



# BANK OF FINLAND

*Monthly Bulletin*

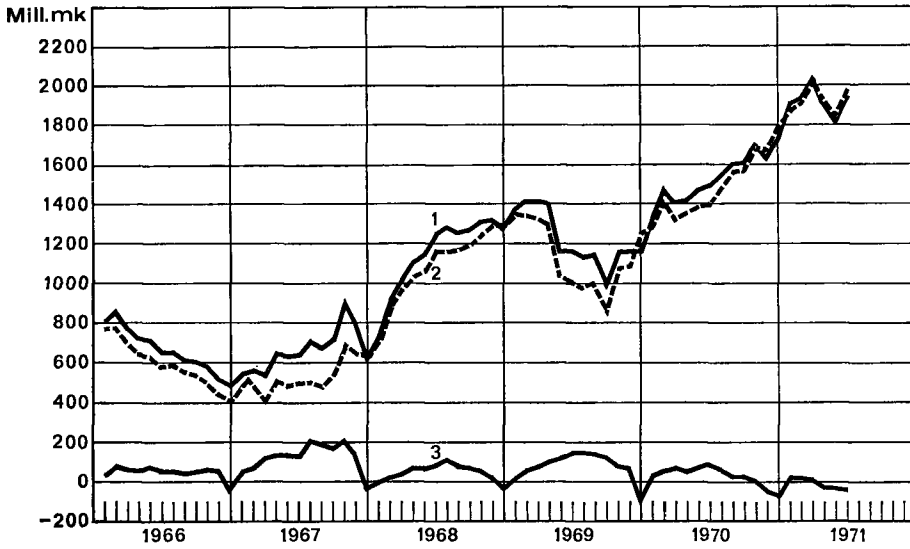
Regional Development Fund

Postipankki (Post Office Bank)  
in Finland

AUGUST 1971

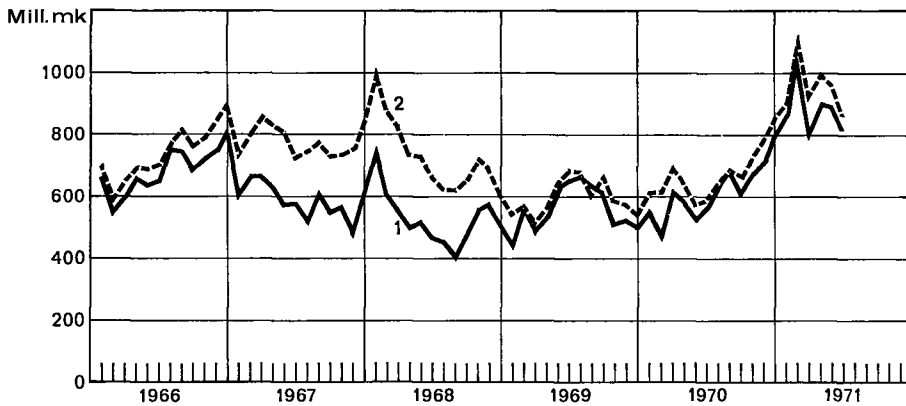
Vol. 45 No. 8

**Bank of Finland foreign exchange reserve, 1966-1971**



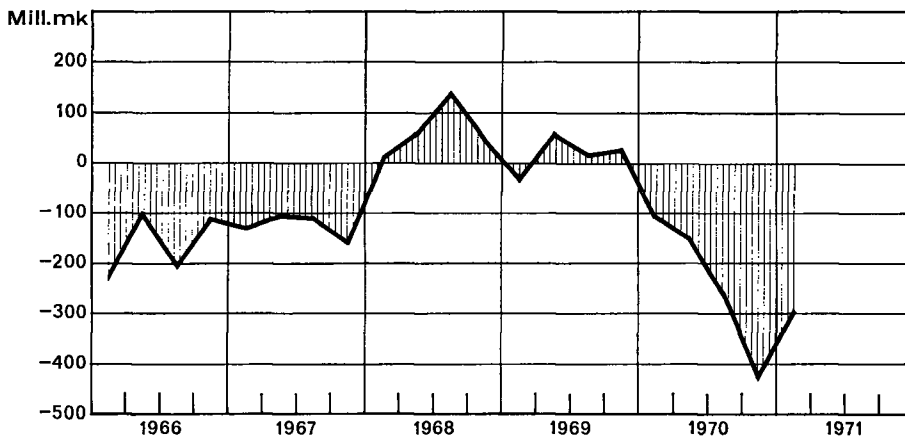
1. Total gold and foreign exchange
2. Gold and convertible currencies
3. Other currencies

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



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

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



Seasonally adjusted quarterly figures

# REGIONAL DEVELOPMENT FUND

## BACKGROUND AND ORGANIZATION

The economy of the northern, eastern and central parts of Finland as well as of the south-western archipelago has developed much less rapidly than that of southern Finland. In many areas a stagnating or even declining growth rate has not been uncommon. This has resulted i.a. in considerable migration to southern Finland and emigration abroad.

In the first part of the 1960's the Government began to pay attention to these unfavourable phenomena. In 1963 the Regional Development Board was appointed to prepare legislative measures to stimulate industrial activity in the underdeveloped areas. The first laws concerning regional development, which were prepared by the Board and which, apart from defining the concept of a development region, provided i.a. some concessions in credit-granting and taxation, were passed by Parliament in 1965 and enforced at the beginning of 1966.

New legislation on development regions, which is still valid, was passed in 1969. This followed in outline the previous laws but, at the same time, efforts were made to make the law more effective, and the area covered by this legislation was extended. At the moment development regions comprise approximately 80 per cent of the total area of the country, which contains about 45 per cent of the total Finnish population.

At the end of 1970 Parliament unanimously passed a law setting up the Regional Development Fund, which was confirmed by the President in January 1971 and became valid on the first of February, 1971. The Fund started operations in May 1971 and made its first financial decisions in June. The headquarters

of the Fund are situated in Kuopio and it has branches in Vaasa and Oulu.

The Regional Development Fund is a credit company in which the great majority of shares (worth 30 million marks) is owned by the State while the rest is divided between municipalities, provinces, banks and other credit institutions, insurance companies, business firms, private individuals etc. At the moment there are 34 different non-state shareholders. However, the amount of shares which they hold is insignificant. It is intended that the Fund should dispose of at least 100 million marks annually from 1971 to 1975. In the years 1971—1975 the State will provide through the budget 30 million marks towards the capital of the Regional Development Fund and provide guarantees as the Fund draws finance from abroad or domestically.

The primary activity of the Fund is to provide credit to support entrepreneurial activity but it can also grant subsidies or subscribe to shares and pursue research and development work of its own.

## GRANTING OF CREDIT AND SUBSIDIES

Two types of credit are granted by the Regional Development Fund, i.e. credits on regular terms and credits especially designed to serve development regions and granted on special terms. These credits are made available for manufacturing enterprises, small workshop businesses, the tourist and peat industry, fish cultivation, nurseries, market gardening and breeding animals for fur. According to the instructions of the Supervisory Board small, medium-size and labour-intensive enterprises will have a favoured position. In addition, export

industries and import-substituting industries will be especially favoured. The enterprises entitled to use these credits must, however, have good future prospects.

Loans granted on normal terms may be intended for investment in both fixed assets and longer-term working capital. The loan may total a maximum of 75 per cent of the total amount of investment. The interest rate on this type of loans is the normal lending rate of interest and the loan period may not exceed 20 years (it is shorter in the case of working capital).

Special regional development credits are granted on the basis of the legislation in question. These loans may be used for investment in fixed assets and they may total at the most 60 per cent of the cost of the investment project in the first zone of the development region and 50 per cent in the second zone. The interest rates on these loans are subsidized for the first four years following the investment. The subsidy is 100 per cent and 80 per cent respectively in the first and second zones for the first two years and 50 per cent and 40 per cent in the two following years. The investment projects financed by these loans are, among other things, expected to have a considerable effect on employment.

Loans may be granted also without securities of the kind which are usually required but not fully without guarantee. Acceptable securities include mortgages in real estate and movable property as well as pledges and guarantees provided by the major shareholders, which do not normally suffice for this purpose. The law requires, however, that a detailed investigation be carried out before the financing of an investment project to discover the expected yield of the investment and future growth prospects of the enterprise in question.

The Regional Development Fund may grant both loans and subsidies for research work, product development and market research as well as for training and consultative activity, and to place experts and other competent personnel at the disposal of entrepreneurs in

the development regions. These may total up to 75 per cent of the running costs, 50 per cent of which may be covered by the subsidy. If these activities do not yield the expected profit for the enterprise, the loan may be converted either fully or partly to a subsidy.

## ACQUISITION OF SHARES

The Regional Development Fund may temporarily acquire shares in companies or co-operative societies in the development regions if this type of financing is regarded as necessary when the firm is founded, expanded or if the continuation of its operations requires this.

The firms are, however, meant to repurchase the shares held by the Fund within 10 years, and during this period they have an option to buy them. The Fund will not usually acquire the majority of shares in these enterprises unless it is necessary to safeguard the firm's assets or for some other reason.

## OTHER OPERATIONS OF THE FUND

The Regional Development Fund may also carry out research and similar activities either alone or in co-operation with research institutes, the Ministry of Commerce and Industry, SITRA (the 1967 Jubilee Fund for the Fiftieth Anniversary of Finland's Independence), Sponsor Oy etc. This may result in the establishment of enterprises, which may be supported by loans, subsidies and the subscription of shares as mentioned above.

The law on the Regional Development Fund provides the Fund with an opportunity to investigate the possibilities to develop the various sectors of the economy and to take initiative in the establishment and expansion of enterprises in growth-oriented fields in the development regions.

