



BANK OF FINLAND

Monthly Bulletin

**Bank of Finland's annual statement
for 1976**

Finnish industry: an overview

Supplementary budget

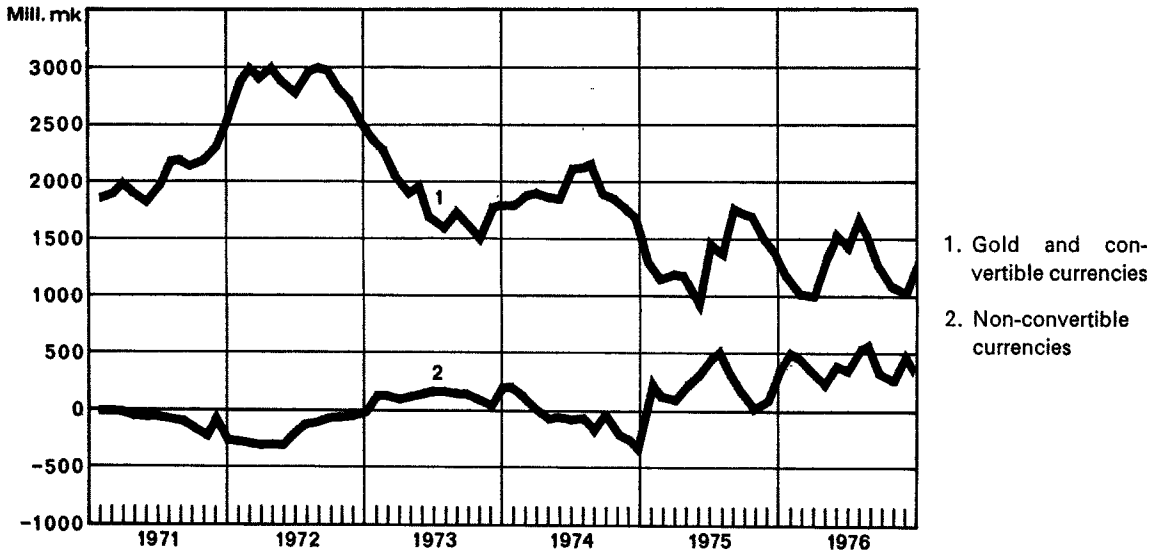
**Finland's long-term foreign debt in
January-September 1976**

**Trade agreement between Finland and
the U.S.S.R.**

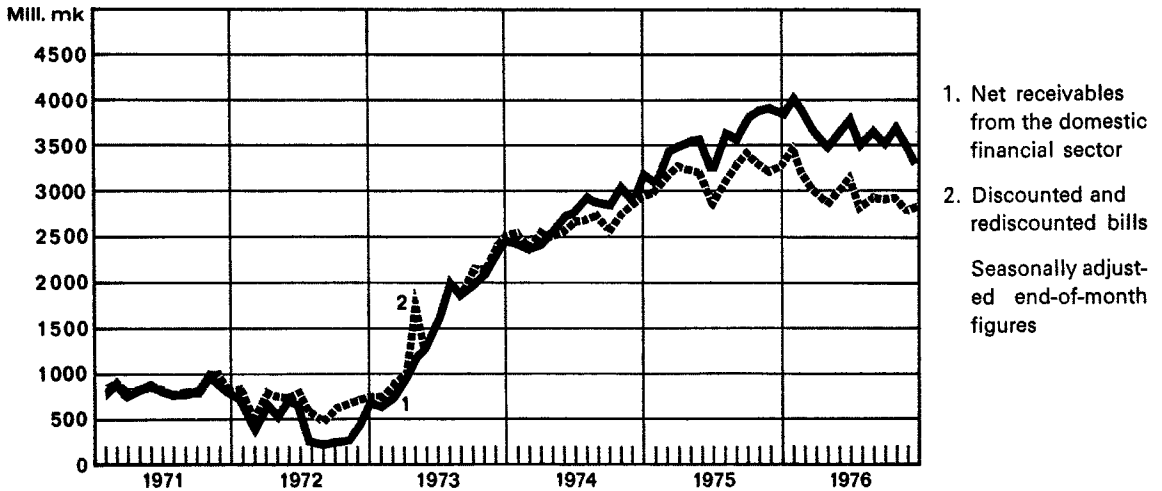
JANUARY 1977

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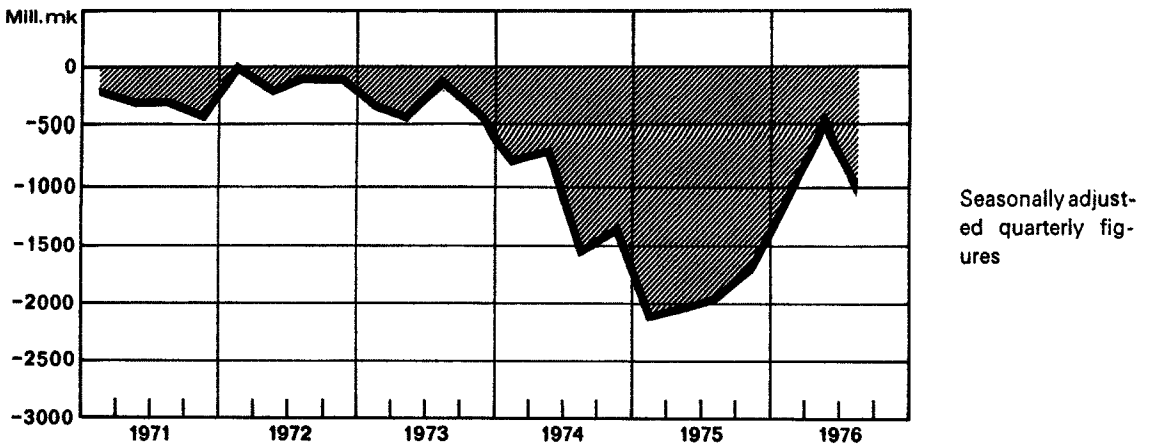
**BANK OF FINLAND'S CONVERTIBLE AND NON-CONVERTIBLE
FOREIGN EXCHANGE RESERVES, 1971-1976**



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



BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1971-1976



THE BANK OF FINLAND'S ANNUAL STATEMENT FOR 1976

The convertible foreign exchange reserves held by the Bank of Finland declined by 99 million marks in 1976 and amounted to 1 311 million marks at the end of the year. Of this decline, special drawing rights accounted for 42 million marks. The tied foreign exchange reserves of the Bank of Finland increased by 21 million marks to 389 million marks at the end of the year.

The Balance Sheet item »Other foreign receivables» increased by 386 million marks in 1976 and amounted to 1 660 million marks at the end of the year. This increase was mainly attributable to a growth in foreign bills and bonds. »Other foreign liabilities» grew by 538 million marks to 1 923 million marks, primarily as the result of a purchase made under the International Monetary Fund Oil Facility.

Total central bank financing of the commercial banks increased by 492 million marks and amounted to 4 284 million marks at the end of the year. The Bank of Finland's call money market expanded substantially at the beginning of 1976, when the Postipankki started to participate as a depositor.

Receivables from the public sector increased by 108 million marks to 447 million marks,

whereas the claims of the public sector declined by 168 million marks to 1 133 million marks. Of this sum, counter-cyclical reserves accounted for 59 million marks at the end of the year and import deposits for 973 million marks.

As a result of certain special financing arrangements, receivables from corporations grew by 467 million marks to 1 400 million marks in 1976, while the claims of corporations declined by 231 million marks to 308 million marks. Of these, investment deposits accounted for 58 million marks and capital import deposits for 242 million marks.

Notes and coins in circulations increased by 30 million marks and totalled 2 885 million marks at the end of the year. The Deposit Certificates in circulation at the end of 1975, a total of 250 million marks, were all redeemed during the first half of 1976, and there remained none in circulation at the end of the year.

The net profits of the Bank of Finland for the accounting year 1976 amounted to 203 million marks, which was 10 million marks more than in 1975.

