

# BANK OF FINLAND

*Monthly Bulletin*

Economic situation

The national housing programme  
for 1976—1985

Change of Government

Direct investment in January—  
June 1976

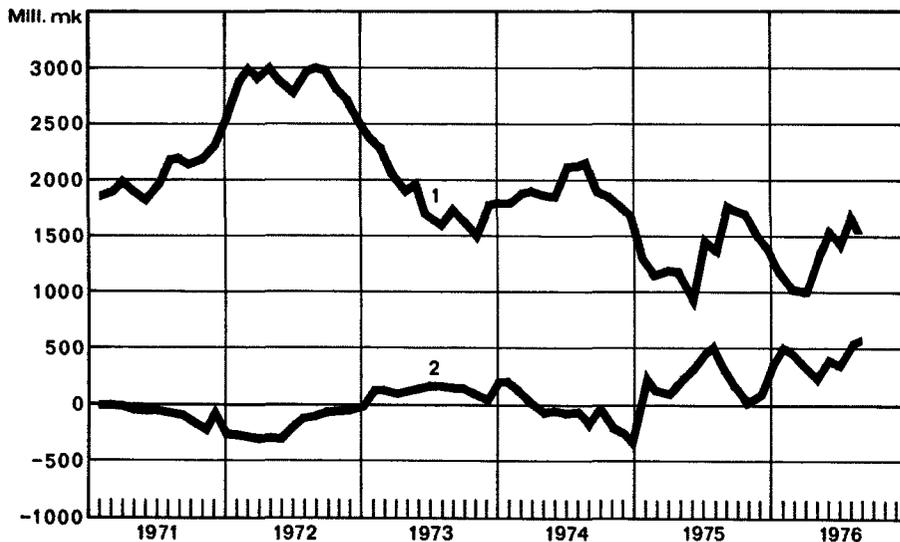
Finland's long-term foreign debt  
in January—June 1976

National income

OCTOBER 1976

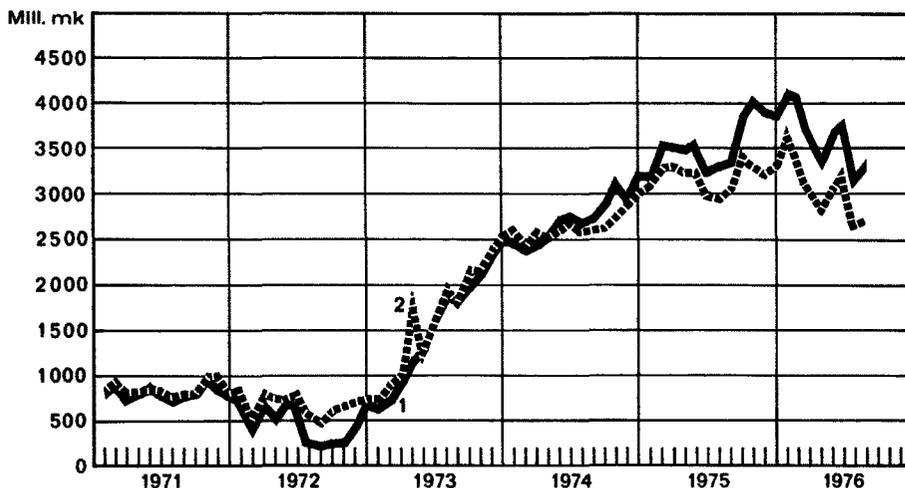
Vol. 50 No. 10

**BANK OF FINLAND'S CONVERTIBLE AND NON-CONVERTIBLE FOREIGN EXCHANGE RESERVES, 1971-1976**



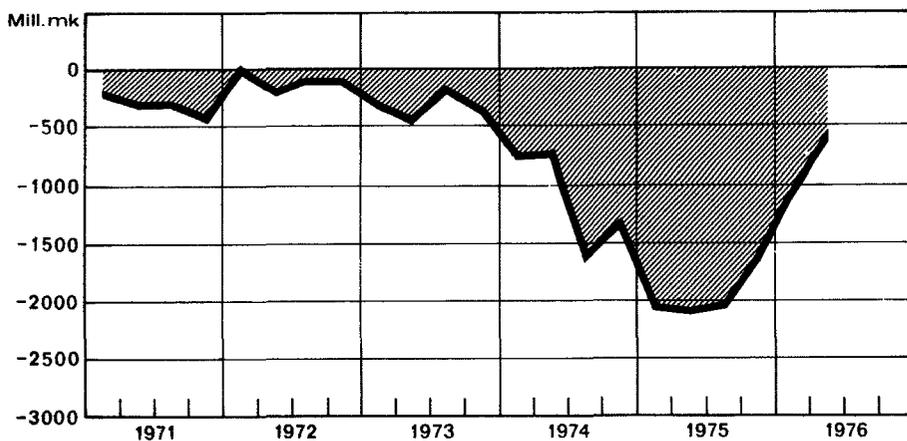
- 1. Gold and convertible currencies
- 2. Non-convertible currencies

**BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1971-1976**



- 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, 1971-1976**



Seasonally adjusted quarterly figures

## ECONOMIC SITUATION

Increasing economic activity in most western countries has induced signs of recovery in Finland as well. Exports are increasing and the through of the recession seems to have been passed. However, the Finnish economic situation is not expected to improve much until next year, mainly because of a decline in domestic consumption and private investment. The rate of inflation has been slowing down, but will still be slightly above the OECD average this year. Strict demand management policy has, so far, successfully contributed to reducing both the growth of imports and the balance of payments deficit. The unemployment rate, having continuously increased since the beginning of 1975, seems to have passed its peak level and is expected to decrease slowly towards the end of the year.

After an exceptionally sharp fall last year, the volume of exports has clearly started to recover. Exports in the first half of the year were nearly 15 per cent above those in the same period last year. The cyclical swing has been widest for forest industry products, where variations in inventories in the major markets have exacerbated the effects of changes in final demand. The recovery started with exports of wood industry products at the end of the year 1975, and has been followed by somewhat increased prices as well. Some strengthening is also evident in the pulp and paper markets but, in all, the forest industries still have a long way to go before pre-recession levels are reached.

In spite of an increase in exports, production and employment in forest industries are not expected to recover very fast because of large stocks of finished products accumulated during the recession. Furthermore, a shortage of raw timber may hold back growth towards the end of the year unless fellings start to increase sharply in the next few months. In the first half of this year, fellings were 26 per cent down from the same period of last year. This was partly due to the decline in demand and partly

to the unwillingness of forest owners to sell before prices were finally settled.

The order books of the Finnish metal and engineering industries have remained satisfactory for the most part, and have carried the industry fairly well over the worst of the recession. In the current year the value of exports will increase further, by more than a fifth, mainly due to deliveries to USSR. However, the number of new orders has decreased somewhat, and production is expected to slow down.

In recent years private investment has been at a relatively high level in Finland. In 1975 industrial investment reached a record of 34 per cent of total fixed capital formation. In the current year the prospects for private investment have been clouded by a low level of capacity utilization and by tight financing situation. The fall in private investment is expected to be over 10 per cent. The completion of expansion projects in the forest and metal industries and in the commercial sector kept construction activity brisk in 1975, although a marked decline in such projects is anticipated this year. In the construction of dwellings, the decline which started last year will continue. Nevertheless, nearly 60 000 dwellings will be completed this year which is above the average of the 1960's.

The worsened employment situation and only moderate rises in wages coupled with higher rate of taxation will lead to an increase in the household sector's disposable income smaller than that of consumer prices. In 1976, even if the fall in real disposable income is partly compensated for by a rise in the average propensity to consume, real consumer expenditure will have fallen for the first time since the late 1950's. The growth in public consumption and investment expenditure also remains modest and below the trend of recent years. This is in accordance with the decision made in May last year on policies to reduce the balance of payments deficit.

Employment has gradually deteriorated since the beginning of 1975 and the unemployment rate reached its peak on the second quarter of the current year. Because of the slow revival in production, the employment situation is not likely to improve much until next year. Emigration may increase in the early part of next year, depending on the cyclical differences between the Swedish and Finnish economies.<sup>1</sup>

A favourable development in foreign sector prices and a moderate incomes policy agreement, together with a five months price freeze based on the February's collective agreement<sup>2</sup> contributed to the slowing down of the rate of inflation in the first half of this year. From February to the end of June prices rose by only 3.6 per cent. After the freeze ended, the consumer price index went up in July and in August, mainly because of increases in some state charges and in the prices of some agricultural products. From January 1976 to January 1977 the rate of inflation will be around 10 per cent, which is substantially less than last year.

As a result of declining domestic demand, the volume of imports has decreased since the early part of the year 1975. This, together with clearly reviving exports, has reduced the balance of payments deficit. Recovering production, as well as strengthening expectations of higher international prices are, however, leading to a rise in imports of raw materials and fuel. On the other hand, declining domestic demand will partly compensate for this increase by reducing imports of investment and consumption goods. Export prices fell sharply in the latter part of the year 1975. This deterioration now seems to have been reversed, but never-

theless Finland's terms of trade will weaken further, due to rising import prices.

Demand for credit has continued to be strong also in the current year. Although lower than last year, the level of investment is still relatively high and the need for outside funds has been strengthened by the slow growth in corporate income and continuing rise in costs.

On the other hand the supply of credit has been limited by weak income development in households and by a low willingness to save. Bank deposits have grown markedly less than in the previous year. This together with a tightening in the commercial banks' access to central bank credit has led to a sizable fall in the growth of bank lending. Credit figures for the first seven months of this year indicate a growth in bank credit of 8 per cent on a yearly basis, while the rate for 1975 was nearly 20 per cent. Consequently, a large part of the credit demand has been directed to other domestic credit granters as well as to foreign credit markets. The growth of funds from these sources has also fallen, but is still considerably higher than that from the deposit banks. Imports of long-term capital have been subjected to close screening, with the result that the number of rejected capital import applications has increased substantially. Short-term foreign borrowing has remained small.

Tight monetary policy as well as close control of capital imports will be continued. Banking sectors credit granting facilities will be also limited by continuing slow growth in deposits. This is partly due to certain central government measures, i.e. the imposition of special taxes, new issues of bonds and the postponement of the refunding of excess prepayments of tax.

September 22, 1976

<sup>1</sup> See the front article in the Bulletin of Sept. 1976.

<sup>2</sup> See the back article in the Bulletin of Aug. 1976.

