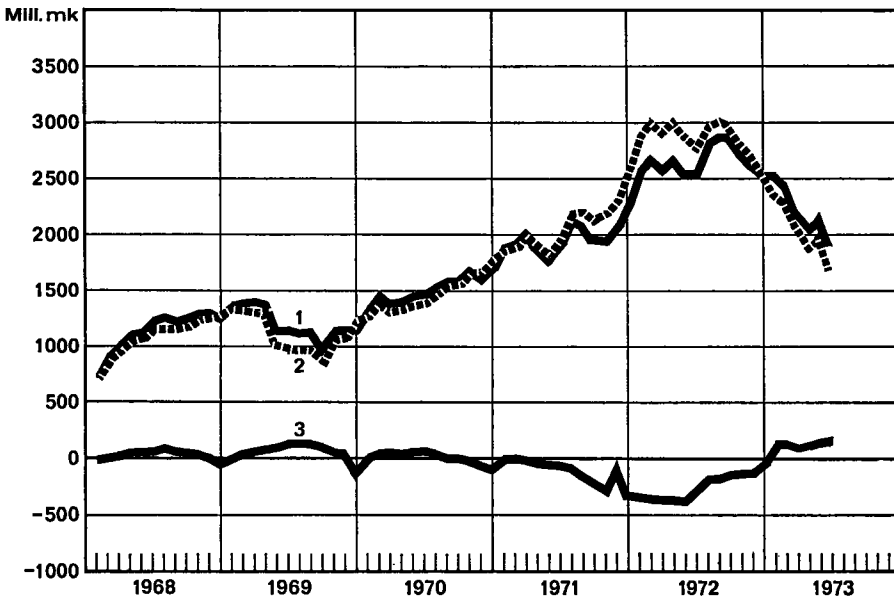
Monetary policy in 1972 and 1973

Public finance in 1972

AUGUST 1973

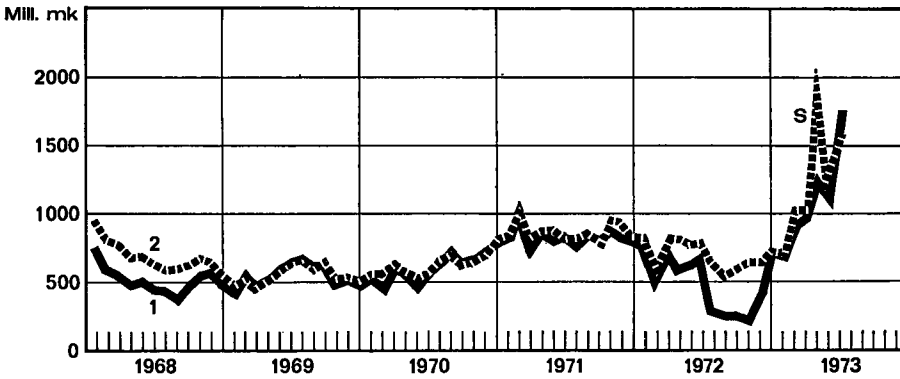
Vol. 47 No. 8

Bank of Finland foreign exchange reserve, 1968 - 1973



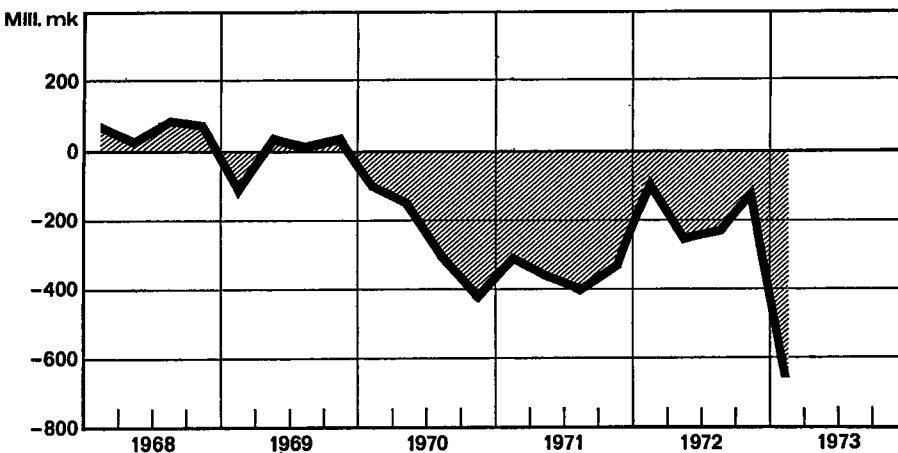
- 1. Total gold and foreign exchange
- 2. Gold and convertible currencies
- 3. Other currencies

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

MONETARY POLICY IN 1972 AND 1973

On the basis of the growth of production, the economy can be said to have picked up during 1972. However, unemployment continued to rise rapidly during the first half of 1972 and the trough of the cyclical downswing must if judged by unemployment, be placed at the turn of the year. During the current year economic activity has accelerated and unemployment has fallen rapidly. Inflation, which sped up in 1971 after a number of years of price stability, has remained high, partly as a result of price rises abroad. The mildness of the past recession led to the early full utilization of productive capacity in certain fields and the shortage of labour in Southern Finland. This has also been reflected in a relatively rapid weakening of the current account during the present year.

The monetary policy designed to alleviate the recession now passed, were taken mainly in 1971 (see Bulletin 12/1971). It was intended that their impact be felt largely in 1972. The decision to lower interest rates from the beginning of 1972 was also partly based on counter-cyclical policy considerations.

To intensify the impact of the measures taken in the previous year, the financial institutions were given credit policy guidelines in May 1972 for the coming years. The guidelines particularly encouraged financing of investment which would be undertaken without delay. Productive investment which would have a marked effect on employment towards the end of 1972 and during the following winter was regarded as particularly worthy of finance. However, at the same time the financial institutions were warned that, once the cyclical upswing started, the total demand for credit could scarcely be met without endangering

the overall economic balance. For this reason, the financial institutions were advised to take more stringent attitudes towards applications for credits to finance investment projects that would be started after 1973.

The other monetary policy measures that were implemented in 1972 were of minor importance. The quantitative restrictions on consumer credits granted by financial institutions, introduced in the spring of 1971, were extended until the end of June 1972. The extension of the restriction was designed to curb the expected growth in purchases of consumer durables following the removal of the supplementary turnover tax at the beginning of 1972. Stipulations concerning hire purchase terms were relaxed for certain goods in July 1972.

Throughout 1972 the credit quotas of the commercial banks were kept at the level to which they had been raised in the autumn of 1971. The quotas were high in comparison with the use made of them. This financial scope was designed to ensure the availability of credit for all reasonable investment projects. On the other hand, the Bank of Finland continued to sell deposit certificates in 1972, mainly in order to tie the state's improved liquidity to the central bank so that it would not ease the credit market too much in view of the continuing inflation and the weakening balance of payments.

In the spring of 1973 the current account deficit increased sharply and the inflow of long-term foreign capital decelerated; both these factors tightened the financial market in a way that was desirable from the point of view of counter-cyclical policy. There was no firm basis for major monetary policy measures

until early in the summer, for by then most wage and salary agreements had been concluded. At the end of June, the Bank of Finland decided on a number of policy measures, which included a general rise in interest rates from the beginning of July and a lowering of the central bank credit quotas of the commercial banks from the beginning of September. These were complemented by two foreign exchange policy measures which came into force immediately and which were primarily intended to affect external capital movements; these measures were a cash payment system for some imports and a deposit system for long-term capital imports. The financial institutions were also given new credit policy guidelines for the coming years. The Bank of Finland had, in addition, decided already at the end of February to lower its share in the financing of domestic delivery credits from 30 per cent to 15 per cent. As the lowering of the financing shares applied only to delivery credits granted after the end of February, the measure will tighten the credit market mainly in 1974.

