



BANK OF FINLAND

Monthly Bulletin

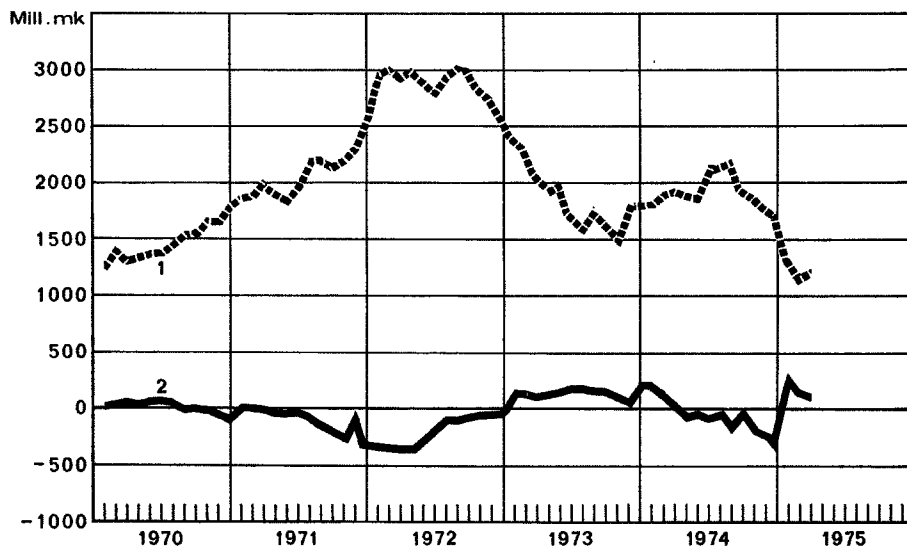
Recent measures by the Government
to reduce imbalances in foreign trade

Finnish economy in 1974 and the cur-
rent outlook

MAY 1975

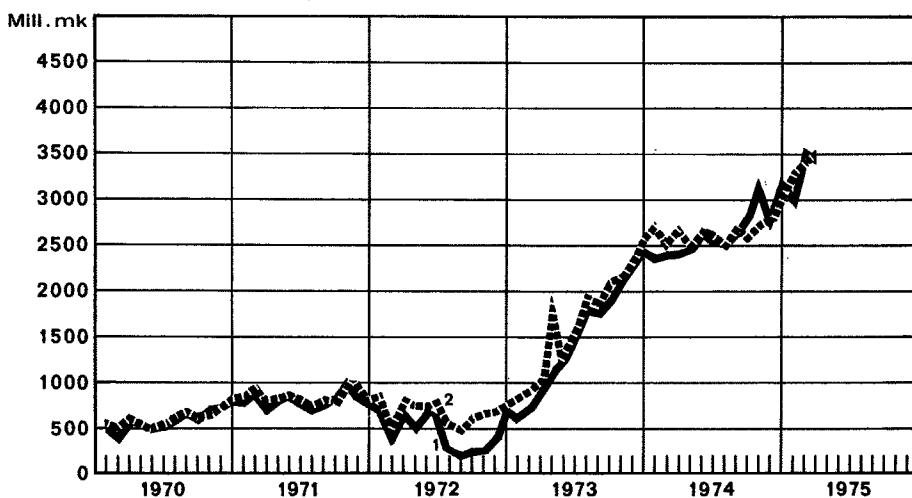
Vol. 49 No. 5

BANK OF FINLAND'S CONVERTIBLE AND NON-CONVERTIBLE FOREIGN EXCHANGE RESERVES, 1970-1975



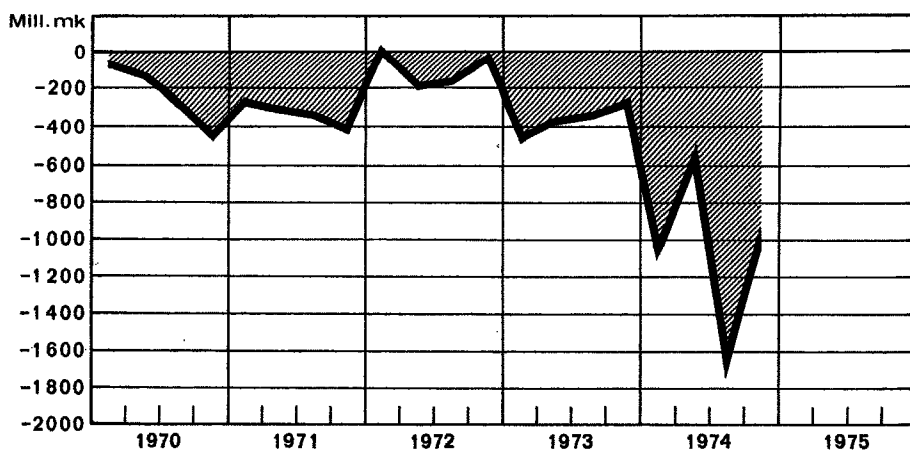
- 1. Gold and convertible currencies
- 2. Non-convertible currencies

BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1970-1975



- 1. Net receivables from the domestic financial sector
 - 2. Discounted and rediscounted bills
- Seasonally adjusted end-of-month figures

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1970-1975



Seasonally adjusted quarterly figures

RECENT MEASURES BY THE GOVERNMENT TO REDUCE IMBALANCES IN FOREIGN TRADE

In March 1975 the Government presented an economic program aimed at easing the pressures on the current account of the balance of payments. The measures in the program applied both to different components of supply and demand as well as the overall level. However to achieve some immediate impact, certain direct measures were added the most important of which was a temporary system of import deposits.

Pressures on the balance of payment position increased greatly in 1974. The current account deficit amounted to 6 per cent of total domestic demand, against less than three per cent in previous years. The adverse development continued in the first quarter of 1975 with large trade deficits and heavy drains on the convertible reserves. Swings in domestic economic cycles and direct measures taken by monetary and fiscal authorities in 1974 to reduce demand pressures were not expected to have sufficient or immediate enough effect in 1975 with regard to the external position.¹

The general guide lines mapped out in view of this situation by the Government will mean considerable intensification of policies earlier pursued. As of March 1975 economic policy was focused to a greater extent than earlier on tackling the underlying causes of the current account deficits by improving the conditions for a balanced economic development. Key elements in this policy are a continuation of tight domestic monetary policy and increased selectivity in the application of credit policy. Restrictions will be imposed on investment less vital for the growth of industrial output. Priority will be given to those productive investments in the manufacturing industries that contribute to remedying imbalances in the current account.

¹ For more detailed discussion of the economic situation see the article »Finnish Economy in 1974 and the current outlook» on page 20.

The aim of the Government in its financial policy is to restrain increases in total domestic demand by curbing public consumption expenditures and administrative investments. Increases in central government consumption expenditures will be limited to maximums of 3 1/2 per cent in 1975 and 2 per cent in 1976. The increase in central government administrative investments will be kept below 1/2 per cent. The 1976 State Budget will be prepared with the same aims in mind. The Government will also cooperate with the central organizations of the municipalities to investigate the possibilities of curbing local government consumption expenditures and administrative investments.

The Government will also aim at facilitating the supply of labour in the export-oriented industries, improving the international competitiveness of Finnish exports and intensifying marketing abroad.

Encouraged by the results reached in 1974 the Government is strongly advocating further savings of energy consumption to reduce the burden of energy imports on the country's current account position.

Moving from general policy to the particular direct measures mentioned above the situation is as follows. The Council of State (206/75) on the authority of a special powers act (203/75) decided to impose an import deposit scheme as of March 24, 1975 for a period of twelve months.

The import deposit scheme is designed to keep the growth of imports more in step with export earnings. By this measure a six-month interest free deposit on certain goods has to be lodged with the central bank prior to clearance by the custom authorities. The maximum deposit of 30 per cent of the import value applies to

virtually all consumer goods. To avoid damaging production, only about half of investment goods and a much smaller percentage of raw material imports are subject to the maximum rate. In fact the greater part of raw material imports are exempt from the deposit.

Using trade figures for 1974, the scheme affects some 60 per cent of total commodity imports and the average deposit rate is about 20 per cent. In practice, however, the coverage is less extensive as goods to be used for export production require no deposit.

The deposit requirement creates needs for additional financing for importers. However in line with the general policy program of the government, as explained, a very tight monetary policy is to be pursued.

In addition to this the possibilities for importers to resort to foreign capital markets are severely restricted. In order to achieve the desired effects in the current account the Bank of Finland

decided not to allow importers to take up foreign loans as a means of financing the deposit. It should be mentioned that one third of the goods covered by the scheme falls under the cash payment obligation in force since June 1973. For these goods no foreign financing is allowed at all.

Since no interest is paid on the deposits, the scheme increases the costs for the importers because of the interest payment they have to make on the funds needed for the deposit. With the maximum deposit rate and the present level of interest rates, these additional costs amount to about 1 1/2 per cent of the import price. So that this cost increase will not put additional pressure on the present rate of domestic inflation a law (204/75) was passed as a complement to the import deposit scheme to tighten the price surveillance already in force. By this law the costs of import deposits and the corresponding interest payments are not accepted as grounds for price rises.

April 21, 1975.

