

BANK OF FINLAND

Monthly Bulletin

Monetary developments

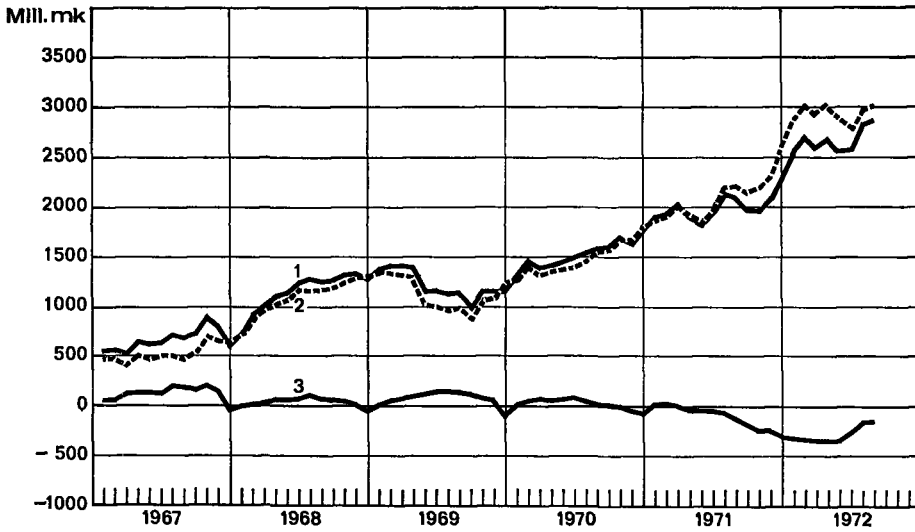
Finnish export performance

Finland's balance of payments January—
June 1972

OCTOBER 1972

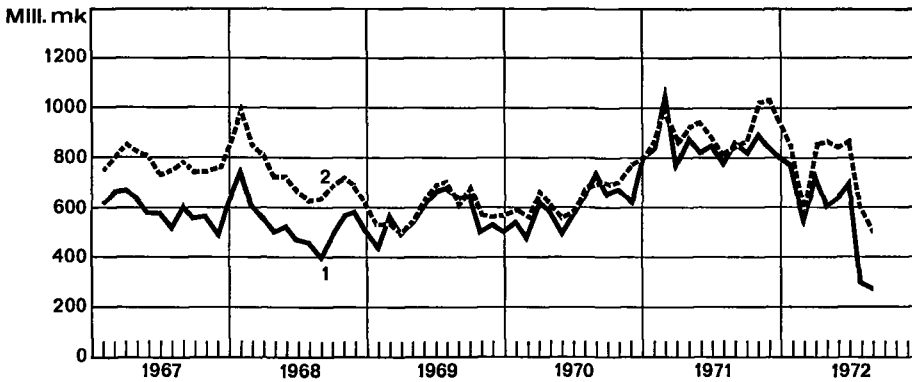
Vol. 46 No. 10

Bank of Finland foreign exchange reserve, 1967-1972



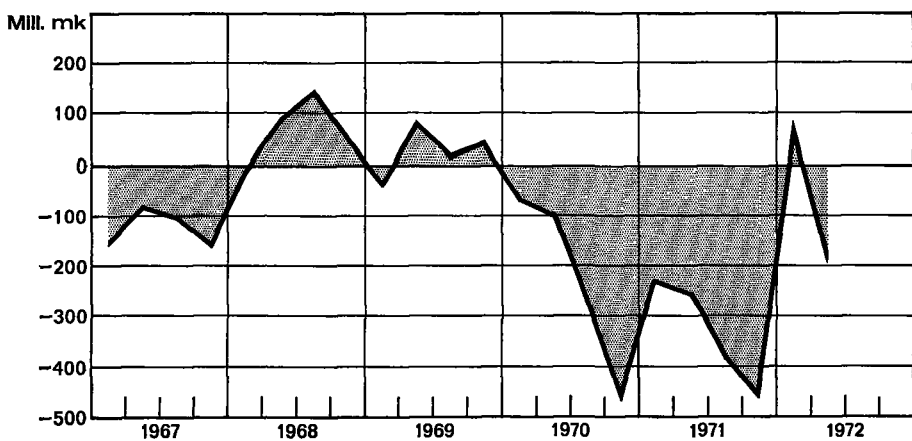
- 1. Total gold and foreign exchange
- 2. Gold and convertible currencies
- 3. Other currencies

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, 1967-1972



Seasonally adjusted quarterly figures

MONETARY DEVELOPMENTS

In 1971 growth of total production in Finland was clearly below the average long-term trend. This was partly the result of strikes in the spring, but primarily the result of rapid weakening of export demand. Investment, however, remained fairly brisk, owing to the completion of investment begun during the previous upswing, and, as investment goods are largely imported, the current account deficit grew markedly. The level of interest rates in the international capital market remained low throughout 1971; since access to credit was eased by the recession prevailing abroad, the current account deficit could be financed by the inflow of long-term capital. This inflow was so strong that the country's foreign exchange reserves grew noticeably.

At the beginning of this year, domestic money markets were already rather easy. The markets had been eased by the continuing capital inflow, the rise in the credit quotas of the commercial banks at the Bank of Finland and the release of counter-cyclical reserves. These measures had been taken to alleviate the cyclical recession already under way.

During the current year, the easing of the money markets has continued, since domestic saving has remained at a relatively high level in spite of inflationary pressure. The easing would have been even greater, had not much of the public finance surplus been frozen in the Bank of Finland. Monthly fluctuations in the State's financial position have caused large variations in the State's short-term investments, and this is reflected in the banks' Central Bank position. Since a part of the State's liquidity is tied through the Post Office Bank to the Bank of Finland, the total easing of the money market is not shown in the Central Bank position of the commercial banks. However, throughout the current year, the commercial banks' debt

to the Bank of Finland has remained clearly below its ceiling.

The counter-cyclical reserves built up during the previous upswing were larger than they had ever been before. Collection of counter-cyclical and investment deposits from enterprises had been started at the beginning of 1970, and the major portion accrued during that year. These counter-cyclical reserves reached their peak level, 364 million marks, in September 1971 and subsequently were released gradually. The counter-cyclical deposits were to be drawn upon in four phases by the end of September 1972 and the investment deposits were to be used by the end of March 1973. At the end of August 1972 121 million marks of counter-cyclical and investment deposits was unused. Furthermore, a Government counter-cyclical fund, totalling 250 million marks, was set up in three parts from April 1970 to April 1971, and was invested in foreign claims. Of the total, 215 million marks was budgeted to be drawn upon in the current year, and the remainder probably will be used next year. Moreover, a total of 114 million marks in counter-cyclical taxes, which were collected retroactively from the wood-processing industry, was deposited in the Bank of Finland; most of the proceeds will be used during the current year. The money market was further eased at the turn of the year by the exhaustion in December 1971 of almost all of the Government's remaining export levy.

In spite of a deceleration in the growth of domestic income formation, monetary expansion has shown no signs of tapering off in 1972. The supply of credits has been increased by the inflow of capital, which has remained vigorous. The growth in the net foreign assets of the Bank of Finland was 670 million marks in January—August. At the same

time, deposits by the public in banking institutions increased particularly sharply. While bank deposits increased by 12 per cent from August 1970 to August 1971, the increase was as much as 19 per cent during the following twelve months. However, the figure for the earlier period was influenced by strikes and other exceptional factors. The growth in demand deposits was relatively more vigorous than that in time deposits. The banks' lending increased evenly in the period under review, and grew more than 15 per cent from August 1971 to August 1972. Total deposits from the public increased faster than total lending during the past year, and eased the liquidity position of the banks.

The present outlook indicates that the banks should remain relatively liquid during the current year. No significant tightening is to be expected immediately after the turn of the year, as private investment is likely to remain rather sluggish, in spite of strengthening export demand. Investment may not pick up before existing capacity is in full use. In such circumstances, the money market will also become tighter, especially if the capital inflow slows down as a result of forecast tightening in the international capital market.