January 5, 1977

BANK OF FINLAND

Mill. mk

	1975		1976			
	Nov. 28	Dec 31	Dec. 8	Dec. 15	Dec. 23	Dec .31
Assets						
Gold and foreign exchange receivables	1 861	1 950	1 721	1 688	1 628	1 801
Gold	121	121	121	121	121	121
Special drawing rights	284	278	251	236	236	236
Convertible currencies	1 206	1 089	813	823	988	1 004
Tied currencies	250	462	536	508	283	440
Other foreign receivables	1 311	1 274	1 616	1 633	1 617	1 660
Foreign bills	313	272	403	415	399	436
Foreign bonds	200	204	386	391	391	397
Currency subscription to Finland's quota in the IMF	798	798	827	827	827	827
Receivables from financial institutions	4 313	4 164	4 858	4 887	5 897	4 674
Cheque accounts of the commercial banks	172	133	214	214	232	174
Discounted bills	3 519	3 385	3 185	3 179	3 287	2 920
Bonds	361	327	380	359	419	332
Call money market advances	—	—	1 013	1 118	1 913	1 204
Other financial institution receivables	261	319	66	17	46	44
Receivables from the public sector	333	339	417	418	437	447
Bonds	72	70	61	62	62	67
Total coinage	254	256	278	278	279	279
Other public sector receivables	7	13	78	78	96	101
Receivables from corporations	888	933	1 288	1 290	1 330	1 400
New export bills	132	128	154	158	161	165
Financing of suppliers' credits	374	402	541	541	553	554
Bonds	230	223	199	198	198	198
Other corporate receivables	152	180	394	393	418	483
Other assets	37	47	52	51	52	53
Total	8 743	8 707	9 952	9 967	10 961	10 035
Liabilities						
Foreign exchange liabilities	206	172	137	133	151	101
Convertible accounts	79	78	89	84	101	50
Tied accounts	127	94	48	49	50	51
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	2 678	2 855	2 870	2 865	3 049	2 885
Notes	2 450	2 617	2 623	2 616	2 797	2 635
Coins	228	238	247	249	252	250
Deposit certificates in circulation	400	250	—	—	—	—
Claims of financial institutions	5	29	1 001	1 112	1 913	1 143
Cheque account of Postipankki	1	1	0	0	1	2
Cheque accounts of the commercial banks	2	3	2	1	1	2
Call money market deposits	—	—	994	1 106	1 897	1 137
Other financial institution claims	2	25	5	5	14	2
Claims of the public sector	1 383	1 301	1 201	1 133	116	1 133
Cheque accounts	3	2	0	0	1	2
Counter-cyclical reserves	149	155	55	55	55	59
Import deposits	1 222	1 135	1 067	1 000	961	973
Other public sector claims	9	9	79	78	99	99
Claims of corporations	530	539	310	308	308	308
Investment deposits	69	73	59	58	58	58
Capital import deposits	448	450	246	245	243	242
Import levy deposits	6	8	3	3	6	6
Other corporate claims	7	8	2	2	1	2
Other liabilities	13	15	15	13	13	13
Equalization accounts	1 147	331	568	552	554	592
Capital accounts	996	1 830	1 927	1 928	1 934	1 937
Primary capital	600	1 400	1 400	1 400	1 400	1 400
Reserve fund	237	237	334	334	334	334
Net earnings	159	193	193	194	200	203
Total	8 743	8 707	9 952	9 967	10 961	10 035

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
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—

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	—
Oct.	1 257	134	1 123	304	1 560	1 923	1 064	421	1 130	709	—
Nov.	1 197	123	1 074	529	1 595	1 923	1 275	432	1 215	783	—
Dec.	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—

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, 1975			Net holdings, Nov. 30, 1976			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Nov.	Jan.-Nov.
Gold	121	—	121	121	—	121	—	—
Special drawing rights	278	—	278	251	—	251	—	— 27
IMF gold tranche	—	—	—	—	—	—	—	—
Convertible currencies	1 011	—1 759	—748	702	—1 607	—905	—342	—157
Total	1 410	—1 759	—349	1 074	—1 607	—533	—342	—184
Non-convertible currencies	368	—1	367	529	— 15	514	+227	+147

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 circula-tion
	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	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
1975	3 385	133	646	3	1	25	4 135	933	539	394	2 855
1976	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885

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
Oct.	3 148	164	1 566	3	0	1 005	3 870	1 356	297	1 059	2 882
Nov.	3 036	178	1 401	5	1	785	3 824	1 315	352	963	2 839
Dec.	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885

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

January 5, 1977

New York ¹	1 \$	3.766	Frankfurt o. M.	100 DM	160.60	Vienna	100 S	22.63
Montreal	1 \$	3.755	Amsterdam	100 Fl	154.20	Lisbon	100 Esc	12.03
London	1 £	6.450	Brussels ²	100 Fr		Madrid	100 Pta	5.55
Stockholm	100 Kr	91.50	Zurich	100 Fr	154.20	Tokyo	100 Y	1.295
Oslo	100 Kr	73.10	Paris	100 FF	76.60	Reykjavik	100 Kr	2.00
Copenhagen	100 Kr	65.20	Rome	100 Lit	0.430	Moscow ³	1 Rbl	5.075

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.² 10.530 commercial rate; 10.600 financial rate.³ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

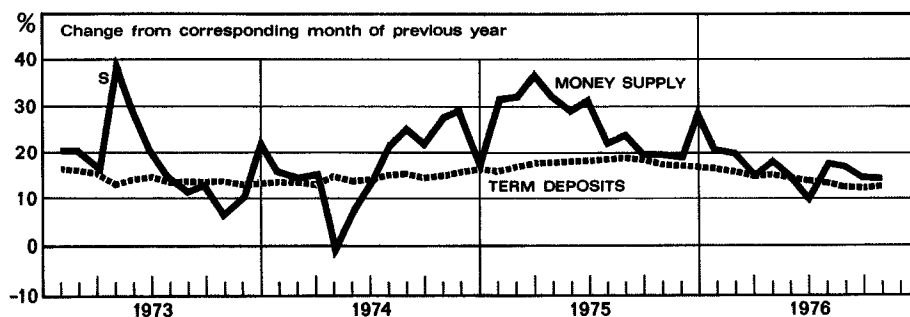
End of year and month	Sight deposits			Term deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
1	2	3	4	5	6	7	8	9	10	
1969	1 057	1 374	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	6 962	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	3447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260

1975

Oct.	2 636	3 654	1 417	11 011	9 223	7 203	2 940	1 058	31 435	36 506
Nov.	2 659	3 649	1 652	11 234	9 331	7 262	2 985	1 057	31 869	37 170
Dec.	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260

1976*

Jan.	3 270	4 296	2 038	11 872	9 867	7 670	3 229	1 118	33 756	40 090
Feb.	2 855	4 188	2 258	11 929	10 033	7 779	3 263	1 132	34 136	40 582
March	3 007	4 336	2 032	11 837	10 032	7 751	3 224	1 139	33 983	40 351
April	3 040	4 120	2 155	11 894	10 080	7 819	3 270	1 148	34 211	40 486
May	2 843	4 021	2 048	11 972	10 174	7 870	3 292	1 161	34 469	40 538
June	3 004	4 222	1 865	11 963	10 279	7 971	3 332	1 167	34 712	40 799
July	2 985	4 176	1 951	11 966	10 389	8 064	3 390	1 184	34 993	41 120
Aug.	3 102	4 375	1 968	11 988	10 531	8 216	3 423	1 194	35 352	41 695
Sept.	2 856	4 094	1 935	11 896	10 545	8 286	3 426	1 213	35 366	41 395
Oct.	2 715	3 930	1 948	11 986	10 599	8 341	3 465	1 231	35 622	41 500



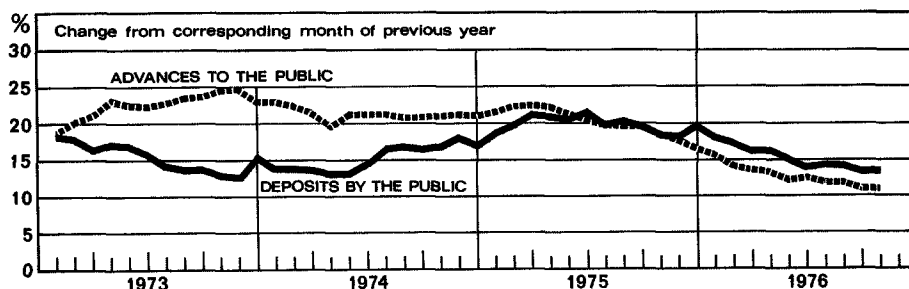
ADVANCES TO THE PUBLIC—MONEY SUPPLY

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	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	7 798	5 488	4 129	43 002	1 294	44 296	9 450