	1975		1976			
	Sept. 30	Dec 31	Sept. 8	Sept. 15	Sept. 23	Sept. 30
<b>Assets</b>						
Gold and foreign exchange receivables	2 147	1 950	1 942	1 868	1 943	1 826
Gold	121	121	121	121	121	121
Special drawing rights	284	278	251	251	251	251
Convertible currencies	1 405	1 089	1 030	980	1 118	1 042
Tied currencies	337	462	540	516	453	412
Other foreign receivables	1 274	1 274	1 507	1 508	1 515	1 533
Foreign bills	287	272	309	310	310	328
Foreign bonds	189	204	371	371	378	378
Currency subscription to Finland's quota in the IMF	798	798	827	827	827	827
Receivables from financial institutions	4 185	4 164	4 278	4 220	4 684	4 369
Cheque accounts of the commercial banks	196	133	184	182	158	185
Discounted bills	3 565	3 385	3 011	2 960	2 905	3 031
Bonds	332	327	361	408	371	361
Call money market advances	—	—	686	648	1 239	781
Other financial institution receivables	92	319	36	22	11	11
Receivables from the public sector	322	339	391	393	398	415
Bonds	71	70	74	70	70	71
Total coinage	251	256	274	275	275	276
Other public sector receivables	0	13	43	48	53	68
Receivables from corporations	827	933	1 292	1 312	1 345	1 342
New export bills	125	128	145	147	151	144
Financing of suppliers' credits	342	402	490	510	507	515
Bonds	233	223	207	204	204	204
Other corporate receivables	127	180	450	451	483	479
Other assets	37	47	48	48	48	49
<b>Total</b>	<b>8 792</b>	<b>8 707</b>	<b>9 458</b>	<b>9 349</b>	<b>9 993</b>	<b>9 534</b>
<b>Liabilities</b>						
Foreign exchange liabilities	204	172	167	169	183	199
Convertible accounts	53	78	116	121	132	142
Tied accounts	151	94	51	48	51	57
Other foreign liabilities	1 385	1 385	1 923	1 923	1 923	1 923
IMF mark accounts	1 127	1 127	1 665	1 665	1 665	1 665
Allocations of special drawing rights	258	258	258	258	258	258
Notes and coins in circulation	2 620	2 855	2 767	2 796	2 780	2 840
Notes	2 396	2 617	2 524	2 553	2 537	2 597
Coins	224	238	243	243	243	243
Deposit certificates in circulation	820	250	—	—	—	—
Claims of financial institutions	277	29	670	644	1 215	785
Cheque account of Postipankki	1	1	0	0	0	0
Cheque accounts of the commercial banks	2	3	1	1	1	2
Call money market deposits	—	—	665	640	1 209	778
Other financial institution claims	274	25	4	3	5	5
Claims of the public sector	1 019	1 301	1 265	1 199	1 206	1 188
Cheque accounts	1	2	0	0	0	0
Counter-cyclical reserves	175	155	55	55	55	55
Import deposits	842	1 135	1 130	1 064	1 071	1 053
Other public sector claims	1	9	80	80	80	80
Claims of corporations	401	539	278	233	234	189
Investment deposits	69	73	62	62	62	62
Capital import deposits	320	450	209	165	165	120
Import levy deposits	5	8	3	3	3	4
Other corporate claims	7	8	4	3	4	3
Other liabilities	12	15	14	14	13	13
Equalization accounts	1 105	331	494	489	494	507
Capital accounts	949	1 830	1 880	1 882	1 885	1 890
Primary capital	600	1 400	1 400	1 400	1 400	1 400
Reserve fund	237	237	334	334	334	334
Net earnings	112	193	146	148	151	156
<b>Total</b>	<b>8 792</b>	<b>8 707</b>	<b>9 458</b>	<b>9 349</b>	<b>9 933</b>	<b>9 534</b>

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
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
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1975											
Sept.	1 810	53	1 757	186	1 274	1 385	1 832	322	1 019	697	820
Oct.	1 778	50	1 728	61	1 315	1 385	1 719	324	1 189	865	740
Nov.	1 611	79	1 532	123	1 311	1 385	1 581	333	1 383	1 050	400
Dec.	1 448	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976											
Jan.	1 277	86	1 191	533	1 373	1 385	1 712	335	1 318	983	160
Feb.	1 113	82	1 031	482	1 390	1 385	1 518	334	1 380	1 046	—
March	1 184	157	1 027	378	1 442	1 413	1 434	338	1 465	1 127	—
April	1 393	47	1 346	281	1 449	1 413	1 663	341	1 390	1 049	—
May	1 627	46	1 581	434	1 465	1 922	1 558	352	1 360	1 008	—
June	1 546	48	1 498	392	1 456	1 923	1 423	350	1 320	970	—
July	1 800	62	1 738	507	1 483	1 923	1 805	361	1 227	866	—
Aug.	1 670	123	1 547	620	1 503	1 923	1 747	388	1 263	875	—
Sept.	1 414	142	1 272	355	1 533	1 923	1 237	415	1 188	773	—

<sup>1</sup> 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, 1975			Net holdings, July 31, 1976			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	July	Jan.-July
Gold	121	—	121	121	—	121	—	—
Special drawing rights	278	—	278	265	—	265	—	— 13
IMF gold tranche	—	—	—	—	—	—	—	—
Convertible currencies	1 011	—1 759	—748	1 353	—1 572	—219	— 28	+529
Total	1 410	—1 759	—349	1 739	—1 572	+167	— 28	+516
Non-convertible currencies	368	—1	367	507	— 6	+501	+122	+134

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 <sup>2</sup>	Other receiv-ables	Cheque account liabilities to the commer-cial banks <sup>3</sup>	Cheque account liabilities to Posti-pankki <sup>3</sup>	Other liabil-ities	Net receiv-ables (1+2+3-4-5-6)	Receiv-ables	Liabil-ities	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
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	1 413
1972	753	5	—	—	2	—	756	321	78	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
1975	3 385	133	646	3	1	25	4 135	933	539	394	2 855

## 1975

Sept.	3 565	196	424	2	1	274	3 908	827	401	426	2 620
Oct.	3 568	115	606	2	1	269	4 017	876	413	463	2 571
Nov.	3 519	172	622	2	1	2	4 308	888	530	358	2 678
Dec.	3 385	133	646	3	1	25	4 135	933	539	394	2 855

## 1976

Jan.	3 085	147	543	2	3	2	3 768	973	540	433	2 614
Feb.	3 035	196	1 408	5	0	709	3 925	1 031	548	483	2 677
March	3 035	202	1 421	1	1	843	3 813	1 098	427	671	2 544
April	3 053	193	1 098	1	0	683	3 660	1 126	523	603	2 676
May	3 235	176	1 004	2	0	551	3 862	1 175	488	687	2 775
June	3 358	196	1 111	1	0	685	3 979	1 215	413	802	2 969
July	2 775	164	1 189	3	0	793	3 332	1 284	374	910	2 895
Aug.	2 749	169	926	3	0	531	3 310	1 297	301	996	2 858
Sept.	3 031	185	1 153	2	0	783	3 584	1 342	189	1 153	2 840

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

<sup>2</sup> Including special index accounts.

<sup>3</sup> Including cash reserve accounts.

## SELLING RATES FOR FOREIGN EXCHANGE

Mk

September 22, 1976

New York <sup>1</sup>	1 \$	3.874	Frankfurt o. M.	100 DM	157.00	Vienna	100 S	22.10
Montreal	1 \$	3.982	Amsterdam	100 Fl	149.40	Lisbon	100 Esc	12.50
London	1 £	6.640	Brussels <sup>2</sup>	100 Fr		Madrid	100 Pta	5.72
Stockholm	100 Kr	90.00	Zurich	100 Fr	156.90	Tokyo	100 Y	1.350
Oslo	100 Kr	72.20	Paris	100 FF	79.30	Reykjavik	100 Kr	2.10
Copenhagen	100 Kr	65.20	Rome	100 Lit	0.460	Moscow <sup>3</sup>	1 Rbl	5.148

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

<sup>2</sup> 10.200 commercial rate; 9.850 financial rate.

<sup>3</sup> Clearing account: also Bucharest.

# DEPOSITS BY THE PUBLIC

Mill. mk

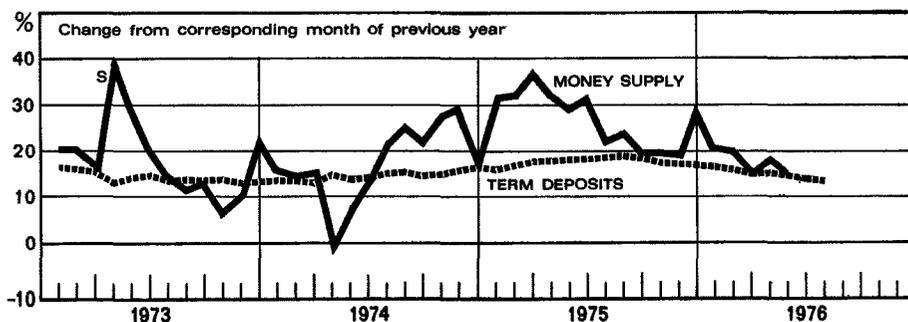
End of year and month	Sight deposits			Term deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Co-op. stores	All credit institutions	
	Commercial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1969	1 057	1 374	521	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
1975	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260

## 1975

Aug.	2 566	3 533	1 669	11 046	9 155	7 091	2 920	1 021	31 233	36 435
Sept.	2 546	3 531	1 582	10 959	9 203	7 177	2 929	1 056	31 324	36 437
Oct.	2 636	3 653	1 417	11 011	9 225	7 206	2 939	1 058	31 439	36 509
Nov.	2 659	3 642	1 652	11 234	9 326	7 280	2 985	1 057	31 882	37 176
Dec.	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260

## 1976\*

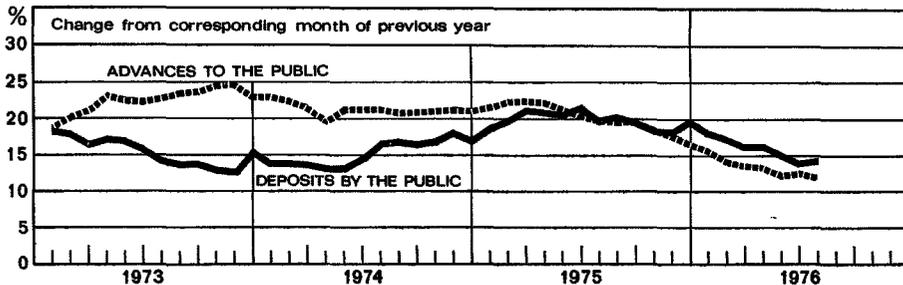
Jan.	3 268	4 301	2 038	11 872	9 891	7 685	3 229	1 117	33 794	40 133
Feb.	2 854	4 176	2 258	11 930	10 021	7 777	3 262	1 132	34 122	40 556
March	3 004	4 332	2 032	11 837	10 031	7 752	3 224	1 139	33 983	40 347
April	3 038	4 121	2 155	11 894	10 082	7 820	3 270	1 148	34 214	40 490
May	2 841	4 017	2 048	11 972	10 174	7 870	3 292	1 162	34 470	40 535
June	3 003	4 221	1 865	11 963	10 279	7 965	3 332	1 167	34 706	40 792
July	2 984	4 174	1 951	11 966	10 389	8 065	3 390	1 184	34 994	41 119
Aug.	3 099	4 376	1 968	11 988	10 531	8 212	3 423	1 194	35 348	41 692