September 26, 1972

BANK OF FINLAND

Mill. mk

	1971		1972			
	Sept. 30	Dec. 31	Sept. 8	Sept. 15	Sept. 23	Sept. 29
Assets						
Gold and other foreign assets	2 311	2 776	3 314	3 239	3 240	3 245
Gold	205	205	205	205	205	205
Special drawing rights	197	197	283	283	283	283
IMF gold tranche	268	268	268	268	268	268
Foreign exchange	1 510	1 950	2 343	2 267	2 274	2 278
Foreign bills	91	119	105	108	102	102
Foreign bonds	40	37	110	108	108	109
Claims on domestic banks	882	849	523	515	778	677
Discounted bills	866	848	513	509	772	661
Rediscounted bills	1	1	1	1	1	1
Cheque accounts	15	—	9	5	5	15
Other lending	372	340	298	304	308	306
Inland bills discounted						
In foreign currency	—	—	—	—	—	—
In Finnish marks	180	121	61	60	62	63
Loans	192	219	237	244	246	243
Other assets	743	597	634	632	669	661
Finnish bonds	178	38	70	67	103	95
Finnish coin	19	14	29	30	30	31
Currency subscription to Finland's quota in the IMF	530	530	530	530	530	530
Other claims	16	15	5	5	6	5
	Total 4 308	4 562	4 769	4 690	4 995	4 889
Liabilities						
Notes in circulation	1 322	1 479	1 475	1 494	1 512	1 557
Liabilities payable on demand	208	358	510	420	725	593
Foreign exchange accounts	183	297	139	132	139	109
Mark accounts of holders abroad	9	30	30	29	28	28
Cheque accounts						
Treasury	0	2	43	38	44	48
Post Office Bank	0	2	280	199	497	388
Private banks	—	9	—	—	—	—
Other	4	3	1	1	1	1
Other sight liabilities	12	15	17	21	16	19
Term liabilities	998	905	1 019	1 000	980	959
Foreign	—	—	—	—	—	—
Domestic	998	905	1 019	1 000	980	959
IMF mark accounts	530	530	530	530	530	530
Allocations of special drawing rights	173	174	258	258	258	258
Equalization accounts	399	400	249	259	260	260
Bank's own funds	678	716	728	729	730	732
Capital	600	600	600	600	600	600
Reserve fund	32	32	74	74	74	74
Profits undisposed	—	—	—	—	—	—
Earnings less expenses (Dec. 31, Net profit)	46	84	54	55	56	58
	Total 4 308	4 562	4 769	4 690	4 995	4 889

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										
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	
June	2 865	282	2 583	732	530	2 785	— 3	36	— 39	
July	3 028	181	2 847	748	530	3 065	— 3	35	— 38	
Aug.	3 073	175	2 898	743	530	3 111	— 3	— 43	— 46	
Sept.	3 034	137	2 897	741	530	3 108	— 2	— 48	— 50	

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1971			Net holdings, August 31, 1972			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Aug.	Jan.—Aug.
	Gold	205	—	205	205	—	205	—
Special drawing rights	197	—	197	283	—	283	—	+86
IMF gold tranche	268	—	268	268	—	268	—	—
Convertible currencies	1 920	143	2 063	2 283	129	2 412	—	+349
Other currencies	—297	— 3	—300	—140	— 3	—143	+ 17	+157
Total	2 293	140	2 433	2 899	126	3 025	+ 17	+592

BANK OF FINLAND

Mill. mk

End of year and month	Domestic banks						Other					Notes in circulation
	Dis-counted bills	Redis-counted bills	Cheque accounts ¹	Liabilities, Cheque accounts		Net claims on the banks (1+2+3-4-5)	Inland bills in Finnish marks	Other advances	Liabilities	Net claims on the rest of economy (7+8-9)		
				Private banks ²	Post Office Bank ²							
1	2	3	4	5	6	7	8	9	10	11		
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												
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	
June	860	1	—	6	154	701	67	261	1 096	-768	1 555	
July	616	1	19	—	347	289	63	256	1 072	-753	1 513	
Aug.	488	1	5	—	249	245	63	256	1 057	-738	1 474	
Sept.	661	1	15	—	388	289	63	248	977	-666	1 557	

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

Mk

Oct. 3, 1972

New York ²	1 \$	4.144	Frankfurt o. M.	100 DM	128.90	Vienna	100 S	17.86
Montreal	1 \$	4.212	Amsterdam	100 Fl	127.62	Lisbon	100 Esc	15.43
London	1 £	10.045	Brussels ³	100 Fr		Reykjavik	100 Kr	4.76
Stockholm	100 Kr	87.55	Zurich	100 Fr	108.86	Madrid	100 Pta	6.53
Oslo	100 Kr	62.65	Paris ⁴	100 FF		Moscow ⁵	1 Rbl	4.960
Copenhagen	100 Kr	60.05	Rome	100 Lit	0.7111			

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 9.335 commercial rate; 9.345 financial rate.⁴ 82.45 commercial rate; 84.60 financial rate.⁵ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

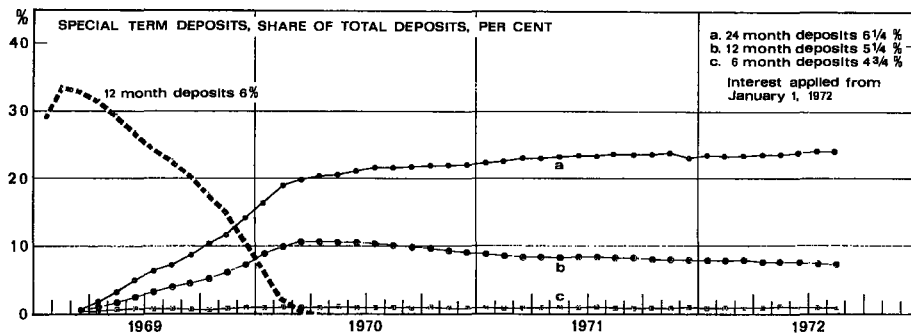
End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1965	676.9	843.7	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*

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
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
May	1 497.3	1 882.8	763.6	7 206.3	5 662.4	4 133.3	1 586.1	674.5	19 262.6	21 909.0
June	1 542.5	1 927.3	850.0	7 236.5	5 675.7	4 106.5	1 599.3	674.5	19 292.5	22 069.8
July	1 655.1	2 046.3	779.9	7 341.4	5 728.4	4 150.2	1 619.5	677.1	19 516.6	22 342.8
Aug.	1 637.3	2 078.4	793.6	7 418.0	5 813.8	4 218.5	1 634.3	678.4	19 763.0	22 635.0

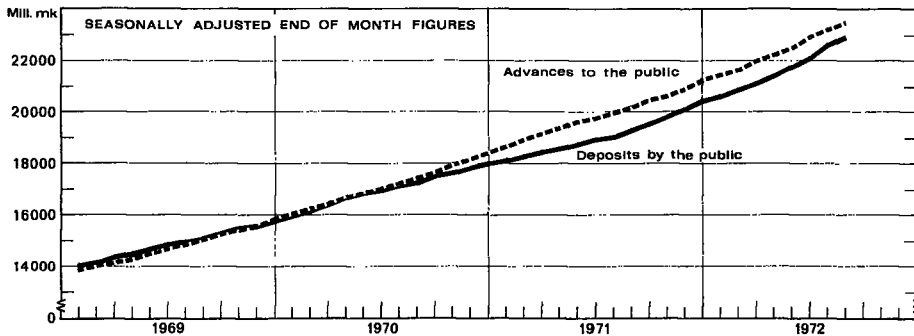


ADVANCES TO THE PUBLIC—MONEY SUPPLY

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	4 025
1971									
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	4 025
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	3 821
Feb.	9 283.7	4 874.0	3 895.8	1 813.6	1 795.0	20 903.2	758.9	21 662.1	3 930
March	9 417.3	4 912.2	3 941.0	1 838.6	1 831.1	21 144.3	795.9	21 940.2	3 950
April	9 583.6	4 954.0	3 976.1	1 879.5	1 869.7	21 432.3	830.6	22 262.9	3 964
May	9 671.5	5 011.3	4 034.2	1 918.8	1 908.3	21 725.5	818.6	22 544.1	4 018
June	9 887.3	5 052.3	4 074.7	1 943.4	1 975.1	22 074.8	858.0	22 932.8	4 275
July	9 867.9	5 101.2	4 124.7	1 963.3	2 086.5	22 332.1	811.5	23 143.6	4 247
Aug.	9 865.5	5 167.3	4 187.4	2 022.3	2 103.7	22 540.1	806.1	23 346.2	4 268

¹ New series.



