



BANK OF FINLAND

Monthly Bulletin

Housing

**Monetary policy and financial
developments**

Revisions in the taxation of family income

Finland's balance of payments January-
March 1975

Releasing of regional data on Finnish
national accounts

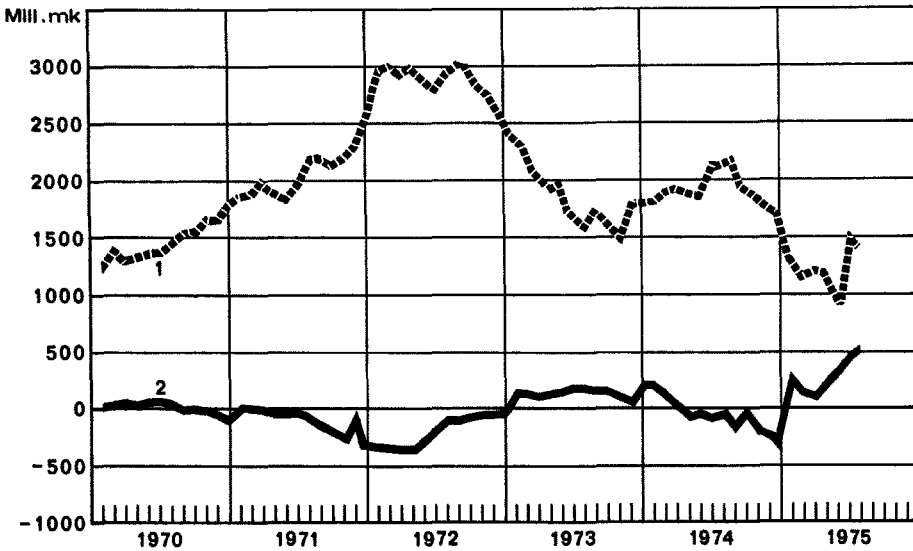
President Kekkonen jubilee coin

New Finnish Fmk 500 bank note

SEPTEMBER 1975

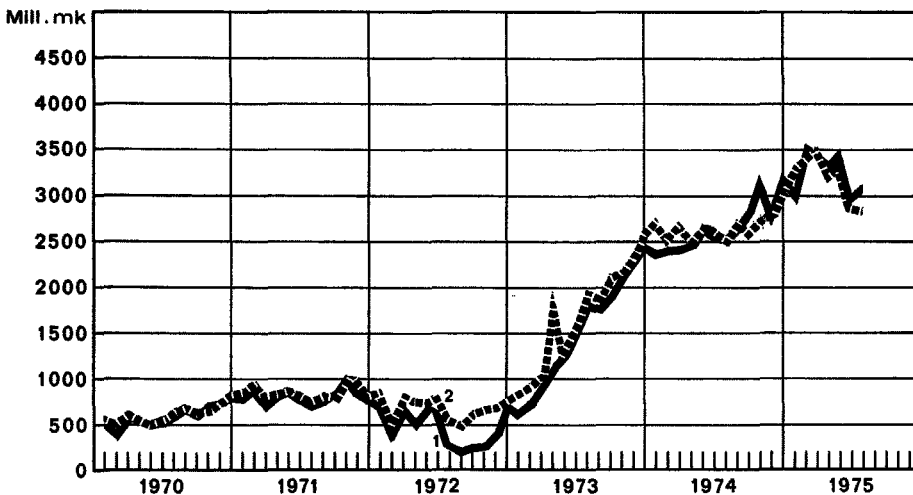
Vol. 49 No. 9

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



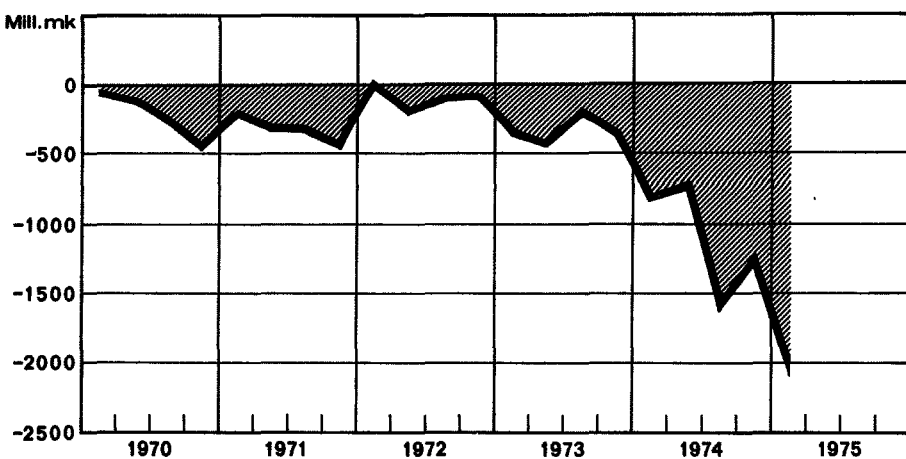
- 1. Gold and convertible currencies
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BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1970-1975



- 1. Net receivables from the domestic financial sector
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- Seasonally adjusted end-of-month figures

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



Seasonally adjusted quarterly figures

HOUSING

The 1960s and early 1970s saw vigorous migration to urban centres, particularly in southern Finland, and consequently the demand for dwellings increased sharply in these areas. At the beginning of the 1970s, the gap between the supply and demand for dwellings widened markedly as migration accelerated further, due to the shortage of labour developing in the growth centres.

In order to improve the situation, steps were taken to increase substantially the share of the central government in the financing of residential construction. As a consequence, the number of partly state-financed dwellings completed in 1972 was almost 32 000, an increase of 45 per cent on the previous year. In its general guidelines for lending, the Bank of Finland advised the banks to favour residential construction. Moreover, the Act Concerning the Taxation of Occasional Sales Profits was amended in 1972 so that it became possible without incurring a tax liability to sell one's dwelling after one year from the date of its purchase, instead of the previous 5- or 10-year period, provided that a new dwelling would be bought before the end of the following calendar year. The Act on Housing Production was also amended, extending the right to sell a state-supported dwelling. Both these measures were designed to accelerate the exchange of dwellings. However, the volume of privately financed residential construction remained in 1972 at the 1971 level and in 1973 it even declined by more than ten per cent. On the other hand, state-supported residential construction increased by another 13 per cent in 1973, so the total number of dwellings completed in 1973 was slightly larger than that of the previous year.

The year 1974 was a turning-point in the development of residential construction. State-supported construction remained at the level

of the previous year, but privately financed housebuilding increased at a record rate, as a result of excess demand for dwellings and earlier easy availability of housing credits. The increase in demand was supported by the steadily vigorous migration to the growth centres in southern Finland and by inflationary expectations caused by continuous rises in prices. The overheated situation in the housing market led to a shortage of both labour and material resources, and the price of dwellings rose significantly faster than the average rate of inflation.

In the current year, the tightening credit market will sharply curb the demand for dwellings, which will be mainly reflected in privately financed residential construction. Attempts are made to keep the volume of state-supported construction at the level of recent years. However, this still means that total production of dwellings will decline substantially this year, and the employment situation in this sector is going to deteriorate.

Private banks play the main role in the financing of residential construction as can be seen from table 1:

TABLE 1. THE FINANCING OF RESIDENTIAL CONSTRUCTION IN 1970¹)

	Per cent
Banks	42
Other credit institutions	7
Local authorities and parishes	2
Central government	16
Industrial and business enterprises	2
Households	31
Total	100

¹ Source: Lujanen-Vanhanen: Asuntotuotannon rahoitus Helsinki 1974

The share of the central government in the total financing of residential construction is relatively small (16 per cent) in proportion to

the volume of state-supported residential construction. This is because, even for state-supported construction, the National Board of Housing will provide only part of the sum needed, and credit must also be obtained from other sources. A state housing loan, granted for the construction of a housing company building, is never more than 30 per cent of the acquisition value of the building, as assessed by the National Board of Housing. Some of the financing is covered by primary loans granted

by banking institutions, whose share is between 30 and 35 per cent, and the remaining 35 to 40 per cent is contributed by the purchasers of the dwellings being constructed.

The share of investment in housing in gross fixed capital formation has increased by a very great amount in the 1970s, and the housing boom has resulted in an increase in the total investment-output ratio; as much as eight per cent of GDP was used in 1974 for investment in housing. This has placed a substantial burden on the Finnish economy and contributed to the pressure on foreign lending, even though purchasing of dwellings tends simultaneously to increase saving in the household sector. However, in the longer run it will not be possible to maintain such a high level of housing construction without damaging the economy's growth prospects. Besides, the large amount of housebuilding in the first half of the current decade has already eliminated the severe shortage of accommodation.