July 15, 1971

## BANK OF FINLAND

Mill. mk

	1970		1971			
	July 31	Dec. 31	July 8	July 15	July 23	July 30
<b>Assets</b>						
Gold and other foreign assets	1 762	1 965	2 251	2 274	2 338	2 374
Gold	189	121	121	121	121	121
Special drawing rights	93	98	193	193	193	197
IMF gold tranche	194	281	272	272	272	268
Foreign exchange	1 166	1 344	1 537	1 559	1 624	1 660
Foreign bills	85	85	92	93	92	92
Foreign bonds	35	36	36	36	36	36
Claims on domestic banks	704	839	840	794	875	829
Discounted bills	683	827	833	789	866	821
Rediscounted bills	4	9	1	1	1	1
Cheque accounts	17	3	6	4	8	7
Other lending	279	283	363	367	381	380
Inland bills discounted						
In foreign currency	—	—	—	—	—	—
In Finnish marks	164	137	207	209	222	221
Loans	115	146	156	158	159	159
Other assets	768	689	722	732	728	716
Finnish bonds	373	64	151	162	159	145
Finnish coin	10	8	19	18	17	14
Currency subscription to Finland's quota in the IMF	331	518	526	526	526	530
Other claims	54	99	26	26	26	27
<b>Total</b>	<b>3 513</b>	<b>3 776</b>	<b>4 176</b>	<b>4 167</b>	<b>4 322</b>	<b>4 299</b>
<b>Liabilities</b>						
Notes in circulation	1 226	1 344	1 332	1 324	1 330	1 341
Liabilities payable on demand	104	126	89	92	236	201
Foreign exchange accounts	72	94	58	64	83	65
Mark accounts of holders abroad	11	12	10	10	15	16
Cheque accounts						
Treasury	2	2	3	2	12	43
Post Office Bank	2	4	3	1	111	62
Private banks	5	1	—	—	—	—
Other	1	3	4	4	4	4
Other sight liabilities	11	10	11	11	11	11
Term liabilities	772	633	962	957	956	955
Foreign	—	—	—	—	—	—
Domestic	772	633	962	957	956	955
IMF mark accounts	331	518	526	526	526	530
Allocations of special drawing rights	88	88	173	173	173	173
Equalization accounts	459	404	431	431	435	432
Bank's own funds	533	663	663	664	666	667
Capital	300	600	600	600	600	600
Reserve fund	200	0	32	32	32	32
Profits undisposed	—	—	—	—	—	—
Earnings less expenses (Dec. 31, Net profit)	33	63	31	32	34	35
<b>Total</b>	<b>3 513</b>	<b>3 776</b>	<b>4 176</b>	<b>4 167</b>	<b>4 322</b>	<b>4 299</b>

End of year and month	Gold and foreign accounts						Treasury		
	Gold and foreign exchange	Liabilities on foreign exchange and mark accounts	Foreign exchange reserve (1—2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4—5)	Claims on Treasury	Liabilities, Cheque account	Net claims on the Treasury (7—8)
	1	2	3	4	5	6	7	8	9
1964	974	85	889	76	83	882	9	5	4
1965	861	45	816	84	57	843	— 1	1	— 2
1966	556	61	495	81	101	475	10	40	— 30
1967	701	75	626	98	354	370	— 7	4	— 11
1968	1 353	62	1 291	125	34	1 382	—354	3	—357
1969	1 268	92	1 176	517	360	1 333	—196	4	—200
1970	1 844	106	1 738	639	518	1 859	—118	2	—120
<b>1970</b>									
April	1 485	58	1 427	546	356	1 617	—170	7	—177
May	1 537	60	1 477	539	356	1 660	—167	1	—168
June	1 586	85	1 501	515	352	1 664	—163	1	—164
July	1 642	83	1 559	451	331	1 679	—160	2	—162
Aug.	1 685	78	1 607	440	331	1 716	—149	1	—150
Sept.	1 696	78	1 618	448	336	1 730	—147	3	—150
Oct.	1 788	74	1 714	431	326	1 819	—141	70	—211
Nov.	1 737	85	1 652	436	326	1 762	—137	62	—199
Dec.	1 844	106	1 738	639	518	1 859	—118	2	—120
<b>1971</b>									
Jan.	1 992	76	1 916	635	518	2 033	—118	2	—120
Feb.	2 024	77	1 947	631	518	2 060	—115	3	—118
March	2 137	86	2 051	642	518	2 175	—115	14	—129
April	2 010	87	1 923	647	526	2 044	—115	2	—117
May	1 888	56	1 832	650	526	1 956	—108	1	—109
June	2 011	59	1 952	653	526	2 079	—107	23	—130
July	2 246	81	2 165	658	530	2 293	—100	43	—143

## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1970			Net holdings, June 30, 1971			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	June	Jan.—June
	Gold	121	—	121	121	—	121	—
Special drawing rights	98	—	98	193	—	193	—	+ 95
IMF gold tranche	280	—	280	272	—	272	—	— 8
Convertible currencies	1 302	—103	1 199	1 400	—18	1 382	+131	+183
Other currencies	—63	—8	—71	—33	— 3	—36	—9	+ 35
<b>Total</b>	<b>1 738</b>	<b>—111</b>	<b>1 627</b>	<b>1 953</b>	<b>—21</b>	<b>1 932</b>	<b>+122</b>	<b>+305</b>

## BANK OF FINLAND

Mill. mk

End of year and month	Domestic banks						Other				
	Dis-counted bills	Redis-counted bills	Cheque accounts <sup>1</sup>	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)	Notes in circulation
				Private banks <sup>2</sup>	Post Office Bank <sup>2</sup>						
1	2	3	4	5	6	7	8	9	10	11	
1964	—	448	—	16	50	382	78	92	2	168	1 003
1965	—	641	—	12	8	621	76	72	32	116	1 029
1966	—	915	—	14	17	884	180	85	72	193	1 106
1967	—	868	—	155	35	678	197	383	56	524	1 052
1968	—	618	107	163	16	546	186	195	43	338	1 160
1969	—	550	87	93	12	532	192	269	25	436	1 298
1970	827	9	3	1	4	834	137	246	528	-145	1 344
1970											
April	553	7	58	41	15	562	157	179	437	-101	1 205
May	531	8	44	41	8	534	151	176	466	-139	1 258
June	590	7	40	42	5	590	151	168	549	-230	1 265
July	683	4	17	47	6	651	163	169	579	-247	1 226
Aug.	664	12	28	—	1	703	162	161	553	-230	1 238
Sept.	687	8	23	—	3	715	147	162	551	-242	1 226
Oct.	737	8	13	—	3	755	150	156	663	-357	1 263
Nov.	818	8	46	—	45	827	134	161	674	-379	1 279
Dec.	827	9	3	1	4	834	137	246	528	-145	1 344
1971											
Jan.	731	2	3	—	3	733	123	248	668	-297	1 255
Feb.	848	7	1	—	2	854	101	224	720	-395	1 280
March	785	1	6	—	18	774	95	203	732	-434	1 204
April	856	1	7	—	0	864	93	155	662	-414	1 259
May	893	1	4	—	0	898	164	155	597	-278	1 360
June	877	1	16	—	44	850	209	164	760	-387	1 355
July	821	1	7	—	62	767	221	186	870	-463	1 341

<sup>1</sup> Including special index accounts.<sup>2</sup> Including cash reserve accounts.

## SELLING RATES FOR FOREIGN EXCHANGE

Mk

July 30, 1971

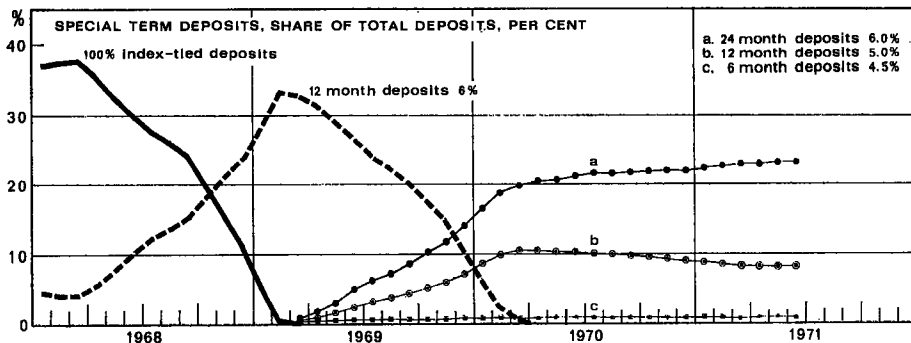
New York	1 \$	4.178	Frankfurt o. M.	100 DM	120.78	Vienna	100 S	16.77
Montreal	1 \$	4.102	Amsterdam	100 Fl	117.65	Lisbon	100 Esc	14.74
London	1 £	10.100	Brussels	100 Fr	8.420	Reykjavik	100 Kr	4.76
Stockholm	100 Kr	81.00	Zurich	100 Fr	102.29	Madrid	100 Pta	6.06
Oslo	100 Kr	58.80	Paris	100 FF	75.80	Moscow <sup>1</sup>	1 Rbl	4.6799
Copenhagen	100 Kr	55.72	Rome	100 Lit	0.6705	Clearing dollars <sup>2</sup>	1 Cl \$	4.212

<sup>1</sup> Clearing account; also Bucharest.<sup>2</sup> Berlin, Budapest, Sofia.