STATE FINANCES

Mill. mk

Revenue	Jan.—July	
	1971	1972
Income and property tax (net)	2 166	2 622
Gross receipts	(4 795)	(5 515)
Refunds & local authorities	(-2 629)	(-2 893)
Other taxes on income and property	44	48
Employers' child allowance payments	246	252
Sales tax	1 745	2 027
Revenue from Alcohol Monopoly	449	454
Customs duties & import charges	230	232
Counter-cyclical tax	43	3
Excise duty on tobacco	263	277
» » on liquid fuel	357	429
Other excise duties	196	189
Tax on autom. and motor cycles	225	234
Stamp duties	132	155
Special diesel etc. vehicles tax	34	39
Other taxes and similar revenue ¹	77	157
Total taxes	6 207	7 118
Miscellaneous revenue	344	638
Interest, dividends etc.	160	205
Sales and depreciation of property	52	—
Redemptions of loans granted	154	130
Total revenue	6 917	8 091
Foreign borrowing	0	137
Domestic borrowing	314	322
Total borrowing	314	459
Deficit (+) or surplus (—)	-669	-900
Total	6 562	7 650

Expenditure	Jan.—July	
	1971	1972
Wages, salaries, pensions etc.	1 165	1 331
Repair and maintenance	173	181
Other consumption expenditure	518	586
Total consumption expenditure	1 856	2 098
State aid to local authorities	941	1 020
State aid to industries	744	853
of which: agric. price subsidies	(562)	(634)
Child allowances	175	185
Share in national pensions and health insurance	112	145
Other transfer expenditure	692	907
Total transfer expenditure	2 664	3 110
Machinery and equipment	187	271
House construction	121	166
Land and waterway construction	366	513
Total real investment	674	950
Interest on State debt	162	172
Index compensations	18	18
Net deficit of State enterprises	131	88
Other expenditure	4	9
Total other expenditure	315	287
Increase in inventories	44	+55
Lending	380	539
Other financial investment	312	159
Total expenditure	6 245	7 198
Redemption of foreign loans	65	101
Redemption of domestic loans	252	351
Total redemptions	317	452
Total	6 562	7 650

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

State debt	1969	1970	1971	1972			
	Dec.	Dec.	Dec.	May	June	July	Aug.
Foreign debt	1 656	1 557	1 524	1 626	1 616	1 581	1 577
Loans	2 316	2 437	2 467	2 441	2 428	2 443	2 450
Compensatory obligations	4	3	2	2	2	2	2
Short-term credit	158	46	61	60	60	50	56
Cash debt (net)	-217	-284	-528	-499	-548	-589	..
Domestic debt	2 261	2 202	2 002	2 004	1 942	1 906	..
Total State debt	3 917	3 759	3 526	3 630	3 558	3 487	..
Total debt, mill \$	933	900	849	877	860	843	..

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	11 734.4	-1 837.2

1971*

Sept.	858.0	1 108.8	-250.8
Oct.	921.1	1 074.6	-153.5
Nov.	961.2	1 023.6	-62.4
Dec.	1 017.6	1 458.9	-441.3

1972*

Jan.	872.3	957.5	- 85.2
Feb.	963.2	958.6	+ 4.6
March	1 049.9	1 036.0	+ 13.9
April	856.9	1 092.7	-235.8
May	891.6	1 080.3	-188.7
June	1 122.7	1 117.8	+ 4.9
July	993.4	1 100.9	-107.5

Jan.-July

1971*	5 329.7	6 187.4	-857.7
1972*	6 750.0	7 343.8	-593.8

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

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

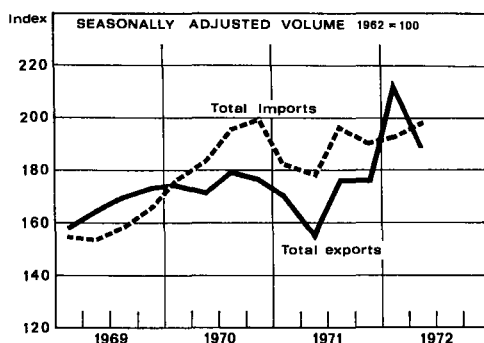
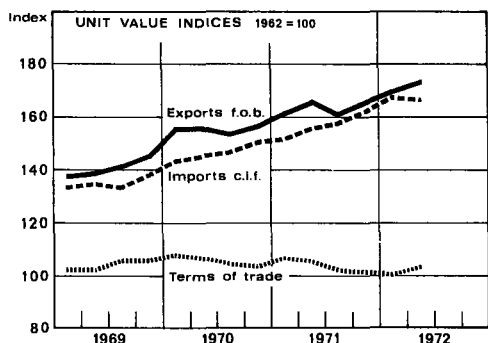
1971

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

1972¹

Jan.-Mar.	192	179	170	168	101
Apr.-June	187	200	174	167	104

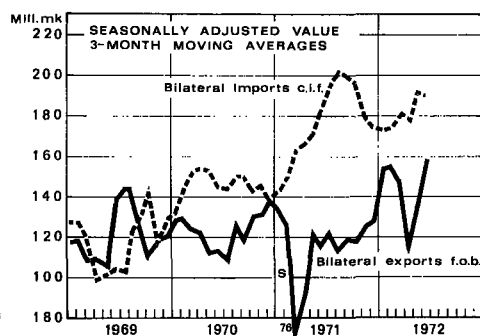
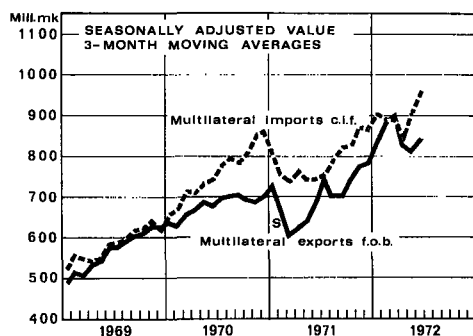
¹ The 1972 figures have been calculated by converting the final 1971 Fisher index with the percentage change in the 1972-1971 Laspeyres index.



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.						Imports, c.i.f.			
	Agri- cultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, en- gineering industry products	Other goods	Raw materials and pro- ducer 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	4 638.6	1 556.5	3 428.4	2 110.9
1971*										
Sept.	47.5	7.4	149.1	305.6	187.5	160.9	460.0	163.7	278.0	207.1
Oct.	45.0	8.0	166.1	351.0	196.3	154.7	434.3	142.3	317.3	180.7
Nov.	47.3	7.3	165.5	322.5	255.3	163.3	412.4	133.4	291.7	186.1
Dec.	74.5	6.6	168.6	359.5	254.8	153.6	601.7	175.5	431.1	250.6
1972*										
Jan.	72.8	3.2	132.7	320.7	226.5	116.4	360.8	136.6	294.4	165.7
Feb.	38.5	3.9	115.4	341.4	312.4	151.6	387.2	84.5	290.9	196.0
March	88.3	0.7	114.3	377.9	287.4	181.3	439.6	76.7	279.6	240.1
April	32.6	3.4	118.5	309.8	235.5	157.1	395.6	104.7	364.7	227.7
May	64.6	3.5	127.7	268.7	273.9	153.2	419.3	125.7	318.3	217.0
June	47.5	5.3	153.3	371.2	375.4	170.0	463.2	158.4	290.8	205.4
July	46.1	8.9	172.8	363.4	267.0	135.2	399.7	188.0	312.8	200.4
Jan.-July										
1971*	294.6	45.5	855.5	2 094.6	1 241.5	798.0	2 385.3	769.9	1 896.4	1 135.8
1972*	390.4	28.9	934.7	2 353.1	1 978.1	1 064.8	2 865.4	874.6	2 151.5	1 452.3



