



BANK OF FINLAND

Monthly Bulletin

Price regulation 1967—1971

**Finnish economy in 1971 and the
current outlook**

**Inflow of long-term capital in January—
March 1972**

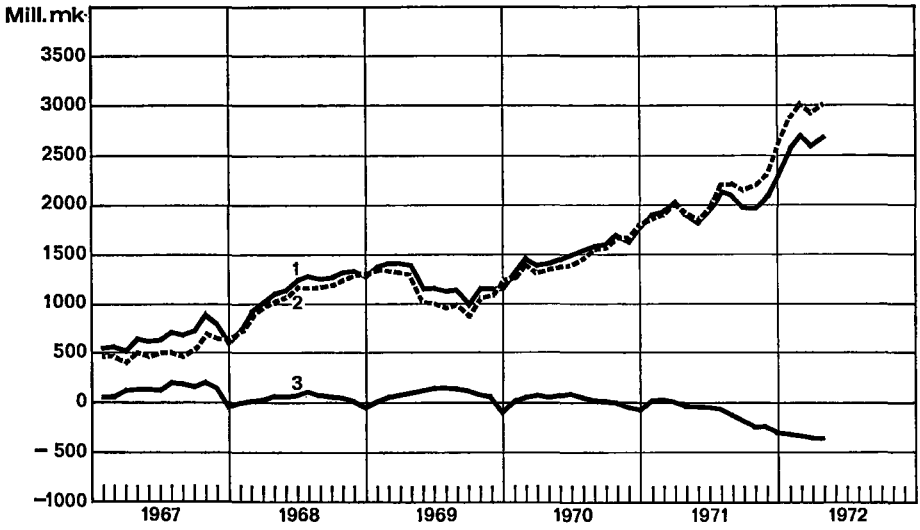
**Investment capital flows in January—
March 1972**

**Cancellation of the restrictions on the
use of import credits**

Domestic bond issues

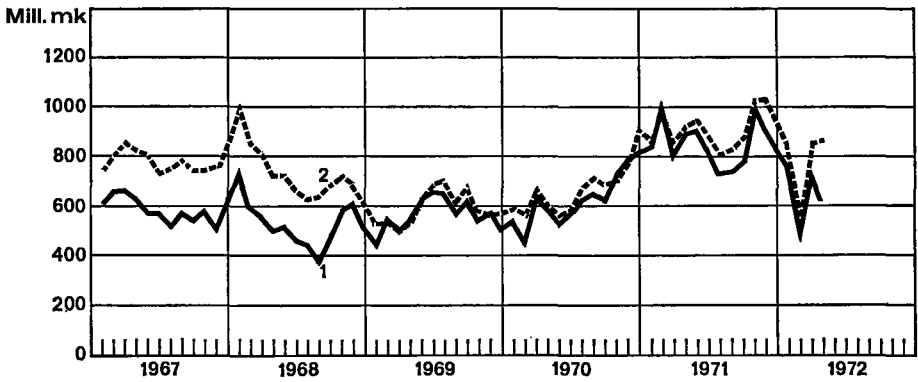
JUNE 1972
Vol. 46 No. 6

Bank of Finland foreign exchange reserve, 1967-1972



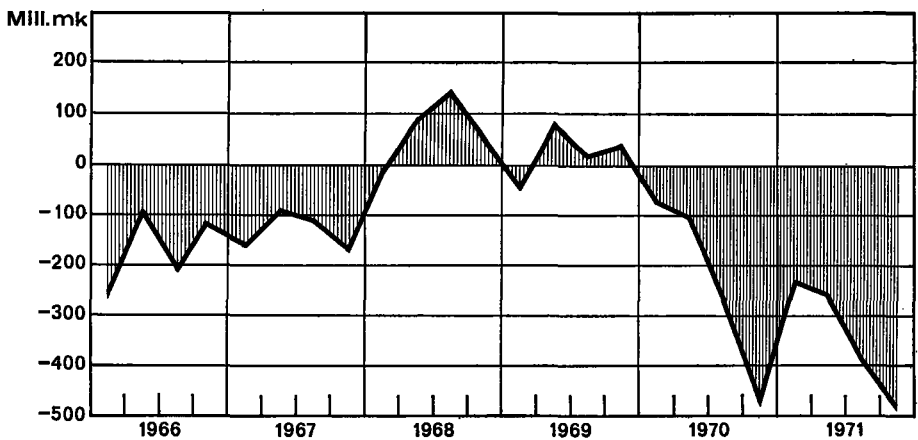
- 1. Total gold and foreign exchange
- 2. Gold and convertible currencies
- 3. Other currencies

Bank of Finland's position in regard to the banks, 1967-1972



- 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

PRICE REGULATION 1967—1971

Before the devaluation of the Finnmark in October 1967, fourteen different categories of commodities, e.g. concentrated fodder, sugar and certain milk and corn products were subject to price regulation. The legal basis for price regulation in this period was provided by an act passed in 1957 which allowed the control of prices and charges which exerted a great influence on the cost of living.

A price freeze was implemented simultaneously with the 1967 devaluation and was made as extensive as the 1957 law allowed. However, price regulation was limited considerably after a few weeks and even more later on.

On the basis of the stabilization agreement concluded by the largest labour market organizations, the organizations of agricultural producers and the Government, complete price and rent regulation was re-introduced in March 1968. A special Prices and Incomes Board was appointed to organize and supervise this. At the beginning of April, prices were frozen at the level of March 15, 1968. This price freeze affected the same goods and services as did the price freeze implemented in 1967. A Special Economic Powers Act, which provided the basis for the abolition of index linkages, was passed on April 10. The new legislation also provided for stricter price and rent regulation than did the 1957 law. However, no changes in the regulations were introduced as a result of this act.

The Prices and Incomes Board was appointed by the Cabinet in May 1968. Its members represented employees, civil servants, consumers, employers, agriculture, industry and trade. Although the Ministry for Social Affairs and Health executed price regulatory decisions, it was not authorized to approve price increases of commodities covered by regulation or to remove

a commodity from regulation without the sanction of the Prices Board or the Cabinet.

At the end of May 1969, the Cabinet decided to limit the coverage of price regulation; it was to include 115 various commodities and 29 various charges, which accounted for about 70 per cent of the items in the cost of living index. The revision came into force on May 30, 1969.

The collective agreements and the agreements concerning agricultural income based on the stabilization agreement, as well as the Special Economic Powers Act and other legislation connected with the comprehensive incomes policy agreement expired at the end of 1969. One of the aims set in the negotiations of autumn 1969 for future economic policy measures was a gradual limitation of price regulation during 1970. However, because of the rise in import prices of certain raw materials and of semi-finished domestic products which had been released from price control, regulation was continued till the end of 1970.

At the beginning of 1971 a minimum wage was established in Finland. Adjustment problems were experienced in some low pay, labour-intensive sectors, and the Cabinet decided to release five more commodity categories and nine service categories from price regulation. Certain other changes were also implemented, after which, at the end of March 1972, 113 commodity categories and 16 services categories were subject to control.

PRICE REGULATION AT PRESENT

The representatives of trade and industry promised to support the stabilization policy during its implementation. They also approved of price regulation, which formed an essential part of

this policy. Overall wage agreements and agreements on the development of employees social welfare as well as collective agreements for individual sectors were concluded for each agreement period in light of the development of productivity and the estimated rise in the cost of living.

The cost of living index rose by 3.8 per cent during the first agreement period (21 months) ending December 1969, by 3.2 per cent during the second agreement period (12 months) ending December 1970, and by 9.8 per cent during the third agreement period (15 months) ending March 1972. Forecasts on the development of costs proved to be rather reliable until the end of 1970. In 1970 it became difficult to keep within the forecast limits because of the rise in prices of certain imported raw materials; the goals of the stabilization policy could be achieved only by taking a stricter position on price rises and by resorting to central government support. During the third agreement period rises in world market prices continued, cost pressures became worse and wages and social welfare costs rose in excess of productivity. In addition, some measures were taken to check a further deterioration on current account.

An agreement was reached between the Finnish Employers' Confederation and the Confederation of Finnish Trade Unions on March 17, 1972 which provided guidelines for wage and salary agreements for the period April 1, 1972—March 31, 1973. A new agreement was

also reached on agricultural income for the period 1972—1973. (See Bulletin No. 5/1972)

The Special Economic Powers Act was extended to the end of the wage agreement period. The legislation on price control was revised at the same time; it was decided that the Cabinet must decide on the grounds for confirming prices. Following this, the Cabinet made a decision to reduce the authority of the Prices Board.

It was also agreed that price regulation should be relaxed without restricting the coverage of price supervision, and the corresponding Cabinet decision was taken on May 10, 1972. As many as 47 categories of commodities were released fully and 24 partly from price regulation, and, in addition, two groups of services, the charges for which are controlled by other organs, were released. The price control authorities, however, have to be notified of changes in the prices of these articles and services.

