



# BANK OF FINLAND

*Monthly Bulletin*

**Private consumption**

**Industrial policy in Finland**

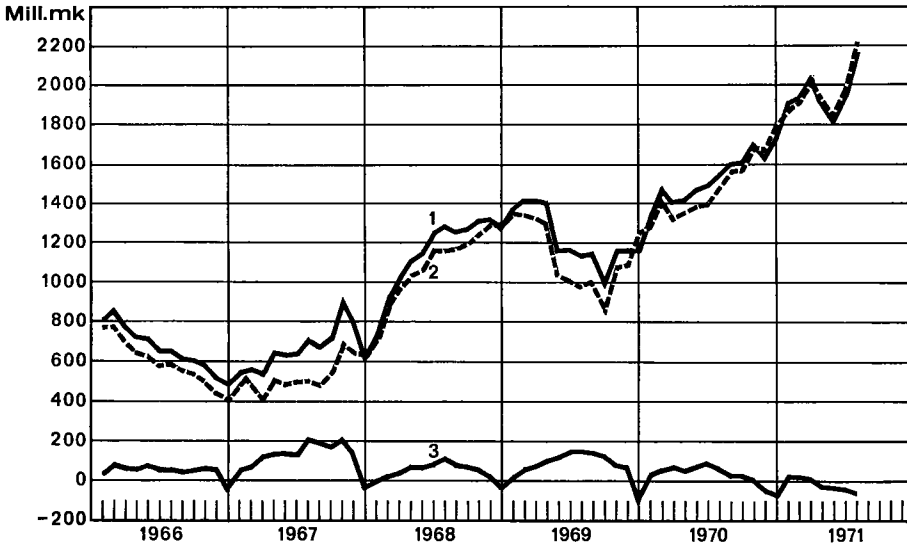
Finland's balance of payments,  
January—June 1971

The Loviisa nuclear power stations

**SEPTEMBER 1971**

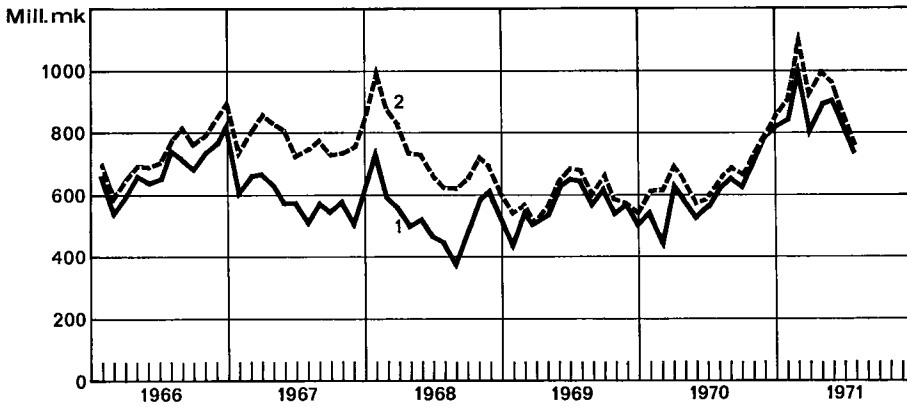
**Vol. 45 No. 9**

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



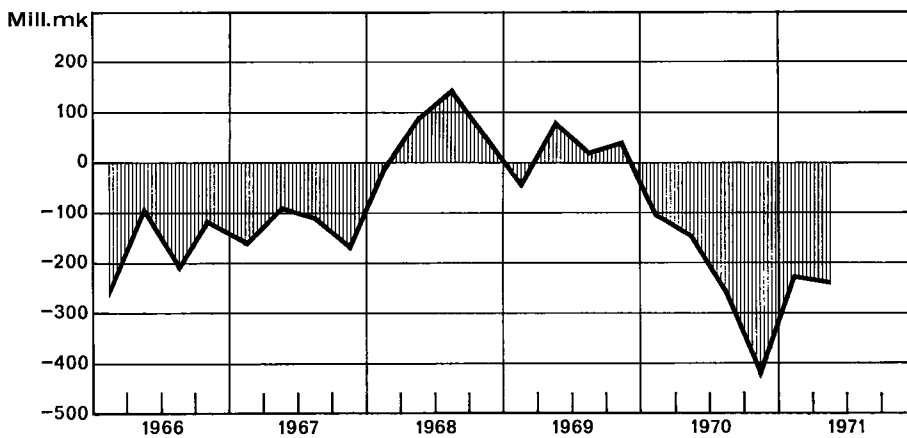
- 1. Total gold and foreign exchange
- 2. Gold and convertible currencies
- 3. Other currencies

**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

# PRIVATE CONSUMPTION

The volume of private consumption grew rather closely in step with GDP in Finland during the 1960's. Excluding the trough of 1968, consumption exerted a slightly counter-cyclical influence. In the early part of the cycle it formed a contractive demand component and changed to an expansive one as the decline set in.

In the 1960's private consumption was especially affected by industrialization and the resultant migration of labour to population centres. The large number of people born after the war entered the labour market and the competitive position of Finnish industry tightened as a result of EFTA tariff reductions. Therefore the industrial and service sectors were unable to absorb all of the manpower released from agriculture and forestry, especially in the latter half of the 1960's. The ensuing heavy structural unemployment brought about increased immigration to Sweden and caused a rise in the average propensity to consume of households. Funds accruing from the labour pension and sickness insurance schemes which were introduced in the first part of the 1960's, decreased the need for voluntary saving. However, at first total saving increased, because all households covered by the schemes did not regard this coverage as sufficient. One factor which has tended to increase the average propensity to consume has been the movement of previously independent farmers out of primary production and into other sectors of the economy. However, on the whole, the rate of increase of household disposable income was 0.6 per cent greater on average than that of private consumption in the 1960's, and the average propensity to consume of households declined correspondingly. Short-term changes in the propensity to consume have been so strong that the trend is indiscernible.

The average growth rate of the volume of private consumption in the 1960's was 4.7 per

cent. The structure of private consumption expenditure was affected by the rise of income level, changes in relative prices, urbanization, entrance into the labour market of large age groups and the gradual shortening of the working week. Consequently the most expansive items in consumption expenditure in the 1960's were of the type of consumption characteristic of population centres on the one hand and discretionary consumption on the other. Consumption expenditure on services by volume grew by more than average, although the price of services has also grown more rapidly than the price of goods. The volume of beverage consumption increased two times as fast on average as that of total consumption (in Finland the distribution network of alcoholic beverages is concentrated almost exclusively in population centres). The growth of consumption of recreation and entertainment in terms of value was almost 50 per cent faster than that of total consumption although the corresponding growth in volume only slightly exceeded that of total consumption. The fastest expanding component of consumption was transport and communication expenditure, the volume of which increased at the rate of 10 per cent p.a. on average. The increase in the purchases of household durables also clearly exceeded that of total consumption expenditure. At times imports of passenger cars, and other major durables have expanded so rapidly that a number of measures have been taken to check these imports: tightening the hire purchase terms, raising the prices through tax increases, restricting credit for financing these imports etc.

The characteristic features in the development of private consumption in the 1960's seem to be continuing for the first part of the 1970's. After the peak of 1969 the growth of both GDP and consumption moderated consider-

ably. According to preliminary figures, the real increase in consumption in 1970 was 6.3 per cent and that of the GDP was 8.0 per cent. This year the growth of GDP is expected to continue to slow and private consumption is expected to form the most expansive demand component, reflecting the pattern which prevailed during downswings in the 1960's.