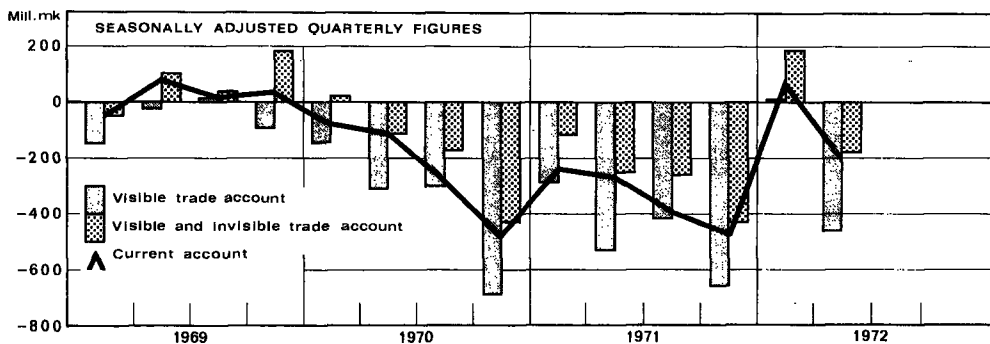
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January — July				January — July			
	1971*		1972*		1971*		1972*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	72.1	3 839.8	72.2	4 873.1	73.7	4 560.8	74.8	5 492.7
Austria	0.9	48.7	0.9	58.1	1.5	91.7	1.5	111.4
Belgium-Luxembourg	1.8	95.5	1.7	115.4	1.6	101.8	1.9	135.6
Denmark	3.9	206.4	3.6	239.9	3.3	206.0	3.1	229.0
France	3.9	208.1	3.9	263.3	3.2	201.7	3.9	288.9
Federal Republic of Germany	10.6	564.3	10.1	685.4	16.9	1 043.3	18.1	1 326.9
Italy	2.1	112.7	1.6	109.0	2.1	128.3	2.0	149.6
Netherlands	4.3	228.7	3.4	231.2	3.4	212.1	3.6	260.9
Norway	4.2	224.7	4.0	267.3	2.6	159.4	2.8	208.4
Portugal	0.3	13.5	0.3	19.1	0.6	36.6	0.7	52.0
Spain	0.9	48.3	0.9	63.8	0.6	38.1	0.6	45.5
Sweden	15.7	835.6	18.6	1 258.7	18.5	1 146.0	18.6	1 362.3
Switzerland	2.1	109.1	2.0	135.3	3.6	223.4	3.3	243.5
United Kingdom	19.2	1 025.3	18.4	1 239.2	15.5	956.2	14.4	1 057.4
Other	2.2	118.9	2.8	187.4	0.3	16.2	0.3	21.3
OECD countries outside Europe	6.2	332.2	6.3	423.0	7.1	439.8	6.3	464.8
Canada	0.7	38.4	0.8	55.6	0.3	16.2	0.3	20.4
Japan	0.1	8.0	0.5	30.4	2.4	151.6	1.8	134.0
United States	5.4	285.8	5.0	337.0	4.4	272.0	4.2	310.4
Eastern Bloc	14.0	744.2	14.8	996.5	17.0	1 049.1	15.4	1 129.2
Czechoslovakia	0.7	35.2	0.5	34.1	0.5	28.8	0.5	36.3
Democratic Republic of Germany	0.6	33.2	0.4	29.5	0.5	33.2	0.6	42.6
People's Republic of China	0.5	25.3	0.6	37.0	0.5	29.5	0.4	27.5
Poland	1.1	56.9	0.8	53.3	1.9	119.5	1.0	74.8
Soviet Union	10.3	548.8	11.7	791.7	13.1	808.4	11.9	875.9
Other	0.8	44.8	0.8	50.9	0.5	29.7	1.0	72.1
Latin America	2.5	135.1	2.0	136.3	0.8	50.1	1.7	122.9
Argentina	0.8	43.5	0.4	24.1	0.1	8.6	0.1	10.0
Brazil	0.6	33.3	0.8	52.5	0.0	2.0	0.6	39.2
Colombia	0.3	13.5	0.1	9.6	0.0	2.2	0.5	35.4
Other	0.8	44.8	0.7	50.1	0.6	37.3	0.5	38.3
Other	5.2	278.4	4.7	321.1	1.4	87.6	1.8	134.2
GRAND TOTAL	100.0	5 329.7	100.0	6 750.0	100.0	6 187.4	100.0	7 343.8
of which								
EFTA countries	46.4	2 473.2	47.8	3 228.9	45.7	2 829.1	44.6	3 273.7
EEC countries	22.7	1 209.2	20.8	1 403.9	27.3	1 687.2	29.4	2 161.9
OECD countries	78.3	4 172.0	78.5	5 296.1	80.8	5 000.5	81.1	5 957.5

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
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	11 762	-1 917	+660	+247	+66	-944	-477	- 1	-1 422
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
1972*	2 870	2 960	- 90	+217	+ 3	+ 1	+131	-142	-22	- 33
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
1972*	2 856	3 298	-442	+162	+ 57	+68	-155	-155	- 8	-318
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	3 566	-682	+109	+ 47	+10	-516	-104	+ 5	-615

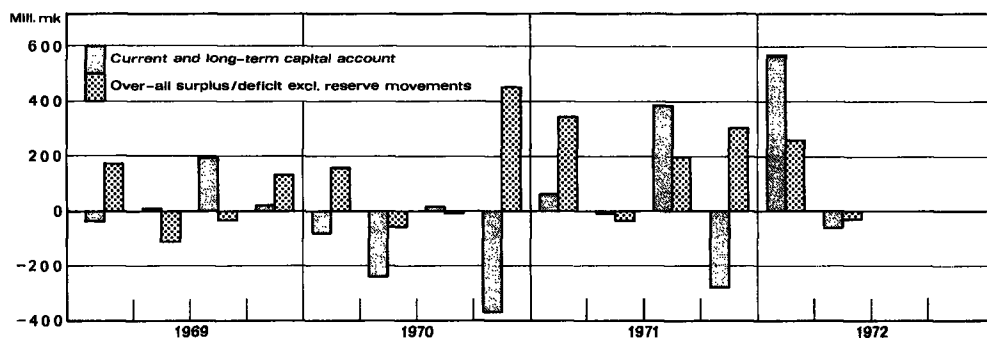


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, net	Miscellaneous 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	- 85	+1 582	+160	+387	+197	+ 62 ²	+806	-555	-251
+ 311	-201	- 8	-15	+ 87	- 41	+112	+147	- 46	+172	-135	- 37
+ 278	-158	- 51	+ 1	+ 70	- 82	- 9	+225	+ 23	+157	-240	+ 83
+ 610	-228	- 5	-18	+359	+ 59	+ 20	+329	- 66	+342	-314	- 28
+ 968	-273	-115	+17	+597	+564	-152	- 27	-124 ²	+261	-327	+ 66
+ 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
+ 655	-180	-193	-26	+256	- 62	+ 92	+ 25	- 84	- 29	+ 37	- 8
+ 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	- 43	+336	-279	+564	-297	+314	+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, 85 million in 1971 and 85 million in 1972.



PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	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												
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
May	335	338	322	326	397	329	365	313	330	162	187	140
June	335	338	322	325	400	331	366	313	331	162	187	140
July	339	343	325	329	401	337	373	318	333	163	187	142
Aug.	340	344	325	329	401	338	372	319	334	164	187	142

Period	Consumer prices 1967 = 100											
	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 100	Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
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												
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
May	253	199	130	131	126	117	131	147	125	134	129	135
June	254	199	131	132	126	118	131	148	126	134	129	135
July	256	201	132	134	126	118	132	146	126	138	129	137
Aug.	257	202	133	135	126	119	132	146	127	137	129	138

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							
1969	162	154	149	155	151	158	150	149	153	151
1970	181	170	170	164	161	165	164	157	169	164
1971*	210	195	195	180	176	178	188	171	195	185
1970										
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	184	182	176	173	174	180	169	185	178
Apr.-June	210	193	193	177	175	175	188	169	195	183
July-Sept.	211	199	200	180	178	179	192	172	200	188
Oct.-Dec.	220	205	206	185	181	184	196	177	204	192
1972*										
Jan.-Mar.	229	205	206	186	182	186	196	177	205	193