# DEPOSITS BY THE PUBLIC

Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commercial banks	Savings banks	Co-op. banks	Post Office Bank	Co-op. stores	All credit institutions	
	Commercial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	
1963	729.1	876.0	250.3	2 451.6	2 336.6	1 437.5	648.5	310.7	7 185.0	8 311.3
1964	697.2	855.4	296.5	2 834.0	2 614.7	1 664.1	713.8	331.4	8 158.2	9 310.1
1965	676.9	843.7	309.4	3 182.6	2 954.4	1 931.0	773.2	357.2	9 198.6	10 351.7
1966	639.8	849.4	318.0	3 660.9	3 329.9	2 202.1	863.6	380.7	10 437.3	11 604.7
1967	661.5	834.0	340.9	4 103.1	3 644.6	2 417.3	941.2	431.3	11 537.9	12 712.8
1968	856.2	1 087.6	428.4	4 597.8	3 966.4	2 683.1	1 027.2	465.0	12 739.8	14 255.8
1969	1 057.4	1 373.9	520.8	5 236.3	4 333.1	3 021.6	1 116.0	521.6	14 228.7	16 123.4
1970*	1 142.7	1 505.8	603.3	6 098.7	4 851.6	3 458.6	1 287.6	574.2	16 270.7	18 379.8
1970*										
June	1 110.4	1 376.7	555.2	5 591.5	4 522.5	3 186.6	1 186.6	540.5	15 027.6	16 959.5
July	1 067.9	1 345.3	529.3	5 605.5	4 540.7	3 202.4	1 192.7	540.0	15 081.3	16 955.9
Aug.	1 001.4	1 291.1	554.9	5 641.9	4 584.3	3 240.4	1 198.4	539.2	15 204.2	17 050.2
Sept.	1 094.7	1 409.7	522.6	5 691.9	4 632.3	3 288.6	1 210.9	553.1	15 376.8	17 309.1
Oct.	1 047.8	1 351.0	499.2	5 714.9	4 656.9	3 319.3	1 221.3	557.6	15 470.0	17 320.2
Nov.	1 101.0	1 396.0	554.3	5 777.4	4 703.7	3 372.4	1 230.5	559.2	15 643.2	17 593.5
Dec.	1 142.7	1 505.8	603.3	6 098.7	4 851.6	3 458.6	1 287.6	574.2	16 270.7	18 379.8
1971*										
Jan.	1 132.8	1 437.1	656.8	6 139.7	4 903.3	3 514.1	1 309.2	580.7	16 447.0	18 540.9
Feb.	1 060.3	1 356.5	704.4	6 205.8	4 964.7	3 585.4	1 329.3	591.1	16 676.3	18 737.2
March	1 152.7	1 465.9	603.1	6 188.8	4 979.8	3 591.7	1 340.9	593.5	16 694.7	18 763.7
April	1 096.9	1 397.0	570.7	6 215.1	4 986.3	3 611.2	1 343.2	594.6	16 750.4	18 718.1
May	1 227.5	1 540.2	616.6	6 226.3	4 994.8	3 608.6	1 330.7	591.7	16 752.1	18 908.9
June	1 244.2	1 583.8	626.2	6 243.7	4 983.9	3 575.0	1 338.8	589.0	16 730.4	18 940.4

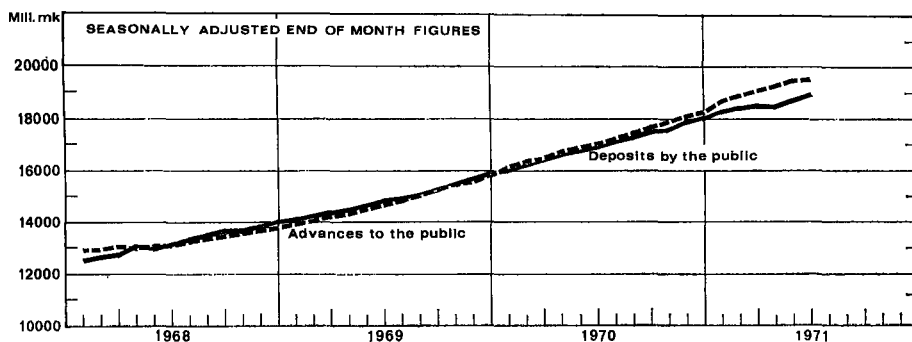




# ADVANCES TO THE PUBLIC—MONEY SUPPLY

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	Post Office Bank	Co-op. banks	Mortgage banks	Loans & Bills	Cheque credits			
	1	2	3	4	5	6	7	8	9	
1963	3 621.3	2 134.5	544.0	1 608.9	664.3	8 226.2	346.8	8 573.0	1 986.5	
1964	4 153.2	2 318.0	607.7	1 820.7	829.4	9 320.5	408.5	9 729.0	2 042.5	
1965	4 597.4	2 609.2	716.5	2 030.6	899.4	10 439.6	413.5	10 853.1	2 085.0	
1966	5 205.4	2 951.4	783.9	2 261.0	908.8	11 630.7	479.8	12 110.5	2 221.7	
1967	5 558.9	3 247.7	869.0	2 424.3	1 026.9	12 598.9	527.9	13 126.8	2 183.1	
1968	5 865.5	3 448.4	940.3	2 600.5	1 053.0	13 419.5	488.2	13 907.7	2 668.7	
1969	6 892.2	3 802.8	1 049.1	2 922.1	1 290.4	15 375.0	581.6	15 956.6	3 138.1	
1970*	7 963.5	4 342.7	1 244.9	3 405.7	1 454.0	17 752.5	658.3	18 410.8	3 959.3	
1970*										
June	7 433.1	4 022.0	1 130.3	3 095.3	1 355.8	16 348.0	688.5	17 036.5	3 627.5	
July	7 464.0	4 064.8	1 154.5	3 137.1	1 379.3	16 503.9	695.8	17 199.7	3 595.0	
Aug.	7 522.5	4 115.0	1 166.5	3 177.7	1 380.9	16 661.2	701.4	17 362.6	3 556.5	
Sept.	7 683.2	4 185.1	1 184.4	3 237.1	1 378.1	16 964.0	703.9	17 667.9	3 628.3	
Oct.	7 867.8	4 263.9	1 199.6	3 307.6	1 380.8	17 286.0	733.7	18 019.7	3 698.8	
Nov.	7 929.1	4 321.3	1 225.6	3 366.9	1 431.2	17 556.6	717.5	18 274.1	3 829.1	
Dec.	7 963.5	4 342.7	1 244.9	3 405.7	1 454.0	17 752.5	658.3	18 410.8	3 959.3	
1971*										
Jan.	8 084.6	4 379.9	1 276.7	3 438.5	1 452.9	17 954.7	677.9	18 632.6	3 939.8	
Feb.	8 153.9	4 417.3	1 288.6	3 472.1	1 516.8	18 139.5	709.2	18 848.7	4 016.6	
March	8 247.5	4 445.0	1 301.1	3 506.6	1 530.0	18 309.0	721.2	19 030.2	3 935.9	
April	8 373.9	4 486.8	1 324.0	3 533.8	1 536.2	18 497.8	756.9	19 254.7	3 816.9	
May	8 429.1	4 547.2	1 340.0	3 570.6	1 589.4	18 732.4	743.9	19 476.3	4 048.6	
June	8 452.4	4 544.1	1 351.8	3 574.2	1 640.2	18 838.0	724.7	19 562.7	..	



## STATE FINANCES

Mill. mk

Revenue	Jan.—May		Expenditure	Jan.—May	
	1970	1971		1970	1971
Income and property tax (net)	1 287	1 457	Wages, salaries, pensions etc.	737	824
Gross receipts	(2 940)	(3 333)	Repair and maintenance	87	102
Refunds & local authorities	(—1 653)	(—1 876)	Other consumption expenditure	304	381
Other taxes on income and property	29	43	Total consumption expenditure	1 128	1 307
Employers' child allowance payments	255	176	State aid to local authorities	638	692
Sales tax	1 035	1 194	State aid to industries	578	534
Revenue from Alcohol Monopoly	237	291	of which: agric. price subsidies	(452)	(407)
Customs duties & import charges	181	156	Child allowances	121	145
Counter-cyclical tax	—	42	Share in national pensions and health insurance	171	86
Excise duty on tobacco	154	164	Other transfer expenditure	483	507
»  » on liquid fuel	234	269	Total transfer expenditure	1 991	1 964
Other excise duties	98	109	Machinery and equipment	137	128
Tax on autom. and motor cycles	143	137	House construction	114	87
Stamp duties	90	93	Land and waterway construction	264	246
Special diesel etc. vehicles tax	16	19	Total real investment	515	461
Other taxes and similar revenue	47	44	Interest on State debt	114	110
Total taxes	3 806	4 194	Index compensations	14	11
Miscellaneous revenue	192	238	Net deficit of State enterprises	32	86
Interest, dividends etc.	54	70	Other expenditure	4	2
Sales and depreciation of property	33	38	Total other expenditure	164	209
Redemptions of loans granted	50	56	Increase in inventories	—5	+21
<b>Total revenue</b>	<b>4 135</b>	<b>4 596</b>	Lending	241	258
Foreign borrowing	1	0	Other financial investment	85	245
Domestic borrowing	297	279	<b>Total expenditure</b>	<b>4 119</b>	<b>4 465</b>
<b>Total borrowing</b>	<b>298</b>	<b>279</b>	Redemption of foreign loans	49	45
<b>Deficit (+) or surplus (—)</b>	<b>+2</b>	<b>—151</b>	Redemption of domestic loans	267	214
			<b>Total redemptions</b>	<b>316</b>	<b>259</b>
<b>Total</b>	<b>4 435</b>	<b>4 724</b>	<b>Total</b>	<b>4 435</b>	<b>4 724</b>

State debt	1968	1969	1970	1971			
	Dec.	Dec.	Dec.	March	April	May	June
<b>Foreign debt</b>	<b>2 074</b>	<b>1 656</b>	<b>1 557</b>	<b>1 526</b>	<b>1 520</b>	<b>1 535</b>	<b>1 529</b>
Loans	2 160	2 316	2 437	2 446	2 456	2 495	2 480
Compensatory obligations	5	4	3	3	2	2	2
Short-term credit	320	158	46	46	46	48	..
Cash debt (net)	— 256	— 217	—284	—475	—513	—482	..
<b>Domestic debt</b>	<b>2 229</b>	<b>2 261</b>	<b>2 202</b>	<b>2 020</b>	<b>1 991</b>	<b>2 063</b>	<b>..</b>
<b>Total State debt</b>	<b>4 303</b>	<b>3 917</b>	<b>3 759</b>	<b>3 546</b>	<b>3 511</b>	<b>3 598</b>	<b>..</b>
Total debt, mill. \$	1 028	933	900	849	840	857	..