The impact of the revision on the cost of living index can be summarized as follows:

**SHARE IN THE COST OF LIVING INDEX,
PER CENT**

	Before the revision	After the revision
Under Prices Board control	57	47
Under other control	14	24
Not under control	29	29
Total	100	100

May 31, 1972

BANK OF FINLAND

Mill. mk

	1971		1972			
	May 28	Dec. 31	May 8	May 15	May 23	May 31
Assets						
Gold and other foreign assets	2 012	2 776	3 238	3 232	3 245	3 136
Gold	121	205	205	205	205	205
Special drawing rights	193	197	282	282	283	283
IMF gold tranche	272	268	268	268	268	268
Foreign exchange	1 302	1 950	2 305	2 289	2 306	2 185
Foreign bills	88	119	109	108	103	115
Foreign bonds	36	37	69	80	80	80
Claims on domestic banks	898	849	757	693	806	803
Discounted bills	893	848	736	668	792	796
Rediscounted bills	1	1	1	1	1	1
Cheque accounts	4	—	20	24	13	6
Other lending	298	340	316	318	321	316
Inland bills discounted						
In foreign currency	—	—	—	—	—	—
In Finnish marks	164	121	85	86	84	79
Loans	134	219	231	232	237	237
Other assets	726	597	650	651	622	615
Finnish bonds	165	38	75	77	48	39
Finnish coin	14	14	27	28	28	29
Currency subscription to Finland's quota						
in the IMF	526	530	530	530	530	530
Other claims	21	15	18	16	16	17
Total	3 934	4 562	4 961	4 894	4 994	4 870
Liabilities						
Notes in circulation	1 360	1 479	1 401	1 418	1 448	1 450
Liabilities payable on demand	72	358	607	546	613	490
Foreign exchange accounts	45	267	306	324	333	340
Mark accounts of holders abroad	11	30	31	29	29	30
Cheque accounts						
Treasury	1	2	29	35	39	32
Post Office Bank	0	2	225	140	198	74
Private banks	—	9	—	—	—	—
Other	3	3	2	2	3	3
Other sight liabilities	12	15	14	16	11	11
Term liabilities	690	905	1 072	1 065	1 066	1 056
Foreign	—	—	—	—	—	—
Domestic	690	905	1 072	1 065	1 066	1 056
IMF mark accounts	526	530	530	530	530	530
Allocations of special drawing rights	173	174	258	258	258	258
Equalization accounts	424	400	347	329	330	334
Bank's own funds	689	716	746	748	749	752
Capital	600	600	600	600	600	600
Reserve fund	32	32	74	74	74	74
Profits undisposed	32	—	42	42	42	42
Earnings less expenses (Dec. 31, Net profit)	25	84	30	32	33	36
Total	3 934	4 562	4 961	4 894	4 994	4 870

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
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
1971	2 620	327	2 293	686	530	2 449	— 15	2	— 17
1971									
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
Sept.	2 180	192	1 988	661	530	2 119	— 96	0	— 96
Oct.	2 227	246	1 981	664	530	2 115	— 92	22	—114
Nov.	2 364	261	2 103	668	530	2 241	— 90	39	—129
Dec.	2 620	327	2 293	686	530	2 449	— 15	2	— 17
1972									
Jan.	2 935	349	2 586	682	530	2 738	— 15	17	— 32
Feb.	3 080	360	2 720	695	530	2 885	— 3	26	— 29
March	2 991	370	2 621	708	530	2 799	— 3	30	— 33
April	3 079	372	2 707	707	530	2 884	— 3	37	— 40
May	2 941	370	2 571	725	530	2 766	— 3	32	— 35

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1971			Net holdings, April 30, 1972			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Apr.	Jan.—Apr.
	Gold	205	—	205	205	—	205	—
Special drawing rights	197	—	197	282	—	282	—	+85
IMF gold tranche	268	—	268	268	—	268	—	—
Convertible currencies	1 920	143	2 063	2 283	—28	2 255	—29	+192
Other currencies	—297	— 3	—300	—332	—10	—342	+ 3	—42
Total	2 293	140	2 433	2 706	—38	2 668	—26	+235

BANK OF FINLAND

Mill. mk

End of year and month	Domestic banks					Other					
	Dis-counted bills	Redis-counted bills	Cheque accounts ¹	Liabilities, Cheque accounts		Net claims on the banks (1+2+3-4-5)	Inland bills in Finnish marks	Other advances	Liabilities	Net claims on the rest of economy (7+8-9)	Notes in circulation
				Private banks ²	Post Office Bank ²						
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
1971	848	1	—	9	2	838	121	234	908	-553	1 479
1971											
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
Sept.	866	1	15	—	0	882	180	208	918	-530	1 322
Oct.	1 097	1	5	—	79	1 024	188	207	950	-555	1 373
Nov.	1 109	1	19	—	162	967	152	206	929	-571	1 396
Dec.	848	1	—	9	2	838	121	234	908	-553	1 479
1972											
Jan.	714	1	22	—	71	666	117	226	1 002	-659	1 369
Feb.	522	1	18	—	101	440	116	238	977	-623	1 377
March	786	1	—	5	48	734	89	242	1 110	-779	1 423
April	807	1	5	—	207	606	85	249	1 087	-753	1 451
May	796	1	6	—	74	729	79	254	1 067	-734	1 450

¹ Including special index accounts.² Including cash reserve accounts.SELLING RATES FOR FOREIGN EXCHANGE¹

Mk

May 31, 1972

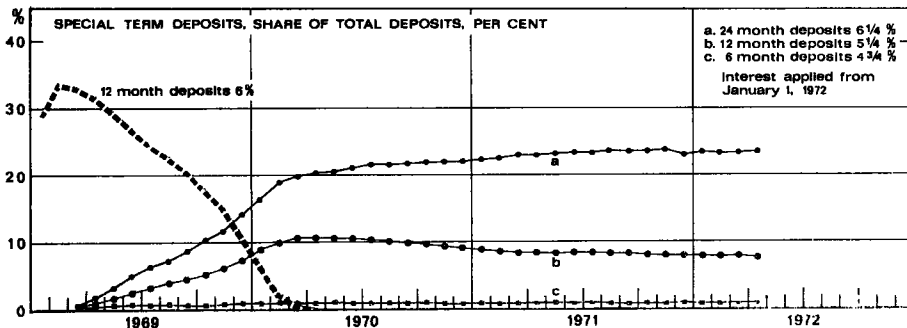
New York ²	1 \$	4.138	Frankfurt o. M.	100 DM	130.30	Vienna	100 S	17.94
Montreal	1 \$	4.214	Amsterdam	100 FI	129.10	Lisbon	100 Esc	15.36
London	1 £	10.815	Brussels	100 Fr	9.435	Reykjavik	100 Kr	4.75
Stockholm	100 Kr	87.45	Zurich	100 Fr	107.65	Madrid	100 Pta	6.41
Oslo	100 Kr	63.40	Paris ³	100 FF		Moscow ⁴	1 Rbl	4.960
Copenhagen	100 Kr	59.75	Rome	100 Lit	0.7120			

¹ Rates for New York and Moscow are official, others unofficial.² As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.³ 82.70 commercial rate; 84.90 financial rate.⁴ Clearing account: also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
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
1971*	1 343.2	1 732.7	754.4	6 961.4	5 447.0	3 876.2	1 491.4	642.3	18 418.3	20 905.4
1971*										
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
July	1 119.7	1 426.6	555.4	6 277.7	5 015.8	3 593.7	1 324.8	588.8	16 818.8	18 800.8
Aug.	1 201.2	1 542.6	610.4	6 284.1	5 061.4	3 626.3	1 359.5	590.2	16 921.5	19 074.5
Sept.	1 195.8	1 553.2	637.4	6 361.7	5 119.9	3 676.7	1 371.0	608.3	17 137.6	19 328.2
Oct.	1 175.9	1 514.0	612.2	6 425.4	5 177.3	3 720.5	1 390.6	617.8	17 331.6	19 457.8
Nov.	1 322.4	1 663.1	624.3	6 534.2	5 252.3	3 774.1	1 418.9	619.4	17 598.9	19 886.3
Dec.	1 343.5	1 732.7	754.4	6 961.4	5 447.0	3 876.2	1 491.4	642.3	18 418.3	20 905.4
1972*										
Jan.	1 456.2	1 805.2	721.2	6 970.3	5 480.9	3 930.1	1 520.8	648.4	18 550.5	21 076.9
Feb.	1 456.3	1 820.1	772.5	7 021.9	5 540.5	4 008.4	1 548.9	658.5	18 778.2	21 370.8
March	1 421.2	1 767.8	782.6	7 052.8	5 572.5	4 040.8	1 566.2	663.4	18 895.7	21 446.1
April	1 374.8	1 714.7	798.0	7 112.5	5 611.9	4 080.0	1 577.5	670.2	19 052.1	21 564.8

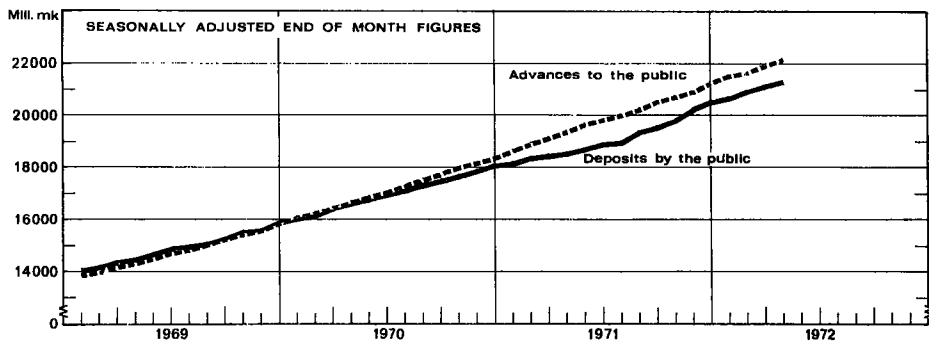


ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank ¹	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1965	4 597.4	2 609.2	2 030.6	707.4	899.4	10 420.4	423.6	10 844.0	2 074
1966	5 205.4	2 951.4	2 261.0	779.6	908.8	11 618.1	488.1	12 106.2	2 181
1967	5 558.9	3 247.7	2 424.3	864.9	1 026.9	12 583.8	538.9	13 122.7	2 146
1968	5 865.5	3 448.4	2 600.5	927.9	1 053.0	13 392.0	503.3	13 895.3	2 642
1969	6 892.2	3 802.8	2 922.1	1 039.8	1 290.4	15 354.4	592.9	15 947.3	3 126
1970	7 963.5	4 342.1	3 403.8	1 341.9	1 454.0	17 814.9	690.4	18 505.3	3 445
1971*	9 233.7	4 796.2	3 836.0	1 746.6	1 799.1	20 643.2	768.4	21 411.6	3 975
1971									
March	8 247.5	4 445.0	3 506.6	1 426.3	1 530.0	18 399.6	755.8	19 155.4	3 218
April	8 373.9	4 486.8	3 533.8	1 486.3	1 536.2	18 622.3	794.7	19 417.0	3 168
May	8 429.1	4 547.2	3 570.6	1 538.5	1 589.4	18 896.2	778.6	19 674.8	3 467
June	8 452.4	4 544.1	3 574.2	1 570.8	1 640.2	19 023.2	758.5	19 781.7	3 423
July	8 477.7	4 569.8	3 608.1	1 602.3	1 658.7	19 146.5	770.1	19 916.6	3 298
Aug.	8 539.0	4 604.7	3 631.4	1 668.0	1 660.1	19 327.4	775.8	20 103.2	3 384
Sept.	8 811.6	4 655.6	3 686.1	1 742.1	1 657.0	19 747.3	805.1	20 552.4	3 415
Oct.	8 956.0	4 712.2	3 739.1	1 755.6	1 662.5	20 026.2	799.2	20 825.4	3 495
Nov.	9 071.0	4 770.5	3 793.6	1 737.0	1 760.3	20 352.2	780.2	21 132.4	3 606
Dec.	9 233.7	4 796.2	3 836.0	1 746.6	1 799.1	20 643.2	768.4	21 411.6	3 975
1972*									
Jan.	9 262.7	4 851.8	3 884.0	1 782.7	1 808.1	20 838.9	750.4	21 589.3	3 819
Feb.	9 283.7	4 874.0	3 895.8	1 813.6	1 795.0	20 903.2	758.9	21 662.1	3 928
March	9 417.3	4 912.2	3 941.0	1 838.6	1 831.1	21 144.3	795.9	21 940.2	3 947
April	9 583.6	4 954.0	3 976.1	1 879.5	1 869.7	21 432.3	830.6	22 262.9	..