The general rise in interest rates, which was as high as 1 ½ percentage points, was primarily designed to alleviate both the general and the cyclical disadvantages of a low real rate of interest brought about by inflation. The raising of interest rates was aimed at reducing the losses incurred by depositors as a result of inflation and at moderating the gains from real investment financed through borrowing. This measure was also designed to support saving, particularly deposit saving, as well as to curb the demand for credit.

The purpose of the decision to lower the central bank credit quotas of the commercial banks was to restrict gradually the banks' ability to grant credit and to restrain credit expansion at a time when the full utilization

of productive capacity and full employment were in view. The foreign exchange policy measures taken simultaneously will strengthen the effects of the quota decision by reducing the availability and attractiveness of foreign financing.

The purpose of the credit policy guidelines given to the financial institutions for the coming years was to direct selectively the effects of the other measures. It was suggested that credit granted for the purchase of consumer goods by private households and for financing the accumulation of unduly large stocks in industry and trade should be severely restricted. Furthermore, the guidelines recommended that credit be granted selectively for the financing of construction activities deemed to be of secondary importance from the point of view of expanding productive capacity. On the other hand, the financial institutions were advised to continue to favour investment projects which would efficiently expand productive capacity, particularly outside the southern parts of the country. Moreover, the financial institutions were advised to make their credit commitments so that viable investments considered to be of secondary importance during the upswing would be carried out after passing the peak of the boom.

These monetary policy measures designed to curb the cyclical upswing will no doubt improve the balance of the economic activity. In light of present forecasts it seems likely that a tight monetary policy must be pursued until the end of 1974. The strength of the monetary policy measures needed to guide the economy will depend decisively on the government's budget for 1974 and on the strength of its deflationary impact.

July 26, 1973

BANK OF FINLAND

Mill. mk

	1972		1973			
	July 31	Dec. 29	July 6	July 13	July 23	July 31
Assets						
Gold and other foreign assets	3 246	2 912	2 200	2 160	2 177	2 192
Gold	205	205	205	205	205	205
Special drawing rights	283	283	285	285	285	285
IMF gold tranche	268	268	268	268	268	268
Foreign exchange	2 272	1 929	1 191	1 142	1 158	1 173
Foreign bills	112	110	121	124	125	124
Foreign bonds	106	117	130	136	136	137
Claims on domestic banks	636	758	1 695	1 578	2 055	2 120
Discounted bills	616	752	1 634	1 523	1 990	2 060
Rediscounted bills	1	1	1	1	1	0
Cheque accounts	19	5	60	54	64	60
Other lending	303	316	344	345	345	342
Inland bills discounted						
In foreign currency	—	—	—	—	—	—
In Finnish marks	63	44	50	51	52	51
Loans	240	272	294	294	293	291
Other assets	724	607	650	649	600	600
Finnish bonds	151	47	83	83	33	33
Finnish coin	27	25	33	32	31	31
Currency subscription to Finland's quota						
in the IMF	530	530	530	530	530	530
Other claims	16	5	4	4	6	6
Total	4 909	4 593	4 889	4 732	5 177	5 254
Liabilities						
Notes in circulation	1 513	1 730	1 783	1 755	1 714	1 695
Liabilities payable on demand	576	136	97	100	270	314
Foreign exchange accounts	147	78	29	31	33	45
Mark accounts of holders abroad	34	43	48	48	49	51
Cheque accounts						
Treasury	35	1	3	2	46	44
Post Office Bank	347	2	1	2	124	156
Private banks	—	—	—	—	—	—
Other	2	1	1	1	1	1
Other sight liabilities	11	11	15	16	17	17
Term liabilities	1 062	899	1 247	1 102	1 411	1 460
Foreign	—	—	—	—	—	—
Domestic	1 062	899	1 247	1 102	1 411	1 460
IMF mark accounts	530	530	530	530	530	530
Allocations of special drawing rights	258	258	258	258	258	258
Equalization accounts	247	286	231	243	249	252
Bank's own funds	723	754	743	744	745	745
Capital	600	600	600	600	600	600
Reserve fund	74	74	114	114	114	114
Profits undisposed	—	—	—	—	—	—
Earnings less expenses (Dec. 31, Net profit)	49	80	29	30	31	31
Total	4 909	4 593	4 889	4 732	5 177	5 254

End of year and month	Gold and foreign accounts						Treasury		
	Gold and foreign exchange	Liabilities on foreign exchange and mark accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Claims on Treasury	Liabilities, Cheque account	Net claims on the Treasury (7-8)
	1	2	3	4	5	6	7	8	9
1966	556	61	495	81	101	475	10	40	— 30
1967	701	75	626	98	354	370	— 7	4	— 11
1968	1 353	62	1 291	125	34	1 382	—354	3	—357
1969	1 268	92	1 176	517	360	1 333	—196	4	—200
1970	1 844	106	1 738	639	518	1 859	—118	2	—120
1971	2 620	327	2 293	686	530	2 449	— 15	2	— 17
1972	2 685	121	2 564	757	530	2 791	— 2	1	— 3
1972									
June	2 865	282	2 583	732	530	2 785	— 3	36	— 39
July	3 028	181	2 847	748	530	3 065	— 3	35	— 38
Aug.	3 073	175	2 898	743	530	3 111	— 3	43	— 46
Sept.	3 034	137	2 897	741	530	3 108	— 2	48	— 50
Oct.	2 881	134	2 747	742	530	2 959	— 2	43	— 45
Nov.	2 791	146	2 645	740	530	2 855	— 2	47	— 49
Dec.	2 685	121	2 564	757	530	2 791	— 2	1	— 3
1973									
Jan.	2 629	70	2 559	748	530	2 777	— 2	43	— 45
Feb.	2 530	70	2 460	740	530	2 670	— 2	47	— 49
March	2 287	75	2 212	737	530	2 419	— 2	41	— 43
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

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1972			Net holdings, May 31, 1973			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	May	Jan.-May
	Gold	205	—	205	205	—	205	--
Special drawing rights	283	—	283	285	—	285	+ 2	+ 2
IMF gold tranche	268	—	268	268	—	268	—	—
Convertible currencies	1 814	463	2 277	1 248	143	1 391	— 22	—886
Other currencies	— 6	— 3	— 9	184	— 15	169	+ 21	+178
Total	2 564	460	3 024	2 190	128	2 318	+ 1	—706

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	
1966	—	915	—	14	17	884	180	85	72	193	1 106
1967	—	868	—	155	35	678	197	383	56	524	1 052
1968	—	618	107	163	16	546	186	195	43	338	1 160
1969	—	550	87	93	12	532	192	269	25	436	1 298
1970	827	9	3	1	4	834	137	246	528	-145	1 344
1971	848	1	—	9	2	838	121	234	908	-553	1 479
1972	752	1	5	—	2	756	44	277	909	-588	1 730
1972											
June	860	1	—	6	154	701	67	261	1 096	-768	1 555
July	616	1	19	—	347	289	63	256	1 072	-753	1 513
Aug.	488	1	5	—	249	245	63	256	1 057	-738	1 474
Sept.	661	1	15	—	388	289	63	248	977	-666	1 557
Oct.	753	1	29	—	507	276	65	262	949	-622	1 507
Nov.	787	1	17	—	312	493	57	265	937	-615	1 556
Dec.	752	1	5	—	2	756	44	277	909	-588	1 730
1973											
Jan.	621	1	9	—	18	613	40	273	911	-598	1 497
Feb.	828	1	56	—	162	723	40	275	900	-585	1 521
March	986	1	17	—	16	988	41	291	891	-559	1 562
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

¹ Including special index accounts.² Including cash reserve accounts.