August 21, 1975

TABLE 2. DEVELOPMENTS IN THE VOLUME OF RESIDENTIAL CONSTRUCTION

Year	Total number of dwellings completed, 1 000 dwellings	Share of state-supported dwellings in total dwellings completed, per cent	Share of housing investment in gross fixed capital formation, per cent	Share of housing investment in GDP, per cent
1960—1969	37 412 ¹	37 ¹	22.0 ¹	5.6 ¹
1970	49 747	43	24.4	6.3
1971	50 395	46	23.9	6.5
1972	59 937	54	26.0	7.2
1973	62 358	60	26.2	7.3
1974	73 105	49	27.1	8.2

¹ Average figure

	1973	1974	1975			
	Dec. 31	Dec. 31	Aug. 8	Aug. 15	Aug. 22	Aug. 29
Assets						
Gold and foreign exchange receivables	2 210	1 791	2 288	2 302	2 275	2 349
Gold	121	121	121	121	121	121
Special drawing rights	285	286	286	286	286	284
IMF gold tranche	268	268	—	—	—	—
Convertible currencies	1 228	1 109	1 197	1 272	1 359	1 474
Tied currencies	308	7	684	623	509	470
Other foreign receivables	952	1 123	1 283	1 269	1 272	1 266
Foreign bills	103	252	292	278	281	278
Foreign bonds	319	341	193	193	193	190
Currency subscription to Finland's quota in the IMF	530	530	798	798	798	798
Receivables from financial institutions	2 745	3 414	4 131	3 857	3 843	3 572
Cheque accounts of the commercial banks	19	114	177	176	154	135
Discounted bills	2 556	3 034	3 636	3 353	3 344	3 068
Bonds	121	220	276	296	304	326
Other financial institution receivables	49	46	42	32	41	43
Receivables from the public sector	268	301	318	321	322	322
Bonds	53	71	70	70	72	72
Total coinage	200	224	246	248	249	250
Other public sector receivables	15	6	2	3	1	0
Receivables from corporations	613	631	778	780	784	816
New export bills	47	90	119	122	122	124
Financing of suppliers' credits	271	276	335	334	334	336
Bonds	255	231	237	237	242	242
Other corporate receivables	40	34	87	87	86	114
Other assets	34	37	36	36	37	37
Total	6 822	7 297	8 834	8 565	8 533	8 362
Liabilities						
Foreign exchange liabilities	147	457	197	197	201	203
Convertible accounts	73	62	60	59	59	60
Tied accounts	74	395	137	138	142	143
Other foreign liabilities	788	788	1 385	1 385	1 385	1 385
IMF mark accounts	530	530	1 127	1 127	1 127	1 127
Allocations of special drawing rights	258	258	258	258	258	258
Notes and coins in circulation	2 082	2 461	2 526	2 547	2 574	2 635
Notes	1 907	2 259	2 311	2 332	2 357	2 413
Coins	175	202	215	215	217	222
Deposit certificates in circulation	1 450	1 040	1 370	1 030	930	700
Claims of financial institutions	13	9	124	254	257	288
Cheque account of Postipankki	2	4	2	0	1	2
Cheque accounts of the commercial banks	7	4	2	2	2	4
Other financial institution claims	4	1	120	252	254	282
Claims of the public sector	535	560	810	835	872	871
Cheque accounts	2	7	2	2	4	3
Counter-cyclical reserves	509	543	300	247	237	237
Import deposits	—	—	506	584	629	629
Other public sector claims	24	10	2	2	2	2
Claims of corporations	239	195	417	355	359	305
Investment deposits	5	34	67	67	67	67
Counter-cyclical withholdings	—	49	0	0	0	0
Capital import deposits	214	98	337	275	274	225
Import levy deposits	6	6	6	6	11	6
Other corporate claims	14	8	7	7	7	7
Other liabilities	16	17	13	13	12	12
Equalization accounts	740	858	991	1 019	1 011	1 027
Capital accounts	812	912	1 001	930	932	936
Primary capital	600	600	600	600	600	600
Reserve fund	114	163	237	237	237	237
Undisposed profits	—	—	75	—	—	—
Net earnings	98	149	89	93	95	99
Total	6 822	7 297	8 834	8 565	8 533	8 362

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											
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
May	1 065	67	998	352	1 010	788	1 572	314	556	242	870
June	1 618	67	1 551	483	1 283	1 385	1 932	311	512	201	900
July	1 484	60	1 424	545	1 288	1 385	1 872	315	718	403	800
Aug.	1 879	60	1 819	327	1 266	1 385	2 027	322	871	549	700

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, June 30, 1975			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	June	Jan.-June
Gold	121	—	121	121	—	121	—	—
Special drawing rights	286	—	286	286	—	286	— 3	—
IMF gold tranche	268	—	268	—	—	—	—268	— 268
Convertible currencies	1 047	—564	483	1 144	—1 572	—428	+610	— 911
Total	1 722	—564	1 158	1 551	—1 572	— 21	+339	—1 179
Non-convertible currencies	—388	— 5	—393	483	— 17	466	+127	+ 859

End of year and month	Domestic financial sector							Corporate sector			
	Dis-counted and redis-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)	Notes and coins in cir-culation
	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											
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
May	3 417	136	304	2	1	134	3 720	690	446	244	2 479
June	3 083	139	347	2	—	128	3 439	722	374	348	2 692
July	3 082	136	377	3	0	120	3 472	821	423	398	2 544
Aug.	3 068	135	369	4	2	282	3 284	816	305	511	2 635

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

July 21, 1975

New York ¹	1 \$	3.780	Frankfurt o. M.	100 DM	147.40	Vienna	100 S	20.90
Montreal	1 \$	3.647	Amsterdam	100 Fl	143.75	Lisbon	100 Esc	14.34
London	1 £	7.985	Brussels ²	100 Fr		Madrid	100 Pta	6.52
Stockholm	100 Kr	88.00	Zurich	100 Fr	141.25	Tokyo	100 Y	1.272
Oslo	100 Kr	69.55	Paris	100 FF	86.95	Reykjavik	100 Kr	2.39
Copenhagen	100 Kr	63.70	Rome	100 Lit	0.5680	Moscow ³	1 Rbl	5.160

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

² 9.900 commercial rate; 9.550 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	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Co-op. stores	All credit institutions	
	Commercial 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

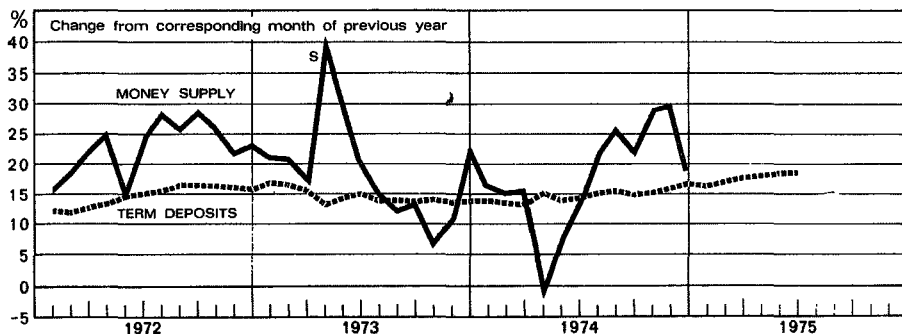
1974¹

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
March	2 530	3 381	1 854	10 520	8 575	6 613	2 753	960	29 421	34 656
April	2 573	3 414	1 762	10 596	8 591	6 668	2 753	964	29 572	34 748
May	2 609	3 509	1 644	10 744	8 713	6 773	2 778	975	29 983	35 136
June	2 822	3 809	1 640	10 851	8 826	6 796	2 833	985	30 291	35 740

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
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7		
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	1 290	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	6 115
1974*	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283

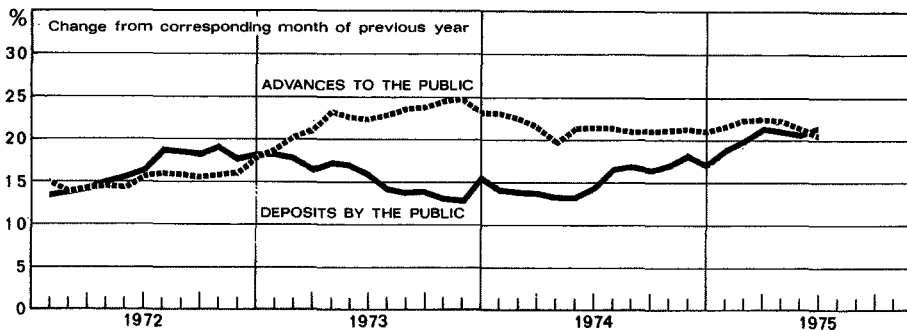
1974¹

April	13 830	6 844	5 574	3 891	2 848	31 915	1 072	32 987	5 456
May	14 111	6 935	5 671	4 016	2 920	32 537	1 116	33 653	5 646
June	14 293	7 015	5 749	4 164	2 981	33 083	1 119	34 202	5 903
July	14 349	7 092	5 840	4 334	3 021	33 534	1 102	34 636	5 967
Aug.	14 500	7 191	5 953	4 359	3 039	33 963	1 079	35 042	6 039
Sept.	14 826	7 341	6 102	4 424	3 087	34 609	1 171	35 780	6 145
Oct.	15 225	7 479	6 225	4 532	3 130	35 398	1 193	36 591	6 089
Nov.	15 542	7 616	6 338	4 615	3 206	36 139	1 178	37 317	6 378
Dec.	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283

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	..
March	16 773	8 060	6 743	4 847	3 394	..	..	39 817	..
April	16 919	8 162	6 868	4 913	3 556	..	..	40 418	..
May	17 148	8 219	6 944	4 968	3 637	..	..	40 916	..
June	17 303	8 312	7 019	4 983	3 660	..	..	41 277	..