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
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
1975	17 773	9 108	7 799	5 488	4 129	43 003	1 294	44 297	9 450
1975									
Aug.	17 307	8 582	7 249	5 063	3 776	40 674	1 303	41 977	7 517
Sept.	17 734	8 749	7 450	5 104	3 815	41 456	1 396	42 852	7 391
Oct.	17 811	8 785	7 542	5 275	3 900	41 907	1 406	43 313	7 321
Nov.	17 852	8 997	7 673	5 420	4 046	42 585	1 403	43 988	7 643
Dec.	17 773	9 108	7 799	5 488	4 129	43 003	1 294	44 297	9 450
1976*									
Jan.	17 769	9 279	7 900	5 551	4 223	43 456	1 266	44 722	8 621
Feb.	17 868	9 311	7 937	5 605	4 230	43 633	1 318	44 951	8 771
March	17 902	9 448	8 009	5 688	4 249	43 912	1 384	45 296	8 582
April	18 049	9 576	8 079	5 950	4 267	44 460	1 461	45 921	8 607
May	18 138	9 647	8 178	5 694	4 388	44 611	1 434	46 045	8 488
June	18 396	9 728	8 300	5 779	4 419	..	..	46 622	..
July	18 212	9 831	8 376	5 844	4 489	..	..	46 752	..
Aug.	18 309	9 965	8 428	5 885	4 517	..	..	47 104	..





# 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
1975*	20 247	28 002	-7 755

1975\*

July	1 651	2 263	- 612
Aug.	1 135	2 167	-1 032
Sept.	1 710	2 236	- 526
Oct.	1 840	2 458	- 618
Nov.	1 672	2 247	- 575
Dec.	2 371	2 545	- 174

1976\*

Jan.	1 563	2 131	-568
Feb.	1 478	1 949	-471
March	1 967	2 249	-282
April	1 452	1 851	-399
May	2 176	1 956	+220
June	2 232	2 441	-209
July	2 256	2 545	- 289

Jan.-July

1975*	11 519	16 349	-4 830
1976*	13 124	15 122	-1 998

Indices of exports and  
imports 1969 = 100

Period	Indices of exports and imports 1969 = 100				Terms of trade
	Volume		Unit value		
	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
1975	105	151	232	218	106

1973

Apr.-June	115	133	133	136	98
July-Sept.	122	136	145	142	102
Oct.-Dec.	140	149	151	151	100

1974

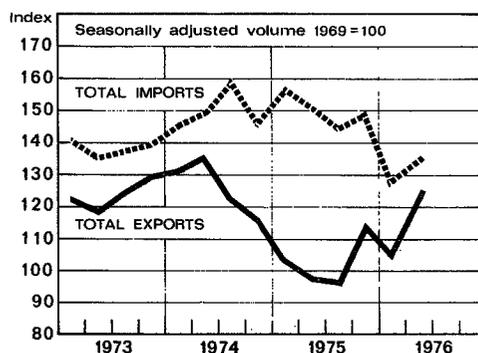
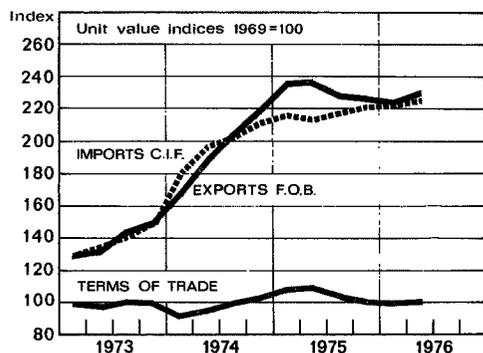
Jan.-Mar.	131	146	169	184	92
Apr.-June	131	147	190	199	95
July-Sept.	119	158	206	204	101
Oct.-Dec.	125	152	221	213	104

1975

Jan.-Mar.	104	160	237	217	109
Apr.-June	95	146	238	216	110
July-Sept.	94	143	230	220	105
Oct.-Dec.	124	153	228	223	102

1976\*

Jan.-Mar.	106	134	226	224	101
Apr.-June	122	130	231	226	102



# 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
1975*	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63

## 1975\*

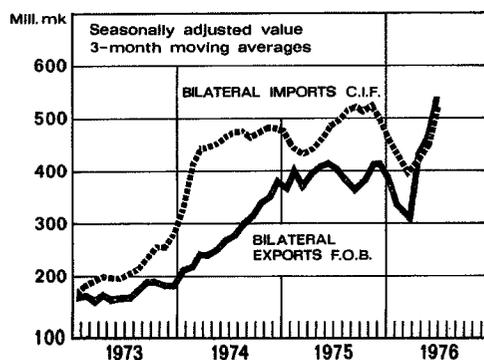
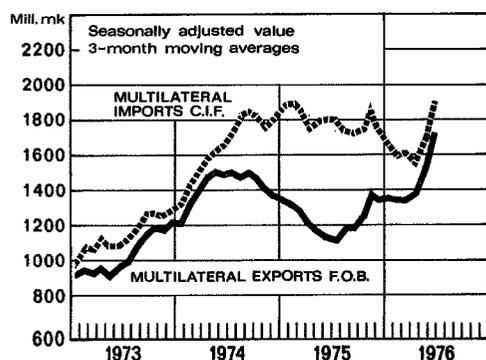
July	28	194	534	560	335	1 391	126	421	299	26
Aug.	18	139	451	226	301	1 279	170	433	276	9
Sept.	44	202	585	442	437	1 384	137	363	344	8
Oct.	25	199	570	505	541	1 554	154	412	337	1
Nov.	17	213	579	395	468	1 361	170	426	289	1
Dec.	82	234	659	877	519	1 511	140	565	323	6

## 1976\*

Jan.	114	190	477	436	346	1 190	133	495	312	1
Feb.	14	196	592	287	389	1 211	114	327	291	6
March	125	214	780	338	510	1 339	91	461	353	5
April	19	140	397	475	421	1 034	66	433	318	0
May	78	158	601	837	502	1 236	106	291	316	7
June	38	302	804	529	559	1 604	100	390	347	0
July	29	320	693	739	475	1 739	151	343	307	5

## Jan.-July

1975*	263	1 190	4 381	2 912	2 773	9 969	899	3 023	2 420	38
1976*	417	1 520	4 344	3 641	3 202	9 353	761	2 740	2 244	24



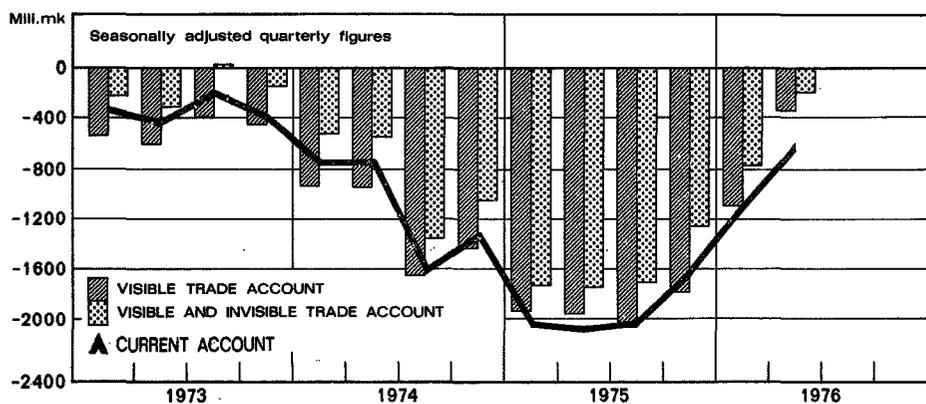
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—July				January—July			
	1975*		1976*		1975*		1976*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	62.2	7 168	64.7	8 493	67.1	10 969	66.1	9 992
Austria	0.7	86	0.6	85	1.3	217	1.5	227
Belgium-Luxembourg	1.4	162	1.6	209	1.9	311	1.9	280
Denmark	3.4	391	3.8	505	3.4	557	3.0	456
France	3.6	414	4.0	524	3.2	517	2.8	422
Federal Republic of Germany	8.9	1 029	9.8	1 280	16.6	2 711	16.3	2 469
Italy	1.3	156	1.8	230	2.1	338	2.1	313
Netherlands	2.7	306	3.0	394	2.9	477	2.9	434
Norway	4.6	525	3.4	451	3.0	483	3.3	492
Portugal	0.3	34	0.4	49	0.5	85	0.3	46
Spain	1.1	132	1.0	134	0.9	148	1.4	218
Sweden	16.9	1 944	18.0	2 358	18.9	3 091	18.7	2 832
Switzerland	1.5	176	1.6	216	3.2	529	3.4	521
United Kingdom	14.2	1 634	14.5	1 903	9.0	1 475	8.2	1 244
Other	1.6	179	1.2	155	0.2	30	0.3	38
<b>OECD countries outside Europe</b>	4.7	546	4.9	646	9.6	1 575	8.7	1 320
Canada	0.5	55	0.7	90	0.3	48	0.4	60
Japan	0.5	54	0.7	96	1.7	273	1.6	240
United States	3.2	375	2.7	358	7.6	1 248	6.7	1 012
Other	0.5	62	0.8	102	0.0	6	0.0	8
<b>CMEA countries</b>	24.5	2 820	22.6	2 968	19.7	3 220	20.7	3 124
Czechoslovakia	0.5	59	0.5	72	0.4	63	0.5	77
Democratic Republic of Germany	0.7	87	0.8	98	0.8	129	0.5	71
Poland	1.2	134	1.2	163	2.2	356	1.6	240
Soviet Union	21.3	2 449	19.2	2 519	15.4	2 516	17.4	2 624
Other	0.8	91	0.9	116	0.9	156	0.7	112
<b>Latin America</b>	2.3	270	2.0	257	1.4	224	1.9	287
Argentina	1.0	120	0.3	34	0.1	12	0.1	12
Brazil	0.6	72	0.5	71	0.3	44	0.5	76
Colombia	0.1	7	0.1	9	0.5	76	0.6	90
Other	0.6	71	1.1	143	0.5	92	0.7	109
<b>Other</b>	6.3	715	5.8	760	2.2	361	2.6	399
<b>GRAND TOTAL</b>	100.0	11 519	100.0	13 124	100.0	16 349	100.0	15 122
of which								
<b>EFTA countries</b>	24.2	2 785	24.2	3 176	27.0	4 418	27.3	4 133
<b>EEC countries</b>	36.2	4 171	39.0	5 114	39.1	6 397	37.2	5 633
<b>OECD countries</b>	67.0	7 712	69.6	9 130	76.7	12 544	74.8	11 312