SELLING RATES FOR FOREIGN EXCHANGE

Mk

July 26, 1973

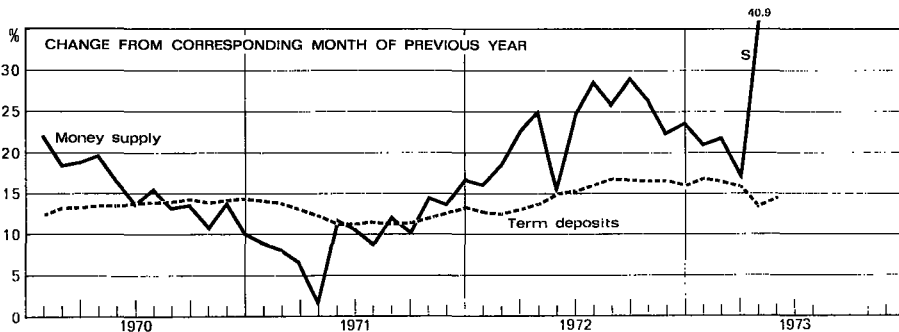
New York ¹	1 \$	3.620	Frankfurt o. M.	100 DM	158.90	Vienna	100 S	21.45
Montreal	1 \$	3.621	Amsterdam	100 Fl	141.70	Lisbon	100 Esc	16.60
London	1 £	9.040	Brussels ²	100 Fr		Reykjavik	100 Kr	4.18
Stockholm	100 Kr	90.90	Zurich	100 Fr	130.00	Madrid	100 Pta	6.40
Oslo	100 Kr	69.15	Paris ³	100 FF		Moscow ⁵	1 Rbl	5.083
Copenhagen	100 Kr	66.00	Rome ⁴	100 Lit				

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.² 10.330 commercial rate; 10.180 financial rate.³ 90.10 commercial rate; 89.30 financial rate.⁴ 0.6250 commercial rate; 0.5900 financial rate.⁵ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

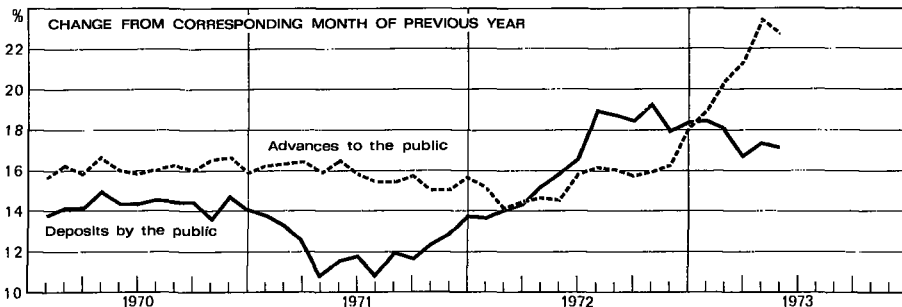
End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1966	639.8	849.4	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*										
May	1 497.3	1 882.8	763.6	7 206.3	5 662.4	4 133.3	1 586.1	674.5	19 262.6	21 909.0
June	1 542.5	1 927.3	850.0	7 236.5	5 675.7	4 106.5	1 599.3	674.5	19 292.5	22 069.8
July	1 655.1	2 046.3	779.9	7 341.4	5 728.4	4 150.2	1 619.5	677.1	19 516.6	22 342.8
Aug.	1 637.3	2 078.4	793.6	7 418.0	5 813.8	4 218.5	1 634.3	678.4	19 763.0	22 635.0
Sept.	1 568.9	2 009.4	852.1	7 491.7	5 882.5	4 270.0	1 669.2	695.4	20 008.8	22 870.3
Oct.	1 735.6	2 181.9	793.0	7 567.4	5 934.6	4 311.5	1 693.8	697.2	20 204.5	23 179.4
Nov.	1 689.1	2 140.7	797.0	7 658.3	6 018.3	4 396.2	1 727.8	700.9	20 501.5	23 439.2
Dec.	1 851.2	2 371.9	979.2	8 095.8	6 232.1	4 499.2	1 805.6	720.0	21 352.7	24 703.8
1973*										
Jan.	1 849.2	2 315.5	944.6	8 190.6	6 327.8	4 583.8	1 839.0	729.6	21 670.8	24 930.9
Feb.	1 796.9	2 261.8	1 047.7	8 221.3	6 399.2	4 655.8	1 866.7	737.5	21 880.5	25 190.0
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



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1966	5 205.4	2 951.4	2 261.0	779.6	908.8	11 618.1	488.1	12 106.2	2 181
1967	5 558.9	3 247.7	2 424.3	864.9	1 026.9	12 583.8	538.9	13 122.7	2 146
1968	5 865.5	3 448.4	2 600.5	927.9	1 053.0	13 392.0	503.3	13 895.3	2 642
1969	6 892.2	3 802.8	2 922.1	1 039.8	1 290.4	15 354.4	592.9	15 947.3	3 126
1970	7 963.5	4 342.1	3 403.8	1 341.9	1 454.0	17 814.9	690.4	18 505.3	3 445
1971	9 233.7	4 795.6	3 834.0	1 746.6	1 799.1	20 639.8	769.2	21 409.0	4 025
1972*	10 667.3	5 505.6	4 482.2	2 244.8	2 374.4	24 475.0	799.3	25 274.3	4 974
1972*									
May	9 671.5	5 011.3	4 034.2	1 918.8	1 908.3	21 725.5	818.6	22 544.1	4 018
June	9 887.3	5 052.3	4 074.7	1 943.4	1 975.1	22 074.8	858.0	22 932.8	4 275
July	9 867.9	5 101.2	4 124.7	1 963.3	2 086.5	22 332.1	811.5	23 143.6	4 247
Aug.	9 865.5	5 167.3	4 187.4	2 022.3	2 103.7	22 540.1	806.1	23 346.2	4 268
Sept.	10 038.7	5 253.3	4 269.7	2 095.4	2 135.6	22 957.3	835.4	23 792.7	4 408
Oct.	10 214.8	5 335.2	4 357.3	2 087.0	2 171.6	23 370.8	795.1	24 165.9	4 422
Nov.	10 386.3	5 429.3	4 417.6	2 107.8	2 229.2	23 758.6	811.6	24 570.2	4 418
Dec.	10 667.3	5 505.6	4 482.2	2 244.8	2 374.4	24 475.0	799.3	25 274.3	4 974
1973*									
Jan.	10 788.6	5 590.5	4 525.4	2 344.4	2 438.0	24 878.1	808.8	25 686.9	4 627
Feb.	11 007.4	5 659.5	4 593.6	2 399.7	2 446.4	25 249.9	856.7	26 106.6	4 757
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	..
June	22 074.3	5 954.0	4 788.3	2 790.3	2 510.9	27 180.8	937.0	28 117.8	..



STATE FINANCES

Mill. mk

Revenue	Jan.—May		Expenditure	Jan.—May	
	1972	1973		1972	1973
Income and property tax (net)	1 834	2 363	Wages, salaries, pensions etc.	915	1 040
Gross receipts	(3 871)	(4 748)	Repair and maintenance	99	99
Refunds & local authorities	(—2 037)	(—2 385)	Other consumption expenditure	433	506
Other taxes on income and property	45	55	Total consumption expenditure	1 447	1 645
Employers' child allowance payments	170	195	State aid to local authorities	738	929
Sales tax	1 434	1 666	State aid to industries	600	595
Revenue from Alcohol Monopoly	263	368	of which: agric. price subsidies	(445)	(411)
Customs duties & import charges	160	235	Child allowances	160	149
Counter-cyclical tax	2	—	Share in national pensions and health insurance	97	96
Excise duty on tobacco	194	166	Other transfer expenditure	695	788
» » on liquid fuel	288	313	Total transfer expenditure	2 290	2 557
Other excise duties	124	140	Machinery and equipment	190	186
Tax on autom. and motor cycles	161	307	House construction	115	142
Stamp duties	111	141	Land and waterway construction	375	419
Special diesel etc. vehicles tax	22	21	Total real investment	680	747
Other taxes and similar revenue ¹	112	151	Interest on State debt	118	126
Total taxes	4 920	6 121	Index compensations	12	12
Miscellaneous revenue	524	407	Net deficit of State enterprises	38	67
Interest, dividends etc.	98	110	Other expenditure	6	5
Sales and depreciation of property	—	—	Total other expenditure	174	210
Redemptions of loans granted	60	67	Increase in inventories	+20	—7
Total revenue	5 602	6 705	Lending	335	477
Foreign borrowing	136	10	Other financial investment	84	104
Domestic borrowing	280	164	Total expenditure	5 030	5 733
Total borrowing	416	174	Redemption of foreign loans	56	50
Deficit (+) or surplus (—)	(—622)	(—694)	Redemption of domestic loans	310	402
			Total redemptions	366	452
			Total	5 396	6 185