¹ New series, see explanations on page 18.



STATE FINANCES

Mill. mk

Revenue	Jan.—June		Expenditure	Jan.—June	
	1974	1975		1974	1975
Income and property tax (net)	3 909	4 502	Wages, salaries, pensions etc.	1 532	2 009
Gross receipts	(7 482)	(9 552)	Repair and maintenance	218	273
Refunds & local authorities	(—3 573)	(—5 050)	Other consumption expenditure	724	925
Other taxes on income and property	87	102	Total consumption expenditure	2 474	3 207
Employers' child allowance payments	294	362	State aid to local authorities	1 472	2 248
Sales tax	2 513	2 798	State aid to industries	1 057	2 092
Revenue from Alcohol Monopoly	532	612	of which: agric. price subsidies	(723)	(957)
Customs duties & import charge	219	272	Child allowances	220	311
Counter-cyclical tax	—	—	Share in national pensions and health insurance	111	110
Excise duty on tobacco	274	304	Other transfer expenditure	1 086	1 321
» » on liquid fuel	309	575	Total transfer expenditure	3 946	6 082
Other excise duties	193	241	Machinery and equipment	300	436
Tax on autom. and motor cycles	184	382	House construction	186	249
Stamp duties	204	238	Land and waterway construction	510	650
Special diesel etc. vehicles tax	33	32	Total real investment	996	1 335
Other taxes and similar revenue ¹	180	251	Interest on State debt	114	120
Total taxes	8 931	10 671	Index compensations	16	26
Miscellaneous revenue	474	1 109	Net deficit of State enterprises	61	170
Interest, dividends etc.	174	215	Other expenditure	13	15
Sales and depreciation of property	1	8	Total other expenditure	204	331
Redemptions of loans granted	108	92	Increase in inventories	—6	+143
Total revenue	9 688	12 095	Lending	600	1 085
Foreign borrowing	8	18	Other financial investment	246	221
Domestic borrowing	146	287	Total expenditure	8 460	12 404
Total borrowing	154	305	Redemption of foreign loans	110	64
Deficit (+) or surplus (—)	(—959)	(+333)	Redemption of domestic loans	313	265
			Total redemptions	423	329
Total	8 883	12 733	Total	8 883	12 733

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

State debt	1972	1973	1974	1975		
	Dec.	Dec.	Dec.	May.	June	July
Foreign debt	1 517	1 395	1 152	1 148	1 132	1 254
Loans	2 268	1 758	1 528	1 529	1 540	1 544
Compensatory obligations	2	1	1	1	1	1
Short-term credit	56	39	37	76	76	..
Cash debt (net)	—488	—468	—571	—224	—616	..
Domestic debt	1 838	1 330	995	1 382	1 001	..
Total State debt	3 355	2 725	2 147	2 530	2 133	..
Total debt, mill \$	804	710	590	712	603	..

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*			
June	1 555	1 813	- 258
July	1 799	2 164	- 365
Aug.	1 550	2 265	- 715
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*			
Jan.	2 014	2 751	- 737
Feb.	1 549	2 537	- 988
March	1 576	2 096	- 520
April	1 739	2 298	- 559
May	1 594	2 357	- 763
June	1 380	2 051	- 671

Jan.-June			
1974 *	9 792	11 915	-2 123
1975 *	9 852	14 090	-4 238

Indices of exports and imports 1969 = 100

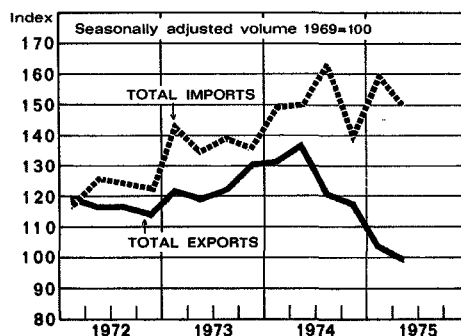
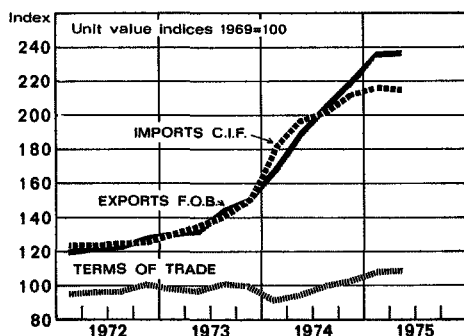
Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1970	107	121	108		108	100
1971	103	119	115	116	99
1972	118	124	123	125	98
1973	127	141	138	139	99
1974*	126	151	196	200	98

1972					
Apr.-June	112	124	123	125	98
July-Sept.	116	120	124	126	98
Oct.-Dec.	123	136	129	127	102

1973					
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					
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

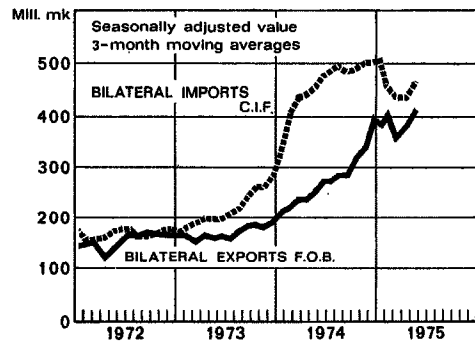
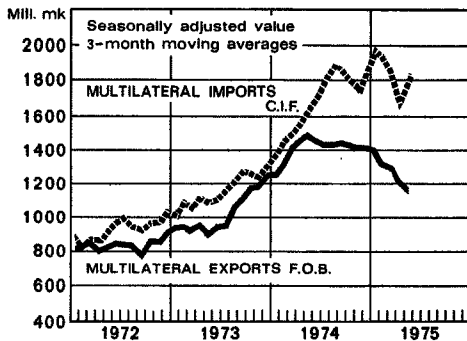
1975*					
Jan.-Mar.	104	160	237	217	109
Apr.-June	95	146	238	216	110



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*										
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	266	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	1 682	146	542	380	1
Feb.	13	145	617	389	385	1 573	134	464	365	1
March	69	141	666	292	408	1 270	107	353	366	0
April	12	168	678	428	453	1 387	111	430	369	1
May	59	159	615	348	413	1 365	128	484	376	4
June	11	154	491	399	325	1 304	148	329	265	5
Jan.-June										
1974*	283	1 594	3 482	2 057	2 376	7 734	945	1 673	1 545	18
1975*	235	996	3 847	2 336	2 438	8 581	774	2 602	2 121	12