1975									
Oct.	17 811	8 913	7 575	5 275	3 895	42 063	1 406	43 469	7 321
Nov.	17 851	9 000	7 662	5 421	4 046	42 577	1 403	43 980	7 643
Dec.	17 773	9 108	7 798	5 488	4 129	43 002	1 294	44 296	9 450

1976*									
Jan.	17 769	9 263	7 882	5 586	4 222	43 456	1 266	44 722	8 621
Feb.	17 868	9 333	7 939	5 605	4 226	43 653	1 318	44 971	8 771
March	17 902	9 453	8 009	5 688	4 245	43 913	1 384	45 297	8 582
April	18 049	9 576	8 079	5 691	4 258	44 192	1 461	45 653	8 607
May	18 138	9 647	8 178	5 697	4 378	44 604	1 433	46 038	8 488
June	18 396	9 728	8 279	5 779	4 409	45 121	1 470	46 591	8 652
July	18 212	9 831	8 376	5 844	4 479	45 365	1 377	46 742	8 665
Aug.	18 309	9 965	8 505	5 885	4 507	45 652	1 519	47 171	8 830
Sept.	18 453	10 148	8 683	5 937	4 470	46 092	1 599	47 691	8 504
Oct.	18 658	10 279	8 855	5 939	4 475	48 206	8 422



STATE FINANCES

Mill. mk

Revenue	Jan.-Oct.		Expenditure	Jan.-Oct.	
	1975	1976		1975	1976
Income and property tax (net)	7 903	9 674	Wages, salaries, pensions etc.	3 583	4 313
Gross receipts	(16 282)	(20 482)	Repair and maintenance	537	586
Refunds & local authorities	(-8 379)	(-10 808)	Other consumption expenditure	1 583	1 904
Other taxes on income and property	153	192	Total consumption expenditure	5 703	6 803
Employers' child allowance payments	682	915	State aid to local authorities	3 910	4 972
Sales tax	4 843	5 097	State aid to industries	3 572	3 671
Revenue from Alcohol Monopoly	1 160	1 364	of which: agric. price subsidies	(1 761)	(2 091)
Customs duties & import charge	492	464	Child allowances	509	606
Counter-cyclical tax	—	—	Share in national pensions and health insurance	188	221
Excise duty on tobacco	484	665	Other transfer expenditure	2 234	2 770
» » on liquid fuel	972	1 248	Total transfer expenditure	10 413	12 240
Other excise duties	512	697	Machinery and equipment	801	878
Tax on autom. and motor cycles	610	649	House construction	467	466
Stamp duties	407	511	Land and waterway construction	1 156	1 276
Special diesel etc. vehicles tax	59	69	Total real investment	2 424	2 620
Other taxes and similar revenue ¹	462	676	Interest on State debt	158	191
Total taxes	18 739	22 221	Index compensations	38	32
Miscellaneous revenue	1 987	1 396	Net deficit of State enterprises	346	258
Interest, dividends etc.	458	446	Other expenditure	35	38
Sales and depreciation of property	10	4	Total other expenditure	577	519
Redemptions of loans granted	217	349	Increase in inventories	+243	81
Total revenue	21 411	24 416	Lending	2 016	2 284
Foreign borrowing	143	590	Other financial investment	540	528
Domestic borrowing	390	652	Total expenditure	21 916	25 075
Total borrowing	533	1 242	Redemption of foreign loans	118	132
Deficit (+) or surplus (—)	(+389)	(—228)	Redemption of domestic loans	299	223
			Total redemptions	417	355
Total	22 333	25 430	Total	22 333	25 430

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

State debt	1973	1974	1975	1976		
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.
Foreign debt	1 395	1 152	1 603	2 157	2 144	2 105
Loans	1 758	1 528	1 645	2 016	2 058	2 117
Compensatory obligations	1	1	1	1	1	1
Short-term credit	39	37	85	82	83	..
Cash debt (net)	—468	—571	—242	—555	—365	..
Domestic debt	1 330	995	1 489	1 544	1 777	..
Total State debt	2 725	2 147	3 092	3 701	3 921	..
Total debt, mill. \$	710	590	798	952	1 015	..

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*

Nov.	1 672	2 247	- 575
Dec.	2 371	2 545	- 174

1976*

Jan.	1 564	2 131	- 567
Feb.	1 478	1 949	- 471
March	1 967	2 249	- 282
April	1 452	1 851	- 399
May	2 212	1 956	+ 256
June	2 232	2 441	- 209
July	2 256	2 544	- 288
Aug.	1 758	2 357	- 599
Sept.	2 119	2 633	- 514
Oct.	2 395	2 361	+ 34

Jan.-Oct.

1975*	16 204	23 210	-7 006
1976*	19 433	22 472	-3 039

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
1975	105	151	232	218	106

1973

July-Sept.	122	136	145	142	102
Oct.-Dec.	140	149	151	151	100

1974

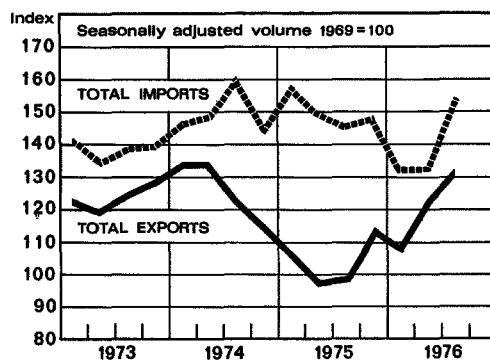
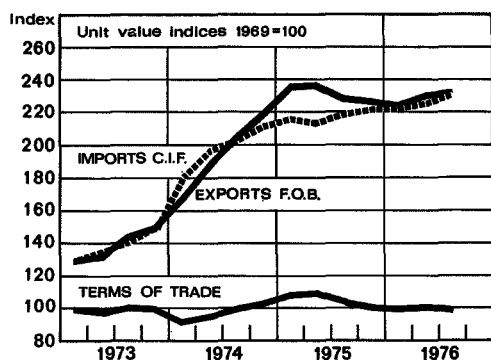
Jan.-Mar.	131	146	169	184	92
Apr.-June	131	147	190	199	95
July-Sept.	119	158	206	204	101
Oct.-Dec.	125	152	221	213	104

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
July-Sept.	125	152	234	233	100



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agri- cultural and other primary products	Wood industry products	Paper industry products	Metal, en- gineering 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*

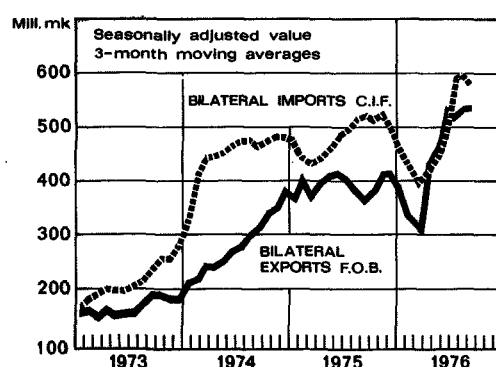
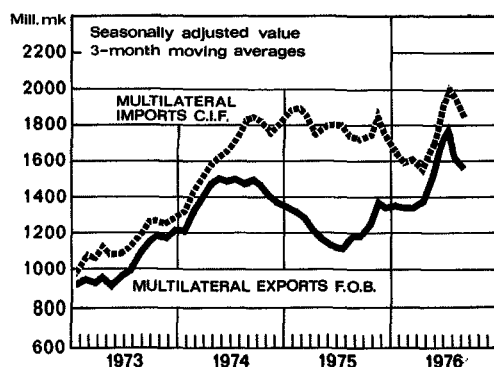
Nov.	17	213	579	395	468	1 361	170	426	289	1
Dec.	82	234	659	877	519	1 511	140	565	323	6

1976*

Jan.	114	190	477	436	347	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	538	1 236	106	291	316	7
June	38	302	804	529	559	1 604	100	390	347	0
July	29	320	693	739	475	1 725	164	343	307	5
Aug.	42	257	645	324	490	1 483	163	381	308	22
Sept.	47	276	665	554	577	1 564	166	516	386	1
Oct.	71	255	741	749	579	1 448	177	380	346	10

Jan.-Oct.