The slowing down of consumption demand began in the autumn of 1970 according to both retail trade statistics and the index calculated on the basis of production and imports and exports of consumer goods. The growth in the number of new registrations of passenger cars halted in the opening months of 1970, whereas the growth of imports of other consumer durables stopped only in the autumn of the same year. The slackening in the growth rate of non-durables and services has been rather insignificant so far.

There was a slight decline in the average propensity to consume in 1970, but this year a rise is expected to set in as a result of changes in income distribution. In 1970, the share of wages and salaries in national income dropped; at the same time income from forestry to private forest-owners grew considerably faster than earned income. In 1971 the share of wages and salaries in national income is expected to increase while the growth of the income of

unincorporated enterprises is expected to slow down markedly. The long-lasting labour conflicts in the metal and building industries in the winter of 1971 seem to partly account for the increase in the average propensity to consume of households early in 1971. The propensity to save of households can be expected to increase towards the end of the year as a result of the measures taken to reduce the trade deficit. These included the imposition of a 15 per cent sales sur-tax primarily affecting consumer durables, an import-equalization tax, and a general rise of the level of interest rates by one percentage unit.

Legislation governing minimum wages, which came into force with the collective agreement at the beginning of 1971, increased the income level of those receiving the lowest salaries and wages by considerably more than the average. This is expected to raise the propensity to consume. Those born in the immediate post-war years might, by channelling a heavy demand pressure to some commodity groups, temporarily increase the average propensity to consume. The shift to a five-day working week will probably cause a further shift towards discretionary consumption in the next few years.

August 17, 1971

	1970		1971			
	Aug. 31	Dec. 31	Aug. 6	Aug. 13	Aug. 23	July 31
<b>Assets</b>						
Gold and other foreign assets	1 794	1 965	2 372	2 363	2 337	2 372
Gold	189	121	121	205	205	205
Special drawing rights	93	98	197	197	197	197
IMF gold tranche	194	281	268	268	268	268
Foreign exchange	1 208	1 344	1 660	1 567	1 551	1 580
Foreign bills	81	85	90	90	80	86
Foreign bonds	29	36	36	36	36	36
Claims on domestic banks	704	839	840	823	848	800
Discounted bills	664	827	837	820	848	785
Rediscounted bills	12	9	1	—	—	—
Cheque accounts	28	3	2	3	—	15
Other lending	276	283	382	379	377	379
Inland bills discounted						
In foreign currency	—	—	—	—	—	—
In Finnish marks	162	137	222	219	215	214
Loans	114	146	160	160	162	165
Other assets	710	689	722	725	722	714
Finnish bonds	321	64	152	154	158	149
Finnish coin	11	8	14	15	15	15
Currency subscription to Finland's quota in the IMF	331	518	530	530	530	530
Other claims	47	99	26	26	19	20
<b>Total</b>	<b>3 484</b>	<b>3 776</b>	<b>4 316</b>	<b>4 290</b>	<b>4 284</b>	<b>4 265</b>
<b>Liabilities</b>						
Notes in circulation	1 238	1 344	1 319	1 314	1 311	1 307
Liabilities payable on demand	92	126	249	204	196	182
Foreign exchange accounts	66	94	104	121	102	133
Mark accounts of holders abroad	12	12	11	9	9	9
Cheque accounts						
Treasury	1	2	24	15	20	14
Post Office Bank	1	4	94	44	47	11
Private banks	—	1	—	—	3	—
Other	1	3	4	4	4	4
Other sight liabilities	11	10	12	11	11	11
Term liabilities	690	633	956	995	996	995
Foreign	—	—	—	—	—	—
Domestic	690	633	956	995	996	995
IMF mark accounts	331	518	530	530	530	530
Allocations of special drawing rights	88	88	173	173	173	173
Equalization accounts	508	404	421	404	407	406
Bank's own funds	537	663	668	670	671	672
Capital	300	600	600	600	600	600
Reserve fund	200	0	32	32	32	32
Profits undisposed	—	—	—	—	—	—
Earnings less expenses (Dec. 31, Net profit)	37	63	36	38	39	40
<b>Total</b>	<b>3 484</b>	<b>3 776</b>	<b>4 316</b>	<b>4 290</b>	<b>4 284</b>	<b>4 265</b>

## BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Treasury		
	Gold and foreign exchange	Liabilities on foreign exchange and mark accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Claims on Treasury	Liabilities, Cheque account	Net claims on the Treasury (7-8)
	1	2	3	4	5	6	7	8	9
1964	974	85	889	76	83	882	9	5	4
1965	861	45	816	84	57	843	— 1	1	— 2
1966	556	61	495	81	101	475	10	40	— 30
1967	701	75	626	98	354	370	— 7	4	— 11
1968	1 353	62	1 291	125	34	1 382	—354	3	—357
1969	1 268	92	1 176	517	360	1 333	—196	4	—200
1970	1 844	106	1 738	639	518	1 859	—118	2	—120
1970									
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
1971									
Jan.	1 992	76	1 916	635	518	2 033	—118	2	—120
Feb.	2 024	77	1 947	631	518	2 060	—115	3	—118
March	2 137	86	2 051	642	518	2 175	—115	14	—129
April	2 010	87	1 923	647	526	2 044	—115	2	—117
May	1 888	56	1 832	650	526	1 956	—108	1	—109
June	2 011	59	1 952	653	526	2 079	—107	23	—130
July	2 246	81	2 165	658	530	2 293	—100	43	—143
Aug.	2 250	142	2 108	652	530	2 230	— 98	14	—112

## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1970			Net holdings, July 31, 1971			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	July	Jan.—July
Gold	121	—	121	121	—	121	—	—
Special drawing rights	98	—	98	197	—	197	+4	+ 99
IMF gold tranche	280	—	280	268	—	268	—4	— 12
Convertible currencies	1 302	—103	1 199	1 630	23	1 653	+271	+454
Other currencies	—63	—8	—71	—50	— 5	—55	—19	+ 16
Total	1 738	—111	1 627	2 166	18	2 184	+252	+557

End of year and month	Domestic banks						Other				Notes in circulation
	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)	
				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											
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
Aug.	785	—	15	—	11	789	214	185	912	-513	1 307

<sup>1</sup> Including special index accounts.<sup>2</sup> Including cash reserve accounts.SELLING RATES FOR FOREIGN EXCHANGE<sup>1</sup>