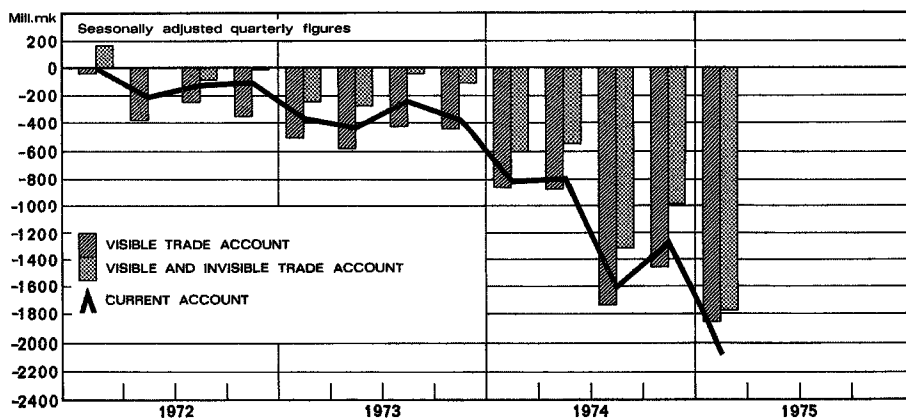
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—June				January—June			
	1974*		1975*		1974*		1975*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	71.4	6 991	62.6	6 169	66.2	7 883	67.3	9 491
Austria	0.9	93	0.8	75	1.4	165	1.3	183
Belgium-Luxembourg	2.2	213	1.4	140	2.0	237	1.9	273
Denmark	4.0	396	3.5	342	3.3	398	3.4	480
France	4.5	437	3.6	358	3.0	359	3.1	443
Federal Republic of Germany	8.3	814	9.1	896	15.2	1 806	16.7	2 345
Italy	2.0	194	1.3	129	1.5	175	2.0	285
Netherlands	3.5	340	2.6	251	4.0	478	2.9	414
Norway	2.8	269	4.2	418	3.2	374	3.0	425
Portugal	0.4	41	0.3	31	0.7	88	0.6	78
Spain	1.2	121	1.0	95	0.4	49	1.0	142
Sweden	17.8	1 742	17.3	1 709	18.3	2 180	19.0	2 680
Switzerland	1.8	172	1.6	154	3.1	372	3.3	459
United Kingdom	20.0	1 963	14.4	1 419	9.8	1 172	8.9	1 259
Other	2.0	196	1.5	152	0.3	30	0.2	25
OECD countries outside Europe	6.7	658	5.0	491	7.6	906	9.8	1 388
Canada	0.8	81	0.5	47	0.3	31	0.3	43
Japan	1.1	110	0.5	50	1.2	149	1.7	240
United States	4.0	386	3.5	341	6.1	724	7.8	1 102
Other	0.8	81	0.5	53	0.0	2	0.0	3
CMEA countries	13.7	1 343	23.9	2 351	22.7	2 708	19.2	2 704
Czechoslovakia	0.4	39	0.6	54	0.3	40	0.4	51
Democratic Republic of Germany	0.5	49	0.7	73	0.5	56	0.8	114
Poland	0.8	79	1.2	119	1.7	204	2.1	300
Soviet Union	11.5	1 123	20.6	2 024	19.1	2 275	14.9	2 099
Other	0.5	53	0.8	81	1.1	133	1.0	140
Latin America	2.4	231	2.5	245	1.7	206	1.3	177
Argentina	0.6	54	1.2	116	0.1	9	0.1	11
Brazil	1.0	101	0.6	63	0.4	47	0.3	40
Colombia	0.1	12	0.1	7	0.7	80	0.5	69
Other	0.7	64	0.6	59	0.5	70	0.4	57
Other	5.8	569	6.0	596	1.8	212	2.4	330
GRAND TOTAL	100.0	9 792	100.0	9 852	100.0	11 915	100.0	14 090
of which								
EFTA countries	23.9	2 342	24.4	2 404	26.8	3 193	27.2	3 834
EEC countries	45.6	4 465	36.6	3 604	38.5	4 588	39.1	5 508
OECD countries	78.1	7 649	67.6	6 660	73.8	8 789	77.2	10 879

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	+ 731	+336	+ 72	+ 64	- 586	+42	- 480
1973†	14 525	16 560	-2 035	+ 996	+340	+ 29	- 670	- 753	-57	-1 480
1974*	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
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
1975*	5 119	7 359	-2 240	+ 382	- 43	- 34	-1 935	- 316	-49	-2 300
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*	5 103	6 809	-1 706	+ 356	+243	- 44	-1 151	- 244	- 8	-1 403
Oct.-Dec.										
1972	3 308	3 637	- 329	+ 175	+ 85	+ 6	- 63	- 149	+52	- 160
1973†	4 405	4 765	- 360	+ 247	+ 57	- 25	- 81	- 251	-12	- 344
1974*	5 753	6 902	-1 149	+ 239	- 1	+ 49	- 862	- 290	-24	-1 176

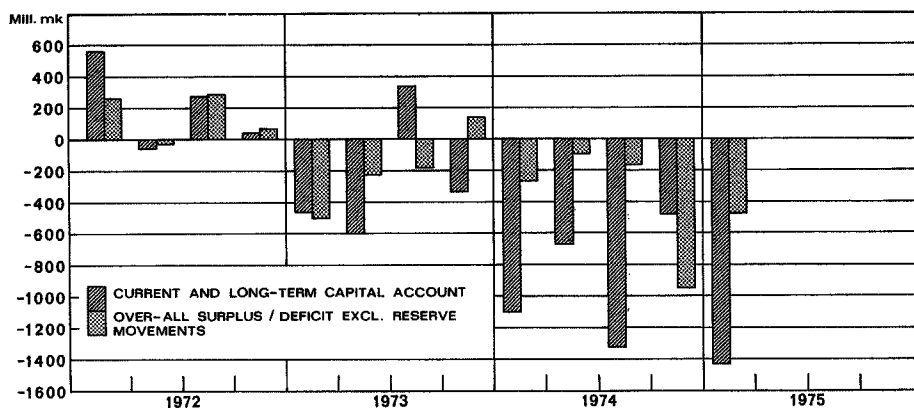


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous 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	- 8	+ 538	- 784	+491	+293
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+736
+ 968	- 273	-115	+ 17	+ 597	+ 558	-156	- 27	-114 ²	+ 261	-327	+ 66
+ 364	- 396	+ 35	- 24	- 21	- 477	+ 21	+ 98	- 47	- 507	+353	+154
+ 481	- 522	- 23	- 26	- 90	-1 103	+270	+124	+440	- 269	+138	+131
+1 206	- 323	+ 25	- 40	+ 868	-1 432	+328	+110	+517	- 477	- 32	+509
+ 655	- 180	-192	- 5	+ 278	- 54	+ 90	+ 26	- 91	- 29	+ 37	- 8
+ 309	- 265	- 48	- 9	- 13	- 604	+ 95	+191	- 91	- 227	+301	- 74
+ 758	- 362	-115	+ 15	+ 296	- 674	+369	+ 58	+151	- 96	- 99	+195
+ 628	- 327	- 41	- 25	+ 235	+ 286	+268	-125	-141	+ 288	-314	+ 26
+ 774	- 370	+ 59	- 15	+ 448	+ 359	-403	-322	+180	- 186	+ 66	+120
+ 543	- 373	- 60	- 22	+ 88	-1 315	+480	+252	+240	- 163	+202	- 39
+ 763	- 448	- 28	- 93	+ 194	+ 34	- 98	+ 36	+ 99	+ 71	+333	-404
+ 411	- 335	- 12	- 66	- 2	- 346	+ 41	+221	+220	+ 136	-229	+ 93
+ 948	- 290	- 25	+ 10	+ 653	- 523	-189	- 97	-138	- 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												
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
April	559	571	513	577	610	521	632	538	528	260	269	246
May	561	574	512	575	630	525	630	537	535	260	269	246
June	559	572	510	570	633	526	629	532	535	261	269	246
July	564	578	510	564	634	547	643	531	538	262	270	247

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												
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
April	383	301	149	154	126	145	161	182	148	140	140	150
May	387	304	150	155	129	146	161	183	150	144	141	151
June	388	305	151	155	129	147	161	183	150	145	143	153
July	394	310	153	157	137	148	164	184	151	145	144	156

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							
1973	317	260	261	219	213	217	247	212	258	238
1974*	404	317	326	256	251	252	298	248	313	285
1973										
Jan.-March	287	235	238	204	197	204	224	195	234	217
Apr.-June	331	261	249	221	215	218	249	214	260	240
July-Sept.	314	268	270	224	220	221	259	218	271	248
Oct.-Dec.	340	275	286	226	221	223	261	219	274	250
1974*										
Jan.-March	361	284	292	229	226	225	265	222	278	254
Apr.-June	388	316	320	260	251	256	300	251	315	287
July-Sept.	410	326	336	263	258	259	310	255	326	295
Oct.-Dec.	463	342	354	273	271	270	321	264	340	307
1975*										
Jan.-March	488	355	356	278	275	275	330	269	350	314
Apr.-June	568	389	386	310	300	308	364	298	385	347

PRODUCTION

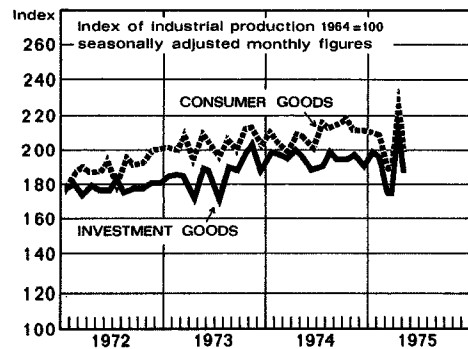
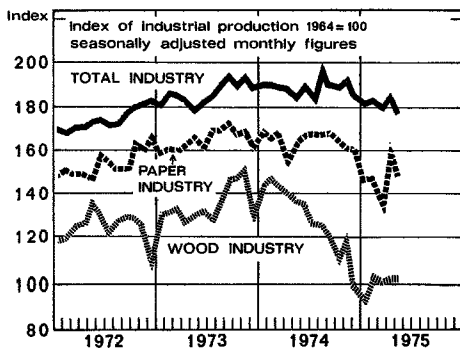
Volume indices of production 1964 = 100

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
1972	145	177	94	95	149	103	143	155	142	143	148
1973*	154	187	90	96	162	105	155	171	150	151	157
1974*	160	200	89	97	168	103	162	178	158	159	162
1974*											
Jan.-March	159	211	59	125	136	102	156	169	156	157	161
Apr.-June	158	199	70	113	162	107	163	172	157	158	162
July-Sept.	159	177	164	62	176	101	163	176	157	159	161
Oct.-Dec.	165	212	60	87	199	101	165	194	162	161	164
1975*											
Jan.-March	160	205	50	121	159	105	156	176	164	162	164
Apr.-June	157	197	63	107	160	108	160	177	164	162	166

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
1974*											
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
March	119	129	117	121	96	90	103	169	125	134	117
April	130	148	125	139	118	104	104	179	133	152	120
May	120	132	117	125	116	99	102	161	123	135	114



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	Unemploy- ment, % of total labour force	Commercial timber fellings 1 000 solid cu. m ¹	Retailers' sales volume index 1968 = 100	Whole- sellers' volume index 1968 = 100
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*								
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	2 208	2 159	49	2.2	3 029	128	158
Feb.	3 505	2 194	2 146	48	2.2	3 899	126	157
March	3 507	2 191	2 144	47	2.1	4 535	..	..
April	3 509	2 199	2 151	48	2.2	3 799	..	..
May	3 511	2 238	2 198	40	1.8	2 381	..	..