1975*	350	1 730	5 987	4 085	4 052	14 186	1 360	4 231	3 377	56
1976*	577	2 308	6 395	5 268	4 885	13 834	1 280	4 017	3 284	57



FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—October				January—October			
	1975*		1976*		1975*		1976*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	64.0	10 368	64.9	12 612	65.8	15 267	65.1	14 631
Austria	0.8	132	0.7	134	1.3	307	1.5	327
Belgium-Luxembourg	1.4	232	1.7	327	1.8	419	1.8	406
Denmark	3.5	571	3.9	753	3.3	765	3.1	689
France	3.6	580	3.6	710	3.5	803	2.8	636
Federal Republic of Germany	8.8	1 423	9.7	1 886	16.0	3 725	16.6	3 722
Italy	1.2	200	1.6	319	2.1	481	2.0	449
Netherlands	2.6	427	3.1	594	2.9	684	3.0	686
Norway	4.7	765	3.4	668	2.7	628	3.0	671
Portugal	0.3	43	0.3	58	0.5	108	0.3	71
Spain	1.2	184	1.0	194	1.1	253	1.3	282
Sweden	17.8	2 889	18.0	3 491	18.2	4 221	17.9	4 024
Switzerland	1.5	242	1.6	316	3.1	720	3.3	752
United Kingdom	15.0	2 427	15.0	2 910	9.1	2 112	8.3	1 860
Other	1.6	253	1.3	252	0.2	41	0.2	56
OECD countries outside Europe	4.7	770	4.8	934	9.8	2 276	9.1	2 052
Canada	0.5	86	0.6	123	0.5	108	0.4	99
Japan	0.5	84	0.6	125	1.7	401	1.7	370
United States	3.1	501	2.7	516	7.6	1 758	7.0	1 572
Other	0.6	99	0.9	170	0.0	9	0.0	11
CMEA countries	23.2	3 764	22.4	4 352	21.2	4 926	21.6	4 857
Czechoslovakia	0.5	85	0.6	110	0.4	95	0.5	115
Democratic Republic of Germany	0.7	118	0.8	155	0.7	173	0.5	108
Poland	1.2	197	1.1	221	2.3	532	1.8	397
Soviet Union	20.0	3 236	19.0	3 701	16.7	3 869	18.0	4 048
Other	0.8	128	0.9	165	1.1	257	0.8	189
Latin America	2.1	339	2.2	418	1.1	262	1.9	432
Argentina	0.8	126	0.2	41	0.0	13	0.0	13
Brazil	0.6	90	0.6	108	0.2	55	0.4	91
Colombia	0.1	10	0.1	20	0.4	85	0.6	128
Other	0.6	113	1.3	249	0.5	109	0.9	200
Other	6.0	963	5.7	1 117	2.1	479	2.3	500
GRAND TOTAL	100.0	16 204	100.0	19 433	100.0	23 210	100.0	22 472
of which								
EFTA countries	25.3	4 099	24.1	4 691	25.9	6 000	26.1	5 868
EEC countries	36.8	5 967	39.1	7 600	38.8	9 004	37.7	8 471
OECD countries	68.7	11 136	69.7	13 546	75.6	17 543	74.2	16 683

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	14 525	16 560	-2 035	+ 996	+340	+ 29	- 670	- 753	-57	-1 480
1974 r	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

1973

Jan.-March	3 282	3 868	- 586	+260	- 5	+28	-303	-139	-14	-456
Apr.-June	3 182	3 843	- 661	+218	+ 48	+16	-379	-190	-22	-591
July-Sept.	3 656	4 084	- 428	+271	+240	+10	+ 93	-173	- 9	- 89
Oct.-Dec.	4 405	4 765	- 360	+247	+ 57	-25	- 81	-251	-12	-344

1974

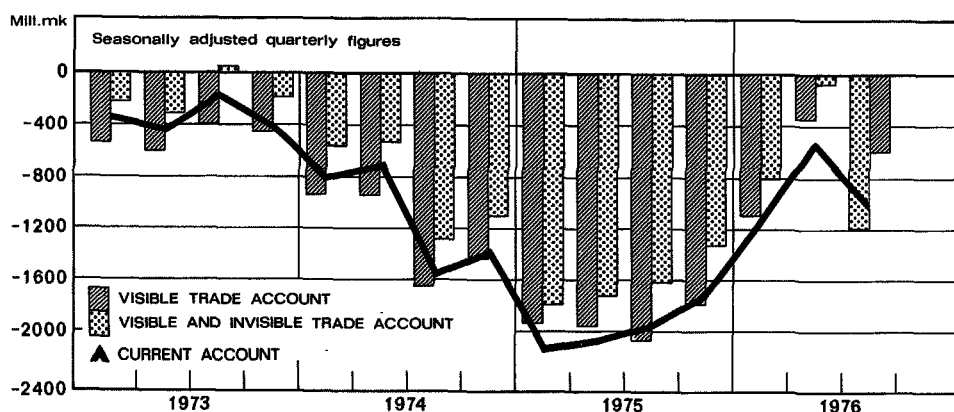
Jan.-March	4 589	5 683	-1 094	+338	+ 10	+ 5	- 741	-233	-25	- 999
Apr.-June	5 159	6 198	-1 039	+282	+ 74	+47	- 636	-239	-11	- 886
July-Sept.	5 104	6 838	-1 734	+251	+243	-36	-1 276	-243	- 4	-1 523
Oct.-Dec.	5 753	6 879	-1 126	+204	- 1	+89	- 834	-291	-29	-1 154

1975*

Jan.-March	5 127	7 369	-2 242	+291	- 43	- 44	-2 038	-316	-58	-2 412
Apr.-June	4 695	6 689	-1 994	+221	+ 12	- 2	-1 763	-383	-14	-2 160
July-Sept.	4 498	6 647	-2 149	+237	+143	+ 58	-1 711	-309	- 6	-2 026
Oct.-Dec.	5 861	7 234	-1 373	+235	- 7	+205	- 940	-406	-30	-1 376

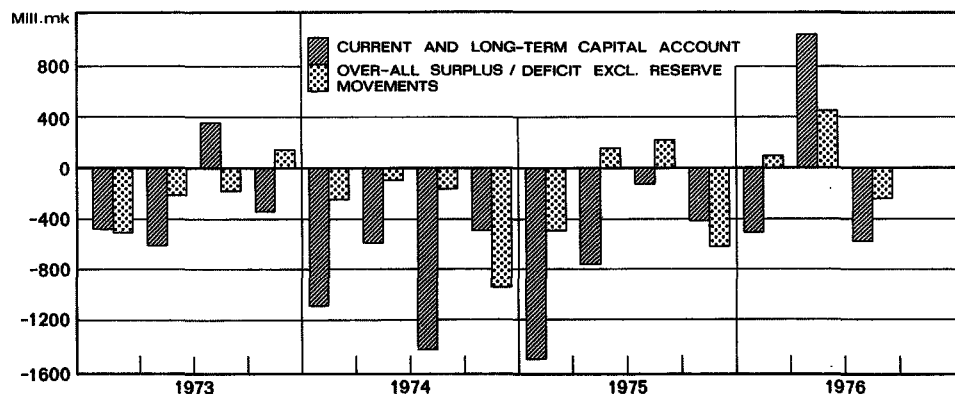
1976*

Jan.-March	4 989	6 357	-1 368	+276	- 53	+ 51	-1 094	-349	-24	-1 467
Apr.-June	5 833	6 241	- 408	+295	- 5	+ 15	- 103	-484	-37	- 624
July-Sept.	6 113	7 481	-1 368	+ 322	+112	+115	- 819	-436	-17	-1 272