Mk

August 31, 1971

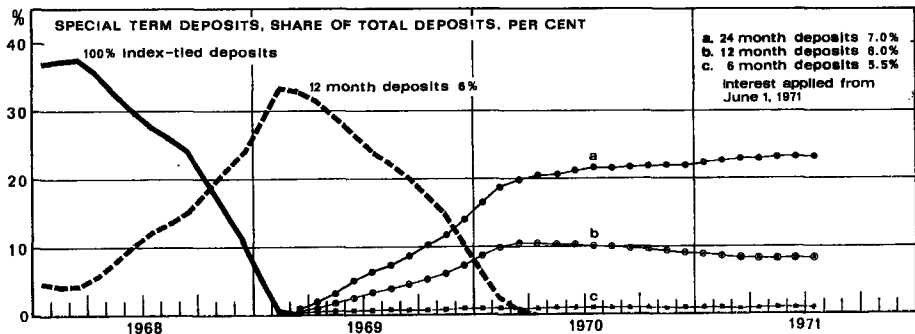
New York	1 \$	4.162	Frankfurt o. M.	100 DM	122.55	Vienna	100 S	17.05
Montreal	1 \$	4.118	Amsterdam	100 FI	121.00	Lisbon	100 Esc	16.80
London	1 £	10.250	Brussels	100 Fr	8.650	Reykjavik	100 Kr	4.80
Stockholm	100 Kr	82.15	Zurich	100 Fr	104.60	Madrid	100 Pta	6.03
Oslo	100 Kr	60.50	Paris <sup>2</sup>	100 FF		Moscow <sup>3</sup>	1 Rbl	4.6799
Copenhagen	100 Kr	56.70	Rome	100 Lit	0.6790	Clearing dollars <sup>4</sup>	1 Cl \$	4.212

<sup>1</sup> Rates for New York, Moscow and Clearing dollars are official, others unofficial.<sup>2</sup> 75.50 commercial rate; 78.30 financial rate.<sup>3</sup> Clearing account: also Bucharest.<sup>4</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	10
1963	729.1	876.0	250.3	2 451.6	2 336.6	1 437.5	648.5	310.7	7 185.0	8 311.3
1964	697.2	855.4	296.5	2 834.0	2 614.7	1 664.1	713.8	331.4	8 158.2	9 310.1
1965	676.9	843.7	309.4	3 182.6	2 954.4	1 931.0	773.2	357.2	9 198.6	10 351.7
1966	639.8	849.4	318.0	3 660.9	3 329.9	2 202.1	863.6	380.7	10 437.3	11 604.7
1967	661.5	834.0	340.9	4 103.1	3 644.6	2 417.3	941.2	431.3	11 537.9	12 712.8
1968	856.2	1 087.6	428.4	4 597.8	3 966.4	2 683.1	1 027.2	465.0	12 739.8	14 255.8
1969	1 057.4	1 373.9	520.8	5 236.3	4 333.1	3 021.6	1 116.0	521.6	14 228.7	16 123.4
1970	1 142.7	1 507.7	603.3	6 098.7	4 846.9	3 458.4	1 287.6	574.2	16 265.8	18 376.8
1970										
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	1 507.7	603.3	6 098.7	4 846.9	3 458.4	1 287.6	574.2	16 265.8	18 376.8
1971*										
Jan.	1 132.8	1 437.1	656.8	6 139.7	4 903.3	3 514.1	1 309.2	580.7	16 447.0	18 540.9
Feb.	1 060.3	1 356.5	704.4	6 205.8	4 964.7	3 585.4	1 329.3	591.1	16 676.3	18 737.2
March	1 152.7	1 465.9	603.1	6 188.8	4 979.8	3 597.7	1 340.9	593.5	16 694.7	18 763.7
April	1 096.9	1 397.0	570.7	6 215.1	4 986.3	3 611.2	1 343.2	594.6	16 750.4	18 718.1
May	1 227.5	1 540.2	616.6	6 226.3	4 994.8	3 608.6	1 330.7	591.7	16 752.1	18 908.9
June	1 244.2	1 583.8	626.2	6 243.7	4 983.9	3 575.0	1 338.8	589.0	16 730.4	18 940.4
July	1 119.7	1 426.6	555.4	6 277.7	5 015.8	3 593.7	1 342.8	588.8	16 818.8	18 800.8

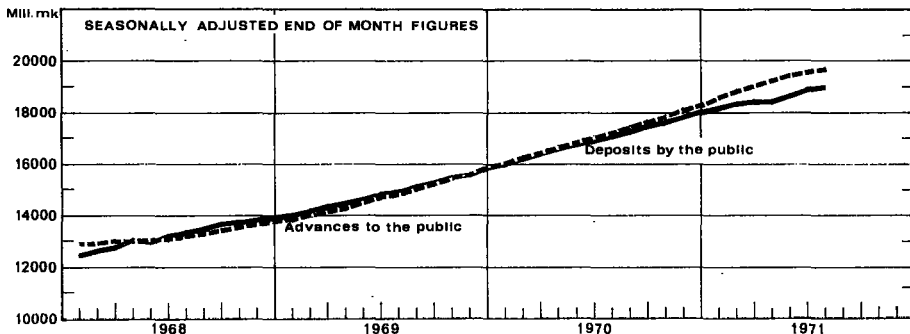




# ADVANCES TO THE PUBLIC—MONEY SUPPLY

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	Post Office Bank	Co-op. banks	Mortgage banks	Loans & Bills	Cheque credits			
	1	2	3	4	5	6	7	8	9	
1963	3 621.3	2 134.5	544.0	1 608.9	664.3	8 226.2	346.8	8 573.0	1 986.5	
1964	4 153.2	2 318.0	607.7	1 820.7	829.4	9 320.5	408.5	9 729.0	2 042.5	
1965	4 597.4	2 609.2	716.5	2 030.6	899.4	10 439.6	413.5	10 853.1	2 085.0	
1966	5 205.4	2 951.4	783.9	2 261.0	908.8	11 630.7	479.8	12 110.5	2 221.7	
1967	5 558.9	3 247.7	869.0	2 424.3	1 026.9	12 598.9	527.9	13 126.8	2 183.1	
1968	5 865.5	3 448.4	940.3	2 600.5	1 053.0	13 419.5	488.2	13 907.7	2 668.7	
1969	6 892.2	3 802.8	1 049.1	2 922.1	1 290.4	15 375.0	581.6	15 956.6	3 138.1	
1970	7 963.5	4 342.1	1 244.9	3 403.8	1 454.0	17 749.4	658.9	18 408.3	3 959.6	
1970										
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	4 342.1	1 244.9	3 403.8	1 454.0	17 749.4	658.9	18 408.3	3 959.6	
1971										
Jan.	8 084.6	4 379.9	1 276.7	3 438.5	1 452.9	17 954.7	677.9	18 632.6	3 939.8	
Feb.	8 153.9	4 417.3	1 288.6	3 472.1	1 516.8	18 139.5	709.2	18 848.7	4 016.6	
March	8 247.5	4 445.0	1 301.1	3 506.6	1 530.0	18 309.0	721.2	19 030.2	3 935.9	
April	8 373.9	4 486.8	1 324.0	3 533.8	1 536.2	18 497.8	756.9	19 254.7	3 816.9	
May	8 429.1	4 547.2	1 340.0	3 570.6	1 589.4	18 732.4	743.9	19 476.3	4 048.6	
June	8 452.4	4 544.1	1 351.8	3 574.2	1 640.2	18 838.0	724.7	19 562.7	4 167.9	
July	8 477.7	4 569.8	1 374.7	3 608.1	1 658.7	18 963.5	725.5	19 689.0	4 153.1	