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Buildings- works under con- struction
	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residen- tial 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
1974*											
Jan.-March	10.33	3.65	0.68	4.79	0.75	9.00	4.14	0.47	3.39	0.70	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
July-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
1975*											
Jan.-March	12.59	3.31	0.75	5.95	0.75	11.21	4.51	0.45	4.89	1.07	48.79

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 + Import deposits + 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.

From 1974 the money supply includes estimates of Finnish notes and coins held by the savings and co-operative banks. Exact figures are not available.

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 (88.4 %) 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 (1974, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 3 806 (5 %), forestry and fishing 5 154 (7 %), manufacturing 22 370 (31 %),

construction 7 525 (11 %), transport and communication 6 991 (10 %), commerce, banking and insurance 9 683 (13 %), public administration 3 357 (5 %), ownership of dwellings 3 058 (4 %), services 10 268 (14 %), total 72 212. Index of real domestic product 159 (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 (June 30, 1975): Steamers 24 (13 200 gross reg. tons), motor vessels 364 (821 300 gross reg. tons) tankers 63 (1 139 600 gross reg. tons). Total 451 (1 974 100 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1974): Passenger cars 936 700, lorries and vans 124 900, buses 8 600, others 6 000. Total 1 076 200.

FINNISH AIRLINES (June 1, 1975): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6, 9 Super Caravelles, 8 DC-9s, 2 DC-10-30 and 5 Convair Metropolitan. 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 ½ %. 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 %.

MONETARY POLICY AND FINANCIAL DEVELOPMENTS

by Ahti Huomo, M.Pol.Sc.
Tapio Korhonen, M.Pol.Sc.
and Juhani Seppovaara, M.Sc. (Econ.)

Bank of Finland

The prolonged boom of the early 1970s led to a state of excess demand in the Finnish economy which caused unprecedented labour shortages and other supply bottlenecks in the open sectors, growing external imbalances and increasing inflationary pressures. Consequently, by the time the oil crisis occurred the authorities had adopted an overall restrictive policy stance supplemented by selective measures designed to relieve the supply bottlenecks. Since the rise in energy prices was expected to lead to a further marked increase in both external imbalance and cost pressure, a continuation of restrictive demand policies was called for. However, as it was feared that the energy crisis would soon have a strong deflationary impact and as it was thought that increased export capacity was required to produce the goods needed to pay the higher oil bill, it was considered advisable to avoid excessively restrictive demand management policies and to intensify selective measures so that productive investment in open sectors would not be seriously discouraged.

Somewhat unexpectedly, the boom in Finnish export industries accelerated during the first part of 1974 and the deflationary impact of a deterioration in the terms of trade remained very small. The rapid rise in export earnings together with the high level of domestic investment led to a further increase in the domestic demand. As exports levelled off towards the end of the year, there was a material widening of the external deficit. The situation worsened further during the early months of the current year as the fall in export demand in western markets gained momentum. In these conditions, balance of payments considerations

assumed priority in the formulation of economic policy despite the worsening outlook for employment.

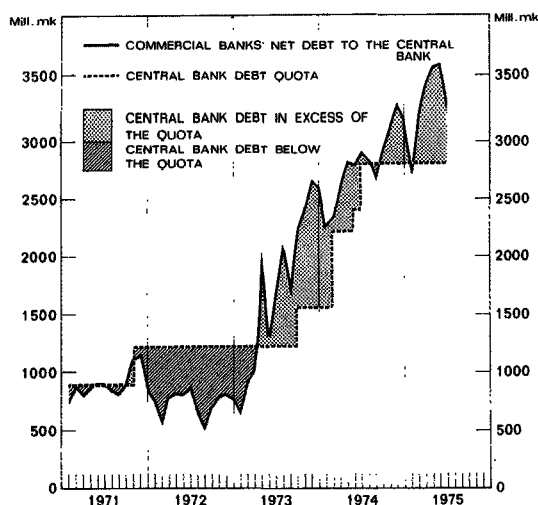
MONETARY POLICY MEASURES

In Finland the main monetary policy tool is the control of the central bank credit granted to the commercial banks. In the beginning of 1974 the aim was to tailor the central bank credit quotas so that the financial market would remain tight — but not so tight as to hamper seriously investment designed to increase productive capacity. For this reason, the credit quotas were raised three times during the first part of the year (Chart 1). Since then, they have not been increased even though inflation has raised the nominal demand for credit considerably.

When the net foreign position of the country deteriorated sharply at the beginning of 1975, the regulations concerning the commercial banks' access to central bank were tightened. The ceiling on such credit remains 50 per cent above the quotas, but the automatic bond transaction facility for extending credit in excess of the ceilings was abolished. It has thus become necessary to negotiate bond transaction finance case by case with the Bank of Finland. Up until now, it has not been necessary to extend credit through this channel.

In the context of this tight monetary policy, the Bank of Finland continued to issue deposit certificates in 1974 in order to absorb the central government's financial surplus.

CHART 1. COMMERCIAL BANKS' DEBT TO THE CENTRAL BANK



No change has been made in the interest rate level since July, 1973 when the discount rate was raised from 7 3/4 to 9 1/4 per cent. However, the general fall in interest rates abroad during 1974 has increased the interest rate level in Finland relative to rates abroad. This has encouraged foreign borrowing which in turn has helped to finance the current account deficit.

The Bank of Finland has arranged special credit facilities to ensure that finance is available for certain priority projects. At the beginning of 1974 the Bank raised its share in the financing of domestic delivery credits from 15 to 30 per cent. It also revised the instructions concerning these credits as well as those concerning »new export» credits and export bill arrangements. In October exports paid for in tied currencies were brought into the »new export» credit system.

In addition the Bank of Finland has tried to influence the allocation of bank credit by issuing guidelines. In the circular of November 1974 preference was given to the financing of productive investment and closely related projects. Credits to finance consumption were to be given lowest priority and prior saving was made a condition for personal loans. At the same time the need to import long-term foreign capital for projects approved by the Bank of Finland was emphasized since foreign borrow-

ing was needed to finance the current account deficit. In February 1975 the banks were given additional instructions with more detailed recommendations on prior saving for consumer and housing credits.

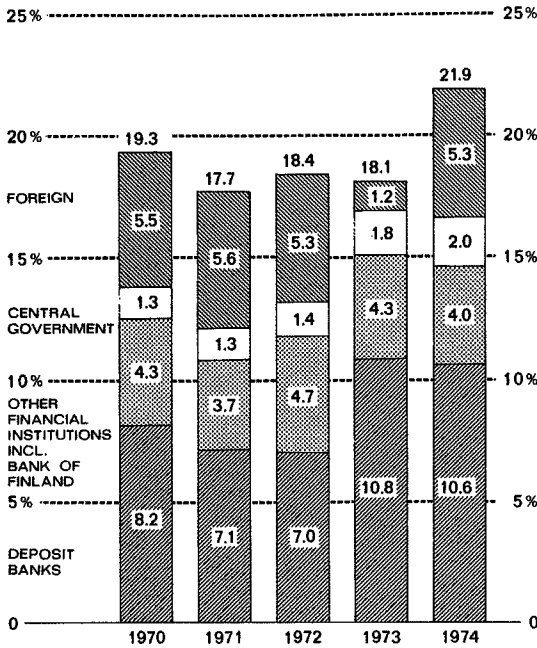
Worsening of the balance of payments during the first months of 1975 called for a further tightening of monetary policy, and in March a temporary import deposit scheme was introduced. A 6-month deposit amounting to an average of 20 per cent of the value of the import is required for a half of Finland's total imports, and it is expected that a maximum of 1 400 million marks will be sterilized in the Bank of Finland through this system before the end of this year. Apart from the direct impact on the willingness and ability of importers to bring goods into the country, the primary channel of influence is through the financial market. In order to make the system more effective, the Bank of Finland has forbidden the drawing of foreign credits for making import deposits and has also requested the banks not to make advances for this purpose. The collection of capital import deposits was also intensified in the beginning of the year in order to prevent easing in the financial market.