# FOREIGN TRADE

Mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1966	4 816.9	5 524.4	-707.5
1967	5 231.2	5 794.4	-563.2
1968	6 874.2	6 710.9	+163.3
1969	8 344.7	8 504.8	-160.1
1970*	9 686.7	11 076.9	-1 390.2

1970*	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
July	782.2	866.1	- 83.9
Aug.	824.5	798.1	+ 26.4
Sept.	876.0	1 019.6	-143.6
Oct.	912.0	964.7	- 52.7
Nov.	849.7	991.3	-141.6
Dec.	914.4	1 417.8	-503.4

1971*	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
Jan.	867.9	878.8	- 10.9
Feb.	655.7	735.4	- 79.7
March	656.5	914.6	-258.1
April	693.8	954.0	-260.2
May	778.7	1 019.0	-240.3

Jan.-May	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1970*	3 722.1	4 194.1	-472.0
1971*	3 652.6	4 501.8	-849.2

Period	Indices of exports and imports 1962 = 100				
	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1966	122	135	112	104	108
1967	129	135	115	110	105
1968	143	129	136	132	103
1969	167	160	141	135	104
1970	176	192	156	147	106

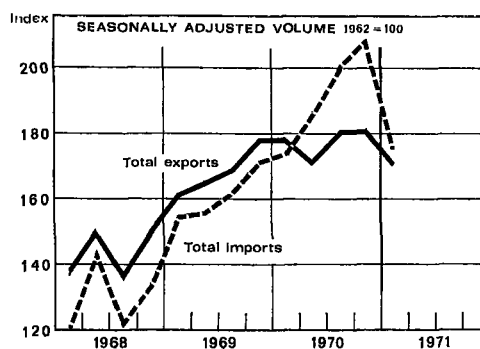
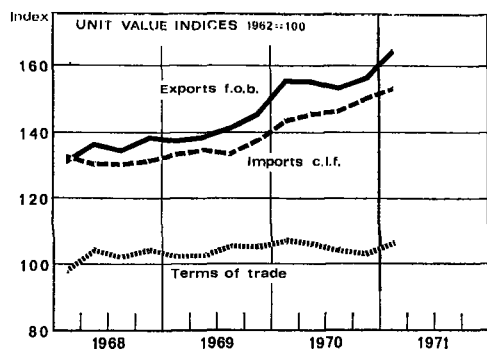
1968	Volume	Unit value	Terms of trade
July-Sept.	142	116	135
Oct.-Dec.	161	145	139

1969	Volume	Unit value	Terms of trade
Jan.-Mar.	140	147	138
Apr.-June	164	151	139
July-Sept.	174	153	142
Oct.-Dec.	190	187	146

1970	Volume	Unit value	Terms of trade
Jan.-Mar.	152	162	156
Apr.-June	178	189	156
July-Sept.	182	186	154
Oct.-Dec.	193	228	157

1971 <sup>1</sup>	Volume	Unit value	Terms of trade
Jan.-Mar.	149	167	165

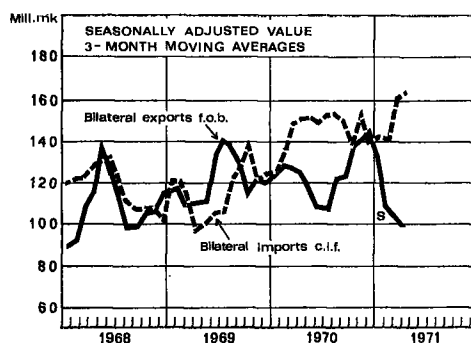
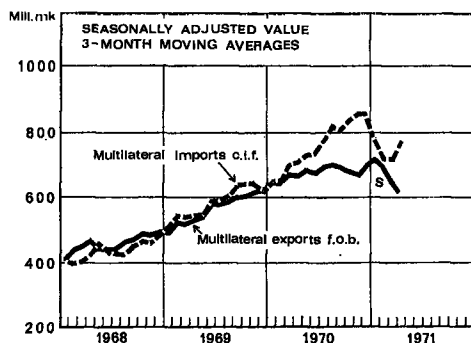
<sup>1</sup> The 1971 figures have been calculated by converting the final 1970 Fisher index with the percentage change in the 1971—1970 Laspeyres index.



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.						Imports, c.i.f.			
	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
1966	264.0	59.0	863.5	2 297.0	877.2	456.2	2 450.5	589.8	1 448.5	1 035.6
1967	261.4	54.3	865.7	2 384.5	1 080.6	584.7	2 545.9	668.2	1 462.8	1 117.5
1968	327.1	55.5	1 157.7	2 994.0	1 566.4	773.5	3 023.1	874.0	1 524.2	1 289.6
1969	360.2	71.9	1 400.4	3 373.9	2 011.8	1 126.5	3 692.9	948.6	2 229.4	1 633.9
1970*	426.3	88.0	1 544.0	3 789.4	2 437.2	1 401.8	4 918.1	1 249.3	2 905.5	2 004.0
1970*										
July	25.1	10.9	163.1	311.6	182.0	89.5	416.8	72.4	221.9	155.0
Aug.	30.8	12.4	154.2	343.2	163.3	120.6	336.1	142.4	181.7	137.9
Sept.	43.6	12.9	150.0	323.1	202.6	143.8	479.8	109.1	243.7	187.0
Oct.	24.6	11.0	161.5	340.6	230.9	143.4	419.3	117.2	245.6	182.6
Nov.	29.6	6.6	145.7	312.1	234.4	121.3	421.4	134.3	265.6	170.0
Dec.	52.3	7.2	153.6	326.2	262.3	112.8	617.6	142.4	458.6	199.2
1971*										
Jan.	57.9	4.3	115.2	305.1	276.9	108.5	368.9	96.5	258.7	154.7
Feb.	29.0	1.2	82.8	303.7	125.8	113.2	288.6	79.7	221.7	145.4
March	55.2	2.6	92.7	308.5	62.5	135.0	344.2	77.9	301.6	190.9
April	27.1	2.6	116.4	296.6	132.5	118.6	361.2	82.8	315.6	194.4
May	64.1	12.1	133.4	294.6	163.9	110.6	355.1	155.0	352.7	156.2
Jan.-May										
1970*	193.2	16.2	465.3	1 515.9	969.1	562.4	1 831.2	441.6	1 088.4	832.9
1971*	233.3	22.8	540.5	1 508.5	761.6	585.9	1 718.0	491.9	1 450.3	841.6