	1973		1974		1975		
	Dec. 31	Dec. 31	Apr. 8	Apr. 15	Apr. 23	Apr. 30	
Assets							
Gold and foreign exchange receivables	2 210	1 791	1 670	1 667	1 632	1 684	
Gold	121	121	121	121	121	121	
Special drawing rights	285	286	286	286	286	286	
IMF gold tranche	268	268	268	268	268	268	
Convertible currencies	1 228	1 109	578	579	550	609	
Tied currencies	308	7	417	413	407	400	
Other foreign receivables	952	1 123	1 088	1 089	1 021	999	
Foreign bills	103	252	263	268	262	274	
Foreign bonds	319	341	295	291	229	195	
Currency subscription to Finland's quota in the IMF	530	530	530	530	530	530	
Receivables from financial institutions	2 745	3 414	4 009	3 959	4 031	3 847	
Cheque accounts of the commercial banks	19	114	224	185	139	99	
Discounted bills	2 556	3 034	3 490	3 471	3 594	3 441	
Bonds	121	220	243	254	257	265	
Other financial institution receivables	49	46	52	49	41	42	
Receivables from the public sector	268	301	310	310	310	310	
Bonds	53	71	73	73	74	75	
Total coinage	200	224	235	234	235	235	
Other public sector receivables	15	6	2	3	1	0	
Receivables from corporations	613	631	659	662	664	680	
New export bills	47	90	99	104	106	106	
Financing of suppliers' credits	271	276	282	282	283	294	
Bonds	255	231	241	240	240	240	
Other corporate receivables	40	34	37	36	35	40	
Other assets	34	37	36	36	36	37	
	Total	6 822	7 297	7 772	7 723	7 694	7 557
Liabilities							
Foreign exchange liabilities	147	457	208	213	211	211	
Convertible accounts	73	62	69	71	68	66	
Tied accounts	74	395	139	142	143	145	
Other foreign liabilities	788	788	788	788	788	788	
IMF mark accounts	530	530	530	530	530	530	
Allocations of special drawing rights	258	258	258	258	258	258	
Notes and coins in circulation	2 082	2 461	2 237	2 271	2 224	2 396	
Notes	1 907	2 259	2 037	2 071	2 024	2 194	
Coins	175	202	200	200	200	202	
Deposit certificates in circulation	1 450	1 040	1 650	1 550	1 560	1 170	
Claims of financial institutions	13	9	40	40	37	86	
Cheque account of Postipankki	2	4	0	2	1	1	
Cheque accounts of the commercial banks	7	4	4	1	1	1	
Other financial institution claims	4	1	36	37	35	84	
Claims of the public sector	535	560	545	549	547	550	
Cheque accounts	2	7	0	4	2	3	
Counter-cyclical reserves	509	543	543	543	543	543	
Import deposits	—	—	—	—	0	2	
Other public sector claims	24	10	2	2	2	2	
Claims of corporations	239	195	430	429	429	417	
Investment deposits	5	34	62	63	63	63	
Counter-cyclical withholdings	—	49	120	120	120	120	
Capital import deposits	214	98	233	231	230	216	
Import levy deposits	6	6	8	8	9	8	
Other corporate claims	14	8	7	7	7	10	
Other liabilities	16	17	13	12	12	12	
Equalization accounts	740	858	916	922	933	969	
Capital accounts	812	912	945	949	953	958	
Primary capital	600	600	600	600	600	600	
Reserve fund	114	163	237	237	237	237	
Undisposed profits	—	—	75	75	75	75	
Net earnings	98	149	33	37	41	46	
	Total	6 822	7 297	7 772	7 723	7 694	7 557

End of year and month	Foreign sector						Public sector			Deposit certificates in circulation	
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserve (1-2)	Non-convertible exchange reserve	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities		Net liabilities (9-8)
	1	2	3	4	5	6	7	8	9	10	11
1968	1 309	6	1 303	— 12	125	34	1 382	105	364	259	—
1969	1 266	11	1 255	— 80	517	360	1 332	102	200	98	—
1970	1 812	11	1 801	— 63	639	606	1 771	119	121	2	203
1971	2 620	30	2 590	—297	686	704	2 275	148	140	— 8	400
1972	2 613	43	2 570	— 6	757	788	2 533	175	49	—126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1974											
March	2 030	86	1 944	— 9	831	788	1 978	205	578	373	1 450
April	1 974	72	1 902	—113	855	788	1 856	207	579	372	1 450
May	1 968	77	1 891	— 89	874	788	1 888	208	533	325	1 490
June	2 219	72	2 147	—113	888	788	2 134	209	528	319	1 600
July	2 240	82	2 158	— 96	888	788	2 162	209	575	366	1 600
Aug.	2 274	74	2 200	—220	889	788	2 081	213	530	317	1 360
Sept.	1 989	71	1 918	— 86	899	788	1 943	217	564	347	1 390
Oct.	1 947	70	1 877	—235	922	788	1 776	220	521	301	1 510
Nov.	1 862	64	1 798	—280	936	788	1 666	222	520	298	1 400
Dec.	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1975											
Jan.	1 388	56	1 332	306	1 105	788	1 955	302	555	253	990
Feb.	1 249	53	1 196	161	1 106	788	1 675	307	551	244	1 050
March	1 300	66	1 234	132	1 089	788	1 667	307	553	246	1 080
April	1 284	66	1 218	255	999	788	1 684	310	550	240	1 170

¹ The balance sheet of the Bank of Finland was revised in Dec. 1974. See explanations on page 18.

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1974			Net holdings, Feb. 28, 1975			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Feb.	Jan.-Feb.
Gold	121	—	121	121	—	121	—	—
Special drawing rights	286	—	286	286	—	286	—	—
IMF gold tranche	268	—	268	268	—	268	—	—
Convertible currencies	1 047	—564	483	521	—639	—118	—210	—601
Total	1 722	—564	1 158	1 196	—639	557	—210	—601
Non-convertible currencies	—388	— 5	—393	161	— 8	153	—132	+546

End of year and month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Dis-counted and re-dis-counted bills	Cheque account receiv-ables ²	Other receiv-ables	Cheque account liabilities to the commer-cial banks ³	Cheque account liabilities to Posti-pankki ³	Other liabili-ties	Net receiv-ables (1+2+3-4-5-6)	Receiv-ables	Liabili-ties	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1968	618	107	—	163	16	—	546	381	43	338	1 246
1969	550	87	—	93	12	—	532	461	25	436	1 394
1970	836	3	—	1	4	—	834	383	324	59	1 455
1971	849	—	—	9	2	—	838	355	385	— 30	1 622
1972	753	5	—	—	2	—	756	321	73	248	1 879
1973	2 556	61	—	—	2	—	2 615	372	259	113	2 082
1974	3 034	114	266	4	4	1	3 405	631	195	436	2 462
1974											
March	2 530	103	—	—	78	—	2 555	368	230	138	1 959
April	2 677	156	—	—	80	—	2 753	372	244	128	1 977
May	2 719	93	—	—	3	—	2 809	370	230	140	2 081
June	2 794	127	—	—	3	—	2 918	378	221	157	2 315
July	2 688	158	—	—	43	—	2 803	389	213	176	2 155
Aug.	2 538	122	—	—	3	—	2 657	400	203	197	2 227
Sept.	2 703	249	—	—	9	—	2 943	415	181	234	2 246
Oct.	2 985	142	—	—	2	—	3 125	425	219	206	2 206
Nov.	3 108	167	—	—	1	—	3 274	422	224	198	2 360
Dec.	3 034	114	266	4	4	1	3 405	631	195	436	2 462
1975											
Jan.	2 572	112	269	2	2	23	2 926	631	231	400	2 274
Feb.	2 970	171	313	2	2	23	3 427	654	336	318	2 318
March	3 275	142	284	2	1	41	3 657	667	388	279	2 433
April	3 441	99	307	1	1	84	3 761	680	417	263	2 396

¹ The balance sheet of the Bank of Finland was revised in Dec. 1974. See explanations on page 18.

² Including special index accounts.

³ Including cash reserve accounts.

SELLING RATES FOR FOREIGN EXCHANGE

Mk

April 23, 1975

New York ¹	1 \$	3.570	Frankfurt o. M.	100 DM	150.40	Vienna	100 S	21.20
Montreal	1 \$	3.515	Amsterdam	100 Fl	147.45	Lisbon	100 Esc	14.55
London	1 \$	8.420	Brussels ²	100 Fr		Madrid	100 Pta	6.35
Stockholm	100 Kr	90.10	Zurich	100 Fr	139.90	Tokyo	100 Y	1.225
Oslo	100 Kr	71.45	Paris	100 FF	85.65	Reykjavik	100 Kr	2.37
Copenhagen	100 Kr	64.85	Rome	100 Lit	0.5660	Moscow ³	1 Rbl	5.100

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.

² 10.200 commercial rate; 9.900 financial rate.

³ 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	Posti- pankki	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1968	856	1 088	428	4 598	3 966	2 683	1 027	465	12 740	14 256
1969	1 057	1 374	521	5 236	4 333	3 022	1 116	522	14 229	16 124
1970	1 143	1 508	603	6 099	4 847	3 458	1 288	574	16 266	18 377
1971	1 343	1 734	754	6 961	5 446	3 877	1 491	642	18 418	20 906
1972	1 851	2 371	979	8 096	6 232	4 500	1 806	720	21 353	24 703
1973	2 144	2 892	1 360	8 989	7 109	5 237	2 159	805	24 299	28 551
1974*	2 551	3 478	1 638	10 213	8 288	6 308	2 641	921	28 371	33 487

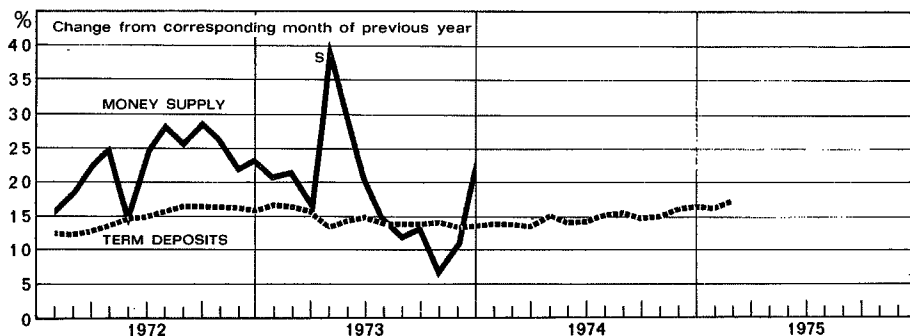
1974¹

Jan.	1 896	2 478	1 273	9 114	7 228	5 378	2 207	814	24 741	28 492
Feb.	1 851	2 432	1 374	9 162	7 272	5 446	2 231	826	24 936	28 742
March	1 806	2 380	1 253	9 079	7 271	5 449	2 266	832	24 897	28 530
April	1 839	2 482	1 229	9 081	7 273	5 511	2 269	833	24 966	28 677
May	2 007	2 641	1 179	9 158	7 379	5 599	2 287	839	25 261	29 081
June	1 992	2 628	1 232	9 205	7 484	5 632	2 335	847	25 503	29 363
July	2 155	2 818	1 267	9 244	7 566	5 726	2 366	854	25 756	29 841
Aug.	2 158	2 855	1 201	9 366	7 705	5 839	2 396	860	26 165	30 221
Sept.	2 161	2 872	1 288	9 370	7 740	5 885	2 422	875	26 292	30 452
Oct.	2 224	2 958	1 184	9 501	7 815	5 982	2 457	892	26 648	30 790
Nov.	2 198	2 924	1 346	9 653	7 944	6 101	2 504	896	27 097	31 367
Dec.	2 551	3 478	1 638	10 213	8 288	6 308	2 641	921	28 371	33 487

1975*

Jan.	2 680	3 472	1 590	10 331	8 442	6 438	2 697	937	28 845	33 907
Feb.	2 551	3 371	1 861	10 458	8 553	6 590	2 740	953	29 294	34 526

¹ New series, see explanations on page 18.