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

State debt	1969	1970	1971	1972	1973		
	Dec.	Dec.	Dec.	Dec.	Mar.	April	May
Foreign debt	1 656	1 557	1 524	1 517	1 496	1 499	1 519
Loans	2 316	2 437	2 467	2 268	2 178	2 179	2 073
Compensatory obligations	4	3	2	2	1	1	1
Short-term credit	158	46	61	56	50	50	50
Cash debt (net)	—217	—284	—528	—488	—508	—566	—568
Domestic debt	2 261	2 202	2 002	1 838	1 721	1 664	1 556
Total State debt	3 917	3 759	3 526	3 355	3 217	3 163	3 075
Total debt, mill \$	933	900	849	804	831	814	795

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*			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
July	993	1 100	-107
Aug.	832	999	-167
Sept.	1 171	1 092	+ 79
Oct.	1 019	1 215	-196
Nov.	1 135	1 257	-122
Dec.	1 175	1 207	- 32

1973*			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
Jan.	1 074	1 391	- 317
Feb.	1 079	1 104	- 25
March	1 167	1 384	- 217
April	938	1 288	- 350
May	1 336	1 460	- 124

Jan.-May			
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1972*	4 634	5 121	- 487
1973*	5 594	6 627	-1 033

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

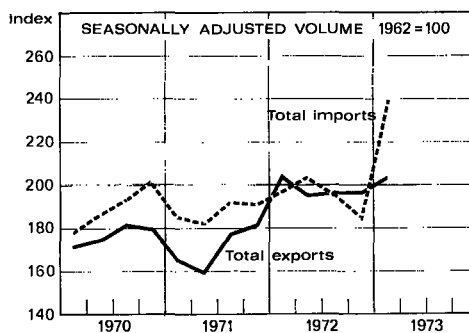
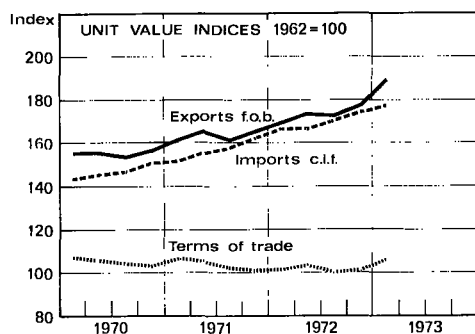
1970					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Oct.-Dec.	193	228	157	151	104

1971					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-Mar.	152	169	162	152	107
Apr.-June	157	182	166	156	106
July-Sept.	176	184	162	158	103
Oct.-Dec.	198	223	166	163	102

1972					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
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					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-Mar.	197	222	190	178	107

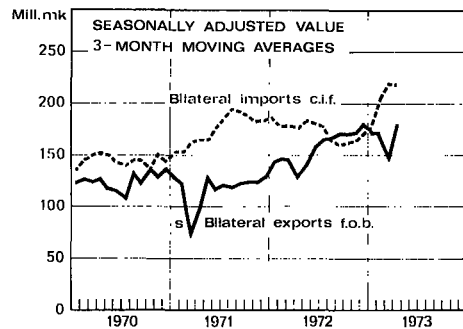
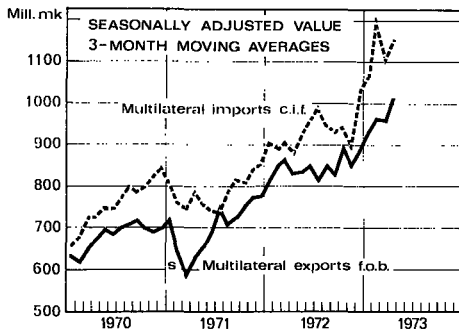
¹ The 1973 figures have been calculated by converting the final 1972 Fisher index with the percentage change in the 1973-1972 Laspeyres index.



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f. o. b.						Imports, c. i. f.			
	Agri-cultural 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*	633	55	1 824	4 253	3 245	2 072	5 238	1 627	3 585	2 657
1972*										
July	46	9	173	363	267	135	400	188	312	200
Aug.	30	4	145	319	172	162	413	144	241	201
Sept.	55	7	199	420	248	242	451	143	269	229
Oct.	45	4	170	343	257	200	480	167	309	259
Nov.	41	8	189	380	310	207	508	162	313	274
Dec.	71	3	186	438	281	196	523	139	303	242
1973*										
Jan.	89	6	175	359	279	166	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	219	173	501	125	344	318
May	71	6	202	463	388	206	579	117	458	306
Jan.-May										
1972*	297	15	609	1 619	1 335	759	2 000	527	1 547	1 047
1973*	316	26	844	1 994	1 465	949	2 612	593	1 892	1 530



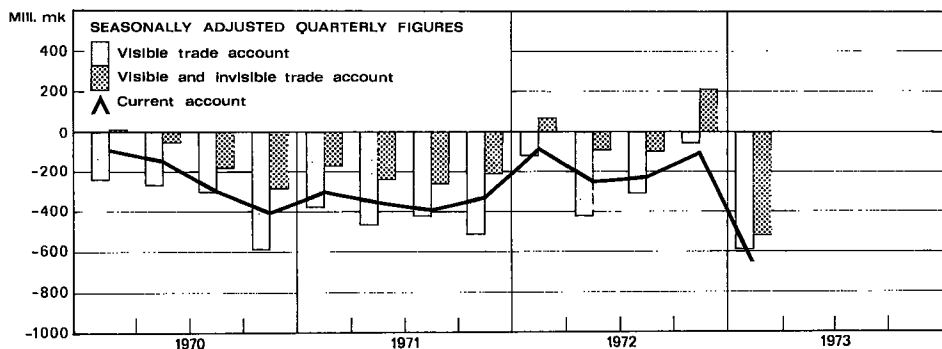
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—May				January—May			
	1972*		1973*		1972*		1973*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	72.9	3 378	70.8	3 961	75.5	3 867	74.7	4 950
Austria	0.9	43	1.5	82	1.5	75	1.7	111
Belgium-Luxembourg	1.6	73	1.7	97	1.8	94	2.3	150
Denmark	3.6	166	4.3	239	3.2	161	3.6	239
France	3.8	177	4.2	234	4.3	218	3.3	222
Federal Republic of Germany	9.7	449	10.6	592	18.5	948	18.6	1 231
Italy	1.6	74	1.9	106	2.1	108	1.9	125
Netherlands	3.4	155	3.7	210	3.8	194	3.6	239
Norway	3.0	140	2.9	160	2.6	132	2.5	165
Portugal	0.2	11	0.3	20	0.7	37	0.9	58
Spain	1.0	44	1.1	62	0.7	38	0.7	50
Sweden	20.9	970	15.6	872	18.6	954	19.7	1 303
Switzerland	2.2	102	2.3	130	3.3	171	3.2	213
United Kingdom	18.2	845	19.0	1 064	14.1	723	11.9	792
Other	2.8	129	1.7	93	0.3	14	0.8	52
OECD countries outside Europe	6.8	314	6.5	362	6.1	314	7.8	516
Canada	1.0	45	0.6	33	0.3	13	0.2	16
Japan	0.4	18	0.7	36	1.8	95	2.7	178
United States	5.4	251	5.2	293	4.0	206	4.9	322
Eastern Bloc	13.9	644	14.4	803	15.1	775	13.8	915
Czechoslovakia	0.5	22	0.3	20	0.5	25	0.5	31
Democratic Republic of Germany	0.4	18	0.6	33	0.6	29	0.6	36
People's Republic of China	0.4	17	0.3	16	0.3	17	0.2	16
Poland	0.8	40	1.5	82	0.7	36	1.2	82
Soviet Union	11.1	513	10.8	605	11.9	608	10.3	682
Other	0.7	34	0.9	47	1.1	60	1.0	68
Latin America	1.8	82	1.8	105	1.7	84	1.4	94
Argentina	0.4	17	0.3	19	0.1	7	0.0	2
Brazil	0.6	27	0.6	35	0.5	26	0.4	28
Colombia	0.1	6	0.1	7	0.6	29	0.5	33
Other	0.7	32	0.8	44	0.5	22	0.5	31
Other	4.6	216	6.5	363	1.6	81	2.3	152
GRAND TOTAL	100.0	4 634	100.0	5 594	100.0	5 121	100.0	6 627
of which								
EFTA countries	27.4	1 272	22.4	1 255	26.9	1 375	28.2	1 867
EEC countries	42.6	1 975	46.2	2 586	47.8	2 449	45.6	3 023
OECD countries	79.7	3 692	77.3	4 323	81.6	4 181	82.5	5 466