FINANCING OF HOUSEHOLDS, COMPANIES AND THE PUBLIC SECTOR

The tight monetary policy contributed to the fact that — in spite of the simultaneous marked acceleration of inflation — the growth of credits granted by commercial banks to the non-financial public slowed down by some three percentage points to 22 per cent in 1974. However, the overall rate of expansion of credit to the public grew from 18 to nearly 22 per cent, mainly as a result of increased foreign borrowing (Chart 2). Capital imports have continued to be a significant factor in total credit expansion during the first half of this year, although domestic lending has grown rapidly as well.

The strong demand for credit in 1974 arose from the record level of investment by firms

CHART 2. CREDIT FLOWS TO THE PUBLIC¹

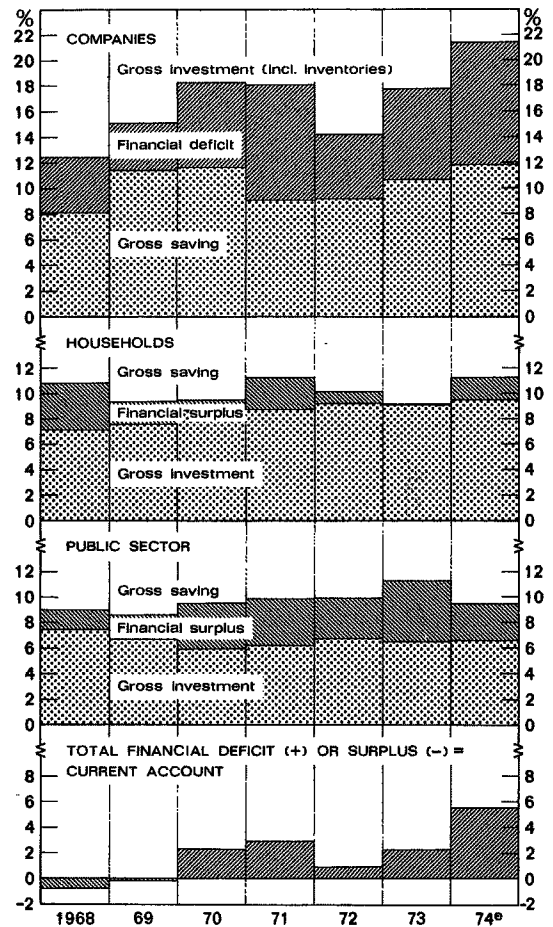


¹ The growth of the total stock of credits granted to the public (firms, households, local authorities) by credit-granting sector, in per cent of the total stock of credits of the previous year.

and households. The value of private gross fixed capital formation grew by nearly a third over the previous year, and the growth of inventories was still higher. This investment boom was, however, connected with high level of profits, especially in export industries, and with a marked rise in household saving (Chart 3). Thus, in spite of weakening growth during the current year, the investment activity of firms has remained at a high level and an increasing share of total credits has gone to cover the growing financial deficit of companies. On the other hand, the shortage of credits has had a dampening effect on housing investment, and this will tend to increase the financial surplus of households.

The central government has experienced considerable financial surpluses in recent years. In 1974 the surplus declined as a result of tax-cuts and growing transfers to other domestic sectors. In spite of the continuing reduction in the national debt the cash position of the central government remained reasonably good. Some of the expenditure postponed from 1974 is

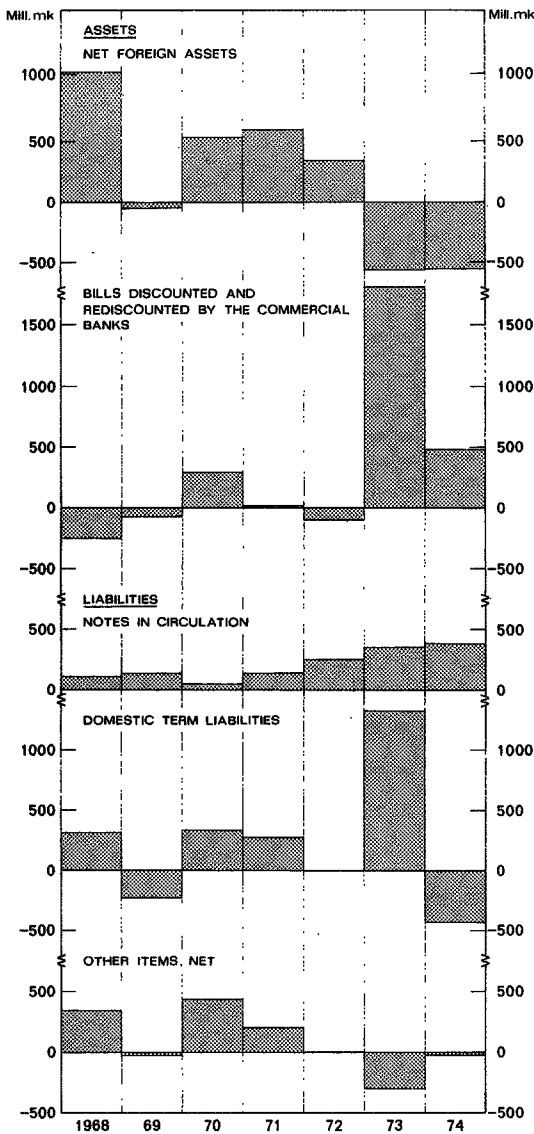
CHART 3. SAVING, INVESTMENT AND FINANCIAL SURPLUSES AND DEFICITS BY SECTOR, PER CENT OF GDP



now being carried out, and partly because of this the growth of central government expenditure has in 1975 exceeded that of revenue and thus the cash position has been deteriorating quite rapidly. However, mainly due to seasonal factors the central government cash deficit has had only a very modest effect on the liquidity of the banking sector. It has been decided that both the central government and local authorities will reduce some of their planned investment and restrict the growth of their consumption expenditure during the current year.

The deterioration of the financial position of domestic sectors signified a deepening of the current account deficit by more than 3 000 million marks to 4 700 million marks in 1974

CHART 4. YEARLY CHANGES IN THE BALANCE SHEET OF THE BANK OF FINLAND



(Chart 3). Because of strains in the long-term foreign capital markets and uncertainties in the foreign exchange rates, credits from abroad remained insufficient to finance the current account deficit. Roughly 1 300 million marks of the deficit were therefore financed by the running down of the foreign exchange reserves of the central bank and increasing the foreign liabilities of the banking sector.

BANK OF FINLAND

The net foreign assets of the Bank of Finland declined by 558 million marks in 1974 (Chart 4)

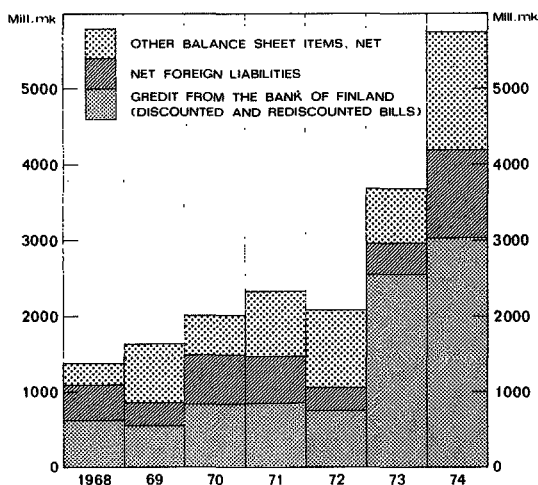
intensifying the stringency in financial markets. However, this effect was to some extent offset by increased direct lending by the Bank, by repurchases of deposit certificates at the end of the year and by a reduction in capital import deposits. All in all, the commercial banks' debt to the Bank of Finland increased roughly by the same amount as that by which the net foreign assets of the Bank declined, and this brought the stock of debt at the end of the year to 3 144 million marks, which was about 12 per cent in excess of penalty-free central bank credit quotas (Chart 1).

After the seasonal relaxation in January 1975 the central bank debt of the commercial banks clearly exceeded the penalty-free quotas until the end of July. Apart from temporary falls of reserves in February and May, movements of net foreign assets have had some easing effect. The growth of capital import deposits by roughly 370 million marks has helped the maintenance of foreign reserves. The release of a part of the central government counter-cyclical fund, together with the decrease in deposit certificates outstanding, increased the liquidity of the public by approximately 500 million marks until the end of July. On the other hand, by that time the import deposit scheme had drained nearly 420 million marks liquidity from the economy.

DEPOSIT BANKS

Corresponding to the overall deficit in balance of payments there was a further widening in the spread between bank advances and deposits. About four-fifths of this excess of 2 500 million marks originated with the commercial banks, while the share of the Postipankki was one-fifth. The rapid growth of the Postipankki's credits was financed partly from the surplus funds of the central government. To a large extent the financing of the commercial banks' surplus of credit over deposits took the form of an increasing debt to the Bank of Finland and of growing net foreign liabilities (Chart 5). Commercial banks also increased their share capital significantly. Savings banks

CHART 5. THE FINANCING OF CREDITS GRANTED IN EXCESS OF DEPOSITS BY THE COMMERCIAL BANKS



and co-operative banks maintained a somewhat more stable ratio between their credit granting and the growth of their deposits, and consequently the increase in the central bank debt of their central organizations was relatively small. During the current year the development in bank credits and deposits has been more balanced, although the gap has still widened. The difference has been financed mainly by the foreign borrowing of the commercial banks.