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
+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
+309	—265	—48	— 9	— 13	—604	+ 95	+191	+ 91	—227	+301	— 74
+774	—370	+59	—15	+448	+359	—403	—322	+180	—186	+ 66	+120
+411	—335	—12	—66	— 2	—346	+ 41	+221	+220	+136	—229	+ 93
+481	—522	—24	—26	— 91	—1 090	+288	+124	+409	—269	+138	+131
+758	—362	—114	+13	+295	— 591	+349	+ 58	+ 88	— 96	— 99	+195
+549	—379	— 61	—25	+ 84	—1 439	+502	+312	+462	—163	+202	— 39
+942	—274	— 24	+15	+659	— 495	—209	—157	— 86	—947	+498	+449
+1 206	—310	— 24	+11	+ 883	—1 529	+309	+758	— 15	—477	— 32	+509
+1 870	—433	— 48	+ 9	+1 398	— 762	—139	+758	+300	+157	—668	+511
+2 121	—287	— 3	+57	+1 888	— 138	+130	— 34	+247	+205	+ 91	—296
+1 532	—415	—139	—15	+ 963	— 413	+338	— 33	—524	—632	+165	+467
+1 404	—374	+ 2	—79	+ 953	— 514	—579	+119	+1072	+ 98	+373	—471
+2 096	—394	—115	+83	+1 670	+1 046	—158	+120	—550	+458	—485	+ 27
+1 239	—568	— 20	—25	+ 626	— 646	+520	+ 41	— 88	—173	+263	— 90

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			
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

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
Sept.	648	670	565	640	721	640	700	623	633	292	292	285
Oct.	650	671	567	642	726	640	699	624	637	293	292	287
Nov.	656	678	570	646	727	651	706	627	645	292	292	287

Period	Cost of living Oct. 1961 = 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
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

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
Sept.	460	360	179	193	169	168	171	202	166	177	162	190
Oct.	465	365	181	192	168	173	174	208	167	178	167	194
Nov.	468	367	182	194	168	173	174	209	170	180	169	194

WAGES

Period	Index of salary and wage earnings 1964 = 100									All employees
	By industries				By institutional sectors			All salary earners	All wage earners	
	Wage earners in			Employees in services	State employees	Municipal employees	Employees in private sector			
	Agriculture	Industry	Construction							
1975*	506	384	389	310	312	302	363	300	383	347
1976*	605	442	429	356	359	348	415	346	437	398

1975*

Jan.-March	464	354	361	278	280	272	330	269	350	315
Apr.-June	497	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	581	416	410	348	349	342	397	338	417	382
Apr.-June	608	447	431	358	363	350	419	348	442	401
July-Sept.	610	451	437	359	363	350	422	349	446	403
Oct.-Dec.	612	455	439	360	363	350	423	350	446	404

PRODUCTION

Period	Volume indices of production 1964 = 100										
	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
1974	160	197	90	96	168	103	163	179	158	159	165
1975*	160	189	97	83	170	105	158	188	166	168	172
1976*	161	193	105	77	145	103	159	188	173	174	177

1975*

Jan.-March	161	200	52	119	163	106	157	185	163	166	171
Apr.-June	161	193	81	100	161	108	162	185	165	167	173
July-Sept.	157	164	179	48	178	103	155	185	166	168	171
Oct.-Dec.	162	200	77	64	180	103	158	198	170	171	174

1976*

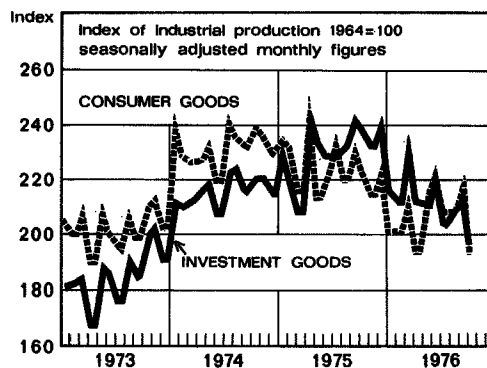
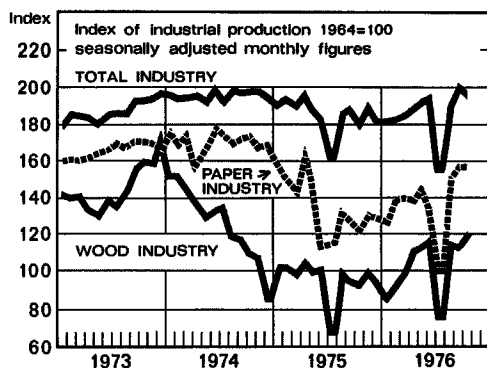
Jan.-March	156	199	64	84	115	104	149	182	171	172	175
Apr.-June	161	193	95	91	149	106	159	185	172	173	177
July-Sept.	161	170	186	55	155	101	162	187	173	175	176
Oct.-Dec.	166	208	77	76	160	101	168	201	177	177	178

PRODUCTION¹

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
1975*											
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	119
Feb.	122	143	121	117	106	81	108	132	104	139	119
March	138	169	135	132	103	104	115	134	115	164	120
April	123	154	119	119	103	107	84	133	99	149	123
May	133	151	130	132	128	116	115	130	120	149	126
June	118	148	109	127	132	103	73	91	120	145	121
July	68	57	68	74	114	37	71	74	61	55	100
Aug.	123	133	120	125	124	85	113	116	118	134	123
Sept.	135	148	133	135	129	101	116	136	139	155	131
Oct.	136	149	135	132	126	102	121	119	133	153	128

¹ 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	Unemploy- ment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Whole- salers' 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
1975*								
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	3.1	2 028	143	126
1976*								
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	114	124
July ¹	3 532	2 416	2 317	99	4.1	1 047	114	106
Aug.	3 531	2 352	2 253	99	4.2	1 155	106	121
Sept.	3 533	2 215	2 144	71	3.2	1 839

¹ Revised figures since July 1976.

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										
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
1975*											
Apr.-June	15.90	7.46	1.67	5.00	0.51	10.49	5.18	0.36	3.73	0.74	54.44
July-Sept.	12.21	4.84	0.79	4.72	1.13	11.97	4.70	0.92	4.17	1.27	56.38
Oct.-Dec.	10.71	4.04	0.59	4.36	1.00	13.86	5.97	1.02	5.50	0.77	53.73
1976*											
Jan.-March	8.52	3.04	0.73	3.29	0.86	8.04	3.55	0.52	3.25	0.42	49.19
Apr.-June	14.00	7.39	1.80	2.81	0.55	9.59	3.60	0.35	4.45	0.78	51.30
July-Sept.	12.42	5.43	0.71	4.44	0.97	8.89	3.59	0.97	2.95	0.67	54.82

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.

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, 1988. 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 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, 656 million m³ was up to the standard required for logs, 55 % of these being pine. The annual growth was 57.5 million m³ and the total removal, calculated on the basis of roundwood consumption, was 40.1 million m³.

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 (Sept. 30, 1976): Steamers 24 (13 300 gross reg. tons), motor vessels 359 (927 400 gross reg. tons), tankers 56 (1 115 500 gross reg. tons). Total 439 (2 056 200 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 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, 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, Postipankki 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 ¼ %. The range of rates for other credits granted by the Bank of Finland is between 7 ½ and 10 ¼ %. Other credit institutions: term deposits 5 ¾ %; 6 month deposits 6 ¼ %; 12 month deposits 6 ¾ %; 24 month deposits 7 ¾ %; 36 month deposits 9 % + savings premium; 36 month deposits 8 ¼ % + tax concession and sight deposits 1 ¼ %; highest lending rate 12 ¼ %.

FINNISH INDUSTRY: AN OVERVIEW

by Jyrki Malmio, M.Sc. (Econ.)
and Heikki Tulokas, M.Pol.Sc.

Confederation of Finnish Industries

FINLAND'S INDUSTRIAL STRUCTURE

During the last two decades, the structural changes undergone by the Finnish economy have been more radical than those in perhaps any other industrialized country. The changes in the country's industrial structure have been associated with rapid economic growth.

In the period 1960—1975, gross domestic product increased by an average of 4.8 per cent per annum, thus doubling in real terms during that period. Of the three main sectors of the economy, the fastest average annual growth rate, 5.9 per cent, was recorded for the secondary sector, and the slowest, 0.6 per cent, for the primary sector. The tertiary sector grew by an average of 5.4 per cent yearly.

As a result of these real growth paths and the relative price changes which took place during the period, the primary sector's share in GDP declined from 20 per cent in 1960 to 12 per cent in 1975. The shares of other sectors increased correspondingly and in 1975 the secondary sector's share in GDP was a couple of percentage points larger than that of the tertiary sector.