PRODUCTION

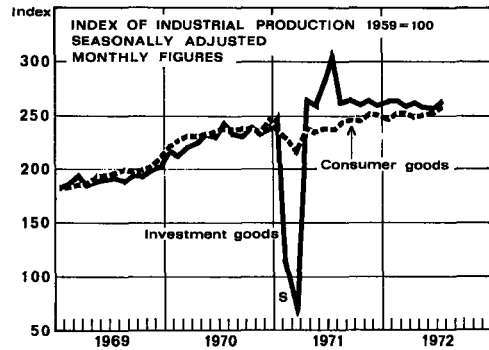
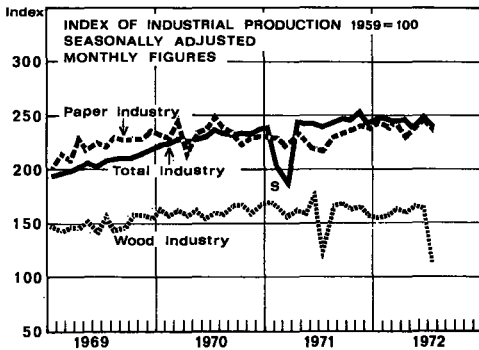
Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	House construction	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1969	123	138	97	102	123	104	124	123	123	123	127
1970	132	154	96	111	141	98	132	132	129	128	134
1971*	135	158	96	106	137	97	134	139	136	134	140
1971*											
Apr.-June	136	161	86	119	129	98	135	142	135	133	140
July-Sept.	138	150	175	55	161	99	138	135	136	134	140
Oct.-Dec.	139	173	66	90	164	97	136	148	138	135	142
1972*											
Apr.-Mar.	139	175	59	133	101	101	132	144	141	138	146
Jan.-June	141	168	85	109	137	104	141	146	142	138	147

PRODUCTION

Index of industrial production 1959 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1968	182	175	191	164	163	132	202	253	240	177	181
1969	207	194	214	196	173	151	223	285	281	199	207
1970	232	230	223	235	182	164	234	336	341	233	232
1971*	238	235	229	241	192	164	231	363	360	231	238
1971*											
May	245	261	232	244	189	174	223	385	365	257	244
June	237	269	221	245	207	176	198	348	367	267	244
July	183	172	188	166	177	106	217	311	324	154	242
Aug.	241	246	229	252	192	138	241	331	381	242	245
Sept.	256	283	244	258	192	170	241	374	378	278	248
Oct.	264	288	256	257	229	173	250	375	394	282	248
Nov.	269	289	260	264	234	166	251	389	370	283	256
Dec.	251	274	242	250	188	159	223	375	305	272	245
1972*											
Jan.	257	286	246	249	171	164	256	418	308	277	249
Feb.	258	280	245	257	175	171	245	402	321	273	248
March	277	295	261	280	190	188	262	423	372	287	245
April	254	270	236	265	183	180	218	386	349	267	248
May	259	271	242	271	213	191	231	394	350	270	250
June	244	247	226	262	207	164	220	371	340	250	251
July	178	143	176	174	183	91	235	238	325	139	240



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*								
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	121
Feb.	2 128	2 055	73	3.4	3 927	110	137	116
March	2 126	2 053	73	3.4	4 658	119	152	125
April	2 142	2 078	64	3.0	3 774	114	143	125
May	2 192	2 141	51	2.3	2 842	123	152	130
June	2 355	2 303	52	2.2	1 854	133	149	142
July	2 359	2 305	54	2.3	768

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	37.64
1971*											
Jan.-Mar.	6.52	2.86	0.52	2.45	0.33	6.65	3.05	0.49	2.22	0.73	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	37.64
1972*											
Jan.-Mar.	7.31	2.73	0.55	3.20	0.48	7.75	3.16	0.33	3.34	0.73	34.01

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

DEPOSITS BY THE PUBLIC —

ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

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

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

STATE FINANCES

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

FOREIGN TRADE

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

BALANCE OF PAYMENTS

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden 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 1958, IDA 1960, EFTA 1961, ADB 1966 and OECD 1969.

LAND

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

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

POPULATION

NUMBER OF INHABITANTS (1971): 4.6 million. Sweden 8.1, Switzerland 6.3, Denmark 5.0 and Norway 3.9 million.

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

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

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

LANGUAGE (1970): Finnish speaking 93.3 %, Swedish speaking 6.5 %, others 0.2 %.

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

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

TRADE AND TRANSPORT

NATIONAL INCOME (1971, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 2 857 (7 %),

forestry and fishing 2 922 (7 %), manufacturing 12 695 (30 %), construction 4 066 (10 %), transport and communication 4 084 (10 %), commerce, banking and insurance 5 225 (12 %), public administration 1 931 (5 %), ownership of dwellings 2 326 (5 %), services 6 103 (14 %), total 42 209. Index of real domestic product 135 (1964 = 100).

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

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

INDUSTRY (1970): Gross value of industrial production 35 577 mill. marks, number of workers 502 981, salaried employees 103 449, motive power (1970) 5.1 mill. kW. Index of industrial production 238 for 1971 (1959 = 100).

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

MERCHANT FLEET (July 31, 1972): Steamers 39 (43 719 gross reg. tons), motor vessels 391 (806 870 gross reg. tons), tankers 59 (733 446 gross reg. tons), sailing vessels with auxiliary engines 3 (499 gross reg. tons). Total 492 (1 584 534 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1971): Passenger cars 753 000, lorries 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-6s, 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 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 ¹/₄ %, 6 month deposits 4 ³/₄ %, 12 month deposits 5 ¹/₄ %, 24 month deposits 6 ¹/₄ %; highest lending rate 11 %.

FINNISH EXPORT PERFORMANCE¹

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Economics Department
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In the 1960's the volume of Finnish commodity exports grew annually by some 8 per cent. The growth rate fluctuated strongly in cycles of about five years. Even if these figures are compared with the growth of world trade or the development of trade between industrial countries, they say relatively little about the real performance of exporters in foreign markets. In this article an attempt is made to compare the actual growth of exports with a measure of their potential development, i.e. the growth of markets. The markets are defined as total imports of various commodities by individual market countries,² and Finnish exports refer to the imports of these countries from Finland. Comparison of the actual growth of exports and markets lays the ground for assessing the competitiveness of Finland's exports in homogeneous geographic and commodity markets. Since the markets have been divided by importing country and commodity group, it is possible to assess the impact of structural factors on the development of exports.

As might well be expected, the major determinant of export growth was the general expansion of markets, i.e., the over-all growth of imports of the countries concerned. The average increase of total imports was slightly higher than that of imports from Finland. The geographical and especially the commodity structure of Finnish exports clearly hampered their expansion. Furthermore, the structural factors

seem to have strengthened the impact of foreign business cycles on the Finnish economy.

After adjustment is made for structural factors, it can be seen that during the most of the last decade there was no clear trend in export performance (Chart 1). However, towards the end of decade, Finnish exporters succeeded in increasing considerably their shares in western markets as a result of improved price-competitiveness and a favourable relative cyclical position. Shares in the markets of the socialist countries fell somewhat during the 1960's, probably partly because of intensified competition. There was a clear difference in market share developments between EFTA and EEC countries. Finland succeeded in winning markets in EFTA countries during the decade following her accession to EFTA in 1961 and suffered an absolutely smaller loss of markets in the EEC countries. As for export performance by commodity groups, the traditional wood-based exports lost some ground towards the end of the 1960's. These losses were, however, more than offset by the favourable development of new exports, e.g., metal industry products, chemicals and other manufactures.

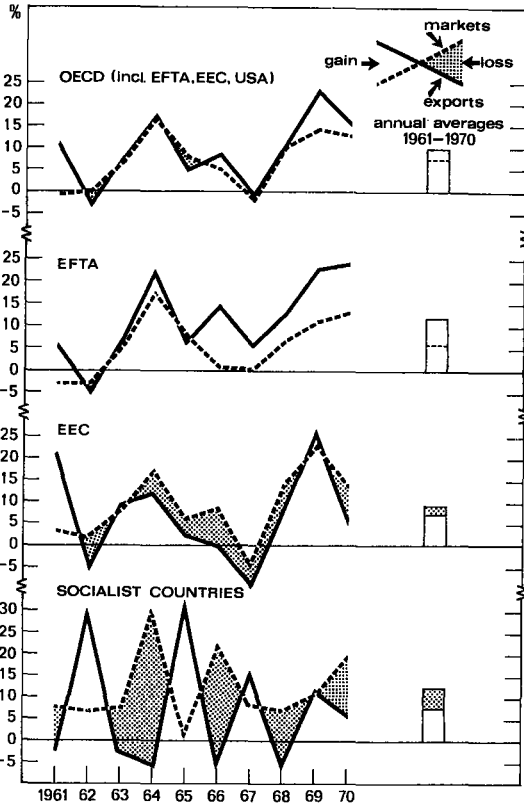
THE GENERAL PATTERN OF EXPORT GROWTH

During the period 1961—1970, the value of Finnish exports (in U.S. dollars) to western markets grew by an annual average of 10 per cent, i.e., slightly faster than the value of total exports. Generally the range of fluctuation was rather wide, more than 25 percentage units. In two years, 1962 and 1967, receipts from com-

¹ This article is based on a more comprehensive study by the author, forthcoming in Series A (Economic Studies) of the publications issued by the Bank of Finland Institute for Economic Research.