¹ New series.



FOREIGN TRADE

Mill. mk

Value 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	11 071.4	-1 384.7
1971*	9 897.2	11 738.2	-1 841.0

1971*

May	778.6	1 022.8	-244.2
June	830.6	807.9	+ 22.7
July	846.5	868.5	- 22.0
Aug.	809.6	881.2	- 71.6
Sept.	858.1	1 108.9	-250.8
Oct.	921.1	1 074.5	-153.4
Nov.	961.2	1 024.0	- 62.8
Dec.	1 017.6	1 462.2	-444.6

1972*

Jan.	872.3	957.3	- 85.0
Feb.	963.2	958.7	+ 4.5
March	1 049.9	1 036.1	+ 13.8

Jan.-Mar.

1971*	2 180.1	2 528.6	-348.5
1972*	2 885.4	2 952.1	- 66.7

Indices of exports and imports 1962 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1966	122	135	112	
1967	129	135	115	110	105
1968	143	129	136	132	103
1969	167	160	141	135	104
1970	176	192	156	147	106
1971	171	190	164	157	104

1969

Oct.-Dec.	190	187	146	138	106
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1970

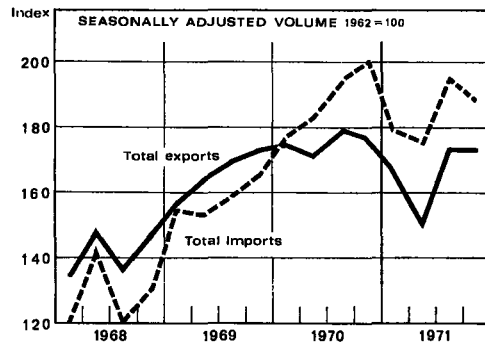
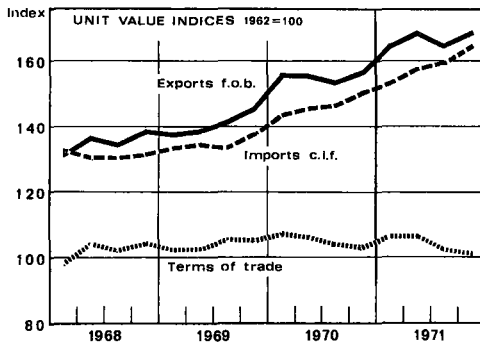
Jan.-Mar.	152	162	156	144	108
Apr.-June	178	189	156	146	107
July-Sept.	182	186	154	147	105
Oct.-Dec.	193	228	157	151	104

1971

Jan.-Mar.	152	169	162	152	107
Apr.-June	157	182	166	156	106
July-Sept.	176	184	162	158	103
Oct.-Dec.	198	223	166	163	102

1972 ¹	192	179	170	168	101
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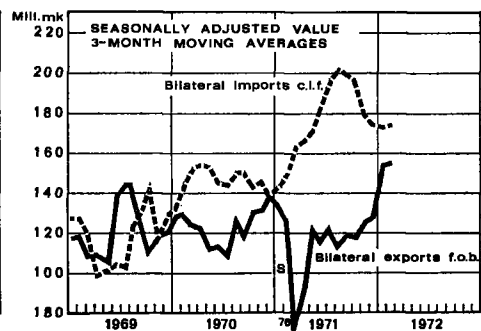
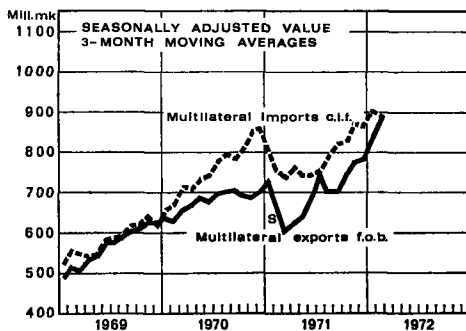
* The 1972 figures have been calculated by converting the final 1971 Fisher index with the percentage change in the 1972-1971 Laspeyres index.



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	4 918.2	1 243.4	2 905.5	2 004.3
1971*	546.8	88.5	1 653.3	3 720.7	2 323.0	1 564.9	4 638.5	1 560.9	3 428.0	2 110.8
1971*										
May	64.1	12.1	133.3	294.6	163.8	110.7	351.4	162.3	352.8	156.3
June	28.3	13.7	155.1	298.3	208.0	127.2	314.6	128.4	220.9	144.0
July	33.0	9.0	159.9	287.8	271.9	84.9	356.4	136.9	224.8	150.4
Aug.	37.9	13.7	148.5	287.5	187.6	134.4	345.0	171.7	213.9	150.6
Sept.	47.5	7.4	149.2	305.6	187.5	160.9	460.0	163.8	278.0	207.1
Oct.	45.0	8.0	166.1	351.0	196.4	154.6	434.3	142.3	317.2	180.7
Nov.	47.3	7.3	165.5	322.5	255.3	163.3	412.3	133.9	291.7	186.1
Dec.	74.5	6.6	168.6	359.5	254.8	153.6	601.6	179.3	430.7	250.6
1972*										
Jan.	72.8	3.2	132.7	320.7	226.5	116.4	360.9	136.5	294.3	165.6
Feb.	38.5	3.9	115.4	341.4	312.3	151.7	387.3	84.5	290.8	196.1
March	88.3	0.7	114.3	377.9	287.4	181.3	439.7	76.7	279.6	240.1
Jan.-Mar.										
1971*	142.1	8.1	290.7	917.3	465.2	356.7	1 001.7	253.8	782.2	490.9
1972*	199.6	7.8	362.4	1 040.0	826.2	449.4	1 187.9	297.7	864.7	601.8



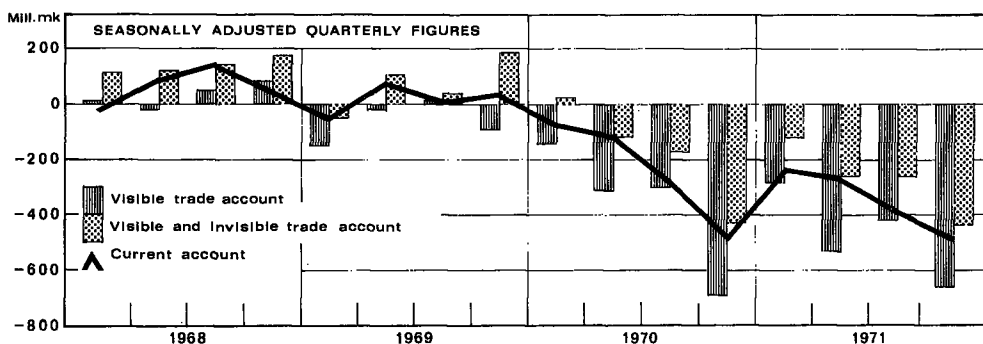
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January — March				January — March			
	1971*		1972*		1971*		1972*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	72.1	1 572.8	72.3	2 087.6	76.5	1 933.9	76.1	2 248.3
Austria	1.0	21.4	0.9	24.6	1.8	44.4	1.5	43.4
Belgium-Luxembourg	1.9	40.8	1.6	46.1	1.8	45.4	1.8	53.7
Denmark	3.8	83.2	3.6	104.5	3.6	90.1	3.1	91.4
France	3.7	79.7	3.9	114.0	3.5	89.0	4.8	142.6
Federal Republic of Germany	10.7	234.1	9.8	281.4	16.7	423.2	19.2	567.7
Italy	2.2	46.8	1.8	52.3	2.2	56.7	2.1	62.6
Netherlands	4.4	96.7	3.5	101.4	3.8	97.2	3.9	116.3
Norway	4.1	89.7	2.9	84.6	2.8	71.3	2.5	72.7
Portugal	0.3	6.0	0.2	6.4	0.7	17.4	0.6	18.4
Spain	0.9	20.7	1.0	28.5	0.7	18.6	0.5	14.3
Sweden	16.0	347.9	19.9	574.0	19.2	485.8	18.8	553.7
Switzerland	2.1	46.5	2.3	67.7	3.9	97.8	3.4	101.0
United Kingdom	19.1	417.3	18.0	518.3	15.5	390.7	13.6	401.0
Other	1.9	42.0	2.9	83.8	0.3	6.3	0.3	9.5
OECD countries outside Europe	6.4	140.3	7.4	212.7	6.9	173.6	5.8	172.1
Canada	0.9	18.9	1.2	34.1	0.3	6.3	0.3	8.0
Japan	0.1	3.5	0.3	9.8	2.3	57.5	1.5	45.7
United States	5.4	117.9	5.9	168.8	4.3	109.8	4.0	118.4
Eastern Bloc	12.3	267.1	13.4	386.5	14.8	376.5	14.7	434.1
Czechoslovakia	0.5	10.0	0.5	13.3	0.5	11.8	0.5	14.4
Democratic Republic of Germany	0.6	13.1	0.4	11.6	0.5	13.2	0.6	16.3
People's Republic of China	0.2	3.8	0.2	5.7	0.5	14.0	0.1	3.9
Poland	1.2	25.4	0.8	22.2	1.4	36.6	0.6	17.8
Soviet Union	9.1	198.6	10.8	313.0	11.4	287.6	11.6	343.6
Other	0.7	16.2	0.7	20.7	0.5	13.3	1.3	38.1
Latin America	2.8	61.3	1.7	49.1	0.3	7.8	1.9	54.9
Argentina	1.0	22.0	0.3	8.6	0.1	1.3	0.1	1.5
Brazil	0.6	13.6	0.6	17.9	0.0	0.2	0.6	17.5
Colombia	0.3	6.4	0.1	3.7	0.0	0.7	0.7	21.9
Other	0.9	19.3	0.7	18.9	0.2	5.6	0.5	14.0
Other	6.4	138.6	5.2	149.5	1.5	36.9	1.5	42.9
GRAND TOTAL	100.0	2 180.1	100.0	2 885.4	100.0	2 528.7	100.0	2 952.3
of which								
EFTA countries	46.6	1 015.4	48.0	1 384.3	47.5	1 200.7	43.5	1 284.4
EEC countries	22.8	498.1	20.6	595.3	28.1	711.6	31.9	943.0
OECD countries	78.5	1 713.1	79.7	2 300.3	83.4	2 107.5	81.9	2 420.4