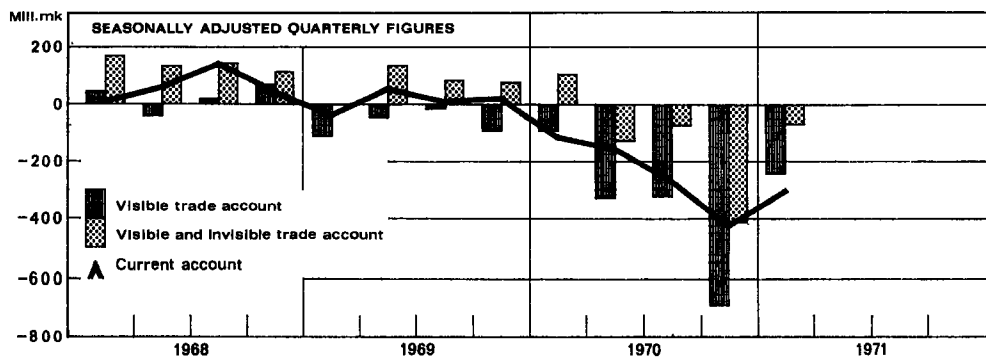
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—May				January—May			
	1970		1971		1970		1971	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	70.3	2 618.5	71.4	2 608.1	73.9	3 099.6	75.2	3 385.1
Austria	1.0	35.8	1.0	34.6	1.3	56.6	1.6	70.7
Belgium-Luxembourg	1.8	68.7	1.8	66.9	2.1	88.3	1.6	74.5
Denmark	4.0	149.5	3.9	143.1	3.3	140.1	3.5	155.8
France	4.0	147.9	3.9	142.8	3.7	155.2	3.4	151.3
Federal Republic of Germany	10.8	400.5	10.8	394.9	17.2	720.7	17.6	794.9
Italy	2.5	93.7	2.1	76.5	2.1	88.6	2.1	96.7
Netherlands	4.1	150.7	4.3	155.6	3.4	143.9	3.5	159.0
Norway	3.1	116.4	3.5	129.5	2.3	96.2	2.6	118.4
Portugal	0.4	14.0	0.3	10.2	0.9	36.5	0.6	27.2
Spain	1.0	37.8	0.9	32.9	0.3	13.0	0.8	34.4
Sweden	17.0	635.8	15.6	569.5	18.2	761.4	18.9	848.4
Switzerland	1.7	64.4	2.0	74.7	3.3	137.6	3.6	162.8
United Kingdom	17.3	644.2	19.3	705.6	15.5	648.1	15.1	678.2
Other	1.6	59.1	2.0	71.3	0.3	13.4	0.3	12.8
<b>OECD countries outside Europe</b>	6.1	227.7	6.5	236.0	5.5	227.9	7.3	331.2
Canada	1.1	39.4	0.8	28.4	0.3	13.7	0.2	10.9
Japan	0.3	10.7	0.2	5.6	2.1	86.1	2.7	120.0
United States	4.7	177.6	5.5	202.0	3.1	128.1	4.4	200.3
<b>Eastern Bloc</b>	15.8	588.0	13.8	503.5	16.6	698.2	15.3	687.8
Czechoslovakia	0.5	19.7	0.5	20.5	0.5	19.6	0.5	21.2
Democratic Republic of Germany	0.6	21.8	0.6	20.8	0.5	21.9	0.5	23.1
People's Republic of China	0.7	24.8	0.3	9.8	0.1	5.6	0.5	23.6
Poland	1.2	45.9	1.2	44.1	0.9	39.5	1.7	73.5
Soviet Union	11.9	441.6	10.4	379.0	13.8	579.5	11.6	524.2
Other	0.9	34.2	0.8	29.3	0.8	32.1	0.5	22.2
<b>Latin America</b>	2.8	103.3	2.7	100.3	2.2	91.4	0.7	30.7
Argentina	0.8	28.8	0.9	33.3	0.2	7.6	0.2	6.7
Brazil	0.5	18.3	0.7	24.0	0.5	21.9	0.0	0.5
Colombia	0.2	8.4	0.3	11.2	0.7	29.7	0.0	0.6
Other	1.3	47.8	0.8	31.8	0.8	32.2	0.5	22.9
<b>Other</b>	5.0	184.6	5.6	204.7	1.8	77.0	1.5	67.0
<b>GRAND TOTAL</b>	100.0	3 722.1	100.0	3 652.6	100.0	4 194.1	100.0	4 501.8
of which								
<b>EFTA countries</b>	44.7	1 662.8	45.8	1 673.0	44.8	1 878.9	46.0	2 069.5
<b>EEC countries</b>	23.1	861.5	22.9	836.6	28.5	1 196.6	28.4	1 276.4
<b>OECD countries</b>	76.4	2 846.2	77.9	2 844.1	79.4	3 327.5	82.5	3 716.3

# BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
1968	6 832	6 730	+102	+481	— 8	—25	+550	—276	— 5	+ 269
1969	8 296	8 528	—232	+579	+ 4	—13	+338	—323	+72	+ 87
1970	9 634	11 099	—1 465	+716	+142	+17	—590	—397	—18	—1 005
Jan.-Mar										
1968	1 385	1 515	—130	+103	— 16	+ 7	— 36	— 58	+ 1	— 93
1969	1 696	1 944	—248	+128	— 20	—11	—151	— 57	+80	—128
1970	2 074	2 309	—235	+167	— 9	— 3	— 80	— 86	—11	—177
1971	2 167	2 536	—369	+165	— 13	+18	—199	—133	— 1	—333
Apr.-June										
1968	1 808	1 829	— 21	+133	— 12	+ 2	+102	— 67	— 1	+ 34
1969	2 002	2 008	— 6	+140	— 17	— 6	+111	— 84	— 7	+ 20
1970	2 429	2 721	—292	+140	+ 10	+ 0	—142	— 96	+ 1	—237
July-Sept.										
1968	1 680	1 500	+180	+147	+ 32	+ 0	+359	— 67	— 1	+291
1969	2 168	2 022	+146	+116	+ 38	—14	+286	— 80	+ 1	+207
1970	2 471	2 690	—219	+196	+109	— 4	+ 82	—110	— 1	— 29
Oct.-Dec.										
1968	1 959	1 886	+ 73	+ 98	— 12	—34	+125	— 84	— 4	+ 37
1969	2 430	2 554	—124	+195	+ 3	+18	+ 92	—102	— 2	— 12
1970	2 660	3 379	—719	+213	+ 32	+24	—450	—105	— 7	—562

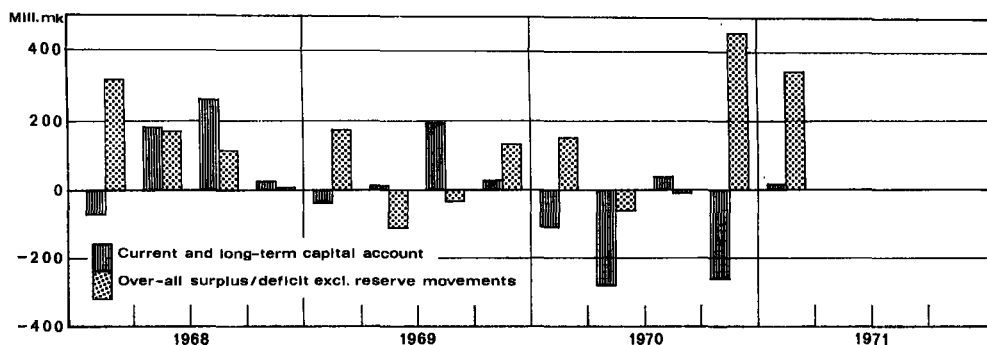


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+1 245	-868	-167	-81	+129	+398	+235	- 64	+ 28	+597	-664	+ 67
+1 055	-723	-180	-51	+101	+188	+284	-311	- 6	+155	+115	-270
+1 479	-694	-253	-202	+330	-675	+751	+237	+232 <sup>2</sup>	+545	-563	+ 18
+ 214	-140	- 54	+ 4	+ 24	- 69	+168	+191	+ 24	+314	-401	+ 87
+ 311	-201	- 8	-15	+ 87	- 41	+112	+147	- 46	+172	-135	- 37
+ 278	-158	- 51	+ 1	+ 70	-107	- 9	+225	+ 48 <sup>2</sup>	+157	-240	+ 83
+ 617	-233	- 15	-20	+349	+ 16	+ 21	+339	- 34 <sup>2</sup>	+342	-314	- 28
+ 396	-214	- 18	-18	+146	+180	+190	-144	- 56	+170	-233	+ 63
+ 279	-155	- 98	-39	- 13	+ 7	- 23	- 92	- 6	-114	+252	-138
+ 220	-191	- 69	- 4	- 44	-281	+144	+ 52	+ 24	- 61	- 86	+147
+ 226	-212	- 14	-29	- 29	+262	- 98	- 27	- 25	+112	- 18	- 94
+ 146	-146	- 17	+ 6	- 11	+196	+ 34	-284	+ 19	- 35	+151	-116
+ 359	-175	- 60	-58	+ 66	+ 37	+ 86	- 2	-129	- 8	-116	+124
+ 409	-302	- 81	-38	- 12	+ 25	- 25	- 84	+ 85	+ 1	- 12	+ 11
+ 319	-221	- 57	- 3	+ 38	+ 26	+161	- 82	+ 27	+132	-153	+ 21
+ 622	-170	- 73	-141	+238	-324	+530	- 38	+289	+457	-121	-336

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 and 85 million in 1971.



# PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1968	275	280	259	271	276	281	301	264	268	126	133	115
1969	285	288	271	283	291	285	313	276	273	131	139	119
1970	297	300	286	299	317	290	329	290	283	138	146	126
1970												
Sept.	298	302	285	300	316	292	332	289	284	138	146	127
Oct.	299	301	290	300	331	289	331	287	287	138	146	127
Nov.	299	301	289	299	331	290	333	285	287	138	146	127
Dec.	300	303	291	300	336	291	334	287	289	139	146	128
1971												
Jan.	305	307	297	305	345	295	341	290	294	141	148	130
Feb.	308	310	298	306	347	301	344	291	297	142	148	130
March	308	312	297	306	348	302	345	292	297	143	148	133
April	308	311	298	307	352	300	342	293	299	148	164	133
May	309	312	298	307	353	300	340	294	299	149	164	133
June	310	313	300	307	359	303	339	395	303	149	164	133

Period	Consumer prices 1967 = 100											
	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
1968	212	166	109	111	110	106	107	108	109	110	108	109
1969	217	170	112	115	111	108	111	109	110	110	110	112
1970	223	175	115	116	115	109	115	121	115	113	113	115
1970												
Sept.	224	176	115	118	114	110	115	121	114	112	113	116
Oct.	224	176	115	117	114	110	115	125	114	113	114	116
Nov.	225	176	116	117	114	111	115	129	114	114	114	117
Dec.	225	177	116	116	114	111	116	131	115	115	114	118
1971												
Jan.	228	179	117	117	117	111	116	137	115	117	115	122
Feb.	229	180	118	118	117	111	117	138	116	119	115	123
March	231	181	119	119	117	111	118	140	116	120	115	123
April	232	182	120	119	117	111	120	140	116	120	117	124
May	233	183	120	120	117	111	121	140	116	122	117	124
June	237	186	122	121	118	112	127	140	118	126	119	125



# 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							
1968	151	142	136	147	141	149	139	142	140	141
1969*	164	154	143	156	151	158	150	150	150	150
1970*	186	169	170	162	159	165	163	155	169	163
1969*										
Apr.-June	160	153	144	156	151	158	151	150	150	150
July-Sept.	167	154	144	156	152	158	152	151	151	151
Oct.-Dec.	167	157	144	156	152	158	152	151	151	151
1970*										
Jan.-Mar.	178	166	167	162	159	165	160	155	165	160
Apr.-June	187	169	169	162	159	165	163	155	171	164
July-Sept.	187	171	171	162	159	165	164	155	171	164
Oct.-Dec.	193	171	172	162	159	165	164	155	170	163
1971*										
Jan.-Mar.	206	186	183	170	164	..	..	164	184	175