² The commodities were grouped according to SITC, and the countries were the members of the EEC and EFTA plus the United States.

CHART 1. THE GROWTH OF FINNISH EXPORTS AND EXPORT MARKETS (VALUES IN U.S. DOLLARS, PERCENTAGE CHANGES) ¹



¹ Market growth in the various country groupings is measured by total imports of 8 major commodity groups to each country, weighted by the structure of Finnish exports.

modity exports even declined. During the same period total imports of market countries grew slightly faster than Finnish exports. The overall growth of markets was considerably more stable than the development of exports. With the exception of a brief interruption in 1967, there was a gradual acceleration in the expansion of markets.

Against the background of the general growth of markets, the performance of exports appears somewhat weak. Each year exports fell some 0.3 percentage units short of the expansion of the markets. Cumulated over the decade, this development would entail a considerable loss of potential export earnings. However, when we study exports in terms of both country and commodity markets, we arrive at a rather dif-

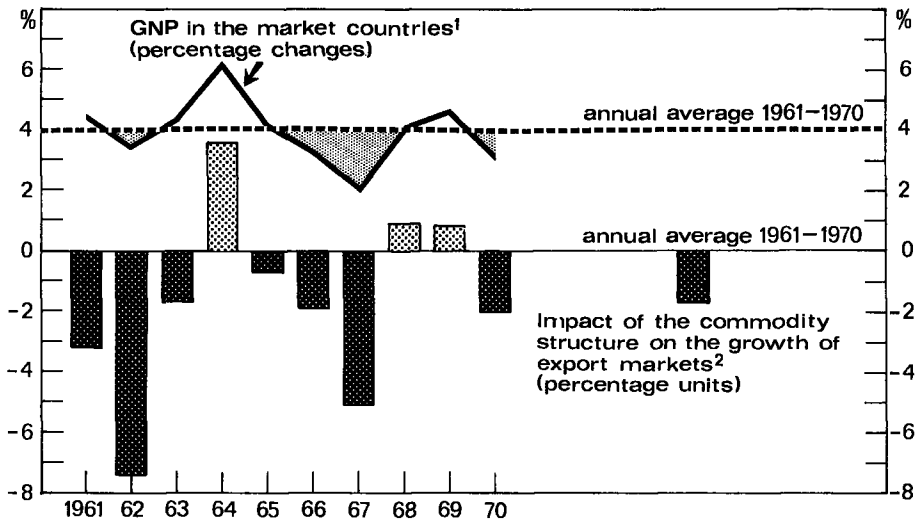
ferent conclusion. During the 1960's growth of markets for Finnish products was almost 3 percentage units slower than the over-all growth of markets. Finnish exports were thus concentrated in markets with slower than average growth rates. With only few exceptions, the structure of exports was unfavourable throughout the decade.

Both the geographic and commodity patterns of trade seem to have held back exports. The commodity structure accounted for about two thirds of the failure to expand. Furthermore, its impact fluctuated more widely than that of the geographic structure (Chart 2). Although exports have been diversified constantly since the late 1950's, wood and paper industry products still make up about half of the total value of exports. A substantial portion of Finnish exports are not highly processed and face rather slow-growing markets. Highly processed manufactures with more expansive markets make up an all too small share of exports. The growth-dampening effect of the geographical distribution arose mainly from the slow growth of the United Kingdom, the most important buyer of Finnish products.

In addition to the longer-run adverse trend, the impact of structural factors follows a clear cyclical pattern. This is most apparent in the commodity structure of exports, where poorer performance occurred during periods of slow growth while the few years with favourable structural effects were those with the highest rates of growth. Thus in general the export structure strengthens the impact of foreign business cycles on the economy, in a way that the negative effects are not counter-balanced by the slight positive ones over the cycle.

When the structural features just discussed are taken into account, Finnish exports are seen to have grown annually 2.4 percentage units faster than their markets (Chart 1). In other words, Finnish exporters have been able to increase their market shares by this amount every year. This can be interpreted as evidence

CHART 2. THE COMMODITY STRUCTURE OF EXPORTS AND THE FOREIGN BUSINESS CYCLE



¹ Annual changes in GNP of the market countries most important for Finnish exports, weighted by shares in Finnish exports.

² Difference between the growth of total imports to market countries and growth of total imports, weighted by the commodity structure of Finnish exports to the corresponding countries.

of improved relative competitiveness. Chart 3 shows that Finland's market shares did not grow steadily during the 1960's, but that the most impressive gains were recorded in the first and two last years of the decade. If these years were eliminated from the study, export performance would appear less favourable, and market shares would rather indicate an unchanged competitive position.

CHANGES IN THE COMPETITIVENESS OF EXPORTS

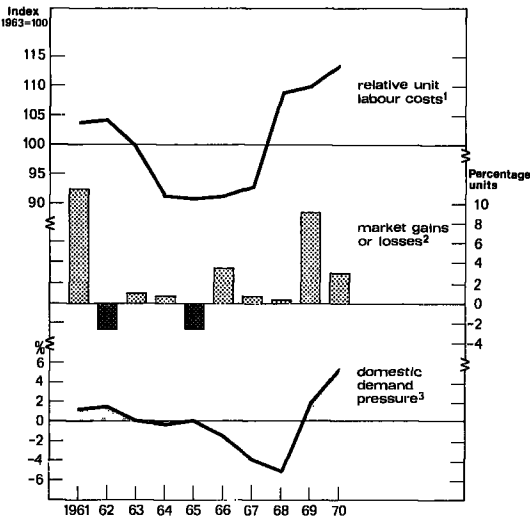
The relative competitiveness of exports is generally considered to be influenced on one hand by relative prices and on the other hand by relative differences between countries in such non-price factors as quality, terms of finance, promptness of delivery, servicing, etc. Two factors influencing Finnish exports appear to deserve closer examination: relative costs and the pressure of demand at home.

Finnish producers seem to have only limited opportunities to change the prices of their ex-

ports in relation to the prices of competing goods. Hence relative costs of production appear to be a more reliable indicator of their competitive position. Relative unit labour costs (in dollar terms) in Finland and in her major competitor countries as well as the gains and losses of export market shares are presented in Chart 3. Generally there seems to have been some lag between changes in competitiveness and changes in market shares. In the early 1960's, cost developments were clearly unfavourable for Finland. Consequently markets were lost in two years, 1962 and 1965. When relative costs remained virtually unchanged during the mid-1960's, market shares did not show any clear tendency to change. By 1969, the devaluation of 1967 and the subsequent stabilization measures began to influence the development of exports by improving relative costs.

There is a rather close relationship between domestic demand pressure and export performance. The loss of markets in 1962 occurred at the time of strong and rising demand pressure in home markets. In the two following years, lost markets were regained when domestic

CHART 3. THE COMPETITIVENESS OF EXPORTS



- ¹ Ratio of unit labour costs in competing countries to unit labour costs in Finland, in U.S. dollars.
- ² The difference between the growth rates of exports and markets (13 OECD countries most important for Finnish exports).
- ³ Percentage deviation from the trend of industrial production in Finland.

activity weakened. In 1965 a loss of markets was connected with a temporary revival of activity at home. Domestic demand pressure then declined gradually until 1968, and export performance was relatively good. The post-devaluation price-competitiveness could make its full force felt because of favourable domestic supply conditions at the time of an upswing in foreign demand. Under these encouraging conditions, export performance was very good. In the early 1970's this favourable development lost some of its momentum with increasing domestic demand pressure and weakening relative costs.