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
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
1971*	9 845	11 765	-1 920	+659	+246	+69	-946	-490	- 1	-1 437
Jan.-Mar										
1969	1 696	1 944	-248	+128	- 20	-11	-151	- 57	+80	-128
1970 ^f	2 074	2 309	-235	+192	- 9	- 3	- 55	- 86	-11	-152
1971*	2 168	2 536	-368	+198	- 13	+19	-164	-135	- 1	-300
Apr.-June										
1969	2 002	2 008	- 6	+140	- 17	- 6	+111	- 84	- 7	+ 20
1970 ^f	2 429	2 721	-292	+180	+ 10	+ 0	-102	- 96	+ 1	-197
1971*	2 291	2 777	-486	+175	+ 47	+21	-243	-118	- 1	-362
July-Sept.										
1969	2 168	2 022	+146	+116	+ 38	-14	+286	- 80	+ 1	+207
1970 ^f	2 469	2 690	-221	+180	+109	- 4	+ 64	-110	- 1	- 47
1971*	2 502	2 883	-381	+178	+166	+16	- 21	-120	- 4	-145
Oct.-Dec.										
1969	2 430	2 554	-124	+195	+ 3	+18	+ 92	-102	- 2	- 12
1970 ^f	2 662	3 379	-717	+164	+ 32	+24	-497	-105	- 7	-609
1971*	2 884	3 569	-685	+108	+ 46	+13	-518	-117	+ 5	-630

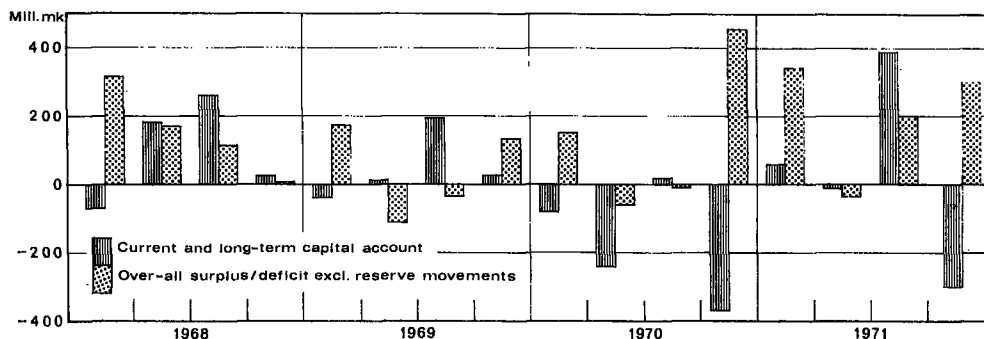


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+1 055	-723	-180	-51	+101	+188	+284	-311	- 6	+155	+115	-270
+1 479	-694	-253	-202	+330	-675	+751	+237	+232 ²	+545	-563	+ 18
+2 730	-855	-208	- 87	+1 580	+143	+391	+310	- 38	+806	-555	-251
+ 311	-201	- 8	-15	+ 87	- 41	+112	+147	- 46	+172	-135	- 37
+ 278	-158	- 51	+ 1	+ 70	- 82	- 9	+225	+ 23 ²	+157	-240	+ 83
+ 610	-228	- 5	-18	+359	+ 59	+ 20	+329	- 66 ²	+342	-314	- 28
+ 279	-155	- 98	-39	- 13	+ 7	- 23	- 92	- 6	-114	+252	-138
+ 220	-191	- 69	- 4	- 44	-241	+142	+ 42	- 4	- 61	- 86	+147
+ 595	-200	- 11	-29	+355	- 7	-157	+144	- 17	- 37	+ 99	- 62
+ 146	-146	- 17	+ 6	- 11	+196	+ 34	-284	+ 19	- 35	+151	-116
+ 359	-175	- 60	-58	+ 66	+ 19	+ 87	+ 5	-119	- 8	-116	+124
+ 868	-252	- 89	+ 5	+532	+387	- 40	+ 21	-169	+199	- 35	-164
+ 319	-221	- 57	- 3	+ 38	+ 26	+161	- 82	+ 27	+132	-153	+ 21
+ 622	-170	- 73	-141	+238	-371	+531	- 35	+332	+457	-121	-336
+ 657	-175	-103	- 45	+334	-296	+568	-184	+214	+302	-305	+ 3

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

¹ Including Direct investment, net.

² 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			
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
1971	312	315	302	309	361	304	346	295	303	149	162	134
1971												
Aug.	315	318	303	310	360	309	349	298	305	150	164	133
Sept.	317	319	307	312	374	309	350	299	309	153	170	136
Oct.	317	320	306	312	375	309	349	299	310	153	170	136
Nov.	319	322	308	314	377	312	354	299	312	153	170	137
Dec.	319	322	307	314	378	309	352	299	312	154	170	137
1972												
Jan.	323	325	315	317	390	312	352	302	318	154	170	137
Feb.	328	331	319	320	394	323	357	306	326	154	170	137
March	330	334	317	321	394	326	360	309	326	154	170	137
April	334	337	321	324	395	330	364	313	329	157	174	140

Period	Consumer prices 1967 = 100											
	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 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
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
1971	237	186	122	121	119	112	125	141	119	125	119	125
1971												
Aug.	241	189	124	123	121	112	128	141	122	128	120	125
Sept.	243	190	125	125	120	113	130	143	122	129	121	126
Oct.	243	191	125	124	120	114	130	144	123	129	121	126
Nov.	244	192	126	124	120	114	131	144	124	131	123	127
Dec.	245	192	126	124	120	114	131	144	124	132	123	128
1972												
Jan.	242	190	125	124	120	115	126	145	121	128	125	128
Feb.	245	192	126	126	120	115	126	147	122	131	126	129
March	247	194	127	127	120	116	126	147	122	133	127	131
April	251	197	129	131	126	117	128	148	123	133	127	133

WAGES

Index of salary and wage earnings 1984 = 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							
1969	162	154	149	155	151	158	150	149	153	151
1970	181	170	170	164	161	165	164	157	169	164
1971*	215	194	193	180	177	179	187	172	194	185
1970										
Jan.-Mar.	181	166	161	162	160	164	160	156	164	160
Apr.-June	180	169	168	163	162	165	165	157	170	164
July-Sept.	180	171	172	164	162	165	166	158	171	165
Oct.-Dec.	187	175	179	165	162	165	168	158	174	167
1971*										
Jan.-Mar.	200	183	184	176	174	176	180	169	185	178
Apr.-June	206	194	193	177	176	177	187	170	196	184
July-Sept.	219	197	196	180	178	180	189	173	197	186
Oct.-Dec.	226	203	200	185	181	184	194	177	201	191

PRODUCTION

Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	House construction	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1969	123	138	97	102	123	104	124	123	123	123	127
1970	132	153	95	111	140	98	132	133	129	128	134
1971*	133	151	95	106	138	97	134	139	136	132	140
1971*											
Jan.-Mar.	127	142	57	158	93	93	126	131	133	131	139
Apr.-June	134	154	80	119	129	98	135	142	134	131	140
July-Sept.	135	143	175	55	160	100	138	135	135	132	140
Oct.-Dec.	138	166	66	90	168	97	138	149	140	134	142
1972*											
Jan.-Mar.	135	169	58	119	93	99	131	136	140	135	146

PRODUCTION

Index of industrial production 1959 = 100

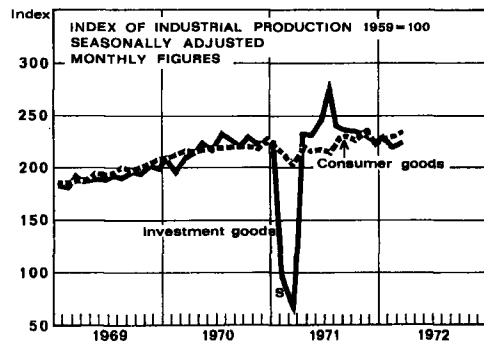
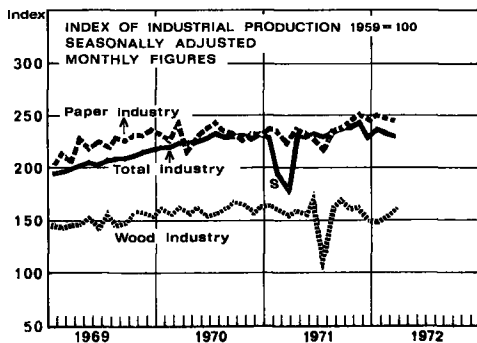
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1968	182	175	191	164	163	132	202	253	240	177	181
1969	207	194	214	196	173	151	223	285	281	199	207
1970*	228	222	232	220	190	162	234	328	328	226	228
1971*	227	208	231	223	190	161	237	351	314	211	227