# PRODUCTION

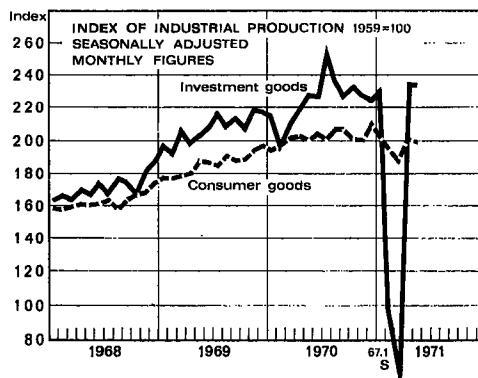
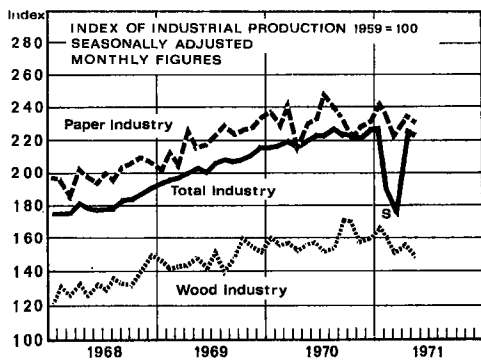
Volume indices of production 1964 = 100

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
1967	110	115	95	89	117	106	109	113	114	114	114
1968	113	121	97	93	109	108	114	111	118	119	119
1969	122	137	96	102	125	104	123	123	123	123	127
1970*	131	150	94	111	141	98	131	132	129	128	133
1970*											
Jan.-Mar.	126	149	63	155	93	99	120	121	127	127	132
Apr.-June	130	151	75	127	126	99	132	133	127	127	133
July-Sept.	132	139	170	56	176	99	138	132	129	128	133
Oct.-Dec.	135	160	68	107	172	94	135	145	132	130	136
1971*											
Jan.-Mar.	127	142	62	162	99	96	126	128	133	131	138

# PRODUCTION

Index of industrial production 1959 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1967	172	163	180	158	160	125	187	233	224	168	172
1968	182	175	191	164	163	132	202	253	240	177	181
1969	205	210	212	187	175	148	222	278	274	199	205
1970*	223	228	231	204	186	159	234	320	295	217	223
1970*											
Feb.	217	219	227	194	155	159	226	336	269	212	218
March	222	228	230	201	162	164	238	305	287	219	220
April	239	256	240	231	195	191	238	327	310	243	217
May	220	225	226	204	178	168	225	306	296	217	220
June	215	224	216	211	195	147	209	308	306	213	224
July	174	133	192	147	189	133	247	270	288	127	224
Aug.	221	212	226	210	189	128	248	300	309	200	228
Sept.	233	245	238	217	184	162	243	309	318	232	225
Oct.	241	261	249	217	217	168	239	349	325	245	226
Nov.	237	254	247	209	208	156	239	342	305	238	223
Dec.	235	248	242	213	193	163	215	365	289	234	228
1971*											
Jan.	230	241	243	198	159	166	247	344	292	228	225
Feb.	191	105	203	191	158	164	232	320	284	105	192
March	203	85	213	213	176	184	257	338	287	87	179
April	229	243	233	212	179	172	219	401	267	226	227
May	228	239	235	208	182	167	229	364	288	225	225



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Total labour force, 1 000 persons	Employed 1 000 persons	Unemployed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1968 = 100	Wholesalers' volume index 1968 = 100	Indicator of traffic activity 1964 = 100
1967	2 205	2 142	63	2.9	30 240	..	..	103
1968	2 188	2 100	88	4.0	31 859	100	100	106
1969	2 189	2 127	62	2.8	35 338	108	117	118
1970*	2 195	2 154	41	1.9	39 267	114	130	125
1970*								
April	2 130	2 078	52	2.4	4 593	111	134	129
May	2 175	2 137	38	1.7	3 382	117	130	127
June	2 323	2 284	39	1.7	2 469	118	130	127
July	2 347	2 315	32	1.4	1 127	115	125	130
Aug.	2 300	2 265	35	1.5	1 346	109	128	137
Sept.	2 180	2 152	28	1.3	1 894	115	146	131
Oct.	2 171	2 142	29	1.3	2 659	121	142	135
Nov.	2 161	2 131	30	1.4	3 308	116	138	120
Dec.	2 156	2 118	38	1.8	4 719	157	156	125
1971*								
Jan.	2 111	2 061	50	2.4	4 212	96	110	116
Feb.	2 115	2 057	58	2.7	4 932	99	124	..
March	2 122	2 060	62	2.9	5 067	110	138	..
April	2 130	2 073	57	2.7	4 163	119	140	..
May	2 185	2 135	50	2.3	3 157	..	..	..

HOUSE CONSTRUCTION

Period	Building permits granted					Buildings completed					Building works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1968	31.58	14.00	2.95	9.56	3.06	26.44	11.72	2.58	9.15	1.35	34.09
1969	38.95	15.38	3.88	15.29	2.12	32.03	12.85	3.15	10.95	3.32	36.40
1970*	41.42	17.96	3.72	15.56	23.6	37.99	16.12	4.22	12.47	3.31	35.98
1970*											
Jan.-Mar.	6.58	2.57	0.61	2.81	0.36	5.34	2.50	0.37	1.92	0.39	36.29
Apr.-June	14.25	6.04	1.81	5.26	0.50	7.29	3.37	0.53	2.37	0.66	40.85
July-Sept.	11.52	5.12	0.86	4.25	0.72	10.17	4.17	1.45	2.78	1.03	41.47
Oct.-Dec.	9.07	4.23	0.44	3.24	0.78	14.06	5.50	1.72	5.12	1.19	35.98
1971*											
Jan.-Mar.	6.52	2.86	0.52	2.45	0.33	6.55	3.00	0.49	2.19	0.72	33.46

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

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

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

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

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

Page 6. *Cheque accounts in all credit institutions* relates to commercial banks, savings banks, co-operative banks, and mortgage banks. *Term deposits in all credit institutions* includes a small amount of deposits in mortgage banks.

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

## STATE FINANCES

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

## FOREIGN TRADE

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

## BALANCE OF PAYMENTS

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

## PRICE INDICES

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

## WAGES — PRODUCTION

Pages 15—16. Figures supplied by the Central Statistical Office. Page 16. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the international nomenclature (ISIC). The seasonally adjusted series is calculated by the Bank of Finland Institute for Economic Research on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: investment goods weight 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indices: food industry ISIC no. 20, weight 11.2, wood industry no. 25, weight 6.6, paper industry no. 27, weight 13.1, chemical industry no. 31, weight 5.2, non-metallic mineral industry no. 33, weight 3.6 and metal industry nos. 34—38, weight 23.5.

## LABOUR — TIMBER FELLINGS — INTERNAL TRADE — TRAFFIC — HOUSE CONSTRUCTION

Page 17. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Ministry of Labour. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Indicator of traffic activity* calculated by the Bank of Finland Institute for Economic Research. Figures are weighted averages of the sea, air, railway and road traffic. *House construction* figures calculated by the Central Statistical Office.

## SYMBOLS USED

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

# SOME PARTICULARS ABOUT FINLAND

## FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden and was raised in 1556 to the dignity of a Grand Duchy. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current period, March 1, 1968, to March 1, 1974, is Urho Kekkonen.

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1970 were as follows: Social Democrats 52, Conservatives 37, Centre Party 36, People's Democrats 36, Finnish Farmers' Party 18, Swedish Party 12, Liberal Party 8 and Christian League 1.

## INTERNATIONAL ORGANIZATIONS

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

## LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. On an average 15.8 % of the land in the South of Finland is cultivated (1960), 2.3 % in the North and 9.2 % of the land as a whole. Of the land area 21.8 mill. ha (53.9 mill. acres), or 71.3 %, are covered by forests.

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

## POPULATION

NUMBER OF INHABITANTS (1969): 4.7 million. Sweden 8.0, Switzerland 6.2, Denmark 4.9 and Norway 3.9 million.

DENSITY OF POPULATION (1969): In South Finland 26.3, in North Finland 4.2 and in the whole country an average of 15.4 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1969): 50 % of the population inhabit the rural areas, 50 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 534 000 inhabitants, Tampere (Tammerfors) 155 500, Turku (Åbo) 154 700.

EMPLOYMENT (1969): Agriculture and forestry 24 %, industry and construction 34 %, commerce 15 %, transport and communications 7 %, services 20 %.

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

EDUCATION (1969): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 7 colleges of university standard, and 2 teacher training colleges, besides teacher training departments in two of the universities.

CHANGE OF POPULATION (1969): births 14.5 ‰, deaths 9.8 ‰, increase 1.8 ‰, net emigration 3.0 ‰. Deaths in France 11.7 ‰ and Great Britain 11.9 ‰.

## TRADE AND TRANSPORT

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

FOREST RESOURCES (1960—1969): The growing stock comprised 1 450 million of solid cu. m incl. bark (51 210 million cu.ft), of which pine 43 % and spruce 38 %, the rest 19 % being broad-leaf-trees, chiefly birch. Of the growing stock 17 411 million cu. ft, 48 % of them pine, was up to the standard required for logs. The annual growth is 47 million solid cu. m green wood excl. bark (1 660 mill. cu. ft). The total removal in 1970 calculated according to the use of wood was 51 million cu. m excl. bark (1 768 million cu. ft).