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
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1968	5 866	3 448	2 600	928	1 053	13 392	503	13 895	2 642
1969	6 892	3 803	2 922	1 040	1 260	15 354	593	15 947	3 126
1970	7 963	4 342	3 404	1 342	1 454	17 815	690	18 505	3 445
1971	9 234	4 795	3 834	1 747	1 799	20 640	769	21 409	4 025
1972	10 667	5 503	4 483	2 245	2 374	24 473	799	25 272	4 959
1973	13 365	6 497	5 302	3 399	2 696	30 286	973	31 259	6 114
1974*	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	..

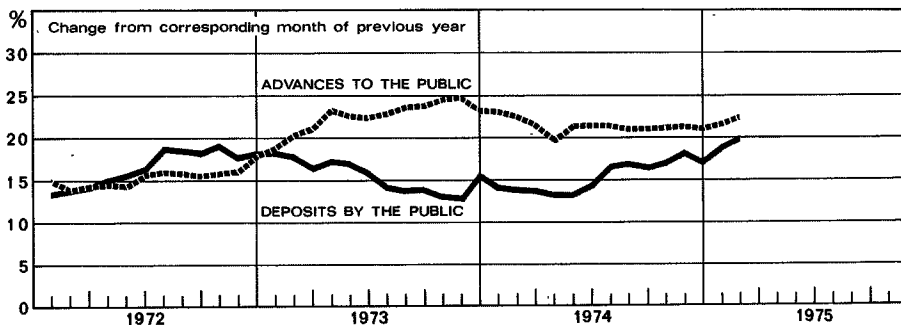
1974¹

Jan.	13 387	6 610	5 361	3 571	2 741	30 657	1 013	31 670	..
Feb.	13 447	6 698	5 444	3 665	2 770	31 007	1 017	32 024	..
March	13 595	6 772	5 515	3 741	2 827	31 380	1 070	32 450	..
April	13 830	6 844	5 574	3 891	2 848	31 915	1 072	32 987	..
May	14 111	6 935	5 671	4 016	2 920	32 537	1 116	33 653	..
June	14 293	7 015	5 749	4 164	2 981	33 083	1 119	34 202	..
July	14 349	7 092	5 840	4 334	3 021	33 534	1 102	34 636	..
Aug.	14 500	7 191	5 953	4 359	3 039	33 963	1 079	35 042	..
Sept.	14 826	7 341	6 102	4 424	3 087	34 609	1 171	35 780	..
Oct.	15 225	7 479	6 225	4 532	3 130	35 398	1 193	36 591	..
Nov.	15 542	7 616	6 338	4 615	3 206	36 139	1 178	37 317	..
Dec.	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	..

1975

Jan.	16 010	7 892	6 554	4 768	3 350	38 574	..
Feb.	16 398	7 990	6 668	4 818	3 381	39 255	..

¹ New series, see explanations on page 18.



STATE FINANCES

Mill. mk

Revenue	Jan.—Dec.		Expenditure	Jan.—Dec.	
	1973	1974		1973	1974
Income and property tax (net)	5 087	6 807	Wages, salaries, pensions etc.	2 734	3 398
Gross receipts	(12 552)	(16 077)	Repair and maintenance	408	537
Refunds & local authorities	(—7465)	(—9 270)	Other consumption expenditure	1 266	1 529
Other taxes on income and property	131	165	Total consumption expenditure	4 408	5 464
Employers' child allowance payments	527	678	State aid to local authorities	2 441	3 269
Sales tax	4 471	5 412	State aid to industries	1 620	2 831
Revenue from Alcohol Monopoly	1 062	1 214	of which: agric. price subsidies	(1 040)	(1 890)
Customs duties & import charges	552	548	Child allowances	372	498
Counter-cyclical tax	—	—	Share in national pensions and health insurance	240	234
Excise duty on tobacco	537	627	Other transfer expenditure	1 852	2 234
» » on liquid fuel	824	1 009	Total transfer expenditure	6 525	9 066
Other excise duties	450	466	Machinery and equipment	574	786
Tax on autom. and motor cycles	636	519	House construction	374	452
Stamp duties	349	422	Land and waterway construction	1 066	1 187
Special diesel etc. vehicles tax	78	77	Total real investment	2 014	2 425
Other taxes and similar revenue ¹	389	458	Interest on State debt	274	226
Total taxes	15 093	18 402	Index compensations	29	39
Miscellaneous revenue	947	1 187	Net deficit of State enterprises	142	174
Interest, dividends etc.	396	494	Other expenditure	21	27
Sales and depreciation of property	3	6	Total other expenditure	466	466
Redemptions of loans granted	268	304	Increase in inventories	+8	+94
Total revenue	16 707	20 393	Lending	1 308	1 481
Foreign borrowing	28	16	Other financial investment	773	465
Domestic borrowing	210	253	Total expenditure	15 502	19 461
Total borrowing	238	269	Redemption of foreign loans	190	204
Deficit (+) or surplus (—)	(—490)	(—535)	Redemption of domestic loans	763	462
			Total redemptions	953	666
Total	16 455	20 127	Tota	16 455	20 127

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

State debt	1971	1972	1973	1974	1975	
	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.
Foreign debt	1 524	1 517	1 395	1 152	1 150	1 156
Loans	2 467	2 268	1 758	1 528	1 510	1 527
Compensatory obligations	2	2	1	1	1	1
Short-term credit	61	56	39	37	36	46
Cash debt (net)	—528	—488	—468	—571	—402	—398
Domestic debt	2 002	1 838	1 330	995	1 145	1 176
Total State debt	3 526	3 355	2 725	2 147	2 295	2 332
Total debt, mill \$	849	804	710	590	648	667

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1970	9 687	11 071	-1 384
1971	9 897	11 734	-1 837
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974*	20 687	25 666	-4 979

1974*			
Month	Exports	Imports	Surplus
March	1 599	1 866	- 267
April	1 779	2 131	- 352
May	1 848	2 272	- 424
June	1 555	1 813	- 258
July	1 799	2 164	- 365
Aug.	1 550	2 266	- 716
Sept.	1 780	2 425	- 645
Oct.	2 239	2 399	- 160
Nov.	1 812	2 300	- 488
Dec.	1 715	2 198	- 483

1975*			
Month	Exports	Imports	Surplus
Jan.	2 014	2 752	- 738
Feb.	1 550	2 560	-1 010

Jan.-Feb.			
Year	Exports	Imports	Surplus
1974*	3 011	3 832	- 821
1975*	3 564	5 312	-1 748

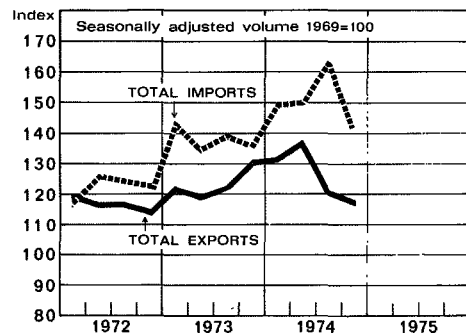
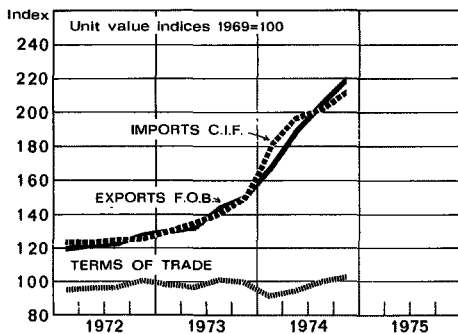
Indices of exports and imports 1969 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1970	107	121	108	
1971	103	119	115	116	99
1972	118	124	123	125	98
1973	127	141	138	139	99
1974*	126	151	196	200	98

1972					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-Mar.	114	112	121	125	97
Apr.-June	112	124	123	125	98
July-Sept.	116	120	124	126	98
Oct.-Dec.	123	136	129	127	102

1973					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-Mar.	120	140	131	131	100
Apr.-June	115	133	133	136	98
July-Sept.	122	136	145	141	103
Oct.-Dec.	140	149	151	150	101

1974					
Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
Jan.-Mar.	131	147	169	182	93
Apr.-June	131	147	190	198	96
July-Sept.	119	158	206	203	101
Oct.-Dec.	125	152	221	213	104



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1970	286	1 536	3 883	1 828	2 154	6 891	422	1 949	1 750	59
1971	313	1 643	3 797	1 764	2 380	7 037	570	2 333	1 746	48
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974*	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24