TABLE 1. BREAKDOWN OF GROSS DOMESTIC PRODUCT BY SECTOR IN 1960, 1970 AND 1975

	Percentage share in GDP			
	Primary sector	Secondary sector, Manufact. alone		Tertiary sector
1960	19.8	39.7	26.8	40.5
1970	13.9	43.2	30.1	42.9
1975	11.9	44.8	30.9	43.3

The industrial distribution of employment has changed even more rapidly than the structure of production. According to a Labour Force

Survey, the primary sector's share of the country's total employed labour force declined from 36 per cent in 1960 to 15 per cent in 1975, implying a net decline of 432 000 persons in the primary sector's labour force. In the same period, the labour force employed by the secondary sector rose by 131 000 persons, and its share in total labour force increased from 32 per cent to 36 per cent. However, the sharpest increase occurred in the tertiary sector: during the period under review its share of the total labour force increased from 32 per cent to 49 per cent, a net increase of 425 000 persons. Changes in Finland's industrial structure have thus proceeded fairly straightforwardly away from employment in the primary sector and towards growth in the tertiary sector.

In the above examination of the structure of the economy, mining and quarrying, manufacturing, construction, and electricity, gas and water supply, have all been counted in the secondary sector. In the following, the concept of industry will be dealt with mainly in its narrowest sense, i.e. manufacturing industry alone. When the whole secondary sector, excluding construction, is referred to, the term Total Industry will be used.

THE STRUCTURE OF INDUSTRY

BREAKDOWN BY INDUSTRIAL CATEGORY

There have also been structural changes within manufacturing industry itself, with the shares of the metal industry and the chemical industries increasing, and those of food processing, textiles and the forest industries falling, both in value added and in total labour force (Table 2).

TABLE 2. PERCENTAGE SHARES OF DIFFERENT INDUSTRIAL CATEGORIES IN THE VALUE ADDED AND THE LABOUR FORCE OF MANUFACTURING INDUSTRIES IN 1960, 1970 AND 1975¹

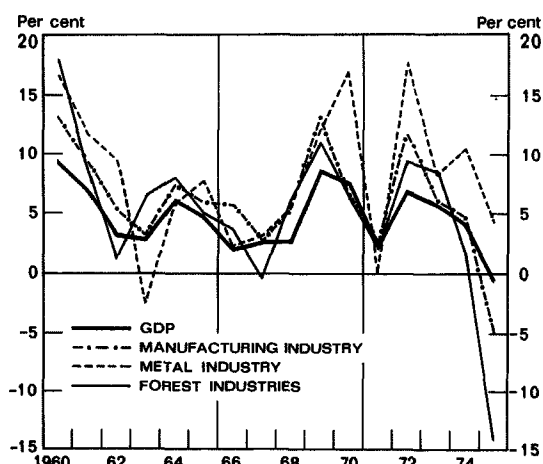
	Share in value added			Share in labour force		
	1960	1970	1975	1960	1970	1975
Food processing	14.5	13.4	13.3	11.8	12.6	11.8
Textile industries	12.3	9.8	9.0	19.1	15.6	14.1
Manufacture of wood and paper	32.7	32.3	26.6	30.8	27.7	25.8
Chemical industries	8.8	10.6	10.5	5.9	6.7	7.2
Manufacture of ceramics, glassware etc.	3.9	4.0	4.5	4.1	4.3	4.3
Metal industry	27.3	29.1	35.3	27.7	32.1	35.8
Other manufacturing	0.5	0.8	0.8	0.6	1.0	1.0
Total manufacturing industries	100.0	100.0	100.0	100.0	100.0	100.0

¹ As a rule, the Industrial Statistics do not include small enterprises with less than five employees; because of this, the figures are not entirely comparable with the National Accounts Statistics.

In the first half of the 1970s, the metal industry established its position as the largest of the manufacturing industries in terms of output share; it should be noted, however, that the output shares of the forest and the metal industries in 1975 were particularly affected by the exceptional cyclical situation.

In Finland, as elsewhere, industry has been the vital driving force in the economic growth process. In 1960—1975 the average annual volume growth of manufacturing output was 6.5 per cent. If the insignificant share of the category »Other Manufacturing» is not taken into account, the growth was the strongest in the chemical industries, 9.7 per cent; the manufacture of ceramics glassware etc. grew by 9.2 per cent and the metal industry by 8.2 per cent. The more slowly growing industrial categories were textiles, 4.6 per cent, and food processing, 4.9 per cent, both of which manufacture mainly consumer goods. The growth of the output of the forest industries, 5.1 per cent,

CHART 1. RATES OF GROWTH OF REAL GROSS DOMESTIC PRODUCT AND OUTPUT VOLUMES OF MANUFACTURING, THE METAL INDUSTRY AND THE FOREST INDUSTRIES, 1960—1975



also was slower than the average for all manufacturing industries.

Industrial production has been subject to stronger cyclical variations than the economy as a whole. The large fluctuations can be partly explained by the openness of the Finnish economy and by the dominant role in Finnish exports played by the forest and the metal industries (Chart 1).

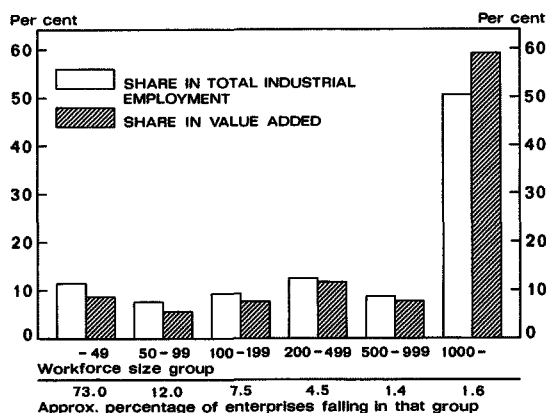
CONCENTRATION

SIZE OF ENTERPRISE

The breakdown of industrial enterprises into groups by size of workforce (Chart 2) shows that there is a large number of small enterprises but that production is dominated by the largest enterprises. By international standards, enterprises in Finland are very small. In 1974 almost 75 per cent of industrial enterprises employed less than 50 persons. Industrial enterprises with not less than 500 employees totalled 149, three per cent of all industrial enterprises.

However, the large enterprises have a dominant role: in 1974 enterprises with a workforce of more than 500 persons accounted for about two thirds of the industry's value-added. These

CHART 2. INDUSTRIAL ENTERPRISES BY SIZE OF WORKFORCE IN 1974



Using regional policy legislation, attempts have been made since the mid-1960s to even out the differences in development in the country's different regions by promoting the mobility of enterprises. In 1975 the Development Region Acts were revised for the third time; the forms of continuous support to enterprises situated in the development regions were replaced by once-and-for-all investment subsidies, by start-up grants and by training subsidies. The legislation on Development Regions has succeeded mainly in encouraging easily movable, labour-intensive industries to move into the development regions.

enterprises employed 59 per cent of the total industrial workforce.

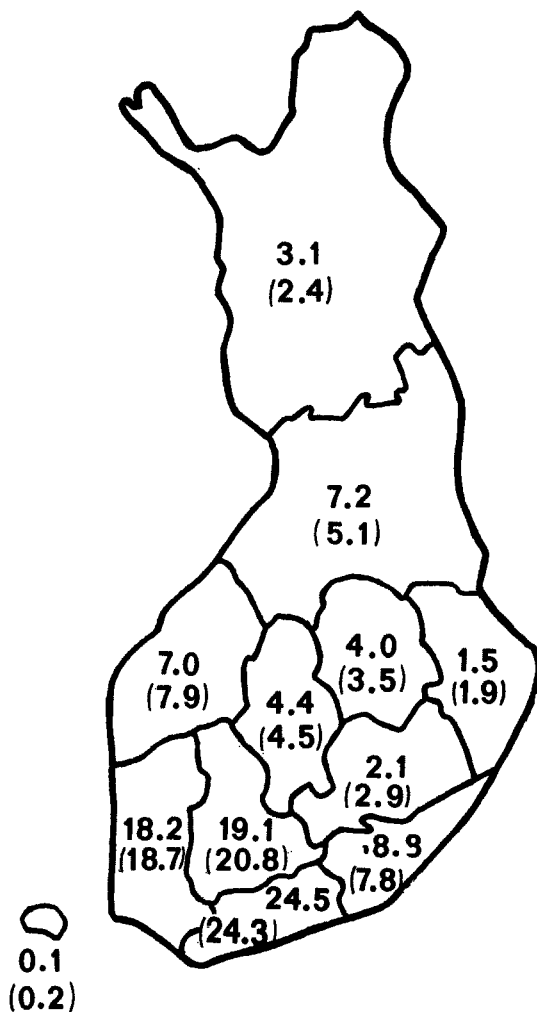
Attempts to benefit from economies of scale and increasingly capital intensive techniques produce a tendency towards larger enterprises and establishments. From the purely technical point of view the size of the establishment is more relevant than that of the enterprise. In 1974 there were more than 4 900 industrial enterprises divided into almost 6 800 establishments with an average of 81 employees. In 1970 the average had been 67 employees per establishment, so a slight concentration to larger production units can be seen to have taken place during the period under review.