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

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

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

MERCHANT FLEET (June 30, 1971): Steamers 45 (47 032 gross reg. tons), motor vessels 380 (564 112 gross reg. tons), tankers 56 (705 131 gross reg. tons), sailing vessels with auxiliary engines 8 (1 208 gross reg. tons). Total 489 (1 317 483 gross reg. tons).

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

FINNISH AIRCRAFT (June 1971): Finnish Airlines. Finnair and Kar-Air have in use 3 DC-8-62s, 3 DC-6s, 8 Super Caravelles, 4 DC-9s and 9 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 24 airports and to 16 domestic airports.

## FINANCE AND BANKING

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

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1970). There are two big and five small commercial banks with in all 826 offices, 327 savings banks, 445 co-operative banks, six mortgage banks, and Post Office Bank. The co-operative stores accept deposits from their members. The National Pension Institute and sixty-one private insurance companies also grant credits.

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

# POSTIPANKKI (POST OFFICE BANK) IN FINLAND

By Matti Korhonen, M.Sc. (Econ.).

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## HISTORICAL BACKGROUND AND MAIN CHARACTERISTICS

The Postisäästöpankki (Post Office Savings Bank), the present Postipankki (Post Office Bank),<sup>1</sup> was founded in Finland, following the example of several other European countries, in 1886. The purpose was to increase the opportunities offered to the public to make deposits by giving the post offices the right to accept deposits. The branch network of Finnish banks was still very underdeveloped at that time. However, the Postipankki did not exert any significant influence on the Finnish money market until the 1940's. Its share in total bank deposits made by the public was only 2—3 per cent before this decade. In comparison with other banks, the Postipankki's operating conditions were not good; the interest rate paid on its deposits for instance was usually lower than that applied by the other banking institutions. Legislation also put limits on the bank's activities. However, in periods characterized by uncertain economic conditions the share of the Postipankki in total deposits used to rise because the Treasury was responsible for its obligations.

At the beginning of the 1940's the Postipankki began to develop strongly. On October 13th, 1939 postal giro activity was inaugurated and began to operate during the war. The large-scale payments-in and payments-out by the Treasury in the exceptional war-time circumstances sharply increased the postal giro service. At the beginning of the decade it became possible to make withdrawals without giving notice from all post offices in the country. This gave depositors a marked advantage in

the unusual conditions then prevailing. The final breakthrough for the Postipankki occurred after the war when the Treasury used Postipankki's savings books when paying the so-called repatriation payments to soldiers returning from the war and when compensating those people moving from the areas lost in the war. Since the re-establishment of normal conditions, the Treasury has exerted no influence on the deposit activity of the Postipankki, and it has been compelled to compete for depositors with the other banks. At present the Postipankki is the third largest bank in the country, and its share in total deposits accepted from the public is approximately 10 per cent.

The Postipankki is a state business enterprise. Its administration is separated from that of the Postal Services although the major part of the bank's activities are effected through the post office network. The Postipankki is subordinated to the Ministry of Finance and the Postal and Telecommunication Services to the Ministry of Communications. The Postipankki compensates the Post Office for its services on the basis of the unit cost principle as well as for the postal charges incurred. The only reduction the bank is allowed on the latter expenses is the regular big customer reduction in rates.

Although the Postipankki is under the control of the Ministry of Finance, it functions fairly independently. The highest decision-making body is the Supervisory Board appointed by the Cabinet every three years. The central bank (the Bank of Finland), the General Directory of Posts and Telegraphs, the Ministry of Finance and the Treasury all must have a representative on the Supervisory Board. It gives general instructions regarding the management of the bank and its development. It also confirms the

<sup>1</sup> »Postipankki» is the bank's registered name in every language except Swedish where it is »Postbanken».

Auditors' Report and decides upon the credit policy to be pursued by the bank, etc.

The practical policy of the Postipankki is decided by the Board of Management, which consists of the Director-General and Deputy Director-General, who are appointed by the President of the Republic, and three Directors elected by the Supervisory Board.

At the beginning of 1970, revised regulations for the Postipankki came into force. These were introduced as part of the comprehensive revision of Finnish bank legislation. This law requires that the Postipankki should function under the same conditions as other banking institutions in Finland. The new regulations provided the bank with a right to grant commercial credits (postal giro overdrafts and bills of exchange), to grant bank guarantees and to expand the bank's foreign activities. At the same time the bank's name was changed from the Postisäästöpankki to the Postipankki.

The Postipankki is more independent of the Post Office than corresponding institutions in most European countries. A rather similar situation, however, exists in Austria.

## STRUCTURAL FEATURES

Post office bank activity is pursued in Finland exclusively by the Postipankki. At the end of 1969, it had, apart from the Head Office, fourteen branch offices of its own and one mobile branch. The major part of the bank's activity is carried out through post offices. These totalled 2 882 at the end of 1969. In addition, the thirteen offices of the Bank of Finland provide services offered by the Postipankki. The total number of places where post office bank services were available was 2 191 at the end of 1959 and 2 911 at the end of 1969, i.e. 47 per cent of all the offices of the banking institutions proper.

From May, 1971 onwards 52 telegraph offices have also provided some of the bank's services

during the part of the day when post offices are closed.

There are more than 10 000 persons engaged in the provision of post office bank services excluding the personnel of the Post Office Bank itself. The latter totalled 2 191 at the end of 1959 and 2 764 at the end of 1969. At the moment approximately 80 per cent of the personnel are women.

## THE NATURE AND EXPANSION OF POSTI-PANKKI'S ACTIVITIES

On the basis of the new regulations the Postipankki has been expanding its activities and these are now quite similar to those of the commercial banks. It accepts deposits from the public on the same terms as other banking institutions. The rates of interest to be applied are agreed upon by the Joint Delegation of the Banking Institutions. Payment transfers are effected through the postal giro service, which competes with the private banks' giro system but also cooperates with it in some ways. The number of transfers made by the Postipankki exceeds that of the other banks.

The bulk of the Treasury's payments-in and payments-out go through the Postipankki. On the other hand, the Postipankki has granted substantial credits to the Treasury, both in the long and short term. The figures given below are based on the bank's balance sheet.

## SOURCES OF FUNDS

Table 1 reveals that the Postipankki's funds primarily consist of deposits made by the public. Deposits also include the postal giro assets of the Treasury. The break-down of liabilities is shown by Table 1 and that of deposits by type of deposit in Table 2. It is characteristic of the Postipankki that the share of demand deposits in total deposits is greater than in any other group of banking institutions. This can be ascribed to the bank's postal giro service, which is used by almost all business enterprises in Finland.

**TABLE 1. BREAK-DOWN OF POSTIPANKKI'S TOTAL LIABILITIES**

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Deposits made by the public	618.8	79.9	1 766.1	79.3
Giro account claims of the Treasury	90.5	11.7	288.9	13.0
Liabilities to the Bank of Finland	—	—	—	—
Liabilities to other domestic banks	—	—	—	—
Foreign liabilities	—	—	—	—
Domestic liabilities in foreign currency	—	—	—	—
Own funds	42.1	5.4	78.3	3.5
Other liabilities	23.4	3.0	94.4	4.2
<b>Total</b>	<b>774.8</b>	<b>100.0</b>	<b>2 227.7</b>	<b>100.0</b>

The greater part of all deposits is on regular 6-month deposit accounts and the share of fixed period deposits is smaller than in other banks. A withdrawal of 3 000 marks can be made monthly from a 6-month deposit account without notice. The interest rate on these accounts is 4 per cent (from June 1, 1971 onwards 5 per cent). These deposit accounts also include the so-called service accounts on which withdrawals can be made by cheques or through the postal giro. The rate of interest on the service account is the same as on the other deposit accounts but is calculated on the basis of the lowest balance every month; the maximum withdrawal is 4 000 marks a month.

**TABLE 2. DEPOSITS MADE BY THE PUBLIC, ACCORDING TO TYPE OF DEPOSIT**

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Demand deposits (postal giro accounts)	278.0	39.2	938.9	45.7
Term deposits (6-month deposits)	399.7	56.4	916.2	44.6
Fixed period deposits	31.5	4.4	199.8	9.7
<b>Total</b>	<b>709.2</b>	<b>100.0</b>	<b>2 054.9</b>	<b>100.0</b>

The structure of bank customers in Finland has not been studied in detail, but the relatively small average size of deposit accounts suggests that small-scale savers form a large group among the customers of the Postipankki. However, all population and professional groups are represented.

ALLOCATION OF FUNDS

Most of the Postipankki's funds are invested in loans granted to the private sector as shown by Table 3. However, the allocation of post office bank funds is somewhat different from that of the other banks. A relatively large proportion of the bank's assets is invested in securities, primarily government bonds, and other lending to the Treasury is also considerable. The bank's claims on other domestic banks comprise mainly day-to-day loans credit granted to these. Investment in real estate is relatively small, primarily because of legal limitations.