## STATE FINANCES

Mill. mk

Revenue	Jan.—June		Expenditure	Jan.—June	
	1970	1971		1970	1971
Income and property tax (net)	1 515	1 818	Wages, salaries, pensions etc.	889	997
Gross receipts	(3 514)	(4 086)	Repair and maintenance	114	135
Refunds & local authorities	(—1 999)	(—2 268)	Other consumption expenditure	362	453
Other taxes on income and property	23	39	<b>Total consumption expenditure</b>	<b>1 365</b>	<b>1 585</b>
Employers' child allowance payments	313	211	State aid to local authorities	765	812
Sales tax	1 271	1 470	State aid to industries	689	626
Revenue from Alcohol Monopoly	303	370	of which: agric. price subsidies	(532)	(477)
Customs duties & import charges	222	198	Child allowances	151	174
Counter-cyclical tax	—	42	Share in national pensions and health insurance	205	99
Excise duty on tobacco	195	202	Other transfer expenditure	555	604
»  »  on liquid fuel	284	327	<b>Total transfer expenditure</b>	<b>2 365</b>	<b>2 315</b>
Other excise duties	120	132	Machinery and equipment	161	159
Tax on autom. and motor cycles	182	206	House construction	136	105
Stamp duties	110	114	Land and waterway construction	307	300
Special diesel etc. vehicles tax	24	27	<b>Total real investment</b>	<b>604</b>	<b>564</b>
Other taxes and similar revenue	61	55	Interest on State debt	137	140
<b>Total taxes</b>	<b>4 623</b>	<b>5 211</b>	Index compensations	17	15
Miscellaneous revenue	221	277	Net deficit of State enterprises	26	109
Interest, dividends etc.	81	133	Other expenditure	2	3
Sales and depreciation of property	39	46	<b>Total other expenditure</b>	<b>182</b>	<b>267</b>
Redemptions of loans granted	88	132	Increase in inventories	—18	28
<b>Total revenue</b>	<b>5 052</b>	<b>5 799</b>	Lending	304	319
Foreign borrowing	1	0	Other financial investment	97	301
Domestic borrowing	319	287	<b>Total expenditure</b>	<b>4 899</b>	<b>5 379</b>
<b>Total borrowing</b>	<b>320</b>	<b>287</b>	Redemption of foreign loans	62	57
<b>Deficit (+) or surplus (—)</b>	<b>—120</b>	<b>—414</b>	Redemption of domestic loans	291	236
			<b>Total redemptions</b>	<b>353</b>	<b>293</b>
<b>Total</b>	<b>5 252</b>	<b>5 672</b>	<b>Total</b>	<b>5 252</b>	<b>5 672</b>

State debt	1968	1969	1970	1971			
	Dec.	Dec.	Dec.	April	May	June	July
<b>Foreign debt</b>	2 074	1 656	1 557	1 520	1 535	1 529	1 528
Loans	2 160	2 316	2 437	2 456	2 495	2 480	2 491
Compensatory obligations	5	4	3	2	2	2	2
Short-term credit	320	158	46	46	48	49	52
Cash debt (net)	— 256	— 217	—284	—513	—482	—558	..
<b>Domestic debt</b>	<b>2 229</b>	<b>2 261</b>	<b>2 202</b>	<b>1 991</b>	<b>2 063</b>	<b>1 973</b>	<b>..</b>
<b>Total State debt</b>	<b>4 303</b>	<b>3 917</b>	<b>3 759</b>	<b>3 511</b>	<b>3 598</b>	<b>3 502</b>	<b>..</b>
Total debt, mill. \$	1 028	933	900	840	857	835	..

# 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*			
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*			
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	1 019.2	-240.5
June	830.6	800.9	+ 29.7

Jan.-June			
1970*	4 527.9	5 019.4	-491.5
1971*	4 483.2	5 302.9	-819.7

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

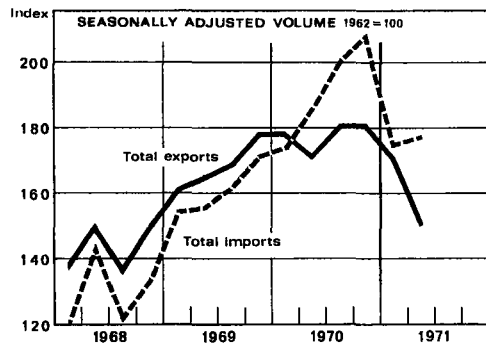
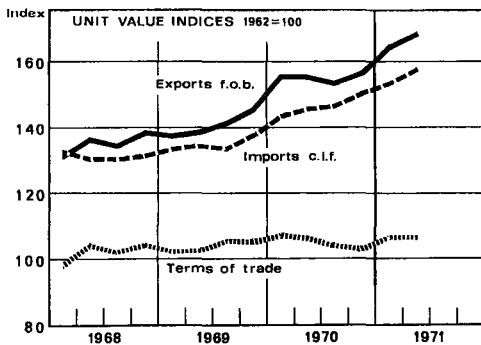
1968					
Oct.-Dec.	161	145	139	132	105

1969					
Jan.-Mar.	140	147	138	134	103
Apr.-June	164	151	139	135	103
July-Sept.	174	153	142	134	106
Oct.-Dec.	190	187	146	138	106

1970					
Jan.-Mar.	152	162	156	144	108
Apr.-June	178	189	156	146	107
July-Sept.	182	186	154	147	105
Oct.-Dec.	193	228	157	151	104

1971 <sup>1</sup>					
Jan.-Mar.	149	167	165	154	107
Apr.-June	154	179	169	158	107

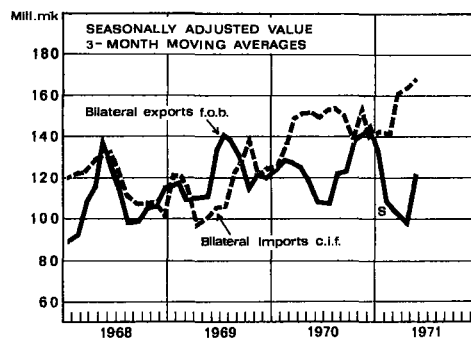
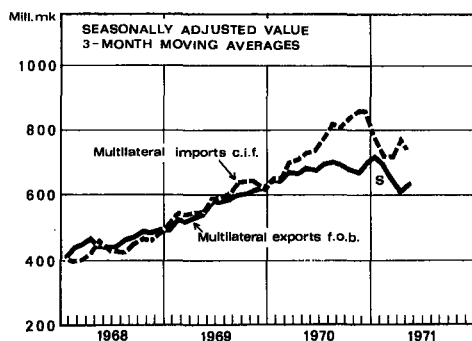
<sup>1</sup> The 1971 figures have been calculated by converting the final 1970 Fisher index with the percentage change in the 1971-1970 Laspeyres index.