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	-1 006
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 ^r	2 074	2 309	-235	+192	- 9	- 3	- 55	- 86	-11	-152
1971 ^r	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	3 888	-587	+225	- 5	+10	-357	-150	-14	-521
Apr.-June										
1970 ^r	2 429	2 721	-292	+180	+ 10	+ 0	-102	- 96	+ 1	-197
1971 ^r	2 291	2 797	-506	+141	+ 47	+21	-297	-118	- 1	-416
1972	2 856	3 298	-442	+162	+ 57	+46	-177	-155	- 8	-340
July-Sept.										
1970 ^r	2 469	2 690	-221	+180	+109	- 4	+ 64	-110	- 1	- 47
1971 ^r	2 501	2 864	-363	+159	+166	+16	- 22	-119	- 4	-145
1972	2 978	3 195	-217	+170	+191	+19	+163	-140	+20	+ 43
Oct.-Dec.										
1970 ^r	2 662	3 379	-717	+164	+ 32	+24	-497	-105	- 7	-609
1971 ^r	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

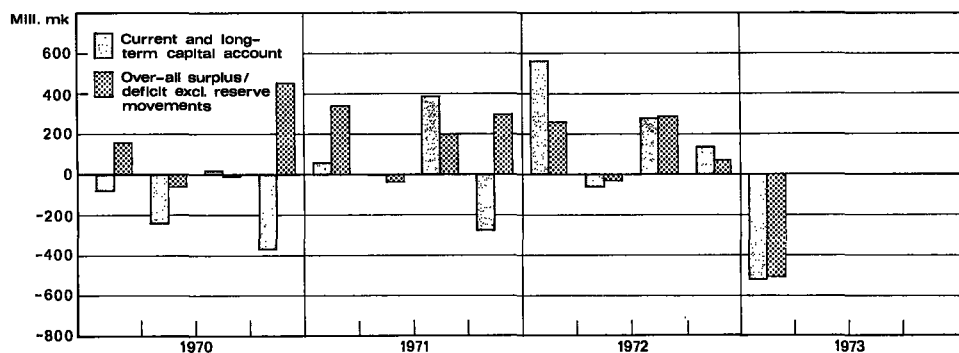


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, net	Miscellaneous 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
+ 379	-392	+ 34	-24	- 3	-524	+ 35	+ 7	- 25	-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
+ 359	-175	- 60	-58	+ 66	+ 19	+ 87	+ 5	-119	- 8	-116	+124
+ 869	-252	- 89	+ 5	+533	+388	- 60	+ 21	-150	+199	- 35	-164
+ 628	-327	- 41	-25	+235	+278	+265	-124	-131	+288	-314	+ 26
+ 622	-170	- 73	-141	+238	-371	+531	- 35	+332	+457	-121	-336
+ 656	-174	-103	- 43	+336	-235	+566	-299	+270	+302	-305	+ 3
+ 763	-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	Mach- inery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1970	297	300	286	299	317	290	329	290	283	138	146	126
1971	312	315	302	309	361	304	346	295	303	149	162	134
1972	338	342	325	330	400	334	370	318	332	161	182	141
1972												
Oct.	346	350	334	339	406	341	379	328	339	165	187	144
Nov.	352	356	335	347	406	344	393	333	340	165	187	145
Dec.	356	361	339	351	408	350	396	338	344	166	187	147
1973												
Jan.	363	365	352	356	413	359	401	345	352	168	190	147
Feb.	367	370	357	361	413	364	403	351	356	169	190	149
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

Period	Consumer prices 1967 = 100											
	Cost of living Oct. 1961 = 100	Con-sumer prices Oct.-Dec. 1957 = 100	Total	Food	Bever-ages and tobacco	Clothing and foot-wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1970	223	175	115	116	115	109	115	121	115	113	113	115
1971	237	186	122	121	119	112	125	141	119	125	119	125
1972	254	199	131	133	125	118	131	147	126	135	128	135
1972												
Oct.	260	204	134	137	126	121	134	146	128	138	129	139
Nov.	262	205	135	138	126	122	134	147	129	138	130	140
Dec.	262	206	135	139	127	122	135	149	130	139	130	140
1973												
Jan.	265	208	136	140	130	124	135	149	131	141	131	141
Feb.	267	210	138	141	131	126	136	151	132	142	132	142
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

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
1971										
July-Sept.	210	199	200	180	178	178	192	171	200	188
Oct.-Dec.	219	205	207	185	181	184	196	177	204	192
1972*										
Jan.-Mar.	236	207	206	186	179	186	197	178	205	193
Apr.-June	251	225	219	198	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.	286	231	237	206	198	206	221	195	231	216

PRODUCTION

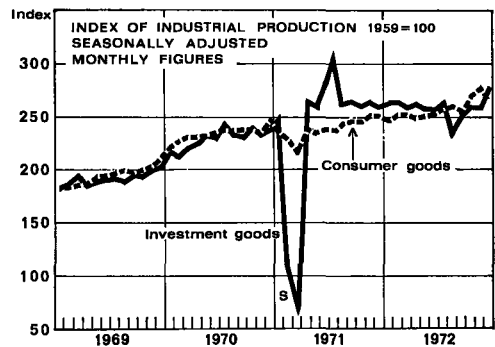
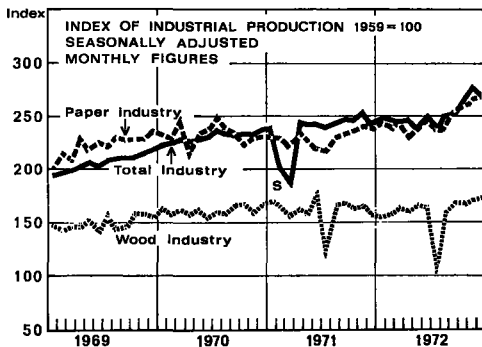
Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	House construction	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1969	123	138	97	102	123	104	124	123	123	123	127
1970	132	154	96	111	141	98	132	132	129	128	134
1971*	136	158	97	106	138	97	134	140	135	134	140
1972*	144	173	94	95	147	102	144	154	142	139	147
1972*											
Jan.-Mar.	140	179	59	132	106	101	132	145	141	138	146
Apr.-June	141	168	83	108	137	105	146	148	141	138	147
July-Sept.	143	154	175	51	170	101	148	151	142	139	147
Oct.-Dec.	150	191	57	90	175	100	150	171	145	141	149
1973*											
Jan.-Mar.	149	194	52	146	109	103	142	155	146	143	153