1974*

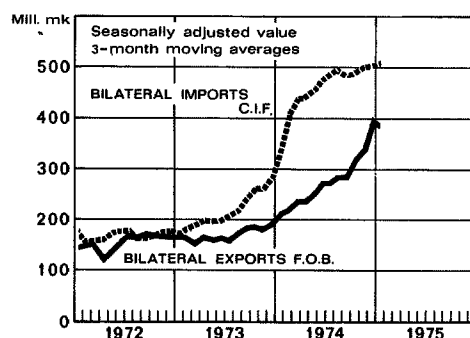
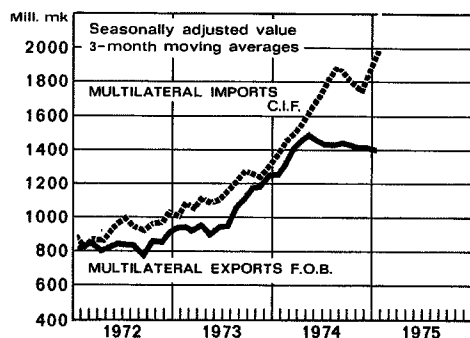
March	94	229	605	258	413	1 173	171	262	260	0
April	22	291	671	351	444	1 376	145	325	276	9
May	47	314	595	414	478	1 498	137	313	320	4
June	10	262	557	340	386	1 244	120	237	209	3
July	18	302	656	456	367	1 350	148	421	244	1
Aug.	25	339	673	168	345	1 537	169	291	267	2
Sept.	32	248	756	275	469	1 516	186	388	335	0
Oct.	27	251	852	618	491	1 550	190	339	319	1
Nov.	16	228	736	361	471	1 381	186	428	304	1
Dec.	63	191	718	310	433	1 457	154	317	269	1

1975*

Jan.	71	229	780	480	454	1 686	146	539	380	1
Feb.	13	145	616	390	386	1 583	147	464	365	1

Jan.-Feb.

1974*	110	498	1 053	694	656	2 443	372	536	479	2
1975*	84	374	1 396	870	840	3 269	293	1 003	745	2



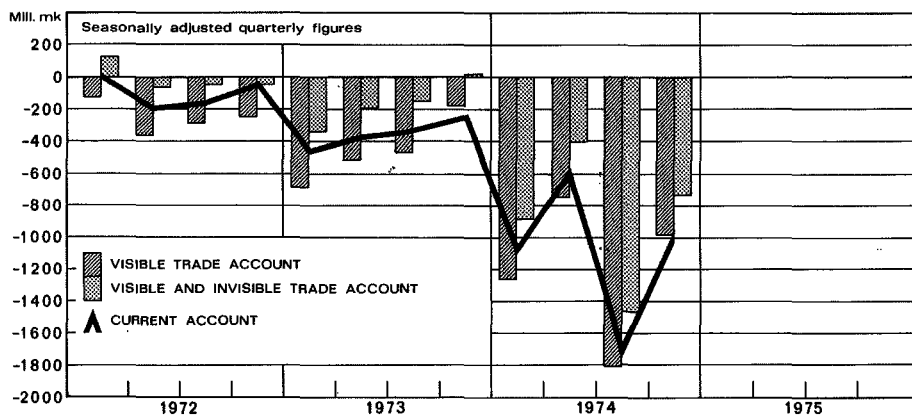
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—February				January—February			
	1974*		1975*		1974*		1975*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	73.5	2 212	63.6	2 267	65.3	2 501	67.8	3 603
Austria	1.0	31	0.8	27	1.3	50	1.3	69
Belgium-Luxembourg	1.6	49	1.5	53	1.7	66	2.1	114
Denmark	4.9	148	3.6	130	3.0	116	3.7	197
France	4.6	137	3.9	138	3.1	118	3.0	161
Federal Republic of Germany	8.9	269	9.3	330	14.5	556	17.0	904
Italy	2.0	60	1.2	43	1.4	54	1.9	99
Netherlands	3.5	106	2.4	87	5.1	195	3.0	159
Norway	2.6	78	4.1	147	2.7	103	2.8	151
Portugal	0.4	13	0.3	10	0.6	23	0.6	31
Spain	1.4	41	1.0	36	0.5	20	1.4	74
Sweden	18.7	562	16.0	569	19.6	750	18.3	972
Switzerland	1.8	55	1.9	68	3.1	119	3.4	180
United Kingdom	20.2	607	16.0	570	8.5	324	9.2	487
Other	1.9	56	1.6	59	0.2	7	0.1	5
OECD countries outside Europe	6.8	205	6.7	237	7.9	302	11.9	629
Canada	0.8	23	0.5	17	0.2	6	0.4	21
Japan	1.5	45	0.6	23	1.0	40	1.5	80
United States	4.0	120	5.0	177	6.7	255	10.0	527
Other	0.5	17	0.6	20	0.0	1	0.0	1
CMEA countries	12.8	384	19.8	706	22.1	846	16.4	871
Czechoslovakia	0.4	12	0.4	15	0.3	13	0.3	16
Democratic Republic of Germany	0.5	17	0.6	23	0.5	19	1.1	59
Poland	0.7	20	1.2	43	1.6	62	1.6	83
Soviet Union	10.7	321	16.7	594	19.1	730	12.8	680
Other	0.5	14	0.9	31	0.6	22	0.6	33
Latin America	2.1	65	2.7	98	2.6	102	2.0	106
Argentina	0.6	18	1.2	43	0.0	1	0.0	1
Brazil	0.9	26	0.9	32	0.9	37	0.6	30
Colombia	0.1	4	0.0	1	1.2	46	0.9	49
Other	0.5	17	0.6	22	0.5	18	0.5	26
Other	4.8	145	7.2	256	2.1	81	1.9	103
GRAND TOTAL	100.0	3 011	100.0	3 564	100.0	3 832	100.0	5 312
of which								
EFTA countries	24.7	744	23.2	827	27.3	1 046	26.4	1 404
EEC countries	46.6	1 403	38.7	1 380	37.3	1 431	39.9	2 122
OECD countries	80.3	2 417	70.3	2 504	73.2	2 803	79.7	4 232

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
1972	12 012	13 087	-1 075	+ 732	+335	+ 72	+ 64	- 586	+42	- 480
1973*	14 525	16 560	-2 035	+ 996	+341	+ 28	- 670	- 753	-57	-1 480
1974*	20 608	25 610	-5 002	+1 086	+319	+149	-3 448	-1 004	-59	-4 511
Jan.-March										
1972	2 870	2 956	- 86	+ 207	+ 3	+ 1	+ 125	- 142	-22	- 39
1973*	3 282	3 868	- 586	+ 260	- 5	+ 28	- 303	- 139	-14	- 456
1974*	4 589	5 663	-1 074	+ 281	+ 10	+ 28	- 755	- 233	-25	-1 013
Apr.-June										
1972	2 855	3 296	- 441	+ 170	+ 56	+ 47	- 168	- 156	- 8	- 332
1973*	3 182	3 843	- 661	+ 218	+ 48	+ 16	- 379	- 190	-22	- 591
1974*	5 160	6 224	-1 064	+ 199	+ 74	+ 72	- 719	- 239	-12	- 970
July-Sept.										
1972	2 979	3 198	- 219	+ 179	+192	+ 18	+ 170	- 139	+20	+ 51
1973*	3 656	4 084	- 428	+ 271	+240	+ 10	+ 93	- 173	- 9	- 89
1974*	5 107	6 810	-1 703	+ 353	+243	- 45	-1 152	- 244	- 6	-1 402
Oct.-Dec.										
1972	3 308	3 637	- 329	+ 176	+ 84	+ 6	- 63	- 149	+52	- 160
1973*	4 405	4 765	- 360	+ 247	+ 58	- 26	- 81	- 251	-12	- 344
1974*	5 752	6 913	-1 161	+ 253	- 8	+ 94	- 822	- 288	-16	-1 126

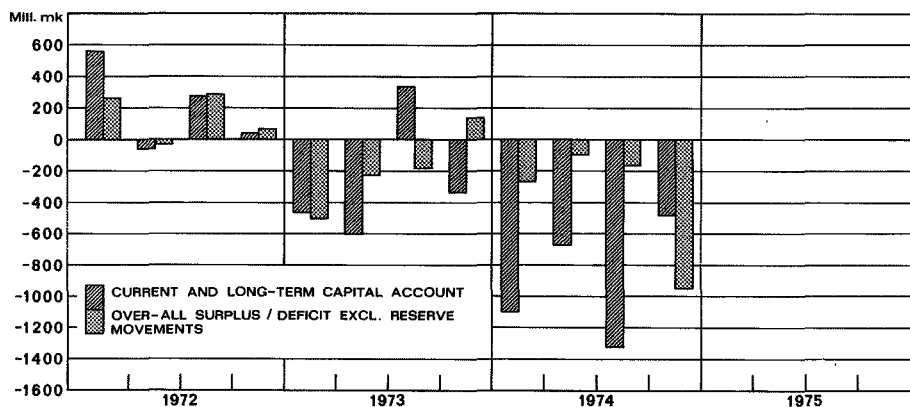


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+3 014	-1 228	-376	-106	+1 304	+ 824	+104	- 90	-247 ²	+ 591	-271	-320
+1 858	-1 366	+ 34	-114	+ 412	-1 068	-246	+ 561	- 31	- 784	+491	+293
+2 725	-1 564	-224	- 21	+ 916	-3 595	+746	+1 090	+284	-1 475	+739	+736
+ 968	- 273	-115	+ 17	+ 597	+ 558	-156	- 27	-114 ²	+ 261	-327	+ 66
+ 364	- 396	+ 35	- 24	- 21	- 477	+ 21	+ 25	- 76	- 507	+353	+154
+ 481	- 522	- 23	- 26	- 90	-1 103	+270	+ 285	+279	- 269	+138	+131
+ 655	- 180	-192	- 5	+ 278	- 54	+ 90	+ 26	- 91	- 29	+ 37	- 8
+ 309	- 265	- 48	- 9	- 13	- 604	+ 95	+ 323	- 41	- 227	+301	- 74
+ 758	- 362	-115	+ 15	+ 296	- 674	+369	+ 182	+ 27	- 96	- 99	+195
+ 628	- 327	- 41	- 25	+ 235	+ 286	+268	- 125	-141	+ 288	-314	+ 26
+ 774	- 370	+ 59	- 15	+ 448	+ 359	-403	- 274	+132	- 186	+ 66	+120
+ 543	- 385	- 61	- 22	+ 75	-1 327	+483	+ 523	+158	- 163	+202	- 39
+ 763	- 448	- 28	- 93	+ 194	+ 34	- 98	+ 36	+ 99	+ 71	+333	-404
+ 411	- 335	- 12	- 66	- 2	- 346	+ 41	+ 486	- 45	+ 136	-229	+ 93
+ 943	- 295	- 25	+ 12	+ 635	- 491	-376	+ 100	-180	- 947	+498	+449