The nominal growth of deposits has roughly equalled the rate of inflation. The deposits of the public grew by 17 per cent in 1974 and this growth has accelerated somewhat during the current year. (See charts on pages 6 and 7.) Demand deposits have increased slightly more rapidly than time deposits. In 1974 the improvement of the liquidity of firms resulted mainly from rapid growth in export incomes. The seasonally adjusted increase of demand deposits has been remarkably high during this year. The growth of time deposits was sustained by rapidly increasing incomes in 1974, especially from forestry. On the other hand, saving due to uncertainty concerning earning prospects may have grown in importance in current year.

TABLE 1. CREDIT GRANTED TO THE PUBLIC BY FINANCIAL INSTITUTIONS ¹

	Change in 1974		Stock Dec. 31, 1974	
	Mill. mk	Per cent	Mill. mk	Per cent of total
Commercial banks	3 157.6	22.1	17 419.2	34.0
Savings banks	1 210.7	18.6	7 707.7	15.0
Co-operative banks	1 150.5	21.7	6 455.1	12.6
Postipankki	1 251.6	37.3	4 607.6	9.0
Total	6 770.4	23.0	36 189.6	70.6
Insurance companies	1 077.5	18.3	6 967.0	13.6
Mortgage banks	566.1	21.0	3 262.4	6.3
Development credit institutions	553.7	27.6	2 561.6	5.0
National Pensions Institute	-14.0	-1.3	1 074.5	2.1
Bank of Finland	6.5	1.0	650.0	1.3
Hire purchase and credit card companies	110.6	30.5	473.7	0.9
Factoring institutions	25.6	35.5	97.8	0.2
Total	9 096.4	21.6	51 276.6	100.0

Direct loans granted by the State 967.8 15.6 7 161.8 —

¹ According to preliminary credit market statistics and excluding non-corporate insurance institutions (about 6.5 per cent of all credits). The figures include bonds and domestic assets in foreign currency.

OTHER FINANCIAL INSTITUTIONS

The growth of credit from non-bank financial intermediaries picked up markedly in 1974 and reached approximately the average rate of lending of deposit banks. The growth was fastest in smaller institutions; i.e. development credit institutions, hire purchase credit institutions and factoring credit companies. However, their share of total credit is still quite modest (Table 1). Insurance company loans to the public grew slightly less than in the previous year; the growth was strongest for lending based on employee pension funds.

CAPITAL MARKET ¹

Heavy demand for long-term finance has also been reflected in the capital market. The continual upward movement of the general price level has attracted funds to new issues in the

¹ See front article of this Bulletin, July 1975.

share market. Companies quoted on the stock exchange raised more than 500 million marks through new issues in 1974 and numerous share issues have been launched so far in 1975. The tightness of the financial market together with the abundance of share issues led to a fall in transactions in the secondary market in 1974 and contributed to a decline of more than 20 per cent in share prices. Consequently the annual turnover of the Helsinki Stock Exchange dropped from the previous year's 291 million marks to 209 million marks in 1974. The net growth of domestic bonds outstanding was relatively small, mainly because of sizeable amortizations of the central government debt.

During the current year issuing activity has been brisk and share prices have stabilized roughly

to the level of the end of 1974. The rate of new share issues now seems to be slowing down. The growth of new bond issues has picked up from the previous year, mainly as a result of issuing activity by the central government and mortgage institutions.

CURRENT PROSPECTS

Prospects for the rest of 1975 indicate a further slowing down of economic activity and an accompanying drop in employment. However, because of the continuing inflationary and balance of payments pressures the authorities have not found it possible to shift to a less restrictive policy. Accordingly, conditions in the financial market will remain tight.

Revisions in the taxation of family income. At the beginning of June, Parliament passed a set of revisions and amendments to the new Income and Wealth Tax Act (see Bulletin 2/1975), which has been in force since the beginning of this year. These revisions, which will come into force at the beginning of 1976, involve substantial changes in the system applied hitherto in the taxation of personal income. The principle of compulsory joint taxation of married couples, which has been followed in Finnish central government income taxation since 1943, will then be replaced by a system of separate taxation in the case of wages, pensions and other earned income. Married couples will continue to be taxed jointly on their capital income and wealth. The principle of separate taxation is already applied in local government income taxation.

The amount of tax on earned income will be determined separately for each spouse. When calculating the amount of income tax on unearned income, mainly capital income, the income of the other spouse will also be taken into account. However, capital income below 2 000 marks will not be taxed jointly. The tax on capital income is calculated so that the unearned incomes of both spouses are summed and added to the income of the spouse whose earned income is the larger. The tax calculated in this way on capital income is then divided between the spouses in proportion to their individual capital income. In the case of farmers, businessmen and professionals, part of the earnings of their enterprise is defined as earned income, and if the couple carries on a business or profession together, the share defined as earned income can, on certain conditions, be divided between the spouses and taxed separately. Any taxpayer who is married to a person without any income is allowed to make a special spouse deduction, which will be eliminated if the spouse begins to receive income.

The system of deductions in income taxation will remain roughly unchanged, apart from those changes in earned income allowances which will be necessitated by the introduction of separate taxation. There will also be some increases in the deductions allowed for supporting children.

The most important reason for the introduction of separate taxation of married couples was the desire to achieve greater equality in taxation treatment between the two sexes, and between married and single taxpayers. In addition, the tax reform was designed to increase the willingness of married women to work outside their home, and thus to maintain Finland's internationally high labour participation rate for women. This, it is hoped, will contribute to keeping the supply of labour at an adequately high level in the long run.

The normal practice is that the tax scales are determined on an annual basis by temporary acts. The proposals for 1976 have not yet been presented to Parliament, so that it is not yet known to what extent the revenue from personal income taxes will be affected by the tax reform. As a result of the changes made in the structure of the tax system, the relative position of different groups of taxpayers will be altered. Married couples in which both spouses work outside the home and single taxpayers not supporting children will be in the most favourable position, relatively speaking. According to a resolution passed by Parliament, the bill concerning the tax scales should be drawn up so that the tax burden would not grow for any group of taxpayers as a consequence of the reform. The fulfilment of this resolution requires that the overall level of income taxation be reduced when separate taxation is introduced. On the basis of preliminary estimates of tax scales presented during the parliamentary debate, it was estimated that, as a result of all

revisions in taxation, the total revenue from personal income taxes would be about 1 000 million marks lower than would have been the case if the current tax schedules had been left unchanged for 1976. This reduction represents some 10 per cent of the total yield of central government income taxes.

Finland's balance of payments January—March 1975. According to the Bank of Finland's preliminary figures, the current account deficit amounted to 2 300 million marks in January—March 1975, as compared with 1 000 million marks during the first quarter of 1974. This growth in the current account deficit was mainly attributable to the trade account. The value of exports grew by 11 per cent and that of imports by 30 per cent, as compared with the corresponding period in 1974. Of this current account deficit, 40 per cent was covered by the inflow of long-term capital, 40 per cent by the inflow of short-term capital, and the remainder by resorting to the foreign exchange reserves.

During the first quarter of the current year, the trade account deficit came to 2 240 million marks, which was almost double that of the corresponding period in 1974. The imbalance in Finland's foreign trade has increased predominantly because of the economic recession prevailing in her customer countries. This has been most clearly reflected in the reduced demand for forest industry products. The volume of commodity exports declined by 20 per cent compared with the previous year, whereas the volume of commodity imports grew by 10 per cent. Imports of investment goods and consumer goods grew the most — the former with a 40 per cent and the latter with a 35 per cent volume growth — but imports of raw materials also increased, as compared with the first quarter of 1974. There were changes in the regional breakdown of the trade account deficit; the deficit grew particularly in Finland's trade with the EEC countries, whereas the deficit in trade with the Socialist countries declined. Travel receipts remained at the level of the beginning of 1974, whilst travel expenditure increased by 50 million marks. Both the travel

account and the other services account were in deficit. Net interest charges on foreign loans were more than 300 million marks — a third larger than in January—March 1974.