1971*

Jan.	235	234	244	215	163	168	247	352	324	238	230
Feb.	196	102	202	207	162	166	231	328	315	109	195
March	207	83	212	231	180	187	256	346	318	90	183
April	234	237	233	233	185	175	218	396	296	235	233
May	233	231	236	225	186	170	229	372	319	234	232
June	226	238	223	226	204	172	203	336	321	244	234
July	175	153	186	154	175	104	222	300	283	140	231
Aug.	231	218	229	236	190	134	247	320	333	221	235
Sept.	245	250	245	241	190	166	246	362	330	253	239
Oct.	251	255	256	237	226	169	256	362	344	258	240
Nov.	256	255	261	244	231	162	257	376	323	258	245
Dec.	239	241	242	230	186	155	229	362	267	248	232

1972*

Jan.	245	253	250	228	169	160	262	404	272	253	238
Feb.	245	248	249	234	173	167	251	388	283	249	235
March	263	260	266	256	187	183	268	413	328	261	232



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Total labour force, 1 000 persons	Employed 1 000 persons	Unemployed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1968 = 100	Wholesalers' volume index 1968 = 100	Indicator of traffic activity 1964 = 100
1968	2 188	2 100	88	4.0	31 859	100	100	106
1969	2 189	2 127	62	2.8	35 338	108	117	118
1970	2 194	2 153	41	1.9	39 267	114	130	125
1971*	2 199	2 150	49	2.2	36 238	118	137	122
1971*								
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	125
May	2 185	2 135	50	2.3	3 157	135	149	119
June	2 347	2 308	39	1.7	2 408	118	133	124
July	2 360	2 315	45	1.9	1 092	129	139	127
Aug.	2 285	2 243	42	1.8	1 290	124	160	130
Sept.	2 194	2 154	40	1.8	1 794	115	149	124
Oct.	2 179	2 138	41	1.9	2 274	120	142	128
Nov.	2 177	2 131	47	2.2	2 616	117	144	123
Dec.	2 175	2 122	53	2.4	3 233	156	155	121
1972*								
Jan.	2 134	2 063	71	3.3	3 009	110	126	130
Feb.	2 128	2 055	73	3.4	3 927
March	2 129	2 056	73	3.4	4 658

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											
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	38.55	16.41	4.29	12.59	3.35	36.56
1971*	42.63	19.54	3.10	15.18	26.0	37.00	15.67	3.12	13.71	2.91	37.34
1970*											
Oct.-Dec.	9.07	4.23	0.44	3.24	0.78	14.62	5.79	1.79	5.24	1.23	36.56
1971*											
Jan.-Mar.	6.52	2.86	0.52	2.45	0.33	6.55	3.00	0.49	2.19	0.72	32.98
Apr.-June	13.59	5.54	1.59	5.06	0.58	7.89	3.23	0.38	3.46	0.50	37.90
July-Sept.	12.90	6.66	0.61	4.18	0.89	8.78	3.65	1.01	2.64	0.84	41.76
Oct.-Dec.	9.62	4.48	0.38	3.49	0.80	12.67	5.35	1.12	5.03	0.76	37.34

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

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

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

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

STATE FINANCES

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

FOREIGN TRADE

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

BALANCE OF PAYMENTS

Pages 12—13. Figures are calculated by the Bank of Finland Institute for Economic Research. In addition to the Board of Customs figures, exports include grants in kind but exclude 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 — 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
- Revised
- 0 Less than half the final digit shown
- . Logically impossible
- . . Not available
- Nil
- S affected by strike

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden 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 1972 were as follows: Social Democrats 55, People's Democrats 37, Centre Party 35, Conservatives 34, Finnish Farmers' Party 18, Swedish Party 10, Liberal Party 7 and Christian League 4.

INTERNATIONAL ORGANIZATIONS

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

LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. 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 (1970). 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 remaining 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 calculated according to the use of wood was 50.7 million cu. m excl. bark (1 791 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 (1969): Gross value of industrial production 30 676 mill. marks, number of workers 375 063, salaried employees 95 910, motive power (1988) 4.7 mill. kW. Index of industrial production 227 for 1971 (1959 = 100).

STATE RAILWAYS (Jan. 1, 1972): Length 5 874 km.

MERCHANT FLEET (April 30, 1972): Steamers 41 (43 908 gross reg. tons), motor vessels 384 (786 615 gross reg. tons), tankers 59 (733 446 gross reg. tons), sailing vessels with auxiliary engines 4 (566 gross reg. tons). Total 488 (1 564 535 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1971): Passenger cars 753 000, orries and vans 113 600, buses 8 200, others 5 200. Total 880 000.

FINNISH AIRCRAFT (May 1972): Finnish Airlines, Finnair and Kar-Air have in use 3 DC-8-62s, 2 DC-8s, 8 Super Caravelles 8 DC-9s and 7 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 24 airports and to 17 domestic airports.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). Since Oct. 12, 1967, the par value of the mark is 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per U.S. dollar). Since Dec. 20, 1971 a temporary central rate of 4.10 marks to one U.S. dollar has been applied.

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1971). There are two big and five small commercial banks with in all 833 offices, 306 savings banks, 424 co-operative banks, six mortgage banks, and Post Office Bank. The co-operative stores accept deposits from their members. The National Pension Institute and fifty-nine private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1972). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is $7\frac{3}{4}$ ‰. The range of rates for other credits granted by the Bank of Finland is between 6 and 9 ‰. Other credit institutions: term deposits $4\frac{1}{4}$ ‰, 6 month deposits $4\frac{3}{4}$ ‰, 12 month deposits $5\frac{1}{4}$ ‰, 24 month deposits $6\frac{1}{4}$ ‰; highest lending rate 11 %.

FINNISH ECONOMY IN 1971 AND THE CURRENT OUTLOOK

by Reino Airikkala, M.Sc. (Econ.), International Economics Office,

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The cyclical upturn, which started in the second half of 1968, was one of the strongest of the postwar period. The boom was led by rapid growth of demand for exports and supported by the strengthening of competitiveness which was secured through the 1967 devaluation and the successful stabilization policies pursued following it. From 1968 to 1970 real GDP rose by 16 per cent while the rise in the cost of living was only 5 per cent. Against this background 1971 was a year of disillusionment.

Although the slow-down in export growth was felt clearly as early as 1970, the size of the difficulties met by exporters in 1971 was unexpected. External and internal pressures, which built up during 1970, led to difficulties in incomes policy, and some of the wage settlements of spring 1971 were reached only after extensive strikes. The strike in the metal and engineering industries caused a loss of exports and income, which could not be made up later in the year because of a fall in demand. A cyclical drop in productivity growth reinforced the cost pressure of wage increases, and a substantial rise in the cost of living was not avoided. At the same time, the worsening of the balance of payments led to policy measures which were not fully in harmony with the other goals of economic policy.

This spring guarded optimism has gradually returned. Internally, a reasonable basis for incomes and price policy was re-established in

April, and the trend in exports and the balance of payments began to improve. The longer term outlook is still unclear because of the uncertainties caused by the present phase of European economic integration and the subsequent structural adjustment which such integration may require.

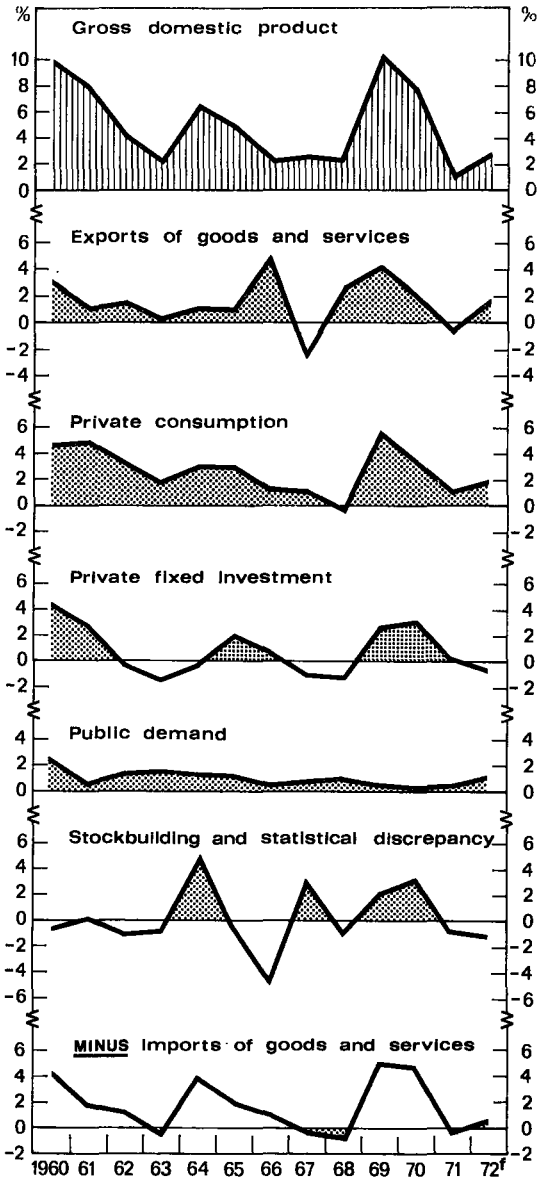
FOREIGN DEMAND

As most OECD countries adopted expansionary economic policy measures only after a period of general anti-inflationary demand management, progress towards higher rates of growth has been slow. Clearly Finland, whose export volume fell by three per cent, could not escape the influence of these developments. Export performance was also affected by the six week strike in the metal industry in February—March and the sluggish start in deliveries to the Soviet Union under the new five-year trade agreement. Higher prices were the sole source of the slight increase in the value of exports. Apart from the metal industry the recession was reflected most clearly in the cyclically sensitive wood-working industry, where exports declined both in volume and value.

The increase in exports during the first few months of this year has been encouraging (Chart 2), although allowance must be made for special factors such as the timing of large ship deliveries and advance deliveries in the

CHART 1. CONTRIBUTION TO THE GROWTH OF GROSS DOMESTIC PRODUCT 1960 - 1971 AND FORECAST 1972¹

DOMESTIC DEMAND



¹ Change in volume over previous year in per cent of previous year's gross domestic product.

first months of this year brought about by fear of labour unrest. For the year as a whole, exports to OECD and socialist countries are expected to accelerate although the growth of export volume would still remain slightly below the longer term average. The value of exports is forecast to increase by more than 15 per cent, nearly half of which should be the result of price rises and currency depreciation.