# 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
1973 <sup>r</sup>	14 525	16 560	-2 035	+ 996	+340	+ 29	- 670	- 753	-57	-1 480
1974 <sup>r</sup>	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
Jan.-March										
1973 <sup>r</sup>	3 282	3 868	- 586	+ 260	- 5	+ 28	- 303	- 139	-14	- 456
1974 <sup>r</sup>	4 589	5 683	-1 094	+ 338	+ 10	+ 5	- 741	- 233	-25	- 999
1975*	5 127	7 369	-2 242	+ 291	- 43	- 44	-2 038	- 316	-58	-2 412
1976*	4 989	6 357	-1 368	+ 276	- 53	+ 51	-1 094	- 349	-24	-1 467
Apr.-June										
1973 <sup>r</sup>	3 182	3 843	- 661	+ 218	+ 48	+ 16	- 379	- 190	-22	- 591
1974 <sup>r</sup>	5 159	6 198	-1 039	+ 282	+ 74	+ 47	- 636	- 239	-11	- 886
1975*	4 695	6 689	-1 994	+ 221	+ 12	- 2	-1 763	- 383	-14	-2 160
July-Sept.										
1973 <sup>r</sup>	3 656	4 084	- 428	+ 271	+240	+ 10	+ 93	- 173	- 9	- 89
1974 <sup>r</sup>	5 104	6 838	-1 734	+ 251	+243	- 36	-1 276	- 243	- 4	-1 523
1975*	4 498	6 647	-2 149	+ 237	+143	+ 58	-1 711	- 309	- 6	-2 026
Oct.-Dec.										
1973 <sup>r</sup>	4 405	4 765	- 360	+ 247	+ 57	- 25	- 81	- 251	-12	- 344
1974 <sup>r</sup>	5 753	6 879	-1 126	+ 204	- 1	+ 89	- 834	- 291	-29	-1 154
1975*	5 861	7 234	-1 373	+ 235	- 7	+205	- 940	- 406	-30	-1 376

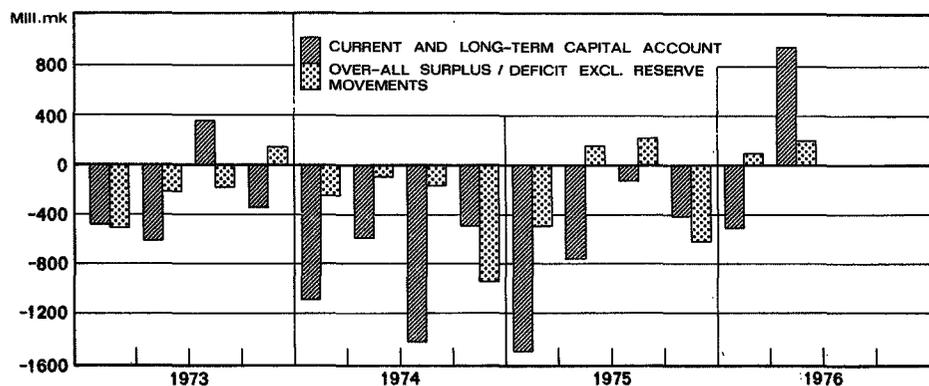


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, 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
+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
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+638	+1 449	+ 8	- 747	-444	+1 191
+ 364	- 396	+ 35	- 24	- 21	- 477	+ 21	- 98	+ 47	- 507	+353	+154
+ 481	- 522	- 24	- 26	- 91	-1 090	+288	+ 124	+409	- 269	+138	+131
+1 206	- 310	- 24	+ 11	+ 883	-1 529	+309	+ 758	- 15	- 477	- 32	+509
+1 404	- 374	+ 2	- 79	+ 953	- 514	-579	+ 806	+385	+ 98	+373	-471
+ 309	- 265	- 48	- 9	- 13	- 604	+ 95	+ 191	+ 91	- 227	+301	- 74
+ 758	- 362	-114	+ 13	+ 295	- 591	+349	+ 58	+ 88	- 96	- 99	+195
+1 870	- 433	- 48	+ 9	+1 398	- 762	-139	+ 758	+300	+ 157	-668	+511
+ 774	- 370	+ 59	- 15	+ 448	+ 359	-403	-322	+180	- 186	+ 66	+120
+ 549	- 379	- 61	- 25	+ 84	-1 439	+502	+ 312	+462	- 163	+202	- 39
+2 121	- 287	- 3	+ 57	+1 888	- 138	+130	- 34	+247	+ 205	+ 91	-296
+ 411	- 335	- 12	- 66	- 2	- 346	+ 41	+ 221	+220	+ 136	-229	+ 93
+ 942	- 274	- 24	+ 15	+ 659	- 495	-209	-157	- 86	- 947	+498	+449
+1 532	- 415	-139	- 15	+ 963	- 413	+338	- 33	-524	- 632	+165	+467

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

<sup>1</sup> Including Direct investment, net.

<sup>2</sup> Including Allocations of special drawing rights 88 million in 1970, 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			
1974	495	498	482	523	536	448	555	495	459	233	231	230
1975	562	575	513	570	637	532	629	536	539	259	264	246
1975												
Nov.	577	592	518	570	676	560	631	543	566	265	272	250
Dec.	578	595	514	574	677	559	632	546	567	266	272	251
1976												
Jan.	591	610	517	582	688	578	644	555	583	270	273	260
Feb.	599	617	531	587	691	591	647	565	593	271	273	261
March	605	624	532	589	691	604	656	572	597	272	273	261
April	610	630	535	597	696	606	669	575	598	275	273	268
May	610	629	537	598	696	604	666	576	598	282	292	268
June	611	629	539	599	698	605	669	576	599	282	292	269
July	628	648	554	610	706	633	686	596	615	285	292	274
Aug.	641	662	560	627	709	642	697	611	627	288	292	279

Period	Consumer prices 1972 = 100											
	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 100	Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1974	333	261	129	130	109	128	144	161	129	128	118	127
1975	392	308	153	157	135	150	162	184	150	145	144	156
1975												
Nov.	415	326	161	168	149	159	166	188	156	152	152	168
Dec.	418	328	162	169	149	160	166	188	157	154	152	169
1976												
Jan.	426	335	166	167	161	163	168	189	159	166	154	172
Feb.	432	339	168	167	161	163	168	191	160	169	156	181
March	436	343	170	174	161	163	169	191	161	170	157	182
April	440	345	171	176	161	164	169	192	161	171	160	182
May	441	346	171	176	161	164	169	201	161	172	160	182
June	442	347	172	176	161	164	171	201	161	172	161	182
July	450	353	175	185	168	161	171	202	162	175	161	186
Aug.	456	358	177	191	168	163	171	202	165	176	161	187

# 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							
1974	395	317	325	256	252	250	298	248	313	285
1975*	506	384	389	310	312	302	363	300	383	347
1974										
Apr.-June	379	316	319	260	252	253	301	251	315	287
July-Sept.	401	327	336	262	259	256	310	255	326	295
Oct.-Dec.	454	342	354	273	271	266	321	263	340	306
1975*										
Jan.-March	464	354	361	278	280	272	330	269	350	315
Apr.-June	479	391	395	313	315	304	371	304	392	353
July-Sept.	511	390	395	316	322	306	375	308	395	357
Oct.-Dec.	556	400	404	331	334	327	381	319	403	366
1976*										
Jan. March	571	417	416	347	349	342	396	336	417	381
Apr.-June	..	..	..	357	357	349	411	345	433	395

# PRODUCTION

## Volume indices of production 1964 = 100

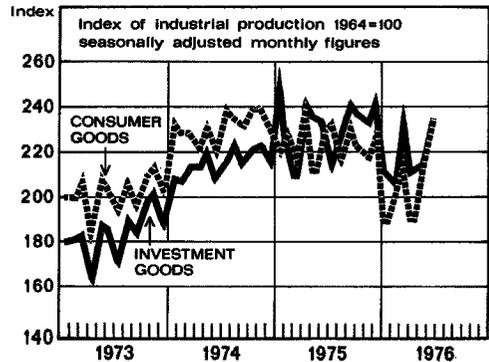
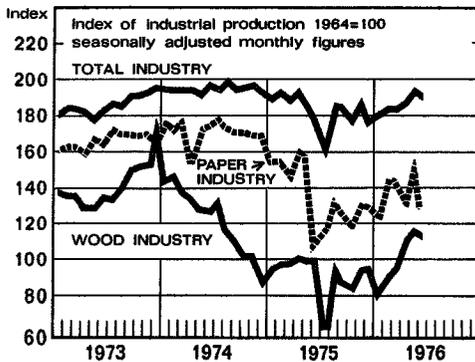
Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1973	154	187	90	96	162	105	155	171	150	151	157
1974	160	197	90	96	168	103	163	179	158	159	165
1975	159	189	95	83	170	107	158	188	166	164	169
1975*											
Jan.-March	160	200	51	119	162	107	157	185	163	162	167
Apr.-June	160	193	77	100	161	110	163	185	165	163	169
July-Sept.	156	164	174	46	178	105	155	184	166	165	168
Oct.-Dec.	162	200	76	64	179	105	158	198	170	167	171
1976*											
Jan.-March	154	198	54	85	116	106	152	182	171	167	172
Apr.-June	159	193	83	95	130	110	155	186	172	168	174

# PRODUCTION<sup>1</sup>

## 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	
1974	127	141	122	135	112	107	124	154	136	141	127
1975*	121	151	111	132	112	81	99	136	123	145	120
1974											
Nov.	135	157	127	149	115	91	129	164	137	158	128
Dec.	119	132	113	128	97	62	114	160	110	134	125
1975*											
Jan.	134	166	125	139	111	85	122	160	138	159	123
Feb.	127	156	119	134	104	89	112	142	126	153	126
March	125	149	117	133	100	86	109	149	126	148	123
April	137	174	125	151	118	109	109	147	138	169	126
May	127	165	118	131	112	99	109	136	125	156	121
June	109	148	96	125	111	84	68	120	118	139	116
July	74	65	70	84	112	33	82	95	76	64	108
Aug.	117	144	108	131	111	70	100	133	123	135	121
Sept.	125	163	112	139	119	83	92	137	126	155	120
Oct.	132	175	118	150	133	84	96	140	136	165	117
Nov.	127	165	116	136	120	81	101	139	130	156	123
Dec.	116	147	107	126	98	73	88	134	110	139	116
1976*											
Jan.	123	155	120	119	108	70	97	129	102	149	118
Feb.	122	143	121	117	106	81	108	132	104	139	120
March	138	169	135	132	103	104	115	134	115	164	120
April	123	154	119	119	103	107	84	133	99	149	122
May	133	151	130	132	128	116	115	130	120	149	126
June	118	148	109	127	132	103	73	91	120	145	124

<sup>1</sup> Revised figures.