**TABLE 3. BREAK-DOWN OF POSTIPANKKI'S TOTAL ASSETS**

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Loans to the public	326.7	42.2	1 027.3	46.1
Shares and bonds	228.1	29.5	378.0	17.0
Cash	29.8	3.8	37.5	1.7
Foreign assets	—	—	—	—
Domestic assets in foreign currency	—	—	—	—
Claims on other domestic banks	20.0	2.6	339.8	15.3
Claims on the State	148.1	19.1	341.4	15.3
Real estate	2.5	0.3	35.1	1.5
Other assets	19.6	2.5	68.6	3.1
<b>Total</b>	<b>774.8</b>	<b>100.0</b>	<b>2 227.7</b>	<b>100.0</b>

Total advances granted by the Postipankki, including bonds, amounted to 1 402.3 million marks at the end of 1969. Of this, loans to the

**TABLE 4. CREDITS GRANTED TO THE PUBLIC, BY INDUSTRY**

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Agriculture, forestry and fishing	0.7	0.2	1.8	0.2
Manufacturing, mining and quarrying	50.0	15.4	221.2	21.4
Power and electricity	91.6	28.2	127.8	12.4
Construction and real estate	107.6	33.2	384.4	37.2
Trade, communications and other service industries	10.4	3.2	78.3	7.6
Municipalities and parishes	34.7	10.7	107.0	10.3
Personal and miscellaneous credits	29.7	9.1	113.4	10.9
<b>Total</b>	<b>324.7<sup>1</sup></b>	<b>100.0</b>	<b>1 033.9<sup>1</sup></b>	<b>100.0</b>

<sup>1</sup> Excl. loans and bonds of domestic credit institutions.



private sector totalled 1 049.1 million marks. The distribution of credit among the recipients is displayed in Table 4.

By far the most important recipient of Postipankki's funds is the construction and real estate sector. Long-term finance for those investment projects which are important for the development of the economy has accounted for a large share of the bank's total lending. Residential building has formed a bottleneck in the Finnish economy as it has become more and more industrialized. The Postipankki has helped remove this obstacle. In the last few years, industry has increased its share sharply in total credits granted by the bank. Municipalities and parishes have also been given considerable advances. The loans granted to private persons have largely been intended for the acquisition of dwellings. The share of power and electricity has dropped markedly from the level of the 1950's, when extensive investment in electrification was carried out in Finland. Agriculture, forestry, and the service industries have played no significant role in the allocation of Postipankki's funds. The regulations for the Postipankki which were in force up to the end of 1969 set limits on the granting of short-term commercial credit by the bank. Since they were revised, however, the Postipankki has been in the same position as the other banking institutions in this respect.

**TABLE 5. CREDITS GRANTED TO THE PUBLIC BY TYPE OF CREDIT**

	Dec. 31, 1959		Dec. 31, 1969	
	Mill. mk	Per cent	Mill. mk	Per cent
Bills of exchange	—	—	—	—
Loans (granted against promissory notes)	331.4	100.0	1 049.1	100.0
Overdrafts (postal giro accounts)	—	—	—	—
Total	331.4	100.0	1 049.1	100.0

#### STRUCTURE OF REVENUE AND EXPENDITURE

The largest source of revenue is investment income (See Table 6). Investment includes

both lending and funds invested in securities. Other revenue originates mainly from service charges.

**TABLE 6. DISTRIBUTION OF POSTIPANKKI'S REVENUE AND EXPENDITURE**

	1959		1969	
	Mill. mk	Per cent	Mill. mk	Per cent
<b>Revenue</b>				
Interest on lending	37.3	89.2	134.2	91.8
Interest income on other investment				
Profit on foreign exchange	—	—	—	—
Other revenue	4.5	10.8	12.0	8.2
Total	41.8	100.0	146.2	100.0
<b>Expenditure</b>				
Interest expenses	19.3	46.2	48.0	32.9
Salaries	7.7	18.4	38.8	26.5
Taxes	—	—	0.9	0.6
Depreciation	2.0	4.8	8.7	5.9
Other expenditure	8.6	20.6	39.7	27.2
Profit for the year	4.2	10.0	10.1	6.9
Total	41.8	100.0	146.2	100.0

On the expenditure side interest expenses form the largest item. However, the relative share of this is smaller than in other banking institutions, which can be ascribed to the high proportion of demand deposits in total deposits in the Postipankki. The second largest item is salary and wage expenditure. Other expenditure includes the compensation paid to the Post Office for its services. In 1959 this totalled 11.8 per cent and in 1969 15.1 per cent of total expenditure. As in the other Finnish banks, the annual profit of the Postipankki has increased less rapidly than total assets. This can be attributed to the slow growth of productivity typical of service industries.

**TABLE 7. AVERAGE LENDING AND DEPOSIT RATES OF INTEREST AND THE DIFFERENCE BETWEEN THEM**

	Dec. 31, 1959	Dec. 31, 1969
	Per cent	
Average lending rate of interest	6.58	7.48
Average interest rate on deposits	3.36	2.76
Interest margin	3.22	4.72

The average lending rate of interest of the Postipankki rose in the 1960's (See Table 7) while the average interest rate of deposits decreased and thus the difference between them grew slightly. Reasons for this on the deposits side were the increase in the share of demand deposits from 39.2 per cent to 45.7 per cent and the decline in the deposit rates. On the lending side, the reasons include a slight increase in the general lending rate of interest and the fact that the rate applied by the Postipankki for real estate loans covered by the law on tax concessions for residential building was still in 1959 lower than the rate charged on other types of loans.

#### CO-OPERATION BETWEEN THE POSTIPANKKI AND OTHER BANKING INSTITUTIONS AND THE SUPERVISION OF THE BANK

The Postipankki is a member of the Joint Delegation of the Banking Institutions, which deals with questions that are of relevance for all the groups of banking institutions and which, in practice, determines the interest rates on deposits and bank tariffs. As for the latter, however, the Postipankki follows the terms of the international postal agreement and deviates to some extent from the tariff agreements of the other banks. Other banking institutions are supervised by the Bank Inspectorate whereas the supervision of the Postipankki is the responsibility of the Ministry of Finance.

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## BANK OF FINLAND

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### Board of management

Mauno Koivisto

*Governor*

A. Simonen

Ahti Karjalainen

*Absent as Prime Minister*

Heikki Valvanne

Jaakko Lassila

Päiviö Hetemäki

Timo Helelä

*ad int.*

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### Directors

Jouko J. Voutilainen

Timo Helelä

Jorma Aranko

Pertti Tammivuori

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### Senior officials

P.-E. Österlund

A. Kajantie

*Invisible transactions and  
capital transfers*

*Organization*

Helge Lindström

A. Nenonen

*Credits*

*Foreign correspondence*

K. Eirola

K. Ignatius

*Automatic Data Processing*

*Personnel*

Eino Suomela

Stig Törnroth

*Internal Audit*

*Cash*

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### Institute for economic research

Pertti Kukkonen

Markku Puntila

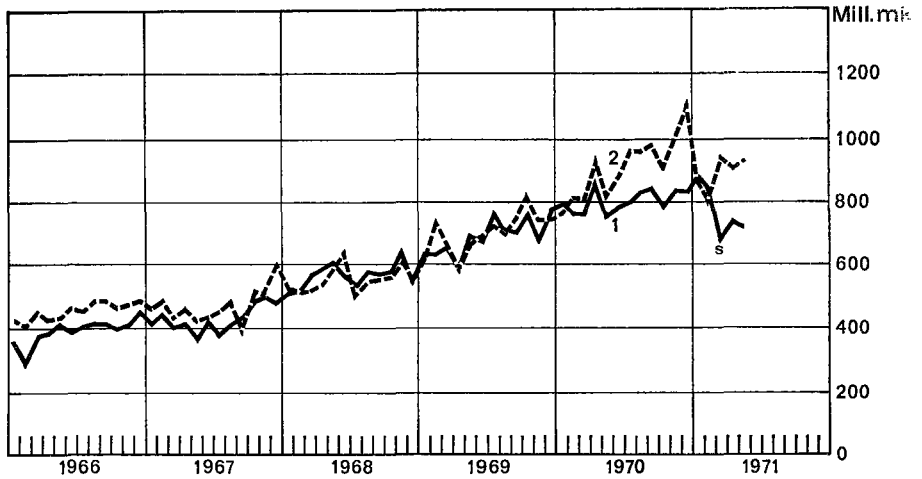
*Director*

*Head of department*

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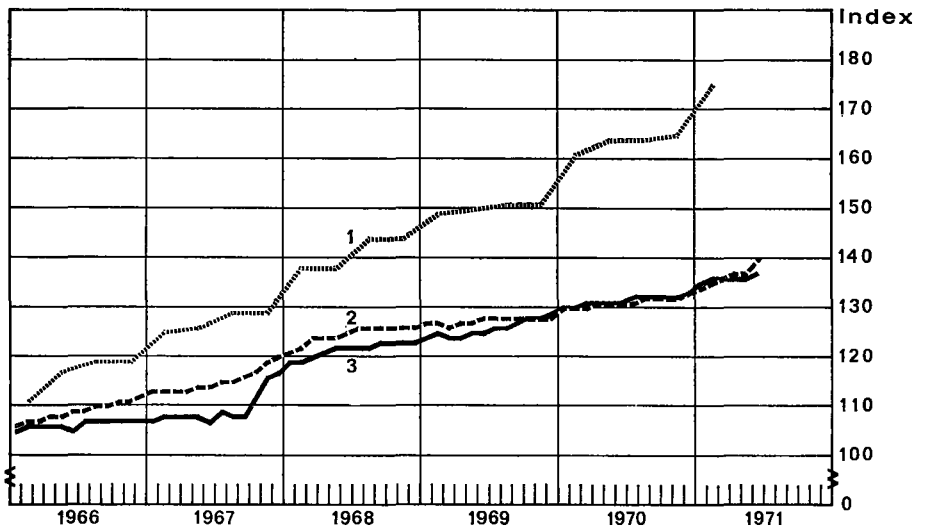
### Foreign trade, 1966 - 1971

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



### Prices and wages, 1966 - 1971

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



### Production, 1966 - 1971

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