PRODUCTION

Index of industrial production 1959 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1968	182	175	191	164	163	132	202	253	240	177	181
1969	207	194	214	196	173	151	223	285	281	199	207
1970	232	230	223	235	182	164	234	336	341	233	232
1971*	238	235	229	241	192	164	231	363	360	231	238
1972*	258	261	245	261	202	164	248	389	372	259	255
1971*											
Sept.	256	283	244	258	192	170	241	374	378	278	248
Oct.	264	288	256	257	229	173	250	375	394	282	248
Nov.	269	289	260	264	234	166	251	389	370	283	256
Dec.	251	274	242	250	188	159	223	375	305	272	245
1972*											
Jan.	257	286	246	249	171	164	256	418	308	277	249
Feb.	258	280	245	257	175	171	245	402	321	273	248
March	277	295	261	280	190	188	262	423	372	287	245
April	254	270	236	265	183	180	218	386	349	267	248
May	259	271	242	271	213	191	231	394	350	270	250
June	244	247	226	262	207	164	220	371	340	250	251
July	180	144	178	178	183	91	235	238	325	139	240
Aug.	254	233	234	283	217	138	247	325	421	236	251
Sept.	262	267	249	265	195	168	261	369	425	266	254
Oct.	290	292	279	286	256	182	278	443	441	289	271
Nov.	292	284	281	292	244	172	278	450	433	287	278
Dec.	268	265	263	250	190	165	249	449	382	274	273



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Total labour force, 1 000 persons	Employed 1 000 persons	Unemployed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1968 = 100	Wholesalers' volume index 1968 = 100	Indicator of traffic activity 1964 = 100
1968	2 188	2 100	88	4.0	31 859	100	100	106
1969	2 189	2 127	62	2.8	35 338	108	117	118
1970	2 194	2 153	41	1.9	39 267	114	130	125
1971	2 199	2 150	49	2.2	36 238	118	137	122
1972*	2 206	2 149	57	2.6	31 441	128	151	132
1972*								
Aug.	2 276	2 225	51	2.2	1 185	129	159	136
Sept.	2 198	2 153	45	2.0	1 637	130	157	137
Oct.	2 194	2 148	46	2.1	2 092	134	164	143
Nov.	2 190	2 142	50	2.3	2 367	134	169	147
Dec.	2 187	2 132	55	2.5	3 328	177	173	138
1973 ¹								
Jan.	2 127	2 055	72	3.4	3 257	116	140	141
Feb.	2 116	2 047	69	3.3	3 529	117	153	123
March	2 111	2 048	63	3.0	4 175	132	176	137
April	2 120	2 060	60	2.8	4 088	125	160	..
May	2 177	2 128	49	2.3

¹ 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	8.02	4.08	0.35	2.56	0.65	38.57
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	38.39

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 Institute for Economic Research. In addition to the Board of Customs figures, exports include grants in kind but exclude seve-doring expenses and imports include seamen's duty-free imports, non-monetary gold, grants in kind and adjusted allowance for smuggling.

PRICE INDICES

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

WAGES — PRODUCTION

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

Page 16. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the international nomenclature (ISIC). The seasonally adjusted series is calculated by the Bank of Finland Institute for Economic Research on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: investment goods weight 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indices: food industry ISIC no. 20, weight 11.2, wood industry no. 25, weight 6.6, paper industry no. 27, weight 13.1, chemical industry no. 31, weight 5.2, non-metallic mineral industry no. 33, weight 3.6 and metal industry nos. 34—38, weight 23.5

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

Page 17. *Labour* figures supplied by the Central Statistical Office. 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. *Indicator of traffic activity* calculated by the Bank of Finland Institute for Economic Research. Figures are weighted averages of the sea, air, railway and road traffic. *Construction of buildings* figures calculated by the Central Statistical Office.

SYMBOLS USED

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1972 were as follows: Social Democrats 55, People's Democrats 37, Centre Party 35, Conservatives 34, Finnish People's Unification Party 13, Swedish Party 10, Liberal Party 7, Finnish Farmers' Party 5 and Christian League 4.

INTERNATIONAL ORGANIZATIONS

Finland became a member of BIS 1930, IMF 1948, IBRD 1948, GATT 1950, UN 1955, IFC 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 (9.8 %) 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 (1971): 4.6 million. Sweden 8.1, Switzerland 6.3, Denmark 5.0 and Norway 3.9 million.

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

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

EMPLOYMENT (1971): Agriculture and forestry 21 %, industry and construction 36 %, commerce 15 %, transport and communications 7 %, services 21 %.

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

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

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

TRADE AND TRANSPORT

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

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

INDUSTRY (1970): Gross value of industrial production 35 577 mill. marks, number of workers 502 981, salaried employees 103 449, motive power (1970) 5.1 mill. kW. Index of industrial production 238 for 1971 (1969 = 100).

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

MERCHANT FLEET (June 30, 1973): Steamers 32 (32 400 gross reg. tons), motor vessels 389 (790 600 gross reg. tons), tankers 59 (748 500 gross reg. tons), sailing vessels with auxiliary engines 3 (500 gross reg. tons). Total 483 (1 572 000 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 Metropolitans. Companies have scheduled traffic outside of Finland to 25 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 National Pension Institute 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 %.

PUBLIC FINANCE IN 1972

by Katarina Franssila, M.Pol.Sc.,

Economic Department of the Ministry of Finance

THE STATE BUDGET

When the budget for 1972 was being prepared in 1971, the Finnish economy was passing through a mild recession. At this stage, though there were already signs of an international cyclical upswing. It was forecast that this, together with bilaterally agreed deliveries to the Soviet Union timed for 1972, would gradually boost Finnish exports. It was also expected that the buoyancy of demand would produce an export-led acceleration in the growth rate of total production. However, the economic outlook was marred by the prospect of growing unemployment, the risk of more pronounced regional differences and the expectation of increasing price pressures.

On the other hand, it could be seen that capacity constraints would be the major hindrance for greater export expansion if the upswing in the Western countries most important for Finnish exports turned out to be rapid and vigorous. For this reason, it was felt necessary to encourage industrial investment during 1972.

The major economic policy target for the budget was to keep aggregate domestic demand at a level appropriate for securing both internal and external balance. The Government's proposal included several measures which were designed to encourage investment and improve the competitiveness of industry. It had been decided earlier to release the counter-cyclical reserves of the private sector in such a way that the bulk of them would be used in 1972.

The total budget proposal amounted to 12 683 million marks and exceeded the ordinary budget for 1971 by 15 per cent. The Government proposed that the act concerning the supplementary turnover tax on certain durable consumer goods, which had been in force since June 1971, be extended into 1972 in order to check the growth of private consumption. However, Parliament did not approve the Government's proposal, and the Act on a Supplementary Turnover Tax expired on December 31, 1971. On the other hand, Parliament did pass a new import-equalization tax act which closely resembled the act in force from June 1971 until the end of the year (see Bulletin 7/1971 and 9/1972). It was agreed that railway tariffs be raised from March 1972 in order to cover the growth of expenditure resulting from rising wages and prices. The last reduction in customs tariffs, based on the GATT-Kennedy Round agreement, was made at the beginning of 1972. Otherwise, revenue rates were kept unchanged.

In comparison with the 1971 budget, the greatest increase in expenditure was for investment purposes. It was deemed necessary to increase appropriations for real investment (investment in machinery, equipment and construction) so as to be able to carry out various projects, should the employment situation deteriorate in the way forecast. Of financial investment, the sharpest increase occurred in housing appropriations. A part of investment expenditure was financed by funds from the

government's counter-cyclical reserve, of which altogether 215 million marks was transferred to the budget to be used mainly for financing residential construction and to support employment. During 1970 and 1971 a total of 250 million marks was transferred to the government's counter-cyclical reserves in order to help the authorities promote employment and economic growth during cyclical down-turns. As a result of revisions made by Parliament, the total budget amounted to 12 751 million marks.