# 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	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1973	3 442	2 215	2 164	51	2.3	35 123	110	111
1974	3 483	2 268	2 229	39	1.7	34 457	114	114
1975*	3 513	2 272	2 221	51	2.2	29 133	118	119
<b>1975*</b>								
April	3 509	2 199	2 151	48	2.2	3 799	124	128
May	3 511	2 238	2 199	40	1.8	2 646	119	121
June	3 513	2 445	2 400	45	1.8	2 381	116	108
July	3 514	2 448	2 400	48	2.0	934	120	107
Aug.	3 516	2 326	2 278	48	2.1	1 026	117	115
Sept.	3 517	2 257	2 208	49	2.2	1 272	119	128
Oct.	3 519	2 258	2 206	52	2.3	1 700	124	130
Nov.	3 520	2 250	2 189	61	2.7	1 884	104	117
Dec.	3 521	2 244	2 172	72	3.2	2 028	143	126
<b>1976*</b>								
Jan.	3 523	2 198	2 107	91	4.1	1 684	97	106
Feb.	3 525	2 190	2 100	90	4.1	2 332	92	104
March	3 527	2 187	2 102	85	3.9	3 269	104	124
April	3 529	2 195	2 105	90	4.1	3 217	110	113
May	3 531	2 224	2 151	73	3.3	2 735	111	116
June	3 533	2 396	2 320	76	3.2	1 821	..	..

## 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											
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	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975*	51.42	19.65	3.79	21.62	3.39	47.59	20.49	2.76	18.34	3.93	53.73
<b>1975*</b>											
Jan.-March	12.59	3.31	0.75	7.23	0.75	11.45	4.64	0.46	4.94	1.10	50.24
Apr.-June	15.90	7.46	1.67	5.00	0.51	10.06	4.95	0.33	3.60	0.75	54.13
July-Sept.	12.21	4.84	0.79	4.72	1.13	10.95	4.45	0.85	3.73	1.29	54.64
Oct.-Dec.	10.71	4.04	0.59	4.36	1.00	13.86	5.97	1.02	5.50	0.77	53.73
<b>1976*</b>											
Jan.-March	8.52	3.04	0.73	3.29	0.86	8.04	3.55	0.52	3.25	0.42	49.19

# 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 figures 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.

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 = Call money market advances + Bonds + Other financial institution receivables. Other liabilities = Call money market deposits + Other financial institution claims.

*Corporate sector*: Receivables = New export bills + Financing of suppliers' credits + Other corporate receivables + Bonds.

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 1975 is as follows: Social Democrats 54, People's Democrats 40, Centre Party 39, Conservatives 35, Swedish Party 10, Liberal Party 9, Christian League 9, Finnish Farmers Party 2, Finnish People's Unification Party 1 and Finnish People's Constitutional Party 1.

## INTERNATIONAL ORGANIZATIONS

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

## LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. 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 (1975): 4.7 million. Sweden 8.2, Switzerland 6.4, Denmark 5.1 and Norway 4.0 million.

DENSITY OF POPULATION (1975): In South Finland 46.1, in East and Central Finland 13.3, in North Finland 4.0 and in the whole country an average of 15.5 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1975): 41 % of the population inhabit the rural areas, 59 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 496 872 inhabitants, Tampere (Tammerfors) 165 928, Turku (Åbo) 163 981.

EMPLOYMENT (1975): Agriculture and forestry 15 %, industry and construction 36 %, commerce 16 %, transport and communications 7 %, services 26 %.

LANGUAGE (1974): Finnish speaking 93.3 %, Swedish speaking 6.5 %, others 0.2 %.

EDUCATION (1976): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 12 colleges of university standard.

CHANGE OF POPULATION (1975): births 14.1 ‰, deaths 9.4 ‰, change + 3.8 ‰, net emigration 0.9 ‰. Deaths in France 10.4 ‰ and Great Britain 11.9 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1975, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 5 625 (6 %), forestry and fishing 5 025 (6 %), manufacturing 28 290 (32 %),

construction 9 310 (10 %), transport and communication 8 841 (10 %), commerce, banking and insurance 11 964 (13 %), public administration 4 313 (5 %), ownership of dwellings 3 299 (4 %), services 13 035 (14 %), total 89 702. Index of real domestic product 159 (1964 = 100).

FOREST RESOURCES (1975): The growing stock comprised of 1 513 million m<sup>3</sup> (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, 656 million m<sup>3</sup> was up to the standard required for logs, 55 % of these being pine. The annual growth was 57.5 million m<sup>3</sup> and the total removal, calculated on the basis of roundwood consumption, was 40.1 million m<sup>3</sup>.

AGRICULTURE (1974): Cultivated land 2.6 million hectares. Number of holdings 258 600, of which 172 400 are of more than 5 ha. Measure of self-sufficiency in bread cereals 116 % in the crop year 1974/75.

INDUSTRY (1973): Gross value of industrial production 54 650 mill. marks, number of workers 417 884, salaried employees 119 436, motive power (1973) 6.0 mill. kW. Index of industrial production 122 for 1973 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1976): Length 5 919 km.

MERCHANT FLEET (June 30, 1976): Steamers 24 (13 300 gross reg. tons), motor vessels 358 (919 200 gross reg. tons), tankers 58 (1 135 400 gross reg. tons). Total 440 (2 067 900 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1975): Passenger cars 996 300, lorries and vans 128 400, buses 8 600, others 6 600. Total 1 139 900.

FINNISH AIRLINES (Feb. 10, 1976): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6, 10 Super Caravelles, 9 DC-9s, 3 DC-9-51s, 2 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 marka). 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, 1975). There are two big and five small commercial banks with in all 864 offices, 283 savings banks 384 co-operative banks, six mortgage banks, Posti-pankki and five development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-nine 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 ½ %. 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 %.

# THE NATIONAL HOUSING PROGRAMME FOR 1976—1985

by Ilkka Puro, M.Pol.Sc.,  
Bank of Finland

The first Finnish National Housing Programme, designed to provide a framework for housing policies in 1976—1985, was completed last May. This article presents a broad outline of the Programme's wide-ranging recommendations.

## THE FORMULATION OF HOUSING POLICY

Particularly since the late 1960s, efforts have been made to develop medium-term macro-economic planning in Finland. The main purpose behind such planning has been to identify potential problems in future economic development, and hence to facilitate their solution. Medium-term sectoral planning, however, has not so far been undertaken to any great extent.

Accordingly, there were no long-term comprehensive plans for the housing sector in Finland before the completion of the National Housing Programme. A broad view has not been taken in planning or in the formulation of housing policy; there has been a tendency to concentrate on immediate social, administrative and similar questions. Planning has concentrated too much on satisfying the needs of individuals and therefore target-setting has not always corresponded to the economic resources available.

Since 1970, 5-year housing programmes have been prepared annually in cities, towns and the larger rural municipalities. Particular local circumstances have been the dominant feature of these programmes which have therefore been rather narrowly-based. However, some quantitative national targets have also been presented: in 1965 the Housing Policy Committee released a survey in which it recommended that a total of 500 000 new dwellings should be built in 1966—1975. Although the survey was comprehensive in many respects,

it was incomplete as regards the methods by which this target was to be reached.

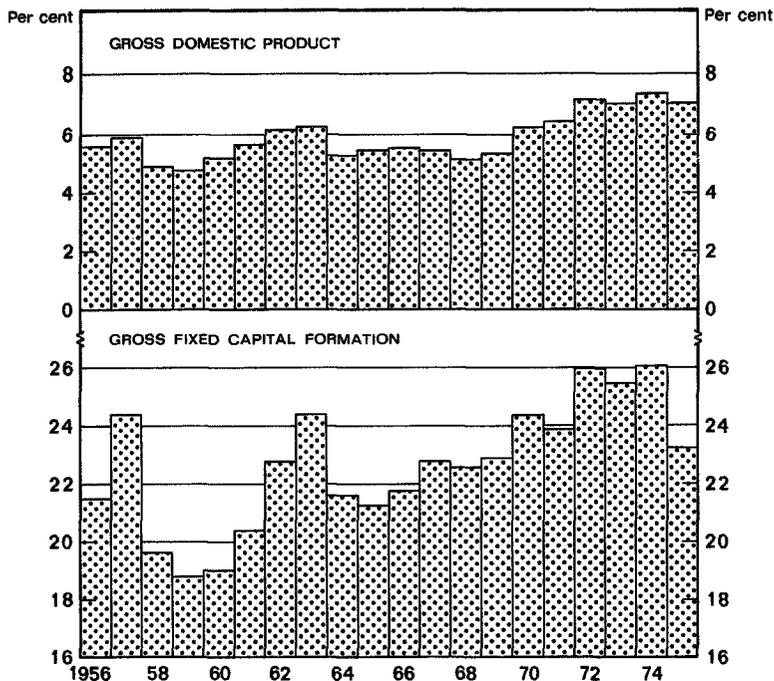
In the early 1970s it became more and more clear that the development of the housing sector required more extensive planning. In 1973 the Ministry of the Interior gave the National Board of Housing, aided by a Housing Production Council, the task of preparing a housing programme for the country as a whole. After extensive study, mainly carried out in various sections of the Council, the National Housing Programme is now complete.

## THE BASIC TARGETS FOR HOUSING POLICY

The National Housing Programme set out to survey the country's current housing situation and the defects revealed therein, and then to set targets for improvements in housing standards in 1976—1985. The most important feature in the Programme from the point of view of the planning of the housing sector is probably the fact that housing policy has now been examined more clearly as a single entity, so that attempts have been made to fit the targets set to the resources and means available. However, this has proved extremely difficult, both because of the long range covered by the Programme and due to the lack of individual plans for the other sectors of the economy. Thus it is in many respects uncertain whether the specific targets set are achievable, or whether the general aspects of the Programme are sufficiently realistic.

In the Programme, the attainment of satisfactory housing conditions for the population as a whole has been regarded as the basic target for housing policy; each citizen should be entitled to a dwelling of a size, quality, environment and location such that it provides a basis for a healthy, secure and enjoyable life.