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	Machinery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1973	398	401	385	403	447	378	435	395	378	188	202	176
1974	495	498	482	523	536	448	555	495	459	233	231	230
1974												
June	489	491	481	519	537	438	541	495	454	235	235	230
July	500	503	488	528	544	451	567	505	456	235	235	231
Aug.	505	507	497	532	549	457	567	510	463	235	235	231
Sept.	515	521	495	538	554	475	573	514	481	239	239	237
Oct.	524	531	497	549	570	478	595	510	489	241	239	238
Nov.	525	533	496	552	577	477	602	508	491	242	239	240
Dec.	525	535	489	551	578	478	602	507	491	243	239	237
1975												
Jan.	537	546	502	565	589	487	616	518	502	247	243	237
Feb.	546	556	509	571	596	501	620	529	513	246	243	239
March	554	564	514	576	608	511	627	535	521	249	243	242

Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 100	Consumer prices 1972 = 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
1973	284	223	111	112	107	111	116	110	109	109	105	111
1974	333	261	129	130	109	128	144	161	129	128	118	127
1974												
June	329	258	128	129	108	126	141	150	128	128	116	125
July	335	263	130	131	108	127	146	151	129	129	119	130
Aug.	340	267	132	135	108	129	146	171	130	130	120	130
Sept.	348	273	135	142	109	133	147	172	131	130	121	132
Oct.	351	275	136	139	111	137	153	175	133	131	121	134
Nov.	353	277	137	139	111	138	154	172	136	132	123	136
Dec.	354	278	138	138	111	139	154	175	137	133	125	136
1975												
Jan.	364	285	141	139	124	141	155	179	140	136	135	141
Feb.	369	290	143	143	125	142	155	180	145	137	137	146
March	375	294	146	148	125	145	156	181	146	139	138	148

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	Industry	Construction							
1971	210	195	195	180	176	178	188	171	195	185
1972	253	222	222	196	189	194	212	188	220	206
1973*	317	260	261	223	213	223	247	214	258	239
1974*	402	313	318	262	251	261	294	250	309	283
1973*										
Jan.-March	287	235	238	206	197	206	224	196	234	217
Apr.-June	331	260	248	227	215	226	249	216	259	241
July-Sept.	313	268	271	229	220	230	259	220	271	249
Oct.-Dec.	340	275	286	231	221	230	261	222	273	251
1974*										
Jan.-March	361	283	292	233	226	233	265	224	278	254
Apr.-June	388	316	321	266	252	265	300	253	315	288
July-Sept.	410	323	324	268	255	268	306	256	323	294
Oct.-Dec.	430	330	334	279	269	279	309	265	325	300

PRODUCTION

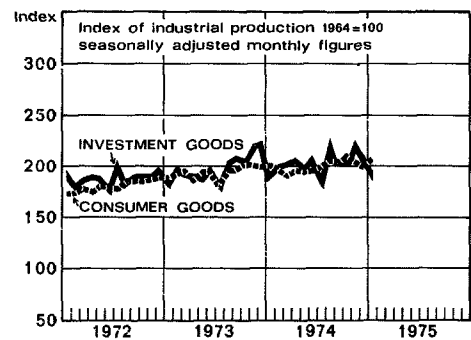
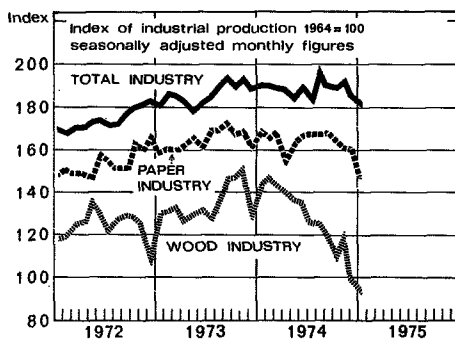
Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1971	136	157	96	106	138	99	134	140	135	135	140
1972	145	177	94	95	149	103	143	155	142	143	148
1973*	153	187	89	96	162	104	154	169	150	148	155
1974*	161	200	86	98	177	105	165	179	157	154	162
1973*											
July-Sept.	153	169	164	55	198	105	159	165	149	149	156
Oct.-Dec.	160	205	65	97	185	101	159	186	153	150	158
1974*											
Jan.-March	157	205	59	124	134	104	159	169	155	152	158
Apr.-June	154	188	62	113	156	113	161	170	157	153	160
July-Sept.	163	184	161	62	210	105	169	176	157	154	164
Oct.-Dec.	170	223	59	94	206	99	172	199	161	155	167

PRODUCTION

Index of industrial production 1970 = 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	
1972	114	116	114	111	111	109	112	142	115	118	113
1973*	121	123	122	120	114	118	120	151	124	127	121
1974*	123	126	123	123	119	112	120	158	132	131	123
1973*											
Nov.	135	145	134	135	126	134	128	161	143	148	126
Dec.	117	119	118	113	109	113	111	146	116	122	125
1974*											
Jan.	134	135	135	131	118	139	133	167	139	141	124
Feb.	124	128	125	120	106	134	121	155	132	132	123
March	134	138	136	127	107	139	136	179	145	143	123
April	123	134	121	124	121	130	95	160	143	139	122
May	133	138	132	131	128	139	123	156	142	144	121
June	112	121	111	112	114	110	97	145	122	124	123
July	86	59	92	79	122	65	121	128	92	62	120
Aug.	124	125	123	128	127	92	124	154	144	131	128
Sept.	125	130	124	125	116	106	123	150	142	135	124
Oct.	138	145	135	144	140	111	130	172	147	150	123
Nov.	130	141	128	135	123	102	125	169	134	146	125
Dec.	115	119	114	116	103	75	110	165	107	124	120
1975*											
Jan.	128	143	125	131	111	91	115	176	125	145	118
Feb.	120	133	118	122	99	94	106	168	117	137	119



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Un-employed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m ¹	Retailers' sales volume index 1968 = 100	Wholesalers' volume index 1968 = 100
1971	3 507	2 199	2 150	49	2.2	41 264	118	137
1972	3 409	2 173	2 118	55	2.5	34 954	128	151
1973	3 442	2 215	2 164	51	2.3	35 123	138	167
1974*	3 483	2 269	2 229	40	1.8	34 457	143	168
1974*								
Feb.	3 474	2 194	2 140	54	2.5	3 923	122	160
March	3 476	2 183	2 138	45	2.1	4 014	131	174
April	3 478	2 199	2 154	45	2.0	3 976	137	169
May	3 480	2 236	2 200	36	1.6	3 527	143	175
June	3 483	2 432	2 397	35	1.4	2 308	140	163
July	3 485	2 447	2 409	38	1.6	1 305	146	155
Aug.	3 487	2 355	2 318	37	1.6	1 545	148	185
Sept.	3 489	2 262	2 230	32	1.4	2 021	140	178
Oct.	3 491	2 249	2 219	30	1.3	2 476	151	196
Nov.	3 439	2 239	2 207	32	1.4	2 773	149	186
Dec.	3 495	2 234	2 195	39	1.7	3 079	190	193
1975*								
Jan.	3 503	2 214	2 165	49	2.2	3 029

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Buildings-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											
1972	47.73	20.56	3.08	16.50	4.28	40.00	18.15	2.84	14.19	2.99	40.57
1973*	54.96	24.68	3.82	20.66	2.81	40.20	18.81	2.91	13.63	2.82	51.42
1974*	53.23	22.34	3.26	20.84	3.52	45.85	21.29	2.70	16.74	3.11	50.87
1973*											
Oct.-Dec.	11.13	4.98	0.45	4.09	0.92	14.11	6.79	1.14	4.58	1.13	51.42
1974*											
Jan.-March	10.33	3.65	0.68	4.79	0.76	8.72	3.98	0.45	3.31	0.69	49.20
Apr.-June	16.64	7.96	1.62	5.39	0.70	9.96	4.99	0.35	3.73	0.48	54.42
Jyly-Sept.	14.53	6.15	0.56	5.82	1.26	10.39	4.51	0.40	3.65	0.81	57.01
Oct.-Dec.	11.73	4.58	0.40	5.21	0.80	15.19	7.06	1.00	5.60	0.99	50.87

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

The balance sheet of the Bank of Finland was revised on Dec. 31, 1974 in connection with the revision of accounting legislation. New series have been built according to the revision. When the figures are not fully comparable to the previous ones, the series is broken by a line.

Page 4. *Foreign sector:* Gold and convertible exchange receivables = Gold + Special drawing rights + IMF gold tranche + Convertible currencies.

Gold and convertible exchange reserve = Gold and convertible exchange receivables — Liabilities in convertible currencies.

Non-convertible exchange reserve = Receivables in tied currencies — Liabilities in tied currencies.

Other receivables = Foreign bills + Foreign bonds + Currency subscription to Finland's quota in the IMF.

Other liabilities = IMF mark accounts + Allocations of special drawing rights.

Public sector: Receivables = Total coinage + Other public sector receivables + Bonds (since Dec. 1974).

Liabilities = Cheque accounts + Counter-cyclical reserves + Other public sector liabilities.

Deposit certificates are interest bearing, freely transferable, term liabilities of the Bank of Finland. Their maturities range from one week to one year.

Page 5. *Domestic financial sector:* Other receivables = Other financial institution receivables + Bonds (since Dec. 1974).

Corporate sector: Receivables = New export bills + Financing of suppliers' credits + Other corporate receivables + Bonds (since Dec. 1974).