The slack in exports led to rapid weakening of domestic demand. In 1971 there was scarcely any increase in total private fixed investment in spite of still substantial growth in manufacturing investment. The growth of consumption slowed down with that of real disposable income and stock-building stagnated. The increase in the growth of public demand was too weak to compensate for the slack in private demand (Chart 1).

The most contractive component in private investment was non-residential building which decreased throughout the year and was on average more than five per cent lower than in 1970. Purchases of machinery and equipment continued to grow during the first half of 1971, and the slow-down set in towards the end of the year. Over the whole year investment in machinery and equipment grew by 4 per cent. In residential building a slight increase was recorded mainly as a consequence of construction supported by state loans. Housing was also encouraged by the availability of bank credit for this purpose.

Private productive investment is held back by feeble demand, decreased profitability in some sectors and the uncertainty about future European trade groupings. In addition the substantial unused capacity in some industries, created during the last boom, will retard new projects for some time. For these reasons, private investment is forecast to react quite sluggishly to improving demand conditions. In non-residential building the trough should be passed by the middle of this year, but a decline in investment in machinery and equipment is expected. The growth rate for residential building is also forecast to slow down somewhat towards the end of 1972 despite further support.

The rise in real private consumption in 1971 was 2.4 per cent, which is not much more than one third of the figure for the previous year. Besides the decline in the growth of real personal disposable income, there was a cyclical reduc-

tion in households' propensity to consume. In addition, policy measures, which were implemented at the middle of the year in order to curb the growth of imports, restrained the growth of consumption. The 15 per cent supplementary turnover tax imposed on a range of durables from June held back purchases of cars and other durables. The decrease in sales of consumer durables in 1971 was as much as 10 per cent.

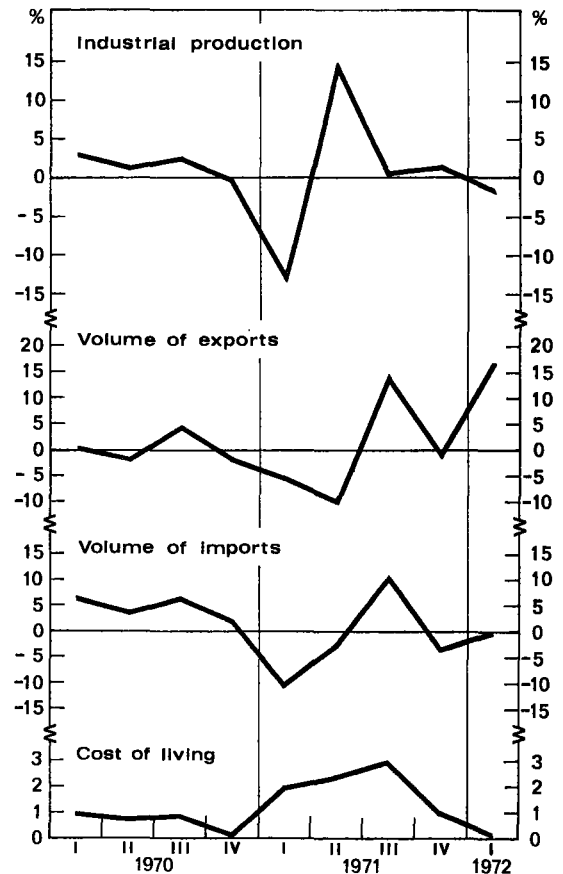
As the supplementary tax was abolished from the beginning of the year, sales of durables increased temporarily. In other consumption, moderate growth has continued, and the increase in total private consumption in 1972 is forecast to slightly exceed that of GDP.

The contribution of the public sector in maintaining total demand and employment remained quite modest in 1971 owing to the unexpected sharpness of the weakening in activity and the conflict in economic targets. Following its previous trend, public consumption continued to grow at an annual rate of about 5 per cent while public investment increased by only 2 per cent. However, towards the end of the year weakening in the employment situation led to a clear increase in public investment. In 1972 an increase of nearly 9 per cent is forecast for public investment. This suggests that the reaction of the public sector to the cyclical downturn is substantially stronger than in the past.

PRODUCTION

Although the slow-down in demand was felt clearly in all sectors, the export-dominated industries were hit most seriously. Production in the wood and paper industries hardly increased at all, and in forestry output fell by four and a half per cent in 1971. The strike and the temporary slow-down in exports to socialist countries contributed to the six and a half per cent decline in the metal and engineering industries, and the volume of total manufacturing declined by a half per cent. The decrease in

CHART 2. SELECTED ECONOMIC INDICATORS, PERCENTAGE QUARTERLY CHANGES IN ADJUSTED DATA



construction of buildings was 2 per cent which was partly the result of a strike in February—March. The growth in total output at factor cost in 1971 was 1 per cent, which is the lowest figure in the past ten years. It has been estimated that the strikes cut the growth of total output by about 1 percentage point.

During the first quarter of the current year industrial production remained sluggish (Chart 2). However, following the rise in exports, growth is expected to accelerate towards the end of the year. An increase of 5 per cent is forecast for industrial production in 1972. The mild revival in private investment towards the end of the year and a clear increase in public demand will be reflected in construction. Forestry will not recover in 1972.

EMPLOYMENT

The average unemployment rate in 1971 was 2.2 per cent which was still not very high in light of considerable frictional and structural unemployment. However, following its usual lag, unemployment increased continuously towards the end of 1971 and during the first quarter of this year. The seasonally adjusted unemployment rate for the first quarter of 1972 was 2.6 per cent. The deterioration in employment has been sharpest in the export-dominated sectors, especially in forestry and consequently has been concentrated in Northern and Eastern Finland. The fall in emigration to Sweden worsened the employment situation in these regions, which suffer from extensive structural unemployment even at the best of times.

During the current year there will be a further rise in unemployment, and a change in the trend cannot be expected before 1973. It is estimated that the average unemployment rate in 1972 will be nearly 3 per cent.

IMPORTS

The volume of commodity imports decreased slightly in 1971. This was a result of weakening total demand, running down of stocks of imported goods and the policy measures introduced to reduce the current account deficit. Apart from the supplementary turnover tax on durables, an equalisation tax ranging from 1.2 to 5 per cent and covering 75 per cent of imports was imposed in order to abolish the preferential tax treatment which imported goods received. Despite the fall in quantity, the value of imports increased by 6 per cent because import prices rose, both in terms of foreign currencies and as a consequence of changes in exchange rates.

A quantitative increase was recorded only in the import of investment goods. This was the result of the lagged response of deliveries to orders placed during the boom. However, more than half of the 23 per cent rise in value can be

laid to increasing prices. The rise in import prices was even more pronounced for fuels and lubricants. The import of raw materials and semi-finished inputs, which account for 40 per cent of total commodity imports, fell by 6 per cent in volume and reflected the sluggish development in the metal industry and the running down of stocks. As a result of the measures taken, the share of consumer goods and passenger cars in total commodity imports declined.

During the first quarter of 1972 imports of raw materials and semi-finished inputs as well as consumer goods have only slightly increased compared with the low level of 1971. The growth of imports of investment goods is weak because of the recession in investment activity. It is expected that these trends will continue, and for the year 1972 as a whole, the real growth of imports will be very low. However, forecasts indicate that the value of imports will rise by over 10 per cent, most of it resulting from an increase of import prices in domestic currency.

PRICES AND WAGES

Last year a setback was faced in efforts to resist inflation by extensive use of incomes policy. As has often been the case in Finland, the rise in prices accelerated at the time of the cyclical downturn in production and productivity growth. However, in 1971 some exceptional factors added to the inflationary pressure. First, profits in export industries had increased markedly during 1969 and 1970 at a time when domestic wages and prices were kept in check by stabilization measures. Wage demands were further strengthened by the substantial wage increases in other countries. Second, the impact of wage settlements in 1971 turned out to be more inflationary than expected since the decline in the growth of productivity was sharper than had been forecast at the time of the agreements. Third, inflation abroad and the depreciation of the Finnmark, by pushing up import prices, reinforced domestic inflation. In addition, the policy measures taken to limit the

current account deficit increased consumer prices during the second half of the year.

According to the comprehensive collective agreement reached at the end of 1970, wage rates were to rise by about 7 per cent on average in 1971. One goal of the agreement was the reduction of wage differentials. However, the comprehensive agreement was not accepted by all unions, and there were extensive strikes leading to somewhat higher rises in the wages finally agreed upon. As wage drift increased as a result of the lagged effects of the boom, the total rise in the wage level in 1971 was nearly 13 per cent. Coupled with the low growth in productivity, this caused an average rise of more than 11 per cent in unit labour costs, and there was a setback in the competitive position of Finnish industries.

Although the Economic Special Powers Act giving the government extensive rights to regulate prices was continued, price controls were eased somewhat during the year. This, together with strong cost pressure, brought about price rises markedly higher than in two previous years (Chart 2). The cost of living index rose by 6.5 per cent in 1971 and the GDP deflator by 8 per cent.

A new comprehensive agreement was reached between the central labour market organizations in March 1972. This took the form of guidelines for wage settlements on trade union level.¹ Collective agreements in line with the guidelines have now been concluded in most industries, and the rise in negotiated wages in 1972 will be about eight and a half per cent on average. The increase in labour costs is estimated to be nearly 9 per cent. Agricultural target prices were raised by 7.6 per cent at the beginning of April, and cost pressure was further strengthened by increases in import prices. Moreover at the end of April the coverage of price control was somewhat reduced.² On the other hand, weak demand conditions and

improving productivity growth are reducing the pressure on prices in 1972.

BALANCE OF PAYMENTS

An unfavourable relative cyclical position, a temporary deficit in bilateral trade, the metal strike and the adverse movement in the terms of trade have been the main factors underlying deterioration of the current account. The deficit in 1971 amounted to about 10 per cent of current payments, i.e. somewhat below the level of the previous trough in 1966. In contrast, the invisible account showed steady improvement.