**CHART 1. HOUSING INVESTMENT AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT AND OF GROSS FIXED CAPITAL FORMATION, 1956—1975**



Furthermore, a family's housing costs should be reasonable as compared with its disposable income. However, the implications of these general aims have not been completely spelt out; a number of targets will have to be made more precise at a later stage in the planning and decision-making process.

In the National Housing Programme, human aspects form the basis for housing policy. However, stress is also laid on co-ordination between policies in the housing, regional and economic spheres, so as to promote economic development and to increase social welfare.

### THE VOLUME OF HOUSING

The determination of the present volume of housing formed the starting point for the preparation of the Housing Programme. During the first half of the current decade, an increasing share of the economy's resources has been used for housing. While housing investment accounted, on average, for 5.6 per cent of gross domestic product in 1966—1970, the corresponding share in 1971—1975 was 7.1

per cent. At the same time, the share of housing investment in gross fixed capital formation has increased, and now amounts to more than one quarter. At times, the vigorous expansion in housing investment has notably diminished the scope for using the economy's scarce resources for other investments.

As a result of the increased use of resources the number of dwellings produced has grown. In 1971—1975 an average of 63 000 new dwellings were completed in Finland annually, almost 23 000 dwellings per year more than in the previous five-year period. The average number of dwellings completed per 1 000 inhabitants was 13.5, a very high figure by international standards. However, a rapid rate of population migration has led to a large number of dwellings falling into disuse, and in addition many dwellings have been converted for other uses. As a result, the net increase in the housing stock has been less than two thirds of output. At the end of 1975, Finland's housing stock totalled 1 658 000 dwellings.

Although the number of dwellings completed has been fairly large, the dwellings have been

**TABLE 1. LIVING SPACE PER PERSON IN 1970 AND HOUSING OUTPUT IN 1971—1975 IN FINLAND AND OTHER NORDIC COUNTRIES**

	Number of persons per room (with kitchen counted as a room) in 1970	Number of dwellings produced annually per 1 000 inhabitants in 1971—1975	Housing area completed annually per 1 000 inhabitants in 1971—1975, sq.mtrs.	Number of rooms produced annually per 1 000 inhabitants in 1971—1974
Finland	1.03	13.5	934	44.3
Sweden	0.66	11.5	986	49.6
Norway	0.67	10.5	906	46.2
Denmark	0.61	9.5	1 172	46.7

rather small by international standards. The housing area and number of rooms produced per 1 000 inhabitants during the first half of this decade have been smaller than in other Nordic countries (Table 1). While the average personal living space in Finnish dwellings was 1.03 person per room in 1970, it is now 0.90. In view of the amount of resources available, this growth in personal living space can be regarded as substantial.

#### QUANTITATIVE DEMANDS ON RESIDENTIAL CONSTRUCTION

It is estimated that the growth in the total population during the period covered by the Housing Programme will be fairly small. However, it is forecast that the housing stock needed will still have to increase substantially, because the average number of persons per housing unit will continue to decline. This will be partly for demographic reasons, and partly because current sub-tenants, adults living with their parents, elderly people living with their grown-up children, and other types of multiple-occupier will want their own separate dwellings. If the decline continues at the same rate as in the 1960s and the vacancy rate develops according to estimates, the housing stock should increase by a total of 269 000 dwellings to 1 927 000 dwellings by the end of 1985.

The desired growth in the housing stock has to be covered by residential construction. In addition, it will be necessary to build dwellings to offset those which, for various reasons, fall

into disuse or are demolished. According to estimates presented in the Housing Programme, the number of dwellings to which this happens could be limited to 160 000 during the period covered by the Programme. During the second half of the 1970s, the number would be slightly larger than during the first half of the 1980s. However, any attempts to hold down the number of housing units which leave the usable stock presuppose significant measures related to urban development policies; for example making the demolition of buildings subject to permission. It seems obvious that such measures can hardly be implemented before the beginning of the 1980s.

In order to preserve the existing supply of housing, the volume of renovation should be expanded. According to the Housing Programme, it should be set as a target that the number of old dwellings to be repaired annually should be raised from the present 11 000 to not less than 20 000 by the end of the period covered by the Programme. The state's share in credit granted for renovation should be increased, extending it to cover all dwellings, irrespective of the type of house or occupier.

Taking into account the targets set for the supply of housing and the estimated loss of existing dwelling units, it would be necessary to produce an average of 57 000 new dwellings per year during the first five-year period of the Programme. Since it is estimated that an annual average output of 52 000 new dwellings will be needed during the second five-year period, a total of 545 000 new dwellings would have to be built in 1976—1985. When the Programme was being prepared, other estimates of the necessary output of new dwellings were presented as well. The very sizeable target finally chosen can thus be regarded as some kind of compromise.

#### QUALITATIVE DEMANDS ON RESIDENTIAL CONSTRUCTION

In the National Housing Programme, the healthiness, security and comfort of the dwell-

ing and its neighbourhood are set as the basic targets for the quality of housing. To be healthy, the dwellings should meet reasonable standards set for soundproofing and heat insulation. In order to increase the security of the living environment, special attention should be paid to traffic safety.

The spaciousness of housing units can be regarded as one of the factors contributing to the quality of life. As a target, the Programme lays down that by 1985 each household unit<sup>1</sup> should be able to occupy a dwelling with at least one room per person, counting the kitchen as a room. In the long run, attempts should be made to achieve an even higher degree of spaciousness. Although the reaching of this target will largely depend on the distribution of the different types of housing unit, both in the current stock of housing and in the total of old dwellings removed from the stock, it seems that no substantial change will be necessary in the proportions of different types of housing unit to be constructed. However, the production of large dwellings should be gradually increased, so that as to meet the requirements of the future as well. In recent years, less than one quarter of new dwellings have had five or more rooms, while dwellings with three or four rooms have accounted for about half of the output.

In order to increase the spaciousness of housing, the average area of dwellings to be produced should, according to the Programme, be raised from the present 71 square metres by about one square metre per year. Although there would be a decline in the number of dwellings to be produced during the period of the Programme, the total housing area produced would remain almost unchanged, at the level of 4.0 to 4.2 million square metres per year. On the other hand, continuous improvements in the facilities provided would increase the value of each unit and hence the total financing requirements.

The type of building constructed is an important factor affecting the milieu of a resi-

dential area and the happiness of its inhabitants. In Finland, a detached house is generally believed to satisfy the standards set for the quality of life better than do apartment houses. Accordingly, if the pattern of residential construction is to correspond more to the wishes of the people needing accommodation, then the share of detached houses in total output should be increased. The Programme sets it as a target that the share of detached houses and terraced houses should be increased from the present 44 per cent to not less than 55 per cent by 1980, and to not less than 60 per cent by 1985. Such an expansion in the output of detached houses and terraced houses presupposes that local authorities take more intensive urban development measures to ensure that there will be an adequate amount of land suitable for the construction of detached and terraced houses.

#### PROSPECTS FOR REACHING THE QUANTITATIVE TARGETS SET

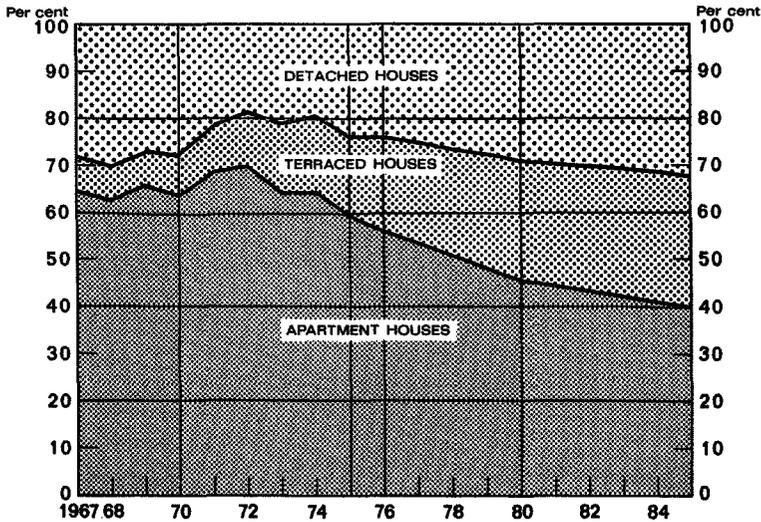
The reaching of the targets set on housing output will depend, above all, on the general economic development during the period covered by the Programme. According to present forecasts, the average annual growth rate of the economy in the second half of the 1970s, even under the most favourable assumptions, will not be more than four per cent, notably slower than during the first half of the decade.

Although the rate of saving has been high in Finland, the volume of investment has long exceeded the level of domestic saving, and it has been necessary to borrow investment capital from abroad. Finland's foreign debt has gradually reached the level where there is not much scope for further increases in it. In the future, investment will have to be adjusted, more strictly than in past, to the development of domestic saving.

It seems likely that during the period covered by the Programme, the economy's total saving rate will be substantially lower than in recent years. In order to restore macroeconomic

<sup>1</sup> i.e. family or extended family, plus any sub-tenants.

**CHART. 2. SHARES OF DIFFERENT TYPES OF BUILDING IN TOTAL OUTPUT OF NEW HOUSING UNITS COMPLETED IN 1967—1975 AND SCHEDULED FOR 1976—1985**



balance in such tight financial conditions, it will be necessary to alter the structure of investment, and to give priority to industrial investment. The rapid improvement in the country's housing conditions attributable to the vigorous residential construction in the first half of the 1970s now gives some scope for a slight decline in housing production. It seems obvious that during the period of the Programme, housing production will receive a smaller share of the available financial resources, and the share of housing investment in gross domestic product will decline to about five per cent by the beginning of the 1980s. In 1976—1980 it will probably be possible to produce on average 50 000—55 000 new dwellings per year and to undertake basic repairs to about 9 000 to 13 000 old dwellings annually. The scope for production will thus be slightly smaller than the demand figures estimated in the Programme.