THE REGIONAL PATTERN OF EXPORT PERFORMANCE

During the period of study Finnish exports to EFTA countries grew faster than the markets in every year except 1962, the year following Finland's association (Chart 1). At the same time market shares in EEC countries were lost except in 1961, 1963 and 1969. The average annual gain was 6 percentage units in EFTA

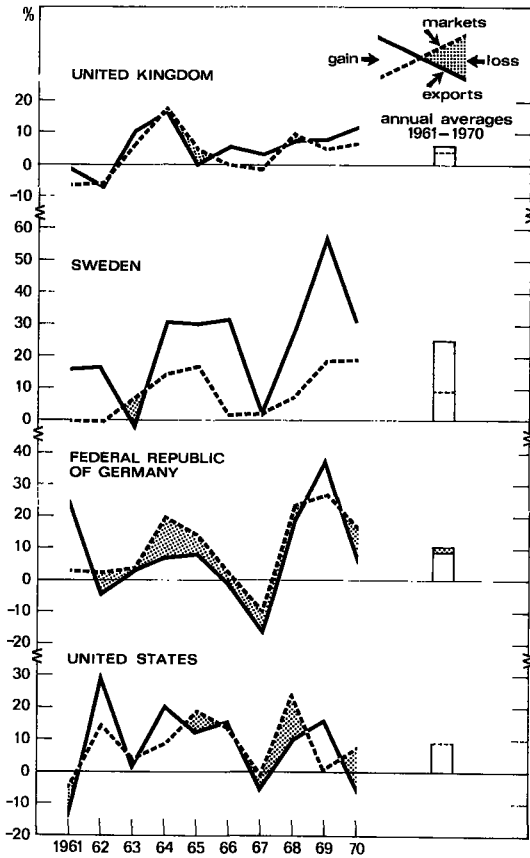
markets against a loss of 2 percentage units in EEC markets. The rate of growth of Finland's exports to the socialist countries was on average 4.5 percentage units lower than the growth of markets (here defined as the sum of imports from western industrial countries). Performance in EFTA markets improved constantly in the course of the decade, with strong fluctuations occurring in the mid-1960's; the loss of EEC markets was quite evenly distributed over the years studied.

There was a clear difference between the pattern of development of Finland's share in the markets of EEC countries on the one hand and in the markets of the EFTA countries on the other. While exports to EEC countries followed the growth of import demand quite closely but on a slightly lower level, exports to EFTA countries fluctuated widely, often without any clear connection with the general development of markets. The effects of EEC and EFTA integration on Finnish exports to Community countries seem to have been spread quite evenly over the period. The growth of exports to EFTA markets was evidently influenced not merely by the direct effects of integration but also by other measures designed to compensate for the loss of exports to the EEC. Intense marketing campaigns in various EFTA countries since the mid-1960's are an example of such factors.

Generally exports to various EFTA countries performed well. In the United Kingdom the record was somewhat less admirable than in the other member countries (Chart 4). Furthermore, exports to the United Kingdom followed the development of markets more closely than elsewhere in EFTA. Great fluctuations in the development of market shares and clear differences in the timing of these changes were characteristic of Finnish export performance in the six smaller partner countries. Performance in the Common Market was quite similar from country to country, i.e., a regular loss of markets throughout the decade. A partial exception was Italy where Finnish exports did not follow markets as closely as in other Community countries. Exports to the United States grew

CHART 4. FINNISH EXPORT PERFORMANCE BY COUNTRY (VALUES IN U.S. DOLLARS, PERCENTAGE CHANGES) ¹

EXPORT PERFORMANCE BY COMMODITY GROUPS



¹ Adjusted for the commodity structure of exports.

The question of the growth potential of various export products is important for structural and industrial policies. Expansion and structural changes in markets and prospects for export performance in various lines of production are without doubt relevant. To provide some perspective for considerations of this kind, we here examine the performance of Finnish exports during the last decade classed by various comprehensive commodity groups as well as by more narrowly defined groups for different industrial sectors and levels of processing (Chart 5).

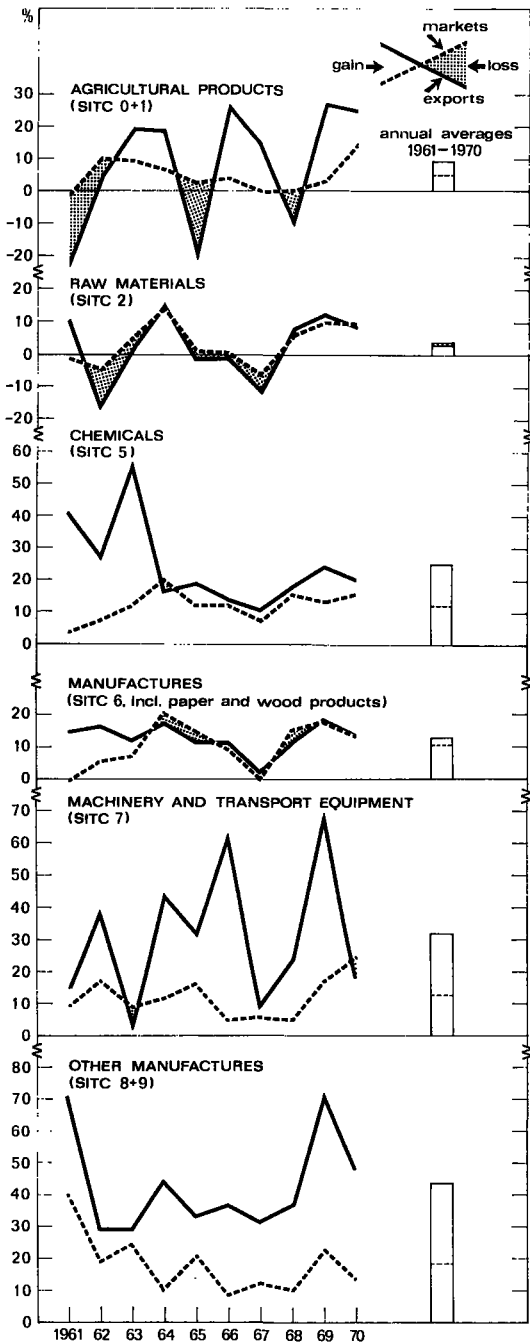
The expansion of markets for agricultural products decelerated during most of the 1960's. The development of Finnish exports in this category reflects problems of surplus agricultural production and the subvention policies which have been pursued. This explains the wide fluctuation in exports. On average, market shares were increased, primarily in EFTA countries. Owing to the nature of agricultural trade between industrial countries, no conclusions on the competitiveness of production can be drawn from the development of market shares.

at much the same rate as the corresponding markets, slight losses and gains offsetting each other.

The growth paths of exports of Finland to the socialist countries and total imports of these countries from western industrial countries are shown in Chart 1. It can be seen clearly that markets have grown quite rapidly and relatively smoothly. In contrast, Finnish exports have grown more slowly and more erratically. Although it was not possible to take account of structural factors, this development clearly indicates that Finnish exporters were unable to retain the market shares which they had won in the less competitive conditions of the 1950's.

Exports of raw materials followed the pattern of foreign demand quite closely. In this category Finnish exports comprise mainly timber and pulp. Markets were lost during most of the period under review, even if only marginally. As might well be expected, the weak performance was more marked in EEC markets, but even in EFTA market export performance was only moderate. Generally increasing concern about the limits of forest resources as well as the attempt to reach higher degrees of processing have made producers less eager to export wood in the low-processed forms of timber and pulp. It is difficult in this field to tell whether diminishing interest in exporting or changes in relative competitiveness proper are more important in explaining market share developments.

CHART 5. FINNISH EXPORT PERFORMANCE BY COMMODITY GROUP (VALUES IN U.S. DOLLARS PERCENTAGE CHANGES)¹



¹ Adjusted for the geographical structure of exports.

When evaluating future export prospects, primary interest naturally centres on manufactures. One example of an expansive market in this sector is chemicals. The performance of chemi-

cal exports was good, especially in the early years of the decade. Exports to EEC ran into some difficulties in the mid-1960's, but later the lost ground was regained. On the whole market shares were increased as a result of estimable performance in EFTA countries.