Liabilities = Investment deposits + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Other corporate claims.

DEPOSITS BY THE PUBLIC —

ADVANCES TO THE PUBLIC — MONEY SUPPLY

Figures for deposits and advances are supplied by the Central Statistical Office. From the beginning of 1974 the figures include deposits by and advances to other credit institutions.

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 Postipankki 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 volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres 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. 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 Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland 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 7.0, other producer goods weight 67.0 and consumer goods weight 26.0. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.8, manufacture of wood, and wood and cork products (SIC 311-2) 8.0, manufacture of paper and paper products (SIC 341) 15.2, manufacture of industrial chemicals (SIC 351-2) 5.2, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 361-9) 3.6 and metal industry (SIC 37-38) 25.9.

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. *Construction of buildings* figures calculated by the Central Statistical Office.

SYMBOLS USED

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. Mr. Urho Kekkonen has been President for three 6-year periods. His last term of office was extended by four years and will end on March 1, 1978.

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 is as follows: Social Democrats 56, People's Democrats 37, Centre Party 35, Conservatives 33, Finnish People's Unification Party 13, Swedish Party 9, Liberal Party 6, Finnish Farmers Party 5, Christian League 4 and Finnish People's Constitutional Party 2.

INTERNATIONAL ORGANIZATIONS

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

LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. Of the land area (1970) 2.7 mill. ha (9.6 %) 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 (1973): 4.7 million. Sweden 8.1. Switzerland 6.4, Denmark 5.0 and Norway 4.0 million.

DENSITY OF POPULATION (1973): In South Finland 44.9, in East and Central Finland 14.0, in North Finland 3.9 and in the whole country an average of 15.3 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1973): 57 % of the population inhabit the rural areas, 43 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 505 700 inhabitants, Tampere (Tammerfors) 164 400, Turku (Åbo) 162 200.

EMPLOYMENT (1973): Agriculture and forestry 17 %, industry and construction 35 %, commerce 16 %, transport and communications 7 %, services 25 %.

LANGUAGE (1972): Finnish speaking 93.3 %, Swedish speaking 6.5 %, others 0.2 %.

EDUCATION (1974): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 11 colleges of university standard.

CHANGE OF POPULATION (1973): births 12.2 ‰, deaths 9.3 ‰, change + 4.1 ‰, net immigration 1.2 ‰. Deaths in France 10.7 ‰ and Great Britain 12.0 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1973, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 3 378 (6 %), forestry and fishing 3 728 (6 %), manufacturing 18 561 (32 %),

construction 5 788 (10 %), transport and communication 5 617 (10 %), commerce, banking and insurance 7 620 (13 %), public administration 2 624 (4 %), ownership of dwellings 2 770 (5 %), services 8 490 (14 %), total 58 576. Index of real domestic product 153 (1964 = 100).

FOREST RESOURCES (1973): The growing stock comprised of 1 501 million m³ (solid volume with bark), of which 44 % was pine and 38 % spruce, the remaining 18 % being broad-leaved trees, chiefly birch. Of the growing stock, 618 million m³ was up to the standard required for logs, 56 % of these being pine. The annual growth was 56.9 million m³ and the total removal, calculated on the basis of roundwood consumption, was 55.4 million m³.

AGRICULTURE (1973): Cultivated land 2.7 million hectares. Number of holdings 266 000, of which 176 000 are of more than 5 ha. Measure of self-sufficiency in bread cereals 114 % in the crop year 1973/74.

INDUSTRY (1972): Gross value of industrial production 44 958 mill. marks, number of workers 404 033, salaried employees 114 534, motive power (1971) 5.7 mill. kW. Index of industrial production 114 for 1972 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1975): Length 5 908 km.

MERCHANT FLEET (March 31, 1975): Steamers 24 (13 200 gross reg. tons), motor vessels 365 (794 400 gross reg. tons) tankers 61 (993 700 gross reg. tons). Total 450 (1 801 300 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1973): Passenger cars 894 100, lorries and vans 119 900, buses 8 400, others 5 700. Total 1 028 100.

FINNISH AIRLINES (March 27, 1975): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6, 9 Super Caravelles, 8 DC-9s, 1 DC-10-30 and 5 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 27 airports and to 20 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 one SDR). On Feb. 15, 1973 a central rate of 3.90 marks to one U.S. dollar was set, and since June 4, 1973 the mark has been allowed to float.

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, 1974). There are two big and five small commercial banks with in all 857 offices, 294 savings banks, 390 co-operative banks, six mortgage banks, and Postipankki. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-seven private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1975). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 9 ¼ %. The range of rates for other credits granted by the Bank of Finland is between 7 ½ and 10 ¼ %. Other credit institutions: term deposits 5 ¾ %; 6 month deposits 6 ¼ %; 12 month deposits 6 ¾ %; 24 month deposits 7 ¾ %; 36 month deposits 9 % + savings premium; 36 month deposits 8 ¼ % + tax concession and sight deposits 1 ½ %; highest lending rate 12 ½ %.

FINNISH ECONOMY IN 1974 AND THE CURRENT OUTLOOK

by Jorma Hilpinen, M.Sc. (Econ.)
Ahti Huomo, M.Pol.Sc.
and Timo Taivalaho, M.Pol.Sc.

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Bank of Finland

In spite of the energy crisis and the severe recession in many other countries economic activity in Finland remained brisk till the last quarter of 1974. Most sectors of the economy continued to operate to near full capacity, although in the latter part of the year the effect of the international recession was felt, especially in the wood industry. Continuing excess demand in some sectors and rapidly increasing foreign trade prices combined to cause strong inflationary pressures. Several factors contributed to the imbalance in foreign trade. The growth in exports was still limited by supply bottlenecks in some sectors of industry and, towards the end of the year, to an increasing extent by diminishing demand. The relatively high rate of growth in imports was maintained in particular by exceptionally high level of investment activity. In addition, the inflation in foreign trade prices together with a slight worsening of the terms of trade contributed to the deterioration of the external balance.

At present the outlook is poor. The decline in exports together with the restrictive policy stance required by the deterioration in the external balance will limit growth and cause an increase in unemployment. Even if the growth of output slows down, the current deficit is likely to be as large as in 1974 and the rate of inflation is likely to fall only gradually.

FOREIGN DEMAND

The rather bleak state of affairs in the international markets did not have a severe affect on Finnish exports until the latter part of the year. On the contrary capacity ceilings still limited exports in several branches. However,

later in the year timber and related industries started to suffer from reduced demand as a result of the building industry recession in the major markets. Consequently the volume of exports in these industries decreased by a fifth. The demand for paper industry products continued at a high level for most of the year. The high level of economic activity in Sweden and increased exports to the Soviet Union maintained the growth of exports of the metal industry. Service receipts grew by about 20 per cent but there was a stop in the growth of travel earnings. Freight earnings increased by a fifth. The volume of total exports decreased by about one per cent but higher prices particularly in the forest industry products meant that the value of exports increased by nearly 37 per cent.

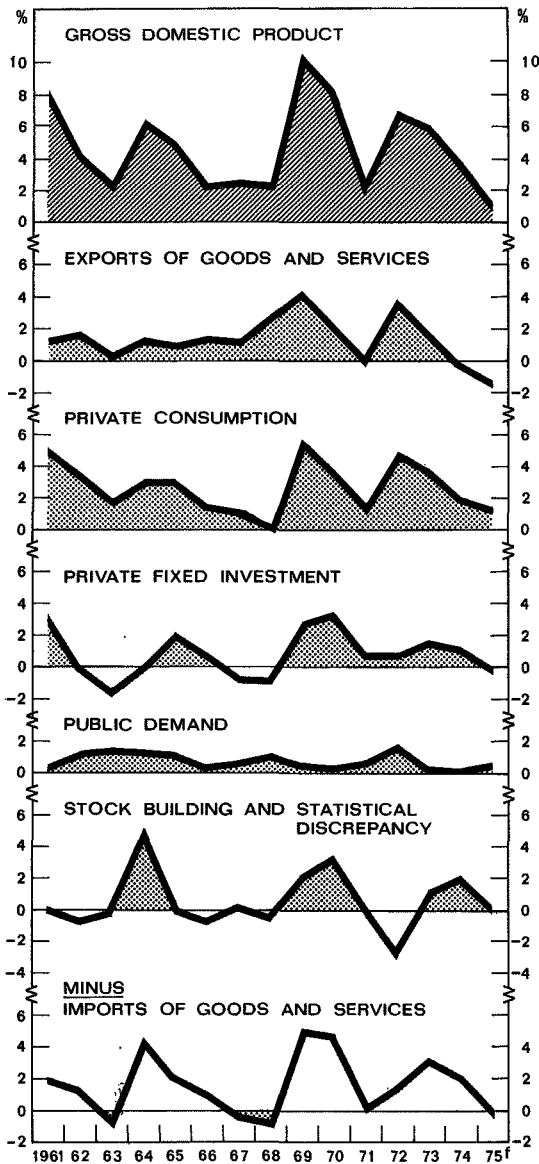
In the first quarter of the current year there was an unexpectedly sharp fall in the foreign demand for pulp and paper. This together with the low level of timber exports and weakened demand in many parts of the metal industry as well as other export industries is forecast to lead to a decrease in export volume in 1975. The value of exports is expected to stay at the level of the latter half of last year.

DOMESTIC DEMAND

The main factors influencing domestic demand in 1974 were strong pressures to increase production capacity and the selective economic policy aiming at securing increased production, especially in the export sector.