Due to cyclical fluctuations, the volume of output is expected to vary annually. The target set in the Programme will be clearly exceeded this year, whereas the prospects for next year are much poorer. If it were possible to smooth out cyclical variations more efficiently than at present, and to reach a fairly steady and slightly counter-cyclical level of residential construction, as suggested in the

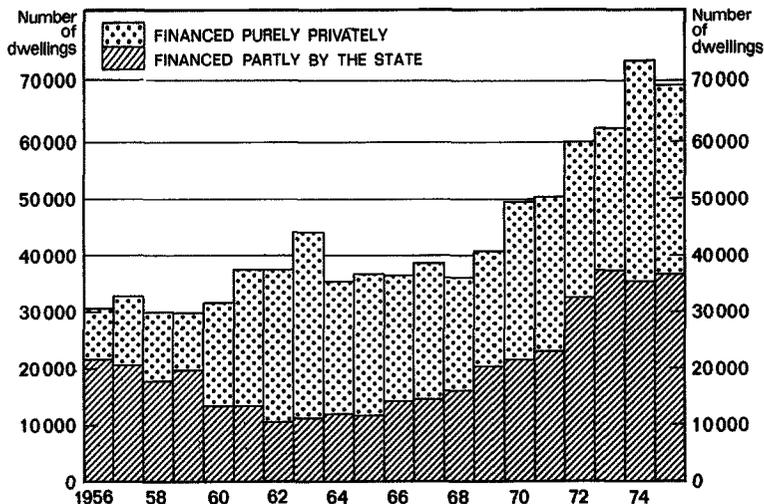
Housing Programme, housing prospects would certainly be improved. An efficient management of cyclical variations in residential construction presupposes that the precision of economic estimates will be increased. According to the Programme, counter-cyclical adjustment could be facilitated by supplementing the present practice of building permits with the introduction of some kind of system of granting start permits on the basis of resource availability, and by establishing a counter-cyclical reserve for appropriations of state housing loans.

#### THE SYSTEM OF FINANCING RESIDENTIAL CONSTRUCTION

In Finland the dwellings produced are financed either purely with private capital or partly with state loans. A state loan in a partly state-financed dwelling cannot be more than 60 per cent of the acquisition value. During the first years of the current decade, partly state-financed production has risen to about half of total housing production.

Under the National Housing Programme, the aim is to increase the share of partly state-financed production to about 75 per cent before the end of the period of Programme.

**CHART 3. HOUSING OUTPUT IN 1956—1975**



It is believed that this would improve society's chances of controlling the quality and expenditure of housing, and would promote the pursuit of housing policies in general.

An increase in the share of state-financed production would imply a substantial decline in purely privately financed housing production, back to the volume level of the 1950s. Whether privately financed production can be left so small depends largely on the system of granting state housing loans. In the future, the system will have to include a great number of persons needing accommodation who at present are left outside the system because of their high incomes, and who thus finance their housing through private loans. Although the Programme suggests reforms in the financing system, it remains to be seen whether the system can be made flexible enough for the reaching of the target set for the share of state-financing.

In the National Housing Programme there is proposed a scheme for adjustable repayment schedules for partly state-financed dwellings. The terms of state loans will be determined individually for each dwelling, whether owned or rented, according to the wealth and income level of the resident. It will be explicitly decided how large the share of capital service payments will be in housing costs during the first year and how this share should develop annually.

Interest on and repayment of the primary bank loan will have to follow normal credit principles. The balance of the householder's assessed annual capital service charge will go towards paying for the state loan. Where this balance is less than the interest on the state loan, the excess interest will be added to the original principal. After the bank loan has been completely repaid, all the capital service charge will go towards paying off the state loan, including any such accrued interest. Total capacity for repayment can be reassessed during the loan period so that, provided the maximum 37 year repayment period for a state loan is not exceeded, there will be greatly increased scope for tailoring the time pattern of housing costs to the development of the family's income level and general financial circumstances.

### THE FINANCING OF RESIDENTIAL CONSTRUCTION

The National Board of Housing grants the state loans involved in partly state-financed residential construction. In the annual state Budget, a definite amount is earmarked for housing loans, to be distributed by the Board. The state's share in the financing of housing thus depends primarily on the financial position of the state and on the political decision-making determining the use of funds. In the

National Housing Programme, no direct binding targets in money terms are set for the capital to be granted by the Central Government for the housing sector. Nevertheless, the reaching of the numerous different targets set in the Programme will require a significant disbursement of state funds. Indirectly the Programme thus sets binding targets for the future usage of state funds.

The loans granted by banking institutions account, in the financing of partly state-financed dwellings, for between one quarter and one third, and in that of purely privately financed dwellings, generally for about one half of the acquisition value of the dwelling. Particularly when the financial market is tight, it might be difficult to obtain a primary loan from a banking institution for the acquisition of a partly state-financed dwelling. In order to improve the availability of primary loans, the National Housing Programme suggests the establishment of a special system for negotiating of the financing of housing. A negotiating body should be charged with the tasks of overseeing the implementation of the financial plans and of making agreements on the measures required for ensuring access to primary credit. Both the Central Government and the banking institutions would have representatives on this negotiating body.

Various measures for promoting saving earmarked for house purchasing have also been examined in the National Housing Programme. Attention has been paid to the system of granting interest premiums on such savings, to housing bonds and to the chances of obtaining additional credit due to rises in house prices, as well as to the protection of the real value of housing savings through index-linking. However, it was not considered possible at this stage to present any actual

recommendations with regard to such schemes. In fact, at present the promotion of saving for housing purposes cannot increase the funds available for housing production to any substantial extent.

## THE IMPLEMENTATION OF THE HOUSING PROGRAMME

The National Board of Housing has submitted the National Housing Programme, prepared by the Housing Production Council, to the Ministry of the Interior. The Ministry has been charged with the duty of taking steps, in keeping with the guidelines given by the Government, to implement the proposals included in the Programme. In this context it will also become necessary to consider whether the present organization of the National Board of Housing is the best possible for carrying out the target-setting of housing policies.

Legislation will be required to effect many of the proposals in the Housing Programme. In view of the time needed for legislative action, it seems obvious that many of the planned reforms cannot be introduced until the last years of the current decade. The implementation of a number of the proposals also depend on the country's general economic position. For example, forecasts of housing needs and the setting of targets for a ten-year period are always based on a highly uncertain basis. Even during the preparation stage of the Programme the Bank of Finland emphasized that future developments may prove that the targets for housing needs and production were set at a too high a level. Accordingly, it seems obvious that some revisions may have to be made in the Programme before the end of the decade and that the targets set will have to be adjusted to prevailing economic conditions.

# ITEMS

**Change of Government.** On September 17, Prime Minister Martti Miettunen of the Centre Party tendered to the President of the Republic the resignation of the majority government formed last November. Mr. Miettunen stated that this had become necessary due to their lack of success in reaching agreement of the Budget for next year. On November 29, the President of the Republic appointed a minority government headed again by Mr. Martti Miettunen, with nine ministers from the Centre Party, three each from the Swedish Party and the Liberal Party, and one with no party commitment. Mr. Ahti Karjalainen (Centre Party), a member of the Board of Management of the Bank of Finland, is Deputy Prime Minister, Minister for Economics and Minister to the Cabinet Office. The Minister for Foreign Affairs is Mr. Keijo Korhonen (Centre Party), the Minister for Foreign Trade is Mr. Carl Göran Aminoff (Swedish Party) and the Minister of Finance is Mr. Esko Rekola (no party commitment).

## **Direct investment in January—June 1976.**

In January—June of the current year, both the inflow and the outflow of direct investment capital were smaller than in the corresponding period of 1975. The net inflow of investment capital, 90.6 million marks, was two and a half times the size of the net outflow, 35.2 million marks. However, taking into account payments made on direct investment, i.e. interest expenses and dividends, the total balance of direct investment was in equilibrium.

The inflow of direct investment in the form of equity capital (including rights issues) amounted to 64.5 million marks and the repatriation of foreign capital to 1.6 million marks. Drawings of loans by foreign subsidiaries in Finland totalled 31.5 million marks and

amortizations 3.8 million marks. The net inflow of investment capital thus amounted to 90.6 million marks during the period under review. In the corresponding period of 1975, the net inflow of investment capital was 128.9 million marks.

Of the net foreign investment and lending, the major part, 53.8 million marks, was invested in sales and marketing enterprises, 31.3 million marks in industrial enterprises, and 5.5 million marks in other enterprises. Looked at by geographical origin, 70.7 million marks came from the EFTA group, 7.7 million marks from the EEC countries, 4.2 million marks from North America, and 8.0 million marks from other countries.

Foreign-owned enterprises in Finland transferred 50.5 million marks in the form of dividends to their parent companies and paid 7.6 million marks in interest on loans granted by their parent companies. In January—June 1975, the corresponding amounts were 63.1 million marks and 7.2 million marks.

In all, 35 permits were granted in January—June to foreign firms for new investment in Finland, whereas 14 partly or totally foreign-owned enterprises ceased their activities or were sold to Finnish nationals.

Finnish direct investment in foreign countries in the form of equity capital (including rights issues) amounted to 41.8 million marks during the first half of the current year. At the same time, the repatriation of capital totalled 4.5 million marks. Drawings of loans amounted to 3.6 million marks and amortizations to 5.7 million marks. The net outflow of investment capital thus totalled 35.2 million marks. In the corresponding period of 1975, it amounted to 60.0 million marks.

Of the net outflow of Finnish investment capital, 8.9 million marks was invested in production, 8.2 million marks in trade and 18.1 million marks in other activities. The outflow of investment capital to the EFTA group amounted to 5.5 million marks and that to the EEC countries to 24.5 million marks; the outflow to North America came to 3.0 million marks and that to other countries to 2.2 million marks.

According to data obtained by the Bank of Finland, Finnish subsidiaries abroad transferred to Finland 2.6 million marks in the form of dividends in January—June of the current year, whereas no transfers were made in the form of interest payments. In the corresponding period of 1975, transfers of dividends totalled 4.5 million marks, and payments of interest on loans granted by Finnish parent companies were 1.0 million marks.

Finnish firms were granted 53 permits for new investment abroad. On the other hand, seven enterprises which had been totally or partly Finnish-owned ceased their activities in January—June or were sold to foreign nationals.

If we take into account all capital flows related to direct investment — investment in equity capital and loans, repatriation of investment capital, amortizations of loans, and the payment of interest and dividends — the total balance shows a deficit of 0.1 million marks for the first half of the year. In the corresponding period of 1975 there had been a surplus of 4.1 million marks.

**Finland's long-term foreign debt in January—June 1976.** Finland's long-term foreign debt grew by 2 823 million marks in January—June this year. The increase was 7 per cent larger than that in the first half of 1975, but 12 per cent smaller than that in the second half.

Up to the end of June, drawings of foreign loans amounted to 3 596 million marks. These drawings include the purchase of 514 million marks under the Oil Facility which was granted by the International Monetary Fund for the improvement of Finland's reserve position. Redemptions of old loans amounted to 773 million marks, while debt service costs (redemptions, interest expenses and dividends) totalled 1 436 million marks. Total debt service costs amounted to almost 11 per cent of total current account earnings.