In the course of the year, Parliament approved three supplementary budgets totalling about ten per cent of the total ordinary budget. The revenue of the third supplementary budget included the remainder of the funds in the government's counter-cyclical reserves. Total budgeted expenditure in 1972 amounted to 13 988 million marks, which was 15 per cent more than total budgeted expenditure for 1971. During the year the government's measures were largely focused on promoting employment. Employment continued to worsen until the third quarter of the year, even though demand for labour in the southern parts of the country strengthened already earlier. The employment situation remained very poor throughout the year in the eastern and northern parts of Finland. In 1972 the average rate of unemployment for the whole country was 2.6 per cent or 0.4 percentage points higher than in 1971. Although the ordinary budget already included appropriations for more extensive state-financed projects, employment appropriations made up a substantial part of the supplementary budgets. In 1972, the projects financed by these appropriations provided jobs for about 45 000 workers (2.0 per cent of total labour force), which was 5 000, or 12 per cent, more than in 1971. In Northern and Eastern Finland the increase was greater than average.

A large number of the unemployed workers, who could not be given jobs in state-financed projects, received unemployment assistance

from the state or daily benefits from unemployment funds. In 1972 on average 9 200 persons or 16 per cent of the total unemployed population received unemployment assistance and 23 000 or 40 per cent received unemployment fund benefits. The new Employment Act (see Bulletin 2/1972), which came into force on January 1, 1972, increased the number of people entitled to unemployment assistance and thus also raised the number of persons registered as unemployed.

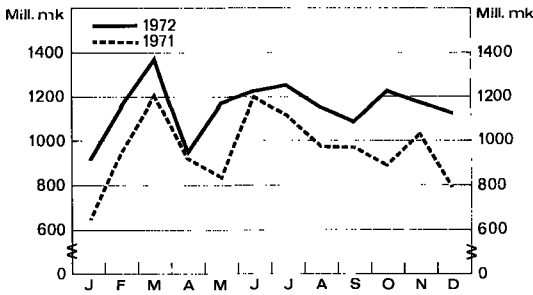
Furthermore, in order to improve the employment situation, state enterprises and the armed forces were granted funds for purchasing machinery and equipment from domestic suppliers.

The budget for 1972 included several measures which were aimed at reducing structural unemployment in the development regions and improving a balance between the demand for and the supply of labour. Additional funds were granted to the Regional Development Fund in the form of loans and an increase in its share capital. It is estimated that 5 000 new vacancies were created in 1971—1972, as a direct result of the activities of the Fund. Moreover, enterprises in the development regions continued to receive low interest loans for their investments. It was estimated that the projects for which these credits were granted during 1972, would create from 4 500 to 5 000 new permanent jobs. Attempts were also made to further increase vocational training and re-training.

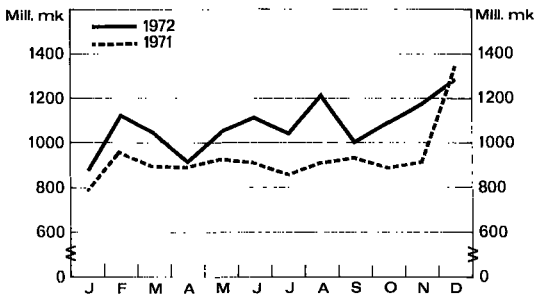
In April 1971 an agreement was signed between the Soviet Union and Finland concerning the delivery of natural gas from the Soviet Union to Finland (see Bulletin 6/1971). In accordance with this agreement, work was started on a natural gas pipe from the Soviet-Finnish border towards the industrial centres of Southeastern Finland during the year under review. The state-owned petroleum company

MONTHLY STATE CASH REVENUE AND EXPENDITURE AND THEIR CUMULATIVE DIFFERENCE IN 1971 AND 1972

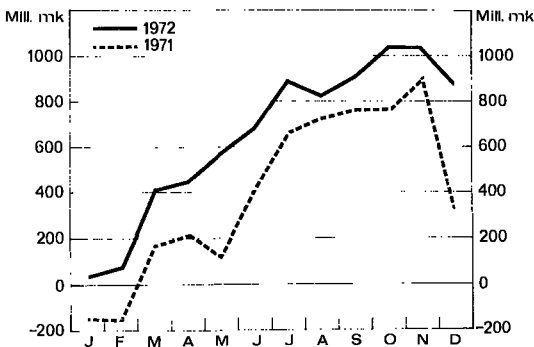
Revenue (excluding borrowing)



Expenditure (excluding redemption)



**Cumulative Difference
(revenue minus expenditure)**



Neste Oy was entrusted with the management of matters concerning natural gas, and a loan of 100 million marks to this company for this purpose was approved in one of the supplementary budgets. It is planned that deliveries of natural gas will start in 1974.

In order to meet the heavy demand for dwellings in population centres and to improve the employment situation the financing of residential construction was increased substantially in 1972. In the ordinary budget, 730 million marks was set aside to finance housing loans. The Board of Housing was authorized to grant new housing loans up to 700 million marks; 40 million marks of this had been allocated already during 1971 through loan commitments. In the course of the year, the authorization to grant loans was raised by 100 million marks, and towards the end of the year the Board of Housing was empowered to make conditional loan commitments up to 150 million marks for 1973. Moreover, 60 million marks of the counter-cyclical tax funds which had accrued in 1971 were used for housing loans. According to preliminary reports, 32 700 of the dwellings completed in 1972, were supported by state loans; this was over 10 000 dwellings more than in 1971. A new record was reached in the total number of dwellings completed, i.e. 59 500 dwellings or a good 9 000 dwellings more than in 1971.

Although agricultural production fell slightly, the expenses incurred in the process of marketing agricultural produce increased, mainly as a result of higher target prices, but partly because of substantial growth in the exports of corn. Measures to increase the domestic demand for agricultural products and to curb production were continued roughly in the same way as in previous years. In order to further reduce the area under cultivation, new agreements on non-cultivation were made. At the end of 1972, compensation was paid to farmers for leaving 201 300 hectares (7 ½ per cent of the country's total arable land) untilled. When the target prices for agricultural prod-

ucts were set, it was agreed that a special appropriation should be included in the supplementary budget to improve the economic and social position of small farmers in the development regions. State subsidies to agriculture rose by 15 per cent of total governmental expenditure.

STATE FINANCE ACCOUNTS

The government's liquidity position remained good throughout the year. The strengthening in the growth of total production as well as rapidly rising wages and prices raised the tax base and boosted the growth in the government's revenue. State expenditure was also affected by the rise in the cost level, mainly through higher wage and salary expenditure.

During January—November 1972, both revenue and expenditure increased by 18 per cent on the previous year. However, for the whole year, the growth in expenditure came to 15 per cent, because outlays in December of 1972 were smaller than in the same month of 1971, when they had been exceptionally great. Total state revenue grew by 20 per cent, of which more than two percentage points was a result of transfers from the government's counter-cyclical reserves. The cumulative difference in the growth of revenue and expenditure was positive in each month of the year (Chart), and the surplus for the whole year amounted to 883 million marks; the corresponding surplus had been 329 million marks in 1971.

Tax revenue accruing to the Treasury increased by 19 per cent. Income and property tax receipts grew substantially, or by 31 per cent; however, certain exceptional accounting arrangements had reduced such receipts in the previous year. The supplementary turnover tax, which had been collected from June to December 1971, had curbed imports of passenger cars and some other durable consumer goods

in 1971. When the supplementary turnover tax was removed, the value of passenger car imports jumped by nearly 50 per cent. This led to pronounced growth in the yield from tax on automobiles and motor cycles and partly also from customs duties during 1972. Revenue other than tax receipts increased by nearly a third. However, a large part of the increase was attributable to transfers from the government's counter-cyclical reserves (Table 1).