The volume of private investment grew by more than 6 per cent, with the emphasis on the

CHART 1. CONTRIBUTION TO THE GROWTH OF GROSS DOMESTIC PRODUCT 1961—1974 AND FORECAST 1975¹



¹ Change in volume over previous year as a percentage of preceding year's gross domestic product.

manufacturing and energy sectors. As the rate of capacity utilization had been high since late 1972 heavy productive investments were required to cope with the trade deficit. The financing of these growth investments was made possible by the increase in export incomes and the adoption of a selective monetary policy at a time of generally tight financial markets. This year it is possible that investment in

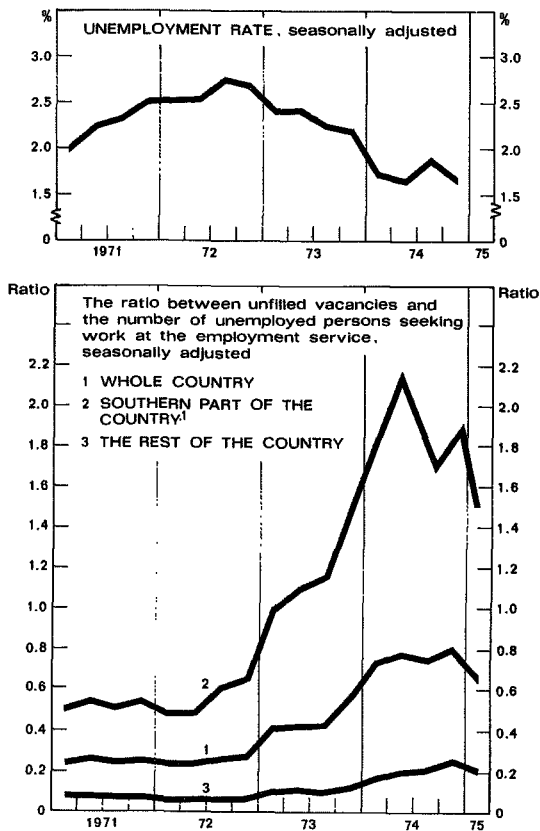
machinery and equipment will expand even faster than in 1974 as many investment projects are in the installation phase. However, the further tightening of the money market is forecast to result in a slowing down of business investment in buildings.

Residential construction, too, reached its peak level in 1974. Housebuilding was concentrated to southern Finland where the strains on available resources increased during the first half of the year, in spite of the investment tax law restricting construction in service and local government sectors. During the latter part of the year the sharp rise in prices and the tightening of credit markets reduced the demand for dwellings significantly. In 1975 volume of residential construction will diminish considerably and there will be a marked decrease in the amount of completed buildings compared with last year. Despite the abolition of investment tax on lower priority construction at the end of 1974, any clear recovery regarding construction in service and local government sectors is unlikely in view of the growing tightness in the financial markets.

In spite of a rapid nominal increase in incomes, the growth rate of private consumption slowed down as high inflation curbed the growth of the real disposable income of households. The volume of household consumption grew 3 1/2 per cent in 1974. The sales of durable consumer goods actually decreased because the passenger car sales dropped by a fifth. On the other hand, the consumption of non-durables and services continued to grow at a moderate pace. In 1975 the sales of cars are expected to recover slightly, but the overall growth of private consumption is going to slow down further because of rising unemployment and weakening income formation.

The effect of public demand in 1974 was restrictive, especially because of the reduction in public investments. The growth of public consumption also was kept smaller than the previous year and it will be curbed still further in 1975 in view of the balance of payment situation. The budgets for both Education and the

CHART 2. LABOUR MARKET



¹ The Helsinki, Turku, Tampere and Kouvola administrative districts of the Ministry of Labour.

National Health System will be cut back. As the employment situation will not worsen before the latter part of the year, the growth in public investment will be kept at a low level.

PRODUCTION AND EMPLOYMENT

The volume growth of GDP was in 1974 about 4 per cent, which is only slightly less than in 1973. There were considerable differences among sectors. Some were operating at capacity ceilings while others began to suffer from slackening demand. It is worth noting that in the metal industry, the expansion of exports to the Soviet Union has been supporting the growth of production, thus easing the effect of the recession in the western countries.

In the wood industry the slackening of demand was considerable already in 1974. Production

was kept at roughly the level of the previous year only by increased domestic stocks of finished goods. This year the further decrease in exports will cause a clear drop in production. In the paper industry the situation deteriorated quite sharply at the end of last year and the present outlook is very uncertain.

The average rate of unemployment in 1974 for the whole country was only 1.8 per cent, but certain regions still experienced an unemployment rate well above the national average. Although progress has been made in the less industrialized northern and eastern parts of the country, in 1974 there were on average 13 unfilled vacancies per 100 unemployed persons seeking work, whereas there were 180 per 100 in southern Finland. On the other hand some sectors, especially the metal industries still experienced a lack of skilled workers. Labour participation rate rose markedly and the labour force grew by more than 50 000 persons. Consequently the number of unfilled vacancies stopped rising and then declined in the course of the year.

On the whole, the employment situation has still remained satisfactory and in the first quarter this year unemployment was smaller than in the respective period the year before. It is expected that unemployment will rise later this year and that the average rate of unemployment for the whole year will be more than 2 per cent.

IMPORTS

The most striking feature of last year's imports was the rise in energy prices. The value of imports of crude oil, fuels and electricity increased from 2 000 million marks to 5 400 million last year. The volume of energy imports increased by about 5 per cent.

The growth of industrial production maintained a corresponding rise in the imports of raw materials and production supplies. Excluding crude oil, imports in this category grew by about 10 per cent, with price increases amounting to nearly 40 per cent. The volume of imports

of investment goods increased by nearly a fifth. Imports of passenger cars were reduced but there was slight growth in other categories of consumption goods. Expenditures on services continued to rise at a steady growth rate of 20 per cent. The volume of total imports increased by 7 per cent and the rise in the value of imports amounted to 50 per cent.

The volume of total imports may decrease slightly in the current year. However, the completion of investment plans will push the imports of investment goods to a high level. The falling prices of raw materials should help limit the increase in value of total commodity imports to a few percentage points.

PRICES AND WAGES

Inflation accelerated further in 1974 and the consumer price index rose by 17 per cent as compared to the previous year. The pressure on prices was mainly caused by excess demand in the first part of the year and by very sharp increases in the prices of both imports and exports as well as by a rapid rise in wages.

In April a comprehensive incomes agreement lasting 22 months was concluded between the labour market organisations. According to the agreement wage increases were made by raising flat money wage rates and allowing a small percentage adjustment each year. The increase in negotiated wages and salaries was on average 10 per cent in April and 3 per cent in September. The agreement included several measures of both fiscal and social policy nature as well as an agreement on farmers' incomes and tightening of price controls. However, the pattern of wage developments was very divergent in different sectors due to both the wage drift caused by differences in profitability and imbalances in the demand for and supply of labour. The nominal wages rose on average by 19 per cent in 1974. The incomes agreement was revised in February this year and on the average the rise in wages and salaries at the beginning of April was some 9 per cent.

The rate of inflation is expected to slow down slightly this year. Demand pressures are easing and the effect of import prices diminishing, but at the same time the labour cost effects will rise due to slower growth of productivity.

CURRENT ACCOUNT AND EXTERNAL LIQUIDITY¹

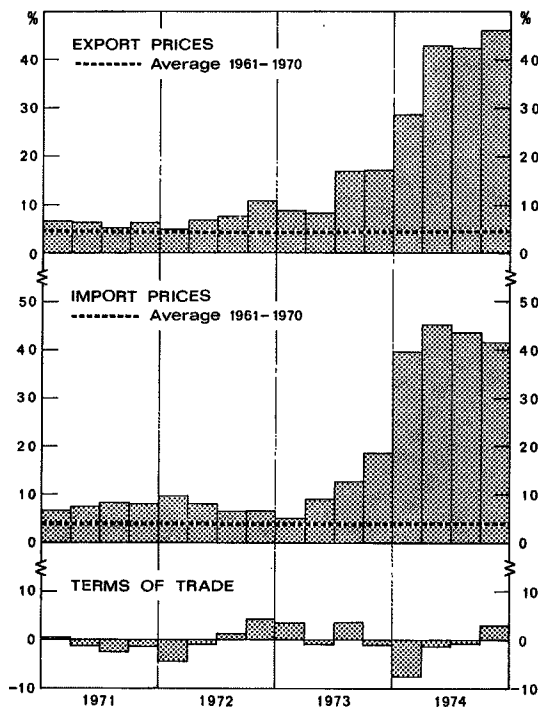
The main reason for the widening of the trade account deficit from 2 000 million marks in 1973 to 5 000 million last year lay in differences between cyclical developments in Finland and abroad. The growth of imports, though decreasing, retained the average long-term rate of 7 per cent while export volume actually declined.

Although the terms of trade only deteriorated by about one percentage point, increases of over 40 per cent in foreign trade prices caused a widening of the deficit, since imports had already exceeded exports by a substantial amount in the previous year. As there was a considerable slowing down in the growth of the services account surplus, and a marked rise in the investment account deficit, the current account deficit rose to 4 500 million marks or to nearly 6 per cent of GDP.

The net inflow of long-term capital covered a fifth of the current account deficit. This was due to poor availability of long-term capital as well as to the high interest rates and uncertainties about exchange rates. Nearly half of the deficit was financed by imports of short-term capital. This was principally made up of import credits which increased with the value of imports, and of considerable amounts of export prepayments. The overall deficit in the balance of payments was 1 475 million marks. As to reserve movements, the bilateral clearing account debt increased by about 600 million marks, and the country's foreign exchange position in convertible currencies was thus reduced by about 900 million marks. The net

¹ For a more detailed analysis, see »The Balance of Payments and Foreign Exchange Policy in 1974» in the April issue of the Bulletin.

CHART 3. FOREIGN TRADE PRICES AND THE TERMS OF TRADE¹



¹ Percentage changes from corresponding period of previous year. Based on the unit value indices published by the Board of Customs.

foreign exchange liabilities of commercial banks increased by over 700 million marks. Hence, the convertible foreign exchange reserves of the Bank of Finland declined by only about 150 million marks and were, at the end of 1974, roughly 1 700 million marks, corresponding to about a month's imports in convertible currencies.

The foreign trade deficit was very large in the first months of the current year but an improvement is expected towards the end of the year. For 1975, present forecasts point to a current account deficit of about the same size as last year.

MONETARY DEVELOPMENTS

In line with the development in balance of payments the financial market remained tight in 1974.