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.						Imports, c.i.f.			
	Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods	
									Investment goods	Consumer goods
1966	264.0	59.0	863.5	2 297.0	877.2	456.2	2 450.5	589.8	1 448.5	1 035.6
1967	261.4	54.3	865.7	2 384.5	1 080.6	584.7	2 545.9	668.2	1 462.8	1 117.5
1968	327.1	55.5	1 157.7	2 994.0	1 566.4	773.5	3 023.1	874.0	1 524.2	1 289.6
1969	360.2	71.9	1 400.4	3 373.9	2 011.8	1 126.5	3 692.9	948.6	2 229.4	1 633.9
1970*	426.3	88.0	1 544.0	3 789.4	2 437.2	1 401.8	4 918.1	1 249.3	2 905.5	2 004.0
1970*										
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	352.8	156.3
June	28.3	13.7	155.1	298.3	208.0	127.2	314.8	121.4	220.8	143.9
Jan.-June										
1970*	220.3	27.0	616.0	1 832.6	1 161.7	670.3	2 227.0	531.6	1 288.5	972.3
1971*	261.6	36.5	695.6	1 806.8	969.6	713.1	2 032.8	613.3	1 671.2	985.6



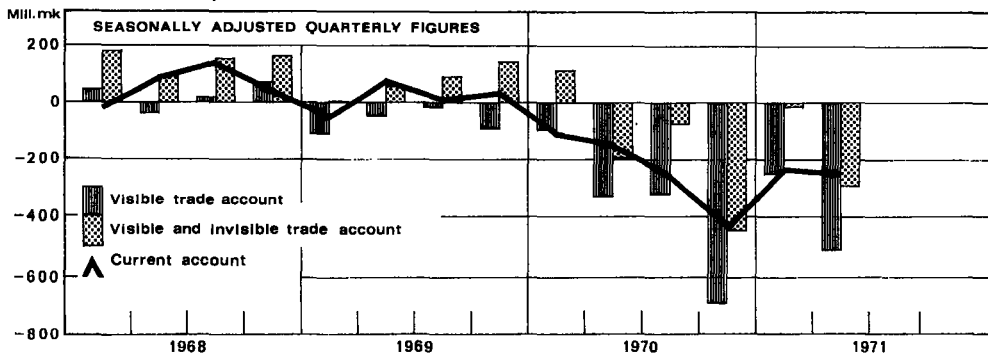
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—June				January—June			
	1970		1971		1970		1971	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	71.0	3 213.9	71.3	3 194.8	74.2	3 725.8	74.8	3 963.4
Austria	0.9	40.2	0.9	41.8	1.4	68.2	1.5	80.1
Belgium-Luxembourg	1.9	84.1	1.8	79.1	2.2	109.6	1.6	87.4
Denmark	4.0	181.3	3.9	176.4	3.3	165.3	3.4	178.7
France	4.0	181.3	4.0	178.8	3.7	182.9	3.3	176.2
Federal Republic of Germany	10.8	488.9	10.6	477.7	17.0	853.4	17.2	912.6
Italy	2.5	115.4	2.2	97.9	2.1	106.1	2.1	112.7
Netherlands	4.3	194.5	4.3	192.5	3.6	178.1	3.5	186.1
Norway	3.4	152.8	3.4	153.1	2.3	117.5	2.6	136.2
Portugal	0.4	17.8	0.3	12.0	0.8	42.2	0.6	32.5
Spain	1.1	47.7	0.9	42.2	0.3	15.3	0.7	35.9
Sweden	16.6	752.8	15.7	703.0	18.1	910.3	18.8	995.8
Switzerland	1.8	80.7	2.1	92.8	3.3	166.6	3.6	190.5
United Kingdom	17.6	798.6	19.3	863.6	15.8	794.1	15.6	824.6
Other	1.7	77.8	1.9	83.9	0.3	16.2	0.3	14.1
<b>OECD countries outside Europe</b>	6.2	279.5	6.3	284.4	5.6	280.0	7.2	383.1
Canada	1.0	46.5	0.7	31.4	0.3	16.7	0.2	13.6
Japan	0.3	12.8	0.1	6.6	2.0	101.8	2.6	137.1
United States	4.9	220.2	5.5	246.4	3.3	161.5	4.4	232.4
<b>Eastern Bloc</b>	15.3	692.5	14.4	643.3	16.1	808.4	15.9	844.3
Czechoslovakia	0.5	23.0	0.7	29.3	0.5	23.3	0.5	24.4
Democratic Republic of Germany	0.6	28.4	0.6	27.1	0.5	26.7	0.5	28.7
People's Republic of China	0.7	28.6	0.5	22.5	0.2	8.7	0.5	28.3
Poland	1.2	55.2	1.1	50.9	1.1	56.5	1.8	95.1
Soviet Union	11.4	517.6	10.6	475.7	13.1	658.1	12.1	641.2
Other	0.9	39.7	0.9	37.8	0.7	35.1	0.5	26.6
<b>Latin America</b>	2.7	121.0	2.6	117.5	2.2	111.6	0.7	36.4
Argentina	0.8	35.2	0.9	38.2	0.2	10.1	0.2	8.3
Brazil	0.5	21.4	0.6	28.7	0.5	24.6	0.0	0.6
Colombia	0.2	10.0	0.3	12.4	0.7	35.3	0.0	1.3
Other	1.2	54.4	0.8	38.2	0.8	41.6	0.5	26.2
<b>Other</b>	4.8	221.0	5.4	243.2	1.9	93.6	1.4	75.7
<b>GRAND TOTAL</b>	100.0	4 527.9	100.0	4 483.2	100.0	5 019.4	100.0	5 302.9
of which								
<b>EFTA countries</b>	44.8	2 027.4	45.7	2 050.2	45.2	2 268.3	46.2	2 447.3
<b>EEC countries</b>	23.5	1 064.2	22.9	1 026.0	28.5	1 430.0	27.8	1 475.0
<b>OECD countries</b>	77.2	3 493.4	77.6	3 479.2	79.8	4 005.8	82.0	4 346.5

# 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	2 168	2 536	—368	+198	— 13	+19	—164	—135	— 1	—300
Apr.-June										
1968	1 808	1 829	— 21	+133	— 12	+ 2	+102	— 67	— 1	+ 34
1969	2 002	2 008	— 6	+140	— 17	— 6	+111	— 84	— 7	+ 20
1970	2 429	2 721	—292	+140	+ 10	+ 0	—142	— 96	+ 1	—237
1971	2 288	2 781	—493	+180	+ 48	+20	—245	—118	— 1	—364
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

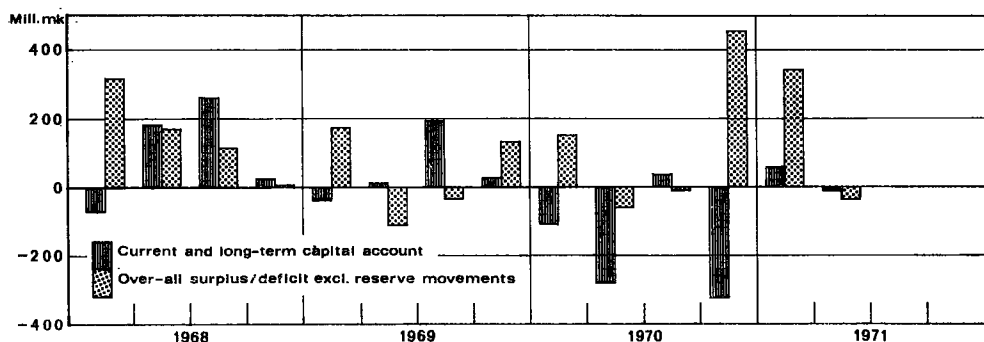


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, 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	- 5	-20	+359	+ 59	+ 20	+329	- 66 <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
+ 600	-202	- 10	-31	+357	- 7	-154	+ 80	+ 44	- 37	+ 99	- 62
+ 226	-212	- 14	-29	- 29	+262	- 98	- 27	- 25	+112	- 18	- 94
+ 146	-146	- 17	+ 6	- 11	+196	+ 34	-284	+ 19	- 35	+151	-116
+ 359	-175	- 60	-58	+ 66	+ 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												
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	295	303	149	164	133
July	312	315	302	309	359	306	344	296	304	150	164	133

Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 100	Consumer prices 1967 = 100									
			Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1968	212	166	109	111	110	106	107	108	109	110	108	109
1969	217	170	112	115	111	108	111	109	110	110	110	112
1970	223	175	115	116	115	109	115	121	115	113	113	115
1970												
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
July	239	187	123	122	120	112	128	140	119	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	162	154	149	155	151	158	150	149	153	151
1970*	182	170	171	163	161	164	165	158	170	165
1969*										
July-Sept.	162	154	151	156	152	158	152	149	156	153
Oct.-Dec.	171	157	155	156	152	158	152	149	156	153
1970*										
Jan.-Mar.	181	166	167	162	160	163	160	156	164	161
Apr.-June	181	169	168	163	167	164	165	157	170	164
July-Sept.	180	171	173	164	162	165	166	158	171	165
Oct.-Dec.	187	175	180	164	162	166	168	160	174	167
1971*										
Jan.-Mar.	206	185	186	170	168	172	179	166	185	176
Apr.-June	206	190	195	173	168	173	186	167	193	182

# PRODUCTION

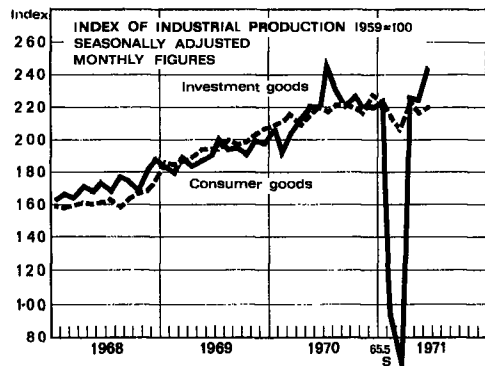
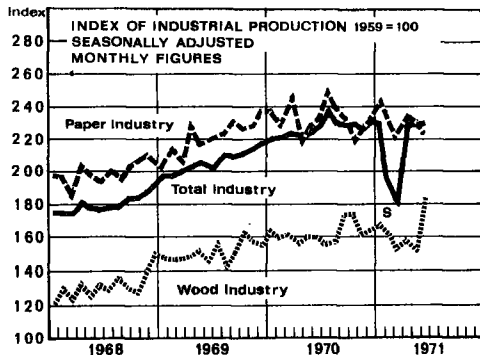
Volume indices of production 1964=100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	House construction	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1968	113	121	97	93	109	108	114	111	118	119	119
1969	123	138	97	102	123	104	124	123	123	123	127
1970*	132	153	94	111	143	99	131	133	129	129	134
1970*											
Jan.-Mar.	127	152	64	154	92	100	120	122	127	127	133
Apr.-June	131	154	76	127	125	100	132	133	128	128	133
July-Sept.	133	142	170	55	175	100	137	132	129	129	133
Oct.-Dec.	136	163	68	106	179	94	136	145	131	131	136
1971*											
Jan.-Mar.	127	142	62	159	98	96	126	130	132	132	139
Apr.-June	135	159	73	120	128	98	137	141	134	134	140

# PRODUCTION

Index of industrial production 1959 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1967	172	163	180	158	160	125	187	233	224	168	172
1968	182	175	191	164	163	132	202	253	240	177	181
1969	207	194	214	196	173	151	223	285	281	199	207
1970*	228	222	232	220	190	162	234	328	328	226	228
1970*											
March	227	222	231	216	165	167	237	312	318	228	225
April	245	249	241	248	199	195	238	334	343	253	222
May	225	219	227	219	182	172	224	313	329	226	225
June	221	218	217	227	199	150	208	315	339	222	229
July	178	129	192	159	193	136	247	276	314	132	239
Aug.	225	206	227	225	193	131	247	307	338	209	233
Sept.	238	238	239	232	188	165	242	316	347	242	230
Oct.	247	253	250	235	222	172	238	357	358	255	231
Nov.	242	247	248	226	213	159	239	350	337	248	228
Dec.	240	242	243	230	198	167	215	374	321	245	234
1971*											
Jan.	236	234	243	217	163	168	247	352	324	238	231
Feb.	196	102	202	209	162	166	231	328	315	109	197
March	208	83	212	234	180	187	256	346	318	90	184
April	234	236	233	233	184	175	218	396	296	235	232
May	233	230	236	225	186	170	229	372	319	234	230
June	225	236	221	226	204	171	203	334	322	240	233



# 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*								
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	103
March	2 122	2 060	62	2.9	5 067	110	138	120
April	2 130	2 073	57	2.7	4 163	119	140	..
May	2 185	2 135	50	2.3	3 157	135	149	..
June	2 349	2 312	37	1.6	2 408	..	..	..

## CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1968	31.58	14.00	2.95	9.56	3.06	26.44	11.72	2.58	9.15	1.35	34.09
1969	38.95	15.38	3.88	15.29	2.12	32.03	12.85	3.15	10.95	3.32	36.40
1970*	41.42	17.96	3.72	15.56	23.6	37.99	16.12	4.22	12.47	3.31	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 6.8, paper industry no. 27, weight 13.1, chemical industry no. 31, weight 5.2, non-metallic mineral industry no. 33, weight 3.6 and metal industry nos. 34—38, weight 23.5.

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

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

## SYMBOLS USED

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

# SOME PARTICULARS ABOUT FINLAND

## FORM OF GOVERNMENT

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

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

## INTERNATIONAL ORGANIZATIONS

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

## LAND

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

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

## POPULATION

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

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

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

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

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

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

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

## TRADE AND TRANSPORT

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

FOREST RESOURCES (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 (1 758 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 (July 31, 1971): Steamers 44 (46 963 gross reg. tons), motor vessels 376 (562 683 gross reg. tons), tankers 56 (705 131 gross reg. tons), sailing vessels with auxiliary engines 8 (1 208 gross reg. tons). Total 484 (1 315 985 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 825 offices, 327 savings banks, 445 co-operative banks, six mortgage banks, and Post Office Bank. The co-operative stores accept deposits from their members. The National Pension Institute and sixty-one private insurance companies also grant credits.

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

# INDUSTRIAL POLICY IN FINLAND

by Pentti Viita, D. Pol. Sc.

Industry plays a relatively important role in the Finnish economy. In 1970 the share of industry in total production (net national product) was slightly more than 30 per cent, and it employed almost 27 per cent of the total labour force. In the same year, industrial products accounted for 95 per cent of total commodity exports. Between 1950—1970 the average annual growth rate of the volume of industrial output was about 6 ½ per cent, while that of total production was slightly less than 5 per cent. In the 1960's the volume of industrial output increased by 7 per cent and total production by 5 per cent annually. At the same time industry increased its share in total production and employment as well as in commodity exports.

On average the traditional wood and paper industries grew approximately at the same rate as total industry in the last two decades. The expansion of the metal industry was slightly more rapid. A higher than average growth rate was also recorded in many of the so-called new industries, e.g., the textile, clothing, leather, footwear, rubber and chemical sectors. In the 1960's the new industries became still more important as the expansion in exports of products of these industries led to higher than average growth rates, while growth in the wood and paper industries, as well as in the metal industry was lower than average.