REGIONAL LOCATION

The greater part of industry is located in the country's southern and western regions. In 1975 almost two thirds of Finland's industrial jobs were located in the Provinces of Uusimaa, Turku and Pori, and Häme; the value-added produced in these provinces accounted for 62 per cent of the country's total industrial value-added.

However, the fastest phase of industrialization has already been passed in southern Finland, and in recent years industrial employment has increased most rapidly in the country's northern and eastern development regions.

CHART 3. INDUSTRIAL VALUE-ADDED AND, IN BRACKETS, WORKFORCE: PERCENTAGE BREAKDOWN BY PROVINCE, 1975



In order to improve the financial resources available for the implementation of regional development policies some special credit institutions have been established, among them is the Regional Development Fund Ltd (KERA) in which the Central Government has a majority shareholding.

OWNERSHIP

Privately owned joint-stock companies account for about two thirds of total manufacturing output; their share in the industrial labourforce is slightly larger than their share in total output.

State-owned companies, which account for about one fifth of the gross value of output, are mainly engaged in the metal industry, the forest industries, and the chemical industry. State-owned companies have been established primarily in industrial sectors where the capital input is particularly large. Co-operative enterprises play a significant role only in food processing, where they account for more than one half of the gross value of output.

During the last 15 years, the breakdown of Finnish industry by ownership type of enterprise has remained almost unchanged; only the share of state-owned companies has shown a clearly rising trend.

PRODUCTION INPUTS

COST STRUCTURE

Manufacturing industry's cost structure is fairly stable: gradually the cost-shares of raw materials and semi-finished products have slightly declined, and as a result of sharp rises in the price of fuel, the share of energy costs has risen notably in the 1970s (Chart 5).

In 1975 raw materials accounted for more than a half of the gross value of output of manufacturing industry, while wages and salaries accounted for slightly less than one fifth. However, in the Industrial Statistics, which have been used as the source of information, labour

costs are underestimated, because the concept of wage used does not include all indirect labour costs. Indeed, in recent years, those social expenses which should be included in labour costs have grown clearly more rapidly than actual wages and salaries. Energy costs have also been underestimated in the Industrial Statistics, since only the fuel and energy actually purchased from outside have been counted as costs; thus, for example, energy produced as a by-product and then used in production has not been included in this cost item.

RAW MATERIALS

During the period under review, there was a slight increase in the share of imports in total industrial consumption of raw materials. While in 1960 about 26 per cent of the raw materials and semifinished products consumed by industry were imported, the corresponding figure in 1974 was 30 per cent. The share of imported raw materials varies substantially by industrial category: in 1974 it was the largest, 69 per cent, in the chemical industries, and the smallest, 7 per cent, in the forest industries. In recent decades, the most vigorous growth in industrial production has been in those industrial categories where imported raw materials play a significant role.

Domestic raw material resources provide a natural basis for a country's industrial development. Wood is the most important of Finland's natural resources: more than 60 per cent of the land area is forest, and it is estimated that the country's total forest resources amount to about 1 500 million cubic metres. It is estimated that the annual natural growth of forests and present silvicultural methods allow an annual cut of about 60 million cubic metres of wood. In recent years, this potential cut has not been used to its full extent. In addition, an average of 10 per cent of the raw wood used by industry in the 1970s has been imported, primarily from the Soviet Union.

As well as providing renewable raw materials and foodstuffs, the Finnish soil contains a

certain amount of non-renewable raw materials. In 1975 a total of mines were in operation; their total annual output amounted to about eight million tons of ore. At present, most of the metal concentrates produced by the Finnish mines are refined in Finland. The iron concentrate produced by domestic mines, plus domestic scrap iron, is sufficient to satisfy about half of the metal industry's demand for raw materials. Apart from iron, the most important of the metals mined are copper, nickel, zinc, chrome, and cobalt.

Like the forest industries, the food processing industry, too, needs only fairly small inputs of imported raw materials. It is mainly engaged in refining domestic agricultural products. On the whole, the output of domestic food processors is sufficient to meet the need for basic food-stuffs, while imports account for a greater variety of products and a qualitative diversification.

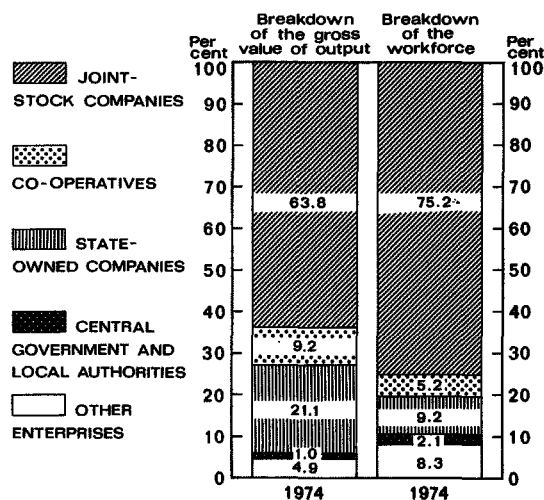
ENERGY

Manufacturing industry accounted for about 42 per cent of the country's total consumption of energy in 1975. Since 1960 this share has fallen by a couple of percentage points.

The share of energy and fuel costs in the gross value of output of manufacturing industry declined from 4.0 per cent to 2.9 per cent between 1960 and 1970, and then rose again as a result of the energy crisis, to 4.4 per cent in 1974. The share of energy costs in the gross value of output varies between industrial categories, being greater than average in the paper and the chemical industries, and in the manufacture of ceramics and glassware. It is smaller than average in food processing, in textiles and clothing, and in the metal industry.

Finland's indigenous energy supply derives from wood and wood waste, and from water power. In the last two decades, however, the vigorous growth in energy consumption has been satisfied almost entirely from imported energy, producing a decline in the level of

**CHART 4. MANUFACTURING INDUSTRY:
BREAKDOWN OF WORKFORCE AND GROSS
VALUE OF OUTPUT BY TYPE OF ENTERPRISES,
1974**



self-sufficiency from 55 per cent to 24 per cent between 1960 and 1975.¹

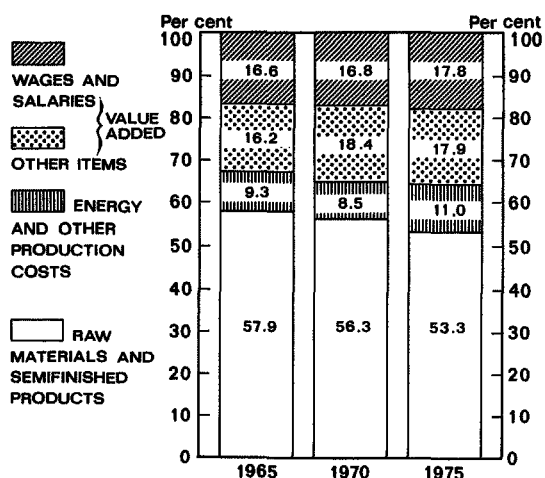
The disadvantages associated with the decline in the country's self-sufficiency in energy will be reduced by the expansion of oil-refining capacity which has taken place recently. In the near future, domestically refined oil products will be able to satisfy domestic demand almost entirely. In the supply of electricity, nuclear power plants will play a significant role. At present, four nuclear power plants are under construction, and the first of them will probably go into operation at the beginning of 1977. The introduction of nuclear energy means that the supply of electricity will become more capital-intensive, but at the same time it implies that the need for basic fuel will be substantially smaller than would be the case with conventional electricity production methods.