Financial loans, 2 673 million marks, and import credits, 787 million marks, accounted respectively for 74 and 22 per cent of total drawings of long-term loans. Of financial loans, bond issues totalled 515 million marks during the first half of this year, while these had amounted to 498 million marks in the corresponding period in 1975. Two Finnish bond issues (Finnish Export Credit Ltd: \$ 20 million, and Enso-Gutzeit Oy: 25 million EUA), together totalling 194 million marks, were floated abroad during the first quarter of this year, while three bond issues (Mortgage Bank of Finland Ltd: \$ 20 million, Imatran Voima Oy: Sfr 60 million, and the Finnish Government: DM 100 million), together totalling 321 million marks, were floated during the second quarter. Drawings of other financial loans amounted to 2 158 million marks in January—June, 25 per cent more than the amount in the corresponding period in 1975.

Direct investments caused an increase of 91 million marks in Finland's long-term foreign debt during January—June. Leasing credits increased the debt by 32 million marks.

Finland's long-term foreign debt totalled 21 907 million marks. Part of the drawings of loans were held at the Bank of Finland in the form of capital import deposits and other similar deposits.

**FINLAND'S LONG-TERM FOREIGN DEBT IN JUNE 30, 1976, MILLION MARKS**

	Debt <sup>1</sup> Dec. 31, 1975	Draw- ings <sup>2</sup>	Redemp- tions <sup>2</sup>	Net change	Impact of exchange rates <sup>3</sup>	Debt <sup>1</sup> June 30, 1976	Interest ex- penses, commis- sions and divi- dends
Financial loans	14 295	2 673	520	+2 153	+242	16 690	512
Individual financial loans	7 823	1 478	336	+1 142	+115	9 080	270
Bonds and debentures	6 472	1 195	184	+1 011	+127	7 610	242
Bond issues	3 704	515	87	+ 428	+ 54	4 186	141
Private placement loans	2 314	662	47	+ 615	+ 65	2 994	86
Loans from the World Bank	454	18	50	— 32	+ 8	430	15
Import credits	3 373	787	240	+ 547	— 19	3 901	91
Leasing credits	67	40	8	+ 32	+ 1	100	2
Direct investments <sup>4</sup>	1 125	96	5	+ 91	—	1 216	58
<b>Total</b>	<b>18 860</b>	<b>3 596</b>	<b>773</b>	<b>+2 823</b>	<b>+224</b>	<b>21 907</b>	<b>663</b>

<sup>1</sup> The mark value of debt outstanding has been calculated by using the selling rates of the same date, excluding the debt in the form of direct investments which has been obtained by adding the net change to the debt outstanding at the end of 1975.

<sup>2</sup> Drawings and redemptions have been calculated by using the average monthly selling rates; however, daily rates have been used for direct investments.

<sup>3</sup> The impact of exchange rates figure shows the effect of exchange rate fluctuations during the first half of 1976 on the value of the debt outstanding.

<sup>4</sup> Figures include both investments in equities and loans to subsidiaries.

**National income.** The Central Statistical Office has recently published the provisional figures for national income in 1975. The following tables indicate the developments of certain items of national income in the period 1972—1975.

**TABLE 1. DISTRIBUTION OF THE NATIONAL INCOME, MILL. MK**

	1972	1973	1974	1975*
Compensation of employees	28 846.5	34 868.6	43 885.7	54 036.9
Income from unincorporated enterprises	5 765.7	6 733.9	8 721.1	10 055.0
Household income from property	4 732.5	5 495.0	7 052.9	7 520.6
General government income from property and entrepreneurial activities	1 522.2	1 655.4	2 097.8	2 388.7
Corporate saving	1 937.4	3 047.8	4 734.5	4 471.5
Direct taxes on corporations	862.5	1 063.3	1 339.2	1 638.1
less: interest on the public debt	469.9	487.0	532.7	598.3
less: interest on consumers' debt	176.0	234.5	312.5	379.0
<b>National income</b>	<b>43 020.9</b>	<b>52 142.5</b>	<b>66 986.0</b>	<b>79 133.5</b>
Net factor income from abroad	567.5	704.1	925.4	1 395.9
Net domestic product at factor cost	43 588.4	52 846.6	67 911.4	80 529.4

**TABLE 2. DISPOSABLE INCOME, CONSUMPTION AND SAVING, MILL. MK**

	1972	1973	1974	1975*
<b>Households:</b>				
Disposable income	33 228.0	38 643.9	49 032.1	58 035.7
Consumption	28 986.7	34 025.2	41 063.7	50 091.3
Saving	4 241.3	4 618.7	7 968.4	7 944.4
<b>Corporations:</b>				
Disposable income (= saving)	1 937.4	3 047.8	4 734.5	4 471.5
<b>General government:</b>				
Disposable income	14 016.6	17 981.7	20 952.4	24 839.5
Consumption	9 294.7	11 162.3	14 219.8	18 137.4
Saving	4 721.9	6 819.4	6 732.6	6 702.1
<b>Total:</b>				
Disposable income	49 182.0	59 673.4	74 719.0	87 346.7
Consumption	38 281.4	45 187.5	55 283.5	68 228.7
Saving	10 900.6	14 485.9	19 435.5	19 118.0

**TABLE 3. EXPENDITURE ON GROSS NATIONAL PRODUCT, MILL. MK**

	1972	1973	1974	1975*
Private consumption expenditure	28 986.7	34 025.2	41 063.7	50 091.3
General government consumption expenditure	9 294.7	11 162.3	14 219.8	18 137.4
Gross private capital formation	12 352.5	15 484.4	20 264.8	25 227.4
Gross general government capital formation	2 748.4	3 038.6	3 680.6	4 422.1
Increase in stocks and statistical error	1 481.2	3 754.4	8 513.2	6 614.8
Exports of goods and services	15 135.6	18 245.2	24 923.7	24 856.1
less: imports of goods and services	15 090.4	18 964.1	28 491.9	31 326.1
Expenditure on gross domestic product	54 908.7	66 746.0	84 173.9	98 023.0
Net factor income abroad	-567.5	-704.1	-925.4	-1 395.9
Expenditure on gross national product	54 341.2	66 041.9	83 248.5	96 627.1

**TABLE 4. ANNUAL CHANGES IN THE VOLUME OF FIXED CAPITAL FORMATION, PER CENT**

	1972	1973	1974	1975*
Construction of buildings	+10	+10	+4	+ 1
Dwellings	+15	+ 5	+6	- 9
Other	+ 2	+16	+1	+14
Road and waterway construction	+ 2	+ 3	-4	+ 4
Machinery and equipment	+ 5	+ 2	+7	+12
Volume of fixed capital formation	+ 6	+ 5	+4	+ 5



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# BANK OF FINLAND

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## Board of Management

Mauno Koivisto

*Governor*

A. Simonen

*Deputy Governor*

Ahti Karjalainen

*Absent as a Member  
of Government*

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

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## Directors

Jouko J. Voutilainen

Jorma Aranko

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

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## Senior officials

Pertti Kukkonen

*Director, ADP-planning*

Reino Airikkala

*Monetary Policy*

Antti Lehtinen

*Domestic Financial  
Operations*

Kari Pekonen

*Foreign Exchange Policy*

Raine Panula

*Foreign Exchange*

Raili Nuortila

*Eastern Trade*

Kalle Koski

*Capital Transfers*

J. Ojala

*Foreign Exchange Control*

Kari Puumanen

*Economics Dept.*

Heikki Koskenkylä

*Research Dept.*

Heikki T. Hämäläinen

*Administration and Legal Affairs*

A. Nenonen

*Foreign Correspondence*

Eino Suomela

*Internal Audit*

K. Eirola

*Automatic Data Processing*

Pauli Kanerva

*Personnel Administration and  
General Affairs*

Stig G Björklund

*Banking Services*

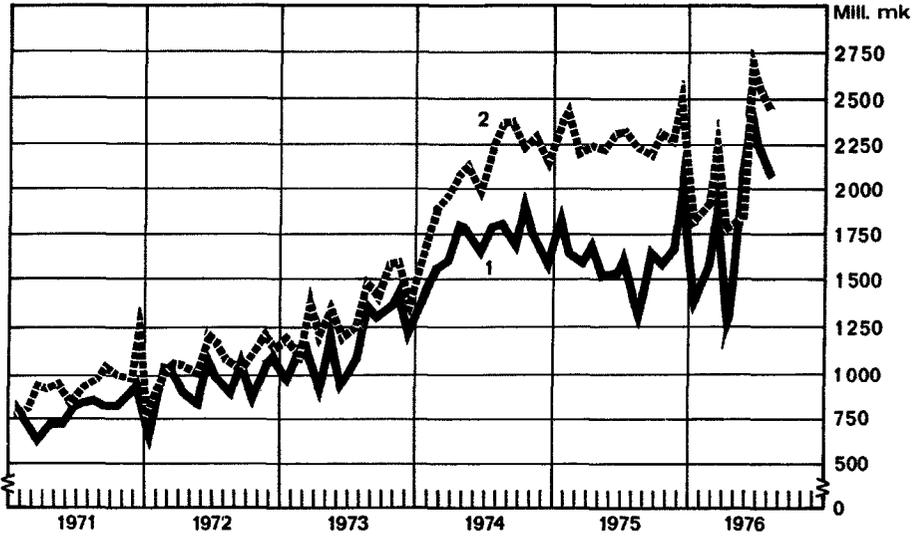
Antti Luukka

*Cash*

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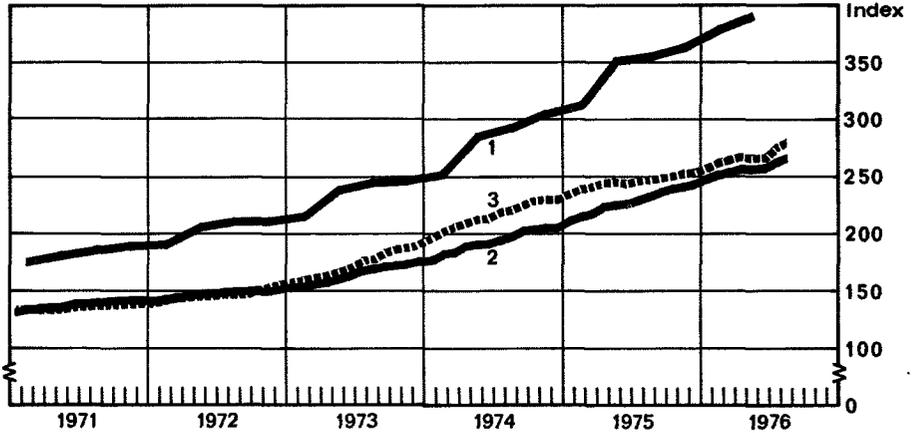
**FOREIGN TRADE, 1971-1976**

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



**PRICES AND WAGES, 1971-1976**

- 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, 1971-1976**

- 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