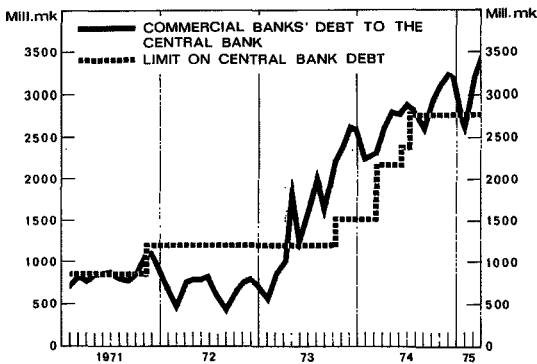
The net foreign position of the banking sector deteriorated by about 1 300 million marks in 1974. A major part of this deterioration took place in the form of an increase in the commercial banks' foreign debt. Thus the drain on the liquidity of the general public showed only partly in the central bank debt of the commercial banks. In spite of this the pressure on central bank credit was still so strong that it was necessary to raise the central bank credit quotas three times in 1974 in order to secure the financing of investments in key production sectors and certain preferred housing investments. At the end of the year the outstanding credit was 3 190 million marks as the penalty free total quota of the banks was 2 800 million marks.

The growth of bank deposits was 17.4 per cent. The nominal increase in demand for deposits was supported by the rapid growth in incomes from forestry and forest industry exports. For the same reason there were large differences in the growth of deposits between various banking groups. The total growth of time deposits was slightly less than 17 per cent while demand deposits grew by 20 per cent. The growth was modest during the first half of the year, but it accelerated later and most of the growth took place during the months of the year.

Because of inflation and the high level of investment activity the demand for bank loans remained brisk in 1974. The growth of lending by 23.5 per cent was only slightly smaller than in the previous year. There was a rapid expansion of lending to industry, and a clear decline in the growth of the personal loans for consumption purposes.

The year 1974 had, for the second year in a row, shown a significant imbalance between bank lending and deposits. Compared with the previous year, the increase in central bank debt played a notably minor role in the financing of this gap. Instead the commercial banks resorted, to a large extent, to foreign borrowing. In addition, the government owned Postipankki fi-

CHART 4. COMMERCIAL BANKS' DEBT TO THE CENTRAL BANK



nanced part of its sizable lending with government funds. Thus, contrary to the development in recent years the central government cash surplus had mainly a seasonal tightening effect on the financial market.

POLICY ISSUES

The economic climate of 1974 was characterized by imbalances in production, prices and balance of payments. At the outbreak of the oil crisis, it was feared that the situation might lead to a sharp fall in the growth rate and a rise in unemployment. Consequently economic policies were geared towards a selective support of demand. Further growth of productive investments was considered a major priority to improve the foreign balance in the medium term. The further deterioration of the external balance and persistent inflation have led to a more restrictive policy during the early months of this year.

Fiscal policy in 1974 was aimed at supporting manufacturing investment and building construction in labour catchment areas. Thus the temporary investment tax on lower priority construction introduced in 1973, was extended to the end of 1974 in order to provide more resources for industrial investments. The high rate of employment meant that government investment programmes could be reduced. The

employment policy aimed mainly at adjusting regional disparities.

The incomes agreement which was in force from April 1974 led to a marked increase in nominal incomes and had a negative effect on the price stability, in spite of the provision on price control included in the agreement.

Similarly the revised agreement, in force as of April this year, will tend to put more pressure on cost rises. The agreements have, however, formed an essential part in the policy of avoiding industrial strife and have thereby paved the way for the uninterrupted expansion of production capacity.

Price control and the modification of income tax rates to lower wage demands, were not the only government measures aimed at curbing inflation. In order to reduce the effect of energy prices on the costs of agricultural production and to reduce the increase of consumer prices resulting from the agreement on farmers' income, agricultural price subsidies were increased by over 80 per cent. As subsidies were increased also in other sectors the total increase of subsidies amounted to 1 200 million marks. Fuel oil was temporarily exempted from excise duty in order to reduce cost pressures. Sales tax was also removed from certain basic foodstuffs until the end of 1975. The effects on demand caused by increased export prices for forest industry products, were mitigated by counter-cyclical deposits. The collection of deposits, however, did not reach the 300 million marks originally envisaged, as export demand for the products concerned weakened considerably towards the end of the year.

A relatively tight monetary policy was pursued in 1974, but care was taken to see that the financing of productive investments was not impeded. The credit squeeze has tightened during the first months of this year. The regulations concerning commercial banks' access to central bank credit were further tightened in March by abolishing the banks' rights to exceed the credit quotas by more than 50 per cent without negotiating with the Bank of Finland.

Coupled with the generally restrictive monetary policy, were extensions to the selective financing arrangements with firms in export and import-competing branches. In February 1974 the Bank of Finland raised its share in the financing of domestic delivery credits. Also it was made more possible for the Mortgage Bank of Finland to finance investments in energy conservation.

The Bank of Finland emphasised the necessity of selective credit granting in its credit policy guidelines. It was thought advisable that special attention be given to the financing of productive investment in manufacturing industry and government subsidized housing. On the other hand, it was thought that great caution should be exercised in granting credits for consumption and the service sector and in the financing of stock building.

In view of the balance of payments situation the Government adopted an economic policy program in March which introduced an import deposits system and prescribed general guidelines for improving the external balance in medium term.¹ A central point in the program is the strong application of fiscal policy to limit the growth of domestic demand in 1975 and 1976. The growth of demand in both central and local government sectors will be considerably restricted.

The accumulation of import deposits will exert a heavy pressure on the financial market during the second and third quarters of this year, especially in view of the concurrent accumulation of a seasonal cash surplus by the central government. However, the extent to which the markets are going to tighten depends partly on foreign capital movements.

¹ See the front article in this issue.

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

A. Simonen

Deputy Governor

Ahti Karjalainen

*Absent as a Member
of Government*

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

Pertti Tammivuori

ad int.

Directors

Jouko J. Voutilainen

Jorma Aranko

Pertti Tammivuori

Markku Puntila

Seppo Lindblom

K. Ignatius

Senior officials

Pertti Kukkonen

Director, ADP-planning

Pauli Kanerva

Eino Helenius

Administration

Pentti Koivikko

Personnel

Reino Airikkala

Monetary Policy

Antti Lehtinen

*Domestic Financial
Operations*

Kalle Koski

Capital Transfers

Raili Nuortila

Eastern Trade

J. Ojala

Foreign Exchange Control

Kari Puumanen

Economics Dept.

Heikki Koskenkylä

Research Dept.

Stig Törnroth

Cash

K. Eirola

Automatic Data Processing

A. Nenonen

Foreign Correspondence

Stig G Björklund

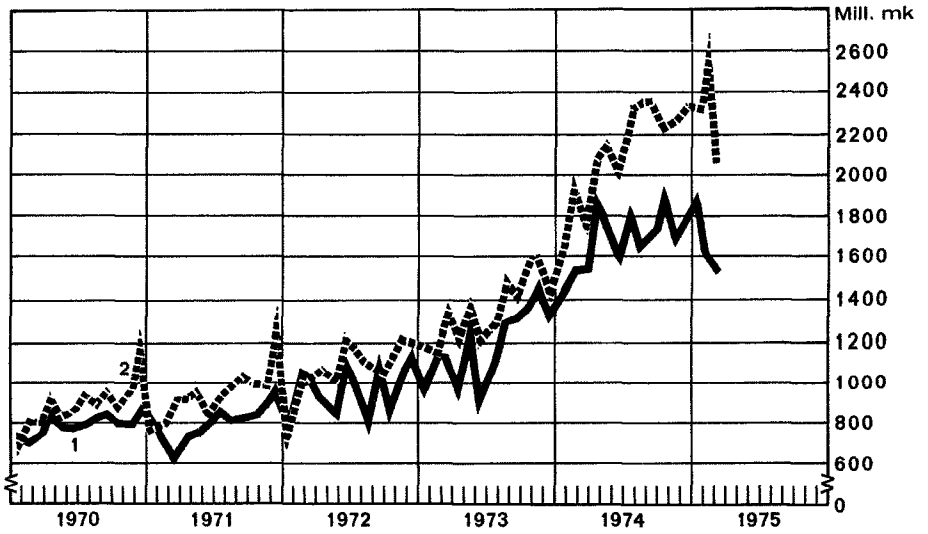
Banking Services

Eino Suomela

Internal Audit

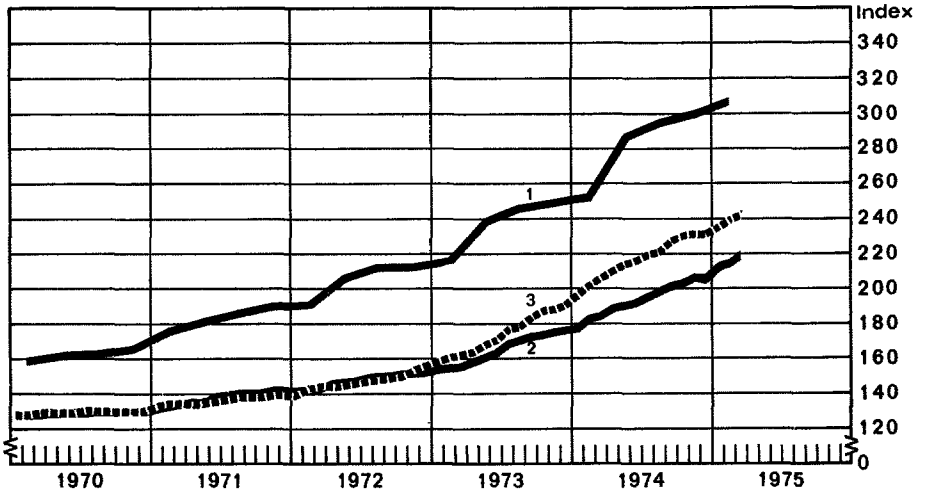
FOREIGN TRADE, 1970-1975

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



PRICES AND WAGES, 1970-1975

- 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, 1970-1975

- 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