TABLE 1.
STATE CASH REVENUE AND EXPENDITURE

Revenue	1971	1972
	Million marks	
Total taxes on income and property	3 063	4 003
Sales tax	3 212	3 760
Customs duties and import charges	414	460
Counter-cyclical tax	114	2
Excise duties	1 523	1 700
Other taxes and similar revenue	2 064	2 410
Other revenue	952	1 308
Redemptions of loans granted	255	244
	<hr/>	
Total revenue	11 597	13 887
Borrowing	559	530
	<hr/>	
Total	12 156	14 417
Expenditure		
Consumption expenditure	3 279	3 774
Transfer expenditure	4 758	5 655
Real investment	1 414	1 828
Interest on State debt and index compensations	293	282
Other expenditure	197	198
Lending	849	988
Other financial investment	476	279
	<hr/>	
Total expenditure	11 266	13 004
Redemptions	641	732
Surplus	249	681
	<hr/>	
Total	12 156	14 417

On the expenditure side, the largest relative increase occurred in real investment, which grew by 29 per cent. The increase in real investment was mainly a result of the prevailing employment situation. Growth was also pronounced for pension expenditure, which increased by 25 per cent. Civil service salaries were adjusted in accordance with the general

wage and salary agreements made in the labour market. In 1972 the average annual rise in the earnings of government employees was nearly nine per cent. Of transfer expenditure, the largest increase was in transfers to private households, which was largely affected by a sharp rise in unemployment assistance and benefits. Furthermore, state subsidies for entrepreneurial activity increased by 16 per cent or by clearly more than in the previous year. The share of agriculture in these subsidies was almost 90 per cent, but one reason for the rapid growth of this type of expenditure was the increase in the interest support granted to industry.

STATE BORROWING

The financial position of the state has improved continuously since 1969 so that state debt could be reduced and its structure improved. In the 1950s and 1960s, the State's financial position was often tight with the result that it was particularly difficult to pursue a consistent fiscal policy. Even at the end of 1968 the state's short-term credit together with the current account debt amounted to 761 million marks and total state debt came to 4 546 million marks, or 53 per cent of state revenue in the same year. At the end of 1972, short-term credit was not more than 56 million marks, and total state debt had been reduced to 3 832 million marks or to 28 per cent of state revenue in 1972. Taking into account funds in the state's tied accounts as well as cash, postal giro and cheque account funds, the state's net debt amounted to 3 344 million marks at the end of 1972 as against 3 512 million marks one year earlier. (Promissory notes given to international organizations are not included in the figures.)

The state's new long-term borrowing totalled 530 million marks in 1972, which was 29 million marks less than in 1971. The state's borrowing abroad increased from 20 million marks in 1971 to 143 million marks, of which

Deutsche mark bonds made up 129 million marks and the World Bank, highway construction loan the remainder. The state's long-term domestic borrowing fell by nearly one third and amounted to 387 million marks. Of this, government bonds intended for public subscription made up 290 million marks; 88 million marks of these bonds had a life of ten years, and the remainder, a period of four to six years. Of other domestic loans, the 83 million mark loan for the building of an atomic power station and the 44 million mark insurance companies loan were the largest.

Redemptions of the state's domestic loans exceeded new domestic borrowing by 165 million marks, so that domestic borrowing tended to ease the money market. Redemptions of foreign loans exceeded new foreign borrowing by 36 million marks. As a result of changes in exchange rates, the state's total foreign liabilities, figured in marks, did not fall by as much as net redemption payments. At the end of 1972, total foreign liabilities amounted to 1 506 million marks, as against 1 510 million marks at the end of 1971.

The surplus of state revenue over expenditure exceeded state long-term borrowing and was 681 million marks in the year under review. The major part of the surplus remained in the form of short-term financing reserves (Table 2).

TABLE 2.
SHORT-TERM FINANCING

	1971	1972
	Million marks	
Net change in prepayments received and made etc.	— 36	—701
Private funds (decr. —)	+ 4	— 4
Short-term credit (decr. —)	+ 9	— 5
Current account debt to the Post Office Bank (decr. —)	—203	—
Export levy and counter-cyclical tax accounts at the Bank of Finland (decr. +)	+ 1	+ 74
Cash, postal giro and cheque accounts (incr. —)	— 24	— 45
Surplus (—)	—249	—681

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

A. Simonen

Deputy Governor

Ahti Karjalainen

*Absent as a Member
of Government*

Heikki Valvanne

Jaakko Lassila

Päiviö Hetemäki

Timo Heelä

ad int.

Directors

Jouko J. Voutilainen

Timo Heelä

Jorma Aranko

Pertti Tammivuori

Markku Puntila

Senior officials

Pertti Kukkonen

Director, ADP-planning

Pauli Kanerva

Administration

K. Ignatius

Personnel

Antti Lehtinen

*Domestic financial
operations*

Helge Lindström

Credits and securities

Kalle Koski

Capital transfers

Kari Nars

Foreign exchange policy

Raili Nuortila

Eastern trade

J. Ojala

Foreign exchange contro

Kari Puumanen

Economics dept., ad int.

Henri J. Vartiainen

Research dept.

Stig Törnroth

Cash

K. Eirola

Automatic Data Processing

A. Nenonen

Foreign correspondence

Väinö Heiskanen

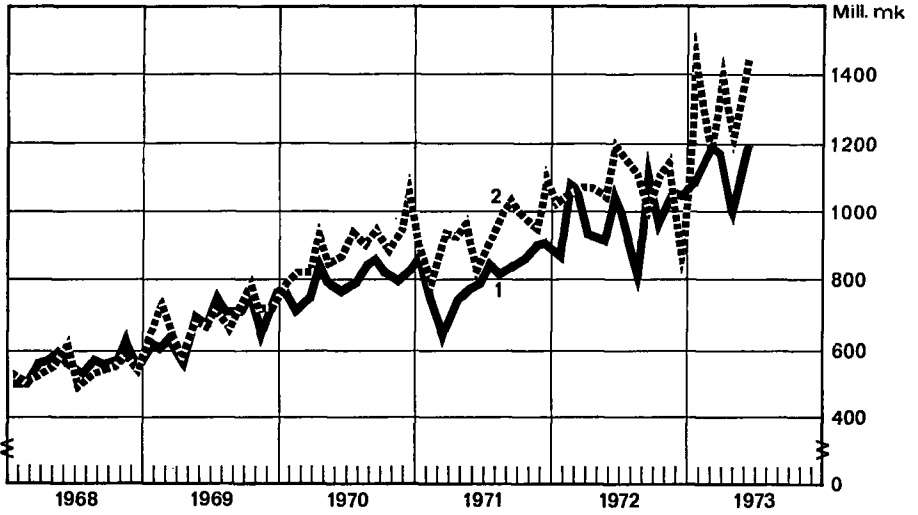
Banking services

Eino Suomela

Internal Audit

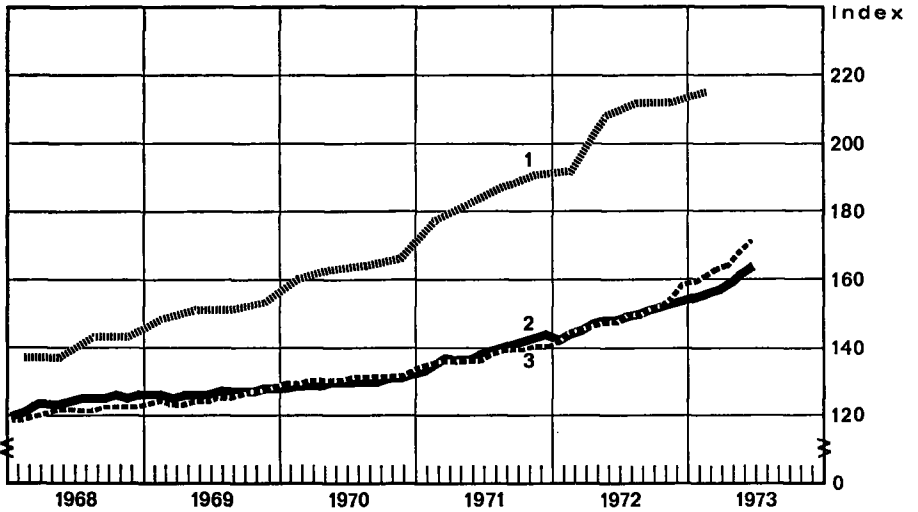
Foreign trade, 1968-1973

- 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