**MAJOR BALANCE OF PAYMENTS ITEMS,
JANUARY—MARCH, 1975, MILL. MK**

	Receipts	Expenditure	Net
Commodity trade	5 140	7 385	—2 245
Adjustment items	— 21	— 26	+ 5
A VISIBLE TRADE ACCOUNT	5 119	7 359	—2 240
Transport	533	151	382
Travel	184	227	— 43
Other services	378	412	— 34
B VISIBLE AND INVISIBLE TRADE ACCOUNT	6 214	8 149	—1 935
Investment income, net	131	447	— 316
Transfer payments	13	62	— 49
C CURRENT ACCOUNT	6 358	8 658	—2 300
	Receivables	Liabilities	Net receivables
Drawings of long-term loans		+1 206	+1 206
Redemptions of long-term loans		— 323	— 323
Other long-term capital flows			— 15
D LONG-TERM CAPITAL ACCOUNT			868
E BASIC BALANCE (C + D)			—1 432
Short-term trade credits	145	293	+ 438
Other short-term capital flows			+ 517
F SHORT-TERM CAPITAL ACCOUNT			+ 955
G OVERALL BALANCE (E + F)			— 477
Net liabilities of other foreign exchange holders			+ 509
H CHANGE IN THE FOREIGN EXCHANGE RESERVES OF THE BANK OF FINLAND (increase —)			— 32

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

The total current account deficit amounted to 2 300 million marks — some 27 per cent of current account expenditure. In the first quarter of 1974, this ratio had been only 15 per cent.

After an easing in the international capital market, new long-term foreign loans were drawn, totalling 1 200 million marks. As redemptions of outstanding loans amounted to more than 300 million marks, the net inflow of long-term loan capital came to about 900 million marks. Net redemptions of long-term export credits to foreign customers amounted to 25 million marks. Foreign direct investment in Finland amounted to 40 million marks and Finnish direct investment abroad to 20 million marks. The net inflow of short-term capital (including errors and omissions) came to 950 million marks. The prepayments obtained from the Soviet Union for Finnish exports caused a notable increase in the inflow of short-term capital.

Finland's net long-term and short-term borrowing totalled 1 820 million marks. The country's total foreign exchange reserves declined by 477 million marks, whereas the foreign exchange reserves of the Bank of Finland grew by 32 million marks. The convertible foreign exchange reserves of the Bank of Finland declined by 488 million marks, while the clearing account debt in tied currencies of 388 million marks at the turn of the year was replaced by a 132 million mark receivable.

Releasing of regional data on Finnish national accounts. The Central Statistical Office of Finland has published the first data on Finnish national accounts by province (12 provinces) for the years 1960 and 1970. The data issued are in accordance with the revised recommendations concerning national accounting practices, published by the United Nations. According to this study, almost 65 per cent of GDP in 1970 was produced in the four provinces of southern Finland — a region which accounts for 20 per cent of the country's total area. In that year, 58 per cent of Finland's population lived in this region. Between 1960 and 1970, the share of southern Finland in

GDP grew by more than 3 percentage points, while the proportion of the national population living in this region increased by almost 4 percentage points.

The regional breakdown of the national accounts is, as yet, incomplete; the statistics so far issued describe the structure of production, employment and gross fixed capital formation by activities and their breakdown by province. Transactions inside individual provinces and between different provinces are not illustrated in the figures. Moreover, the study does not cover subjects to do with the redistribution of incomes, nor most of the transactions related to the use of incomes.

The data issued are the first stage in a complete regional breakdown of national accounts statistics. At a later stage, the data compiled will also include information on incomes. For the time being, the data will be released on the present scale for every second year from 1973 onwards.

Information on production is disaggregated into the following components: total output; intermediate consumption; wages and employers' social security contributions; and gross operating surplus (incl. consumption of fixed capital). Employment is described by data on wage and salary earners and the self-employed. Gross fixed capital formation figures are separated into types of capital goods: residential buildings; non-residential buildings; other construction including land improvement; and machinery and equipment.

Regional data are not yet available for part of the activities contained in these categories. The most important areas not yet covered are transport and communication, and banking and insurance. The share in GDP of activities for which regional data are not yet available is about 9 per cent.

President Kekkonen jubilee coin. A silver ten mark jubilee coin has been produced by the Finnish Mint in honour of President Urho Kekkonen, whose 75th birthday was on September 3rd.

With a diameter of 35mm., the coin weighs 23,5 grammes, and is made from an alloy composed of 500/1 000 silver, 450/1 000 copper and 50/1 000 zinc.

The coin was designed by the sculptor Heikki Häiväoja. The obverse depicts a front view of President Kekkonen's face, with his signature and the year 1975 at the edge. The reverse pictures a typical Finnish landscape with four majestic tall and slender pines in the foreground, with wooded hills and a spruce grove in the background.



New Finnish Fmk 500 bank note. On September 3rd, the 75th birthday of President Urho Kekkonen, the Bank of Finland issued a

new banknote, of value 500 marks. The new note, which measures 69 × 142 mm, is printed on grey paper containing red and blue fibres. The middle part of the note incorporates a vertical thread. On the right the note shows Urho Kekkonen's portrait as a watermark.

The main design on the front shows the portrait of Urho Kekkonen and, in the middle, a typical wintertime lake view seen from a high hill in Northern Finland. The remainder of the front is made up of multi-coloured patterns predominantly in blue, but also in brown, orange and brown, and green. The black serial numbers are in the top left and bottom right hand corners. The signatures are printed in black.

The main feature on the back consists of Finland's coat of arms and, in two lines, the coats of arms, including crowns, of the nine provinces of Finland. The background is formed by multi-coloured patterns showing, i.a., snow crystals and segmental designs predominantly in red and blue, but also in yellow and green. The text is violet and brown. The denomination appears in each corner.



BANK OF FINLAND

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Deputy Governor

Ahti Karjalainen

Päiviö Hetemäki

Pentti Uusivirta

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Seppo Lindblom

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Senior officials

Pertti Kukkonen

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Pauli Kanerva

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Pentti Koivikko

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Operations*

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Capital Transfers

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Foreign Exchange Policy

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Foreign Exchange

Raili Nuortila

Eastern Trade

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Heikki Koskenkylä

Research Dept.

Stig Törnroth

Cash

K. Eirola

Automatic Data Processing

A. Nenonen

Foreign Correspondence

Stig G Björklund

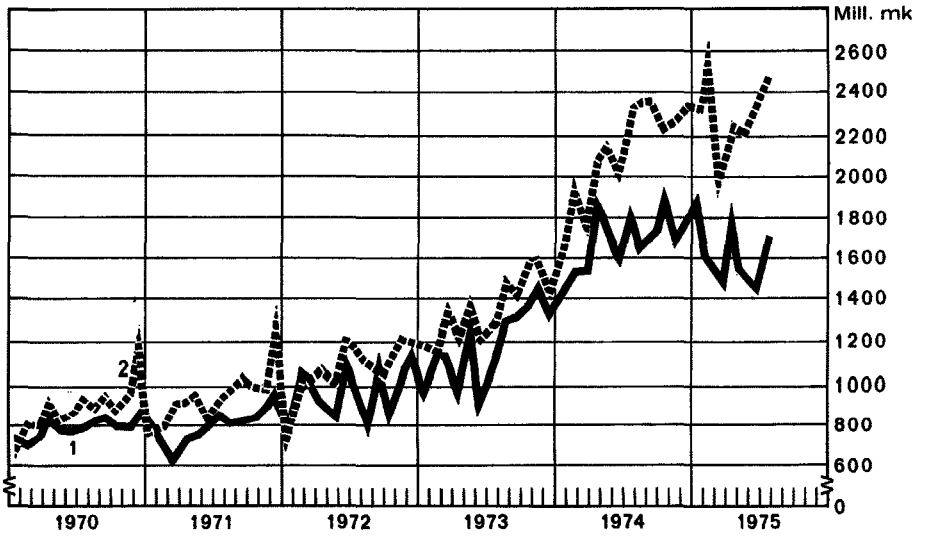
Banking Services

Eino Suomela

Internal Audit

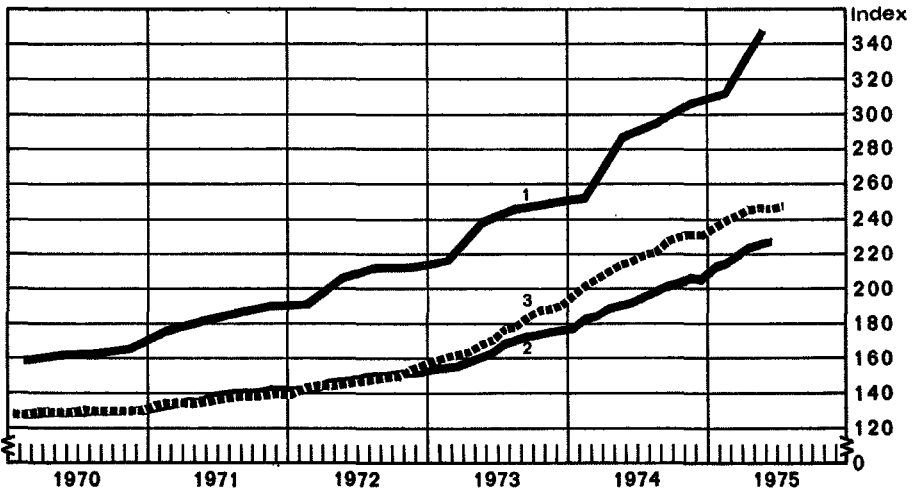
FOREIGN TRADE, 1970-1975

- 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