Industrial output is expected to continue to grow vigorously in the 1970's. According to some forecasts its growth rate will be as much as 70 per cent in this decade while total production will rise by slightly more than 50 per cent. The share of industry in both total output and employment is also expected to increase somewhat. It is forecast that the rate of growth will be highest in the chemical, metal and plastic industries and in the production of building materials and electricity. The ex-

pansion of the wood and paper industry is expected to be slower than average.

Traditionally, the growth of industrial output in Finland has been based on the utilization of raw wood and on an ample supply of labour. The wood and paper industry has primarily made use of the raw wood resources and the metal industry of the manpower reserves. The food-stuffs industry has grown in step with the processing of agricultural produce.

At the moment the annual use of wood exceeds the annual growth of the country's forests. This has necessitated a re-assessment of traditional production in the wood and paper industry. Future expansion must be based increasingly on raising the degree of processing of wood. However, the use of wood as raw material can be intensified by improving forestry and limiting the use of wood for purposes other than industry. In recent years state financing of fundamental forest improvement programmes has been increased, and a shift to oil and electricity in heating has cut the use of wood as fuel.

In the coming decade the expansion of industry cannot be based on a growing labour supply as much as it was in the 1950's and 1960's. Although manpower is constantly released from agriculture and forestry, considerable emigration checks the growth of the supply of labour. In addition the number of potential entrants into the labour force is not as great now, for most of the people in the large age groups born immediately after World War II have already entered the labour market. At present manpower policy must be directed so as to intensify the utilization of labour already employed. This requires a shift in the emphasis of vocational training policy from the young to older people so that the skills which they pos-

ness can be improved and augmented by continuing and supplementing their education. At the same time both the vocational and regional mobility of labour has to be increased. As most new jobs are now to be found in service industries, the increase in the industrial labour force will be rather small this decade. The relative shortage of labour and efforts to limit agricultural production check the expansion of the foodstuff industry in particular.

The growth of industry in the 1970's will have to be based more and more on sources of growth other than the traditional ones. Special attention has to be paid to the development of existing products and to the creation of new products and production methods as well as to the supply of raw materials. Research and development work will gain in importance. State appropriations for this purpose have been increased in the last few years, and at the same time, the Government has re-organized these activities. This decade is expected to see a marked increase in state financing of research and development work.

Another activity which will be given special attention in the present decade is marketing. Since the domestic market is too small for many products the country cannot always make full use of economies of scale. Thus, if the country relies extensively on the home market, its competitive position cannot be maintained and the expansion of production becomes impossible. It is vital for the country's economic wellbeing that it has large, stable export markets. This is especially true in the new industries, but the future development of the traditional Finnish export industries, the wood and paper industry and metal industry, also depends on how successful efforts are to maintain and expand the export markets for these industries. At the moment work is being done to find ways to reduce the barriers facing Finnish exports in Europe where economic integration is gradually coming about. Exports of industrial products to the EFTA countries are duty-free and not affected by possible import quotas. However, Finnish exports to EEC countries are hit to a considerable extent

by import tariffs and quotas. It is obvious that the expansion of the EEC and Finland's efforts to raise the degree of processing of her exports could lead to heavier discrimination against her products in the future. Apart from this, a number of steps must be taken in favour of the promotion of trade. These could include the participation in export exhibitions, sales campaigns and the appointment of trade representatives in the most important export markets. In recent years the State has increased funds for purposes of this kind, and the administration of the exports has been reorganized.

The maintenance and improvement of the competitive power of the Finnish industry requires a rapid increase in productivity in the 1970's. Research and development work and the expansion of the market mentioned above contribute to this end. A sufficient increase in productivity, however, calls for structural changes within industry and certain direct measures. The latter encompass training schemes and consultancy assistance for business management, vocational training of employees and co-operation between enterprises within the branches, i.e. rationalization within industrial branches. At the moment it is especially the latter activity which will require numerous reforms in legislation and taxation procedures. The tax reforms carried out in the last few years have already helped somewhat.

Finnish industry is characterized by the small size of business enterprises, lack of specialization and the existence of industrial branches having little competitive power. Evidently a great increase in productivity can be achieved by the elimination these shortcomings. These aims can be attained by increasing the co-operation between the industries and, above all, by expanding productive activity into more competitive fields. Reorganization and investments to eliminate bottlenecks in production can also be carried out.

The increase in productivity and structural changes aimed at improving the competitive position of the economy require great financial outlay. The need for finance is further increased

because the labour force will grow more slowly in this decade. Yet at the present, there are many defects in the financial structure of industry, e.g. the insignificance of the firm's own funds and the fact that external finance is granted on a short-term basis. It is for reasons of this nature that financial policy affecting industry will be of increasing importance in the 1970's. The revision of the Government's financial policy and the reorganization of government bodies channelling state finance is indispensable during this decade.

The need of environmental protection has been increasing. In Finland the wood-processing industry is especially responsible for the pollution of the waterways. One of the most crucial problems of the 1970's is how to intensify environmental protection without decisively weakening the competitive power of industry. At the moment attention is being focused on ways to finance and organize environmental protection.

Increasing attention has been paid lately to regional policy in Finland. At the same time its area has been defined more accurately. The Regional Development Fund was founded in 1971 with considerable state support (See Bull. No 8/71). Its primary purpose is to finance the expansion of industry in the development regions by providing loans and buying shares in the developmental enterprises. In addition, the Fund provides finance for the promotion of industrial activity in other forms. The need for a more comprehensive industrial policy in the development regions can be expected to increase in the future.

In the last few years consultative services and educational opportunities for business management have been improved by reorganization and by increasing state finance. These measures have been essential, especially for the development of small and medium-size industry in the development regions. The provision of these consultative and training schemes is also of great significance for the implementation of general industrial policy.

State enterprises account for almost one-fifth of total industrial production in Finland, and this share is increasing. Traditionally, state-owned companies have operated in the basic industries, such as the mining and chemical industries, the crude metal industry and the production of electricity. At the moment steps are being taken to build i.a. a new oil refinery and nuclear power stations. The distribution of natural gas which will be imported from the Soviet Union will also be taken care of by a state company.

It is obvious that the emphasis of industrial policy on new technology, marketing, and on efforts to increase productivity and to promote structural change will favour certain sectors of industry at the cost of the others. In the present situation special attention should be paid to the metal, plastic, chemical and building material industries and to the production of electricity.

The planning of industrial policy and the definition of its aims has been given greater attention in state administration in the last few years. As a result of this, we shall be able to follow a more effective industrial policy in Finland in the near future.



# ITEMS

**Finland's balance of payments, January—June 1971.** According to the preliminary figures of the Bank of Finland Institute for Economic Research, total revenue on current account was 5 759 million marks and total expenditure 6 423 million marks in the first part of 1971. Thus a current account deficit of 664 million marks was recorded, which was 250 million marks more than in the corresponding period in 1970.

The trade account deficit increased as a result of a decline in exports and amounted to 861 million marks in the period under review. The corresponding figure in 1970 was 527 million marks, and thus the trade deficit increased by 334 million over the previous year. These figures include adjustment items of foreign trade, such as stevedoring costs, gifts, and gold used by industry.