Despite the deficit on current account, the heavy inflow of foreign capital boosted the country's gold and foreign exchange reserves to the level of 2 400 million marks. This would be sufficient to finance more than 20 months' current account deficit of the level in 1971. Foreign capital was imported mainly in the form of long-term financial loans, but short-term trade credits contributed to the capital inflow, particularly during the last months of the year. The extensive import of long-term capital reflected the policy of the authorities and was facilitated by increased availability of funds at reasonable terms.

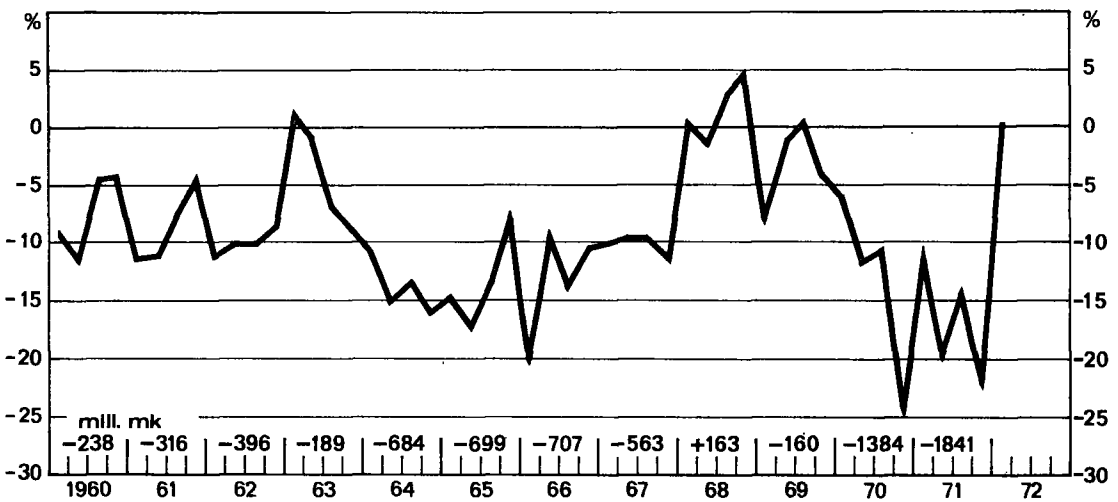
In January—April 1972 there was a rapid decrease in the trade deficit (Chart 3). Although this was partly due to shifts in the timing of export deliveries, the outlook for 1972 as a whole clearly suggests progress towards a more satisfactory current account position. During the same period net drawings on long-term loans amounted to 1 000 million marks, which is more than half of the total figure for last year. A further increase in foreign exchange reserves is forecast by the end of the year.

The exchange rate policy of the Finnish authorities has been influenced by the unsatisfactory development of the current account and weakening economic activity. Since May 1971 the Finnish mark has depreciated gradually because of revaluations and upward

¹ The collective agreements are described in greater detail in the previous issue of this Bulletin (No. 5).

² See the front article of this Bulletin.

CHART 3. TRADE BALANCE, PER CENT OF IMPORTS, SEASONALLY ADJUSTED



floating of the currencies of Finland's main trading partners. At the time of the December re-alignment the Bank of Finland adopted a central rate of 4.10 marks per US dollar and availed itself of the wider margins of 2 ¼ per cent on the either side of the central rate. Until the end of 1971 the de facto depreciation of the mark weighted by the shares of the major currencies used in Finland's foreign trade was about 4 per cent. As the dollar has continued to weaken against most other currencies in the course of the spring, the actual depreciation of the mark has been between 5 and 6 per cent. Weighted by Finland's foreign trade shares, the depreciation is somewhat higher. In the short run, the adverse impact of the fall in the value of the mark on the terms of trade has outweighed the positive effect on export and import volumes. This has reinforced the cyclical weakening of the terms of trade experienced since last year.

MONETARY DEVELOPMENTS

Despite the recession the high rate of monetary expansion of the preceding years continued uninterrupted in 1971. The growth in total bank deposits by the public was nearly 14 per cent or about the same as in 1970. The growth in demand deposits was 18 per cent which is

substantially above the 11 per cent rise of the previous year. In sharp contrast to the rather slow increase during most of the sixties, the stock of demand deposits more than doubled in four years.

On the supply side, monetary growth was most obviously related to the exceptionally large inflow of liquidity through capital imports. On the other hand, several factors prevented the liquidity inflow from again leaking out and contributed to the substantial absorption of it by the domestic economy. Part of the explanation is probably in the lags and dynamics of recent developments. As the downturn in activity was more abrupt than expected, plans may not have kept pace with the change. In addition the liquidity preference of the public may well have increased. The rise in prices and nominal income caused an increase in transaction needs. It is notable that, contrary to earlier experiences, the acceleration in inflation did not lead to a marked shift from monetary assets to inflation hedges. Even the longer term time deposits maintained their share of the market. This suggests that the price rises were largely taken as an once-and-for-all consequence of external and internal pressures which had developed during years of price stability and that basic confidence in the authorities' ability to handle the situation had not been lost.

The economic policy measures taken in May 1971 encouraged deposit growth during the second half of the year. The rise in deposit rates gave some compensation for the fall in the real yield on deposits resulting from inflation, and the supplementary turnover tax, by its temporary character, caused consumers to defer their purchases of durable goods. Also, a squeeze on consumer credits was introduced, and this may have forced some additional saving.

The net effect of central government finances is more difficult to assess. There was little competition for depositors' savings from new central government bond issues. On the other hand, the government was still running a positive, although declining cash surplus in 1971, thus absorbing some of the money generated by other sources.

In addition to these more or less short-term effects, it seems probable that the rapid growth in liquidity during recent years is partly a result of more permanent factors. The weak liquidity position that business suffered from throughout the sixties may well have created a desire for a gradual correction which has been made possible by the improved availability of both internal and external finance.

During the first five months of 1972, the trend in monetary expansion has continued. The supporting factors are the inflow of capital and the release of the counter-cyclical reserves. It is forecast that the liquidity position of the banks will remain quite easy during the rest of the year.

POLICY ISSUES

The difficult problems for monetary as well as other economic policy in 1971 had their source in conflicting goals. The slow-down of export demand and production had started already in 1970, and a recession in 1971 was clearly to be expected. At the same time the current account had weakened rapidly and had shown a

considerable deficit by the end of 1970. On the other hand, owing to a strong foreign exchange reserve position, substantial counter-cyclical reserves, and the healthy state of central government finance, the resources available to the authorities to fight the recession were larger than ever before. In these conditions, there was a trade-off between internal and external balance.

There were several points which reduced the weight of the rise in current account deficit in 1970. Capital inflows had been encouraged to help finance the structural changes required for the further development of the economy. An underlying deficit on current account could be regarded as the other side of the coin, i.e. the real transfer of resources brought in to supplement domestic saving. From this point of view, the increase in the deficit was not very alarming since the buoyant element in imports was investment goods, and since the saving ratio remained as high as before. The forecast expansion of markets and the competitive position of Finnish industries made at that time longer term prospects for Finnish exports still quite favourable. Nor was there any question about the ability to finance, at least in the short-run, even a substantial deficit.

However, during the first half of 1971 concern about the balance of payments increased. The current account deficit continued to grow, the metal workers' strike left a gap in export revenues, wage increases took part of the previously gained competitive advantage, the weakening of export demand proved greater than expected and uncertainties concerning world trade and the future trade relations of Finland with the enlarging EEC clouded the longer-term optimism. In addition the trend in the terms of trade and market shares did not seem very promising. Consequently there were two risks from not reacting to the deficit at that time. First policy measures might be forced on the authorities at a later stage when employment might be worse. Second, there was the longer term risk of losing control of the size of the cumulative deficit. Thus, in May several additional policy measures were introduced to

at least prevent the current account deficit from growing any larger.

The choice of measures naturally reflected the concern about the darkening outlook for growth and employment. Emphasis was placed on demand-switching rather than demand-reducing measures. The supplementary turnover tax on consumer durables was tailored to reduce purchases of final consumer goods without hindering excessively domestic production although the main reason for raising the general level of interest rates by one percentage point from the beginning of June, was concern about the overall balance of payments, longer term considerations were also present. A rise in deposit rates was seen as an encouragement for private saving in face of the feared adverse effects of inflation. Also, higher interest rates would favour labour-intensive investments, thus eventually absorbing some of the labour reserves and reducing the structural pressure on the balance of payments. At the same time measures were taken in order to safeguard the availability of credit for investments supporting employment and growth. Thus the banks were authorized to employ more efficient interest rate differentiation in order to help allocate credit in the desired direction. With the exception of housing and study loans, quantitative ceilings for personal loans were set. In short, credit policy was based on higher price but fair availability of credit for growth supporting projects.

During the second half of 1971 the immediate concern about the balance of payments gradually diminished. The slight further deterioration in the trade account was largely attributable to a temporary imbalance in bilateral trade with the socialist countries and other exceptional factors. More important, the timing of measures designed to secure rapid growth was considered appropriate in light of the lags involved and the forecast development of both the balance of payments and employment. Consequently, support for growth and employment came to dominate economic policy.

First of all, import of long-term capital was further encouraged and led to an increase in the

rate of monetary expansion during the second half of the year. In fiscal policy, central government investments and lending, especially for housing were increased. The release of the private sector's counter-cyclical reserves, totalling more than 450 million marks started in September, but their main impact is expected only during the current year. The credit quotas for commercial banks at the Bank of Finland were raised by 50 per cent in October. And finally, in December, it was decided to lower the general level of interest rates by $\frac{3}{4}$ of a percentage point from the beginning of the present year. At the turn of the year the supplementary turnover tax was rescinded.

During the five first months of the present year there has been a further shift in the climate for economic policy. Although the current account will still be in deficit this year, the trend has definitely changed as exports are now growing markedly faster than imports. According to present forecasts, the balance of payments will not become a major constraint on economic policy before the later phases of the next boom.

Similarly, whereas the inflationary tendencies of the recent wage increases and rising import prices still cause concern, they are, at present, tackled by the governments price policies and are not considered to hinder general demand management. On the contrary, a quick revival in growth would help to cure inflation, as growth in productivity would then reduce the pressure on prices. There are, however, other considerations in the pursuit of expansionary monetary and fiscal policies.