The most important commodity group during the period was SITC 6, comprising chiefly paper and wood industry products. On average, exporters were able to retain their market positions. Exports to EEC grew slightly slower than markets. This steady loss was made up in EFTA countries, where exports developed quite regularly in spite of fluctuations in market demand.

Among the various paper products, bags and other containers put in the best performance. On the whole newsprint as well as printing and writing papers retained their positions in the markets. When losses of markets did occur they were concentrated in the latter part of the decade. Similarly, the market share of Finnish pulp fell later in the period. Yet at the same time total exports grew considerably faster than markets. The weak performance of traditional exports was offset by exceptionally favourable developments in exports of other manufactures.

The most prominent absolute increase in market shares during the 1960's was recorded by machinery and transport equipment. While market demand grew steadily at about 15 per cent annually, exports increased on average by no less than 35 per cent per annum. The large relative importance of a single item in this category explains partly the great fluctuations in earnings. In contrast to other commodity groups, performance in EFTA markets was not better than in EEC countries; in fact it was weaker. This can be regarded as evidence of the insignificance of static integration effects in this category. Fluctuations of export growth to the three trade blocks seem to offset one another somewhat through differences in timing.

Finnish ships and boats were marketed abroad with considerable success, especially in the

latter part of 1960's. This happened at a time when import demand was decelerating and even decreasing in western markets. After some weaker years at the beginning of the decade, foreign demand for Finnish papermaking machinery grew vigorously in 1965—67, doubling every year. After a slight setback in 1968 exports again grew much faster than markets. Sales of electrical machinery developed successfully throughout the period studied. Among the exports of other manufactures, clothing proved to be an expansive commodity group with exports growing annually about 50 percentage units faster than markets.

RECENT DEVELOPMENTS

Although the comprehensive study on Finnish export performance could not be extended beyond 1970, some inferences on the current position can be made. Last year the cost-competitiveness of exports weakened slightly, even

if the level of competitiveness can still be regarded as quite satisfactory. The six-week strike in the metal industry shifted some deliveries to the current year and probably also led to some lost orders. Available information on the development of exports and markets indicates a marginal fall in Finland's share in the markets of the OECD countries. Exports to the socialist countries declined in absolute terms which implies a considerable loss of markets.

The growth of exports was quite rapid during the first half of 1972. Relative costs are expected to improve somewhat this year. As there is unused capacity in the export industries, the favourable competitive position can be exploited during the expected upturn in foreign demand. Export deliveries to the Soviet Union under the current five-year agreement are likely to accelerate gradually after the slow start last year. On the whole, prospects for substantial growth of exports are quite promising.

ITEMS

Finland's balance of payments January—June 1972. According to preliminary figures of the Bank of Finland, total revenue on current account was 7 270 million marks and total expenditure 7 621 million marks in the first half of 1972. Thus there was a 351 million mark current account deficit as against a 622 million mark deficit one year earlier.

The value of commodity exports grew by 28 per cent on the first half of 1971 and totalled 5 758 million marks. The vigorous growth was mainly a result of a revival in the exports of the metal and engineering industries. The value of commodity imports increased by 18 per cent and amounted to 6 243 million marks. The trade deficit, including adjustment items, amounted to 532 million marks in January—June 1972, which was 322 million marks less than in the first half of 1971.

The expansion of tourism continued, and the surplus on travel account rose to 60 million marks in the first half of 1972 as against a surplus of 34 million in the corresponding period of 1971. Net income from transport was estimated to be 379 million marks. As other services gave rise to a surplus of 69 million marks, the surplus from trade in invisible totalled 508 million marks. There was a total deficit of 24 million marks in visible and invisible trade. As the deficit in net investment revenue and transfer payments abroad totalled 327 million

marks, the current account showed the above-mentioned 351 million mark deficit. When financing the current account deficit, main emphasis was laid on the inflow of long-term capital, which continued to be strong. Drawings on long-term loans amounted to 1 623 million marks and amortizations to 453 million marks. A total of 405 million marks was granted as long-term export credits while corresponding repayments totalled 97 million marks. There was an outflow of 101 million marks in the form of capital for direct investment; the corresponding inflow was 116 million marks. The net inflow of long-term foreign capital was 853 million marks, i.e., 139 million marks more than in the same period one year earlier.

The country's short-term foreign liabilities, which are mainly short-term trade credits, declined by 355 million marks.

When the special drawing rights allocated to Finland by the IMF at the beginning of 1972 totalling 85 million marks are taken into account, an overall surplus of 232 million marks is obtained. This figure equals the growth in the country's gold and foreign exchange reserves in the first half of 1972. The gold and foreign exchange reserves of the Bank of Finland increased by 290 million marks, whereas the net foreign exchange assets of other foreign exchange holders declined by 58 million marks.

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

A. Simonen

Deputy Governor

Ahti Karjalainen

*Absent as a Member
of Government*

Heikki Valvanne

Jaakko Lassila

Päiviö Hetemäki

Timo Helelä

ad int.

Directors

Jouko J. Voutilainen

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

Foreign exchange policy

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

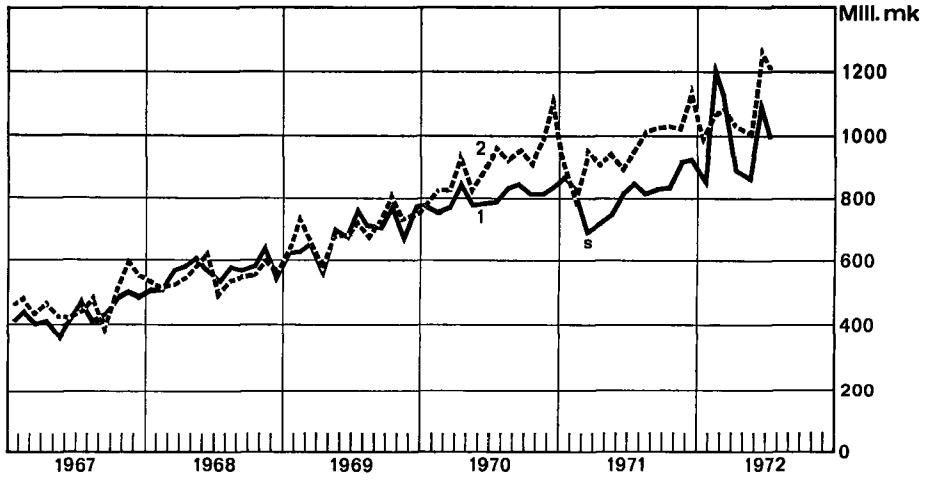
Pertti Kukkonen

Director

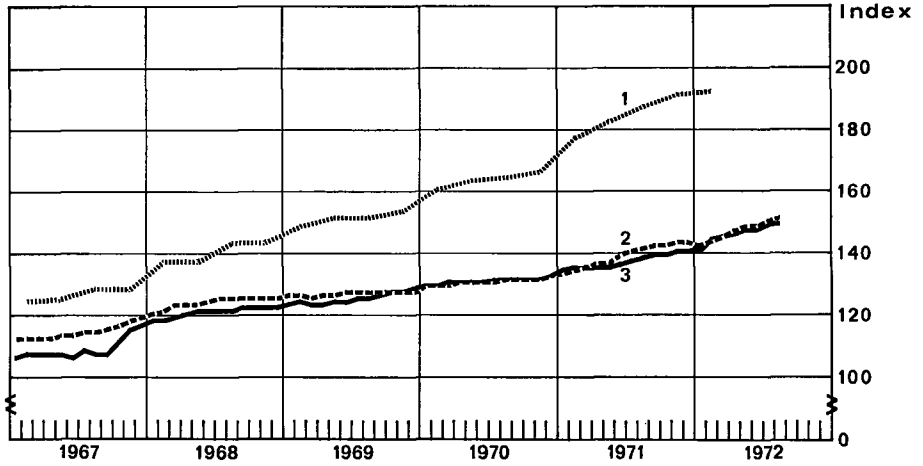
Henri J. Vartiainen

Head of research department

Foreign trade, 1967 - 1972



Prices and wages, 1967 - 1972



Production, 1967 - 1972