The value of commodity exports in January—June 1971 was one per cent less than one year earlier and amounted to 4 483 million marks. The value of commodity imports increased by 5.6 per cent and totalled 5 303 million marks. The value of the exports of metal industry products was almost 17 per cent less than in the corresponding period in 1970. The share of this industry in total exports was 22 per cent as against 26 per cent one year earlier. The exports of paper industry products decreased by one per cent over January—June 1970. On the imports side, growth was concentrated in investment goods, which displayed a rise of 36 per cent over the corresponding period of the previous year.

The service account surplus totalled 452 million marks. The travel item surplus increased from 1 million marks in January—June 1970 to 35 million marks. Net receipts from transport were 378 million marks. The net deficit of the

items comprising income transfers, and income from and servicing of investment was 255 million marks. Thus the deficit in the visible and invisible trade account rose to 409 million marks while the current account deficit totalled the above mentioned 664 million marks.

The current account deficit was financed through a net inflow of long-term capital, which amounted to 716 million marks or 690 million marks more than in the first half of 1970. Drawings on long-term loans totalled 1 217 million marks and amortizations 435 million marks. Long-term export credit was used to the value of 92 million marks while repayments amounted to 77 million marks. The outflow of long-term capital in the form of direct investment was 103 million marks and the corresponding inflow was 34 million marks. The major portion of short-term capital imports was in the form of trade credits. Their net inflow was 275 million marks, and the total net inflow of short-term capital was 168 million marks.

If the 85 million marks of Special Drawing Rights allocated to Finland at the beginning of the year are taken into account, an overall surplus of 305 million marks is recorded, which corresponds to an increase in the country's gold and foreign exchange reserves in the first part of 1971. The reserves of the Bank of Finland increased by 215 million marks, and the net foreign liability of the authorized banks declined by 90 million marks.

**The Loviisa nuclear power stations.** Plans to build two nuclear power stations near the town of Loviisa have been approved and are now being carried out. The contract for the supply of the first Loviisa power station was signed

in June, 1970 between Imatran Voima Osakeyhtiö and the USSR export organization V/O Technopromexport. The contract includes the supply of a Novo-Voronezh type 1375 MWth pressurised water reactor, two 220 MW turbo-generators, the first fuel loading and the first reloading batch. The guaranteed net power of the station is 420 MW.

The first nuclear power station in Finland will be located on Hästholmen Island about 12 km southeast of Loviisa (population 6 500) and approximately 100 km east of Helsinki. The area in the vicinity of the power station is sparsely populated, and cooling water will be obtained from the surrounding sea.

The total cost of the project will be about 500 million marks (about \$ 120 million). The deliveries made by the main supplier TPE will amount to 250 million marks (\$ 60 million); of this the Finnish metal industry has been sub-contracted to supply equipment valued at 37.5 million marks (\$ 8.8 million). For the deliveries from USSR, TPE has granted a 20 year loan with an interest rate of 2.5 per cent. The first Station will be completed in June, 1976. It will supply about 7—8 per cent of the electricity needed in Finland at that time.

An agreement for the second power station near Loviisa was signed in Helsinki in August, 1971. This unit will be quite similar to the first one, and it will be located next to Loviisa I. This Station will begin commercial operation in April, 1978.

Both Loviisa power stations will be the product of extensive international co-operation. Imatran Voima will act as its own architect engineer, and in addition it will supply the electrical systems. The instrumentation will be furnished by a western European supplier. The reactor building will be based on the so-called ice condenser principle.

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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 Heelä

*ad int.*

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### Directors

Jouko J. Voutilainen

Timo Heelä

Jorma Aranko

Pertti Tammivuori

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### Senior officials

P.-E. Österlund

*Direct investments and  
capital transfers*

A. Kajantie

*Organization*

Helge Lindström

*Credits*

A. Nenonen

*Foreign correspondence*

K. Eirola

*Automatic Data Processing*

K. Ignatius

*Personnel*

Eino Suomela

*Internal Audit*

Stig Törnroth

*Cash*

Kalle Koski

*Foreign credits*

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### Institute for economic research

Pertti Kukkonen

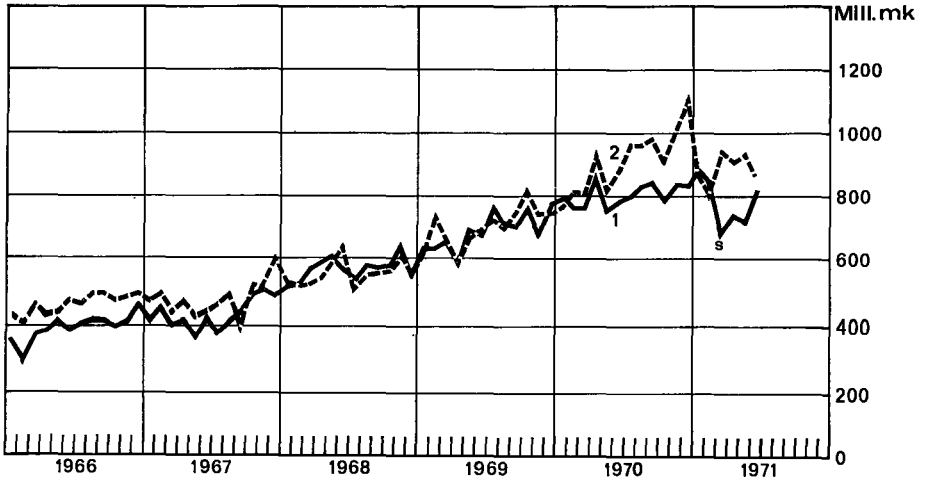
*Director*

Markku Puntila

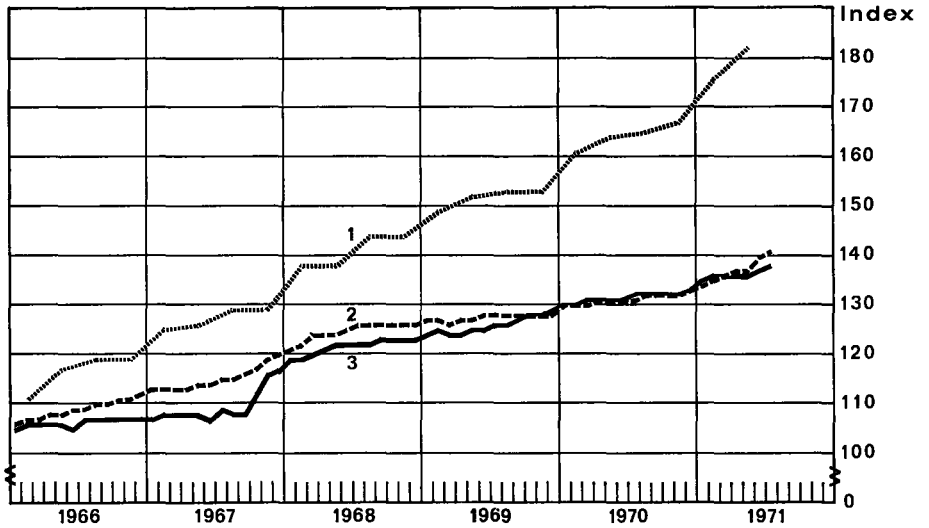
*Head of department*

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### Foreign trade, 1966 - 1971



### Prices and wages, 1966 - 1971



### Production, 1966 - 1971