First, as a result of the industrial structure domestic demand can only partly make up for a deficiency in foreign demand. Second, private investment, which at present is the most sluggish component of total demand, is quite insensitive to policy tools as long as there is substantial unused capacity and as long as uncertainty about the future market setting in Europe prevails. Third, if the expected upswing proves to be strong, further expansionary policies could lead to overshooting of the mark. While last year the unpleasant combi-

nation of recession, trade deficit and inflation was faced, the present trade-off is rather between present and future stability. This dual goal was clearly expressed in the instructions given to the banks by the Bank of Finland in May. While banks were asked to intensify

their support for growth investments during this year and in 1973, they were instructed to restrict their commitments for projects which are to be realized in 1974 or later. Furthermore planning of policy measures to prevent potential overheating has been started.

ITEMS

Inflow of long-term capital in January—March 1972. According to the preliminary figures of the Bank of Finland, 968 million marks of long-term foreign loans were drawn upon in January—March 1972. The corresponding figure one year earlier was 617 million marks. Repayments of long-term foreign loans amounted to 273 million marks in January—March as against 233 million marks one year earlier. The net inflow of long-term capital thus increased by 311 million marks on the corresponding period in 1971 and totalled 695 million marks.

Long-term capital flowed into Finland mainly, in the form of bond issues and direct financial loans. Drawings of direct financial loans amounted to 494 million marks and their net inflow was 354 million marks in January—March of this year. Net drawings of long-term commodity credits totalled 158 million marks.

Three bond issues totalling 239 million marks were floated abroad during the first quarter of this year. In January Imatran Voima Oy launched a DM 75 million loan. Outokumpu Oy made a bond issue of 20 million dollars in February, and this was followed by an issue of municipalities bonds of 15 million dollars in March. Amortizations of outstanding bonds amounted to 21 million marks during the period under review.

Drawings of loans previously granted by the World Bank totalled 9 million marks, while redemptions of loans granted by the World Bank and foreign governments amounted to 44 million marks.

At the end of March, Finnish long-term foreign borrowing totalled 8 543 million marks. Interest expenses on long-term foreign loans amounted to 127 million marks. Debt service

costs, i.e. interest expenses and amortizations, totalled 400 million marks in the first quarter of 1972 as against 341 million in the corresponding period one year earlier.

Investment capital flows in January—March 1972. Foreign direct investment in Finland, according to the permits granted by the Bank of Finland, amounted to 26.4 million marks in the first quarter of this year. In addition subsidiaries drew 20.0 million marks from foreign parent companies in the form of loans. Thus the total inflow of investment capital was 46.4 million marks. The corresponding figure for the first quarter of 1971 was 32.3 million marks.

Of total inflow 9.0 million marks was invested in production, 36.6 million in marketing and 0.8 million in other activities. Investment originating in EFTA countries totalled 28.5 million marks of which 22.7 million came from Sweden. EEC countries invested 5.9 million marks in Finland, the Soviet Union 9.6 million and the United States 2.4 million.

According to the statistics based on permits granted by the Bank of Finland, Finnish direct investment in other countries and loans granted or arranged by Finnish parent companies for their subsidiaries amounted to 44.8 million marks. The share of loans in this was 41.2 million. In the corresponding period one year earlier, the total outflow of investment capital was 37.2 million marks.

Investment in and lending to productive enterprises totalled 39.7 million marks while 3.7 million went to marketing and 1.4 million to enterprises engaged in other activities. Firms in EFTA countries received 3.6 million and those in EEC countries 1.1 million. The major

part of the remaining 40.1 million marks was invested in the Eurocan project in Canada.

The net total inflow of investment capital was thus 1.6 million marks in the first quarter of 1972, whereas in the first quarter of 1971 the outflow of investment capital exceeded the inflow by 4.9 million marks.

Cancellation of the restrictions on the use of import credits.

The Bank of Finland has cancelled its ruling of November 12, 1970 concerning certain specific import commodities. Previously these items had to be paid for through an authorized bank or an amount equivalent to their purchase price had to be deposited with the Bank of Finland before they could be cleared through Customs or placed in a public or private bonded warehouse.

A new ruling comes into force on June 1, 1972. From this date, importers will be able to avail themselves of commercial credit not exceeding six months without limitation.

Domestic bond issues. The Government has announced the following two bond issues for public subscription.

The 1972 II issue of 8 per cent bonds has a nominal value of 25 million marks. The bonds are dated May 2 and will run for a period of ten years. These bonds are tax-exempt for persons and the undistributed estates of deceased persons over the years 1972—1982.

The 1972 issue of 7½ per cent bonds amounts to 100 million marks. The currency period is six years starting May 2. These bonds are also tax-free over the years 1972—1976.

The Government has authorized the following private bond issues.

The Finnish Real Estate Bank Ltd has launched an issue of 20 million marks; these bonds will have a period of ten years, starting April 20. The rate of interest is 3½ percentage points above the highest rate on six-month deposits with the Central Bank of the Savings Banks Ltd which from January 1, 1972 has been 4¼ per cent.

The Land and Industrial Mortgage Bank Ltd has floated an issue of 20 million marks. The bonds are dated April 15 and will run for a period of ten years. The rate of interest is 3½ percentage points above the highest rate on six-month deposits with the Central Bank of the Co-operative Banks Ltd which from January 1, 1972 has been 4¼ per cent.

The Industrial Mortgage Bank of Finland Ltd has issued bonds totalling 100 million marks. The bonds are dated June 1, 1972 and will run for a period of ten years. The rate of interest is 8¼ per cent.

Kymin Osakeyhtiö (woodworking and chemical industries, metal industry and foundry works) has made an issue of 25 million marks. The bonds are dated May 15 and will mature in twelve years. The rate of interest is 8½ per cent.

Yhtyneet Paperitehtaat Osakeyhtiö (United Paper Mills Ltd) launches an issue of 20 million marks. The loan is current for a period of 10½ years starting from June 15, and the interest rate is 8¼ per cent.

All of these loans are issued at par.

BANK OF FINLAND

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*Governor, absent as
a Member of Government*

A. Simonen

Deputy Governor, Acting Governor

Ahti Karjalainen

Heikki Valvanne

Jaakko Lassila

Päiviö Hetemäki

Timo Helelä

ad int.

Directors

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Timo Helelä

Jorma Aranko

Pertti Tammivuori

Markku Puntila

Heads of Department

Pauli Kanerva

Administration

K. Ignatius

Personnel

Antti Lehtinen

Domestic financial operations

Helge Lindström

Credits and securities

Kalle Koski

Foreign credits

P.-E. Österlund

*Direct investments and
capital transfers*

Kari Nars

*Special offices
for international matters*

Leo Lindström

Foreign exchange control

Stig Törnroth

Cash

K. Eirola

Automatic Data Processing

A. Nenonen

Foreign correspondence

Väinö Heiskanen

Banking services

Eino Suomela

Internal Audit

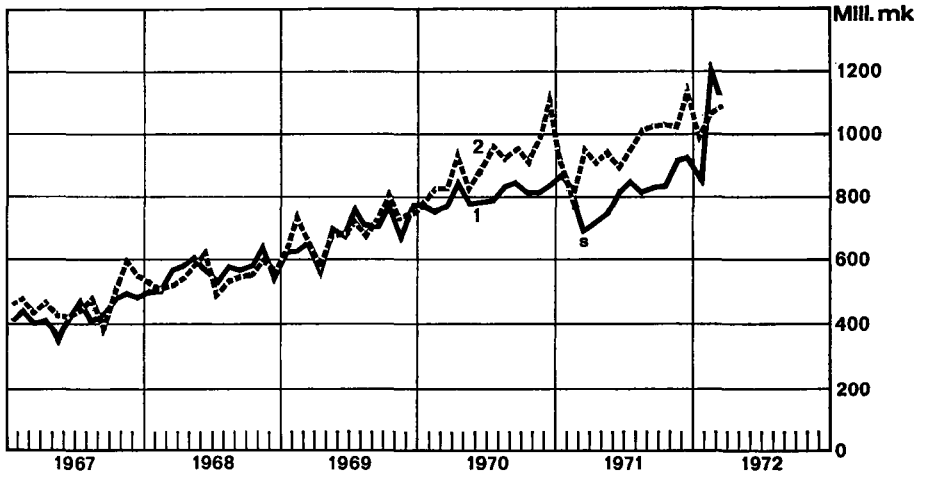
Institute for Economic Research

Pertti Kukkonen

Director

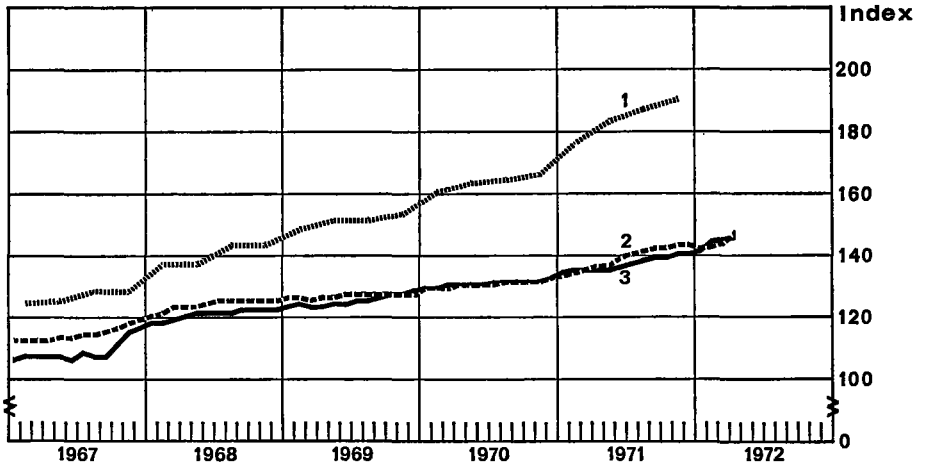
Foreign trade, 1967 - 1972

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



Prices and wages, 1967 - 1972

- 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, 1967 - 1972

- 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