LABOUR FORCE

In 1975 manufacturing industry employed about 519 000 persons, almost every fourth member of the employed labour force. Wages and salaries accounted for 17.8 per cent of the

¹ The share of domestic energy sources in total consumption of primary energy.

CHART 5. THE COST STRUCTURE OF MANUFACTURING INDUSTRY IN 1965, 1970 AND 1975, PERCENTAGE SHARES OF THE GROSS VALUE OF OUTPUT



gross value of industrial output (Chart 5). If the social costs relating to labour force are taken into account, the share of labour costs in the gross value of output amounts to more than 21 per cent.

A growing population of working age forms the foundation for the potential supply of labour. Between 1960 and 1975 the increase in the country's population of working age (between 15 and 64 years) was more than 400 000 persons. However, mainly as a result of the expansion of the pension and education schemes and, to some extent, of emigration as well, the actual increase in the supply of labour was substantially smaller than this: between 1960 and 1975 the net increase in the employed labour force was no more than 124 000 persons. According to the most recent demographic forecasts, the growth in the population of working age will decelerate further and then cease altogether in the late 1980s. In the assessment of population developments, emigration will continue to be one of the major uncertain factors.

However, despite the growth of labour force, labour inputs measured in working hours have declined. In 1975 the average annual working time of a manufacturing worker was seven per

cent shorter than in 1970. As the net increase in the manufacturing workforce in the same period was 12 per cent, industry's total labour input can be said to have increased by about five per cent between 1970 and 1975. In addition to quantitative changes in the labour force, there have been substantial changes in the quality of labour inputs.

Changes in techniques and in the organization of production have also been reflected in changes in the ratio of manual workers to white-collar workers; the share of white-collar workers in the total manufacturing industry workforce increased from 16 per cent in 1960 to 26 per cent in 1975.

At present, industries based on highly developed technology and research account in Finland for only a minor part of total output. However, in recent years these special categories — the chemical industries and the electro-technical industry in particular — have been those where the expansion has been the most rapid.

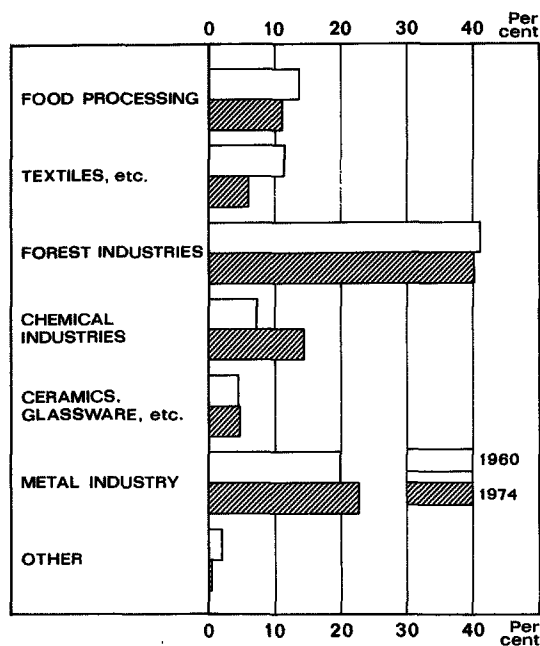
CAPITAL

In a modern industrialized society, capital plays a major role. Quantitative and qualitative changes in the capital structure have effects both on the growth of production and on the development of productivity. It is not possible to make any precise estimates of the size of the capital stock, because of the lack of capital stock statistics. However according to the Industrial Statistics, the total value¹ of manufacturing industry's fixed assets was more than 53 000 million marks at the end of 1974; of this, machinery and equipment accounted for 65 per cent, buildings for 32 per cent and transport equipment for 3 per cent. The forest industries accounted for 40 per cent and the metal industry for 23 per cent (Chart 6).

The value of manufacturing industry's fixed assets per employee was 101 700 marks at the end of 1974, an increase of about 80 per cent

¹ Fire Insurance Value and/or Own Risk Value.

CHART 6. MANUFACTURING INDUSTRIES' FIXED ASSETS: BREAKDOWN BY INDUSTRIAL CATEGORY, END-OF-YEAR FIGURES FOR 1960 AND 1974



Source: Industrial Statistics

in real terms since 1960. In the chemical industries, the value of fixed assets per employee is about double and in the forest industries about one and a half times the figure for industry as a whole. In the textile and clothing industries and in the metal industry it is clearly below the average.

Although there has been, particularly in recent years, a vigorous increase in capital intensity in manufacturing, the figure for capital per employee in Finland is noticeably smaller than the average for other industrialized countries.

Taking into account domestic financing possibilities, the level of investment in Finland has been fairly high by international standards. In recent years, the level of total investment has been particularly increased by large infrastructure investments and by residential construction which has been very vigorous, considering the country's financial resources. The volume of industrial investment in Finland has been on a par with the international average.

In the 1960s manufacturing industry accounted on average for 19 per cent of annual gross domestic fixed capital formation; in the 1970s this share amounted to 23 per cent. Examined by industrial category, the sharpest growth in investment in the past 15 years was recorded for the chemical industries and the metal industry, while investment by the forest industries grew more slowly than the average.

Examined by the ratio of the volume of investment to the subsequent increases in output, the efficiency of Finnish industrial investment has been close to the international average and, particularly in the current decade, there have been signs of increasing efficiency. As a result, the growth rate of Finnish industrial production in the 1970s has been the highest of all the OECD countries.

THE FINANCIAL STRUCTURE

During the 1960s the capital structure of Finnish industry became more and more highly geared, i.e. there was a strong tendency away from equity capital and a great expansion in external liabilities. At the beginning of the decade, the share of equity capital was 30.3 per cent, while in 1968 it was no more than 23.0 per cent. In the following year the share rose to 27.7 per cent, but the figures are not quite comparable because of a revision in the Law on

CHART 7. THE CAPITAL STRUCTURE OF FINNISH INDUSTRIES IN 1961—1975, PER CENT

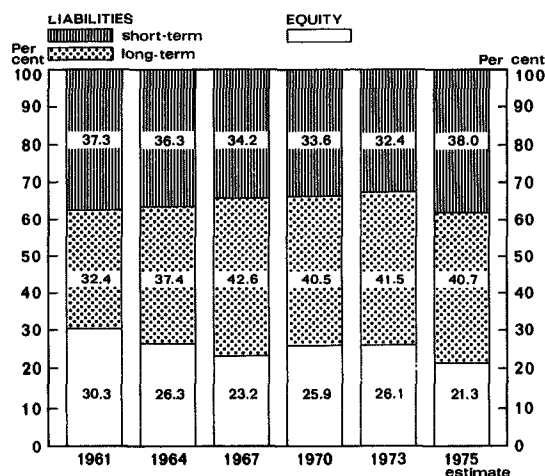
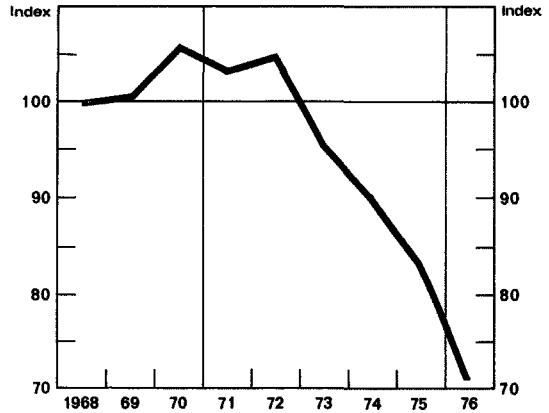


CHART 8. FINNISH MANUFACTURING INDUSTRIES' PRICE COMPETITIVENESS RELATIVE TO THE MAJOR COMPETITOR COUNTRIES. INDEX: 1968 = 100, CALCULATED FROM LABOUR COSTS PER UNIT OF OUTPUT



mentioned inquiry into the financial needs of Finnish firms.

COMPETITIVENESS AND PRODUCTIVITY

Industry's competitiveness can be measured by, for instance, comparing the development of Finnish exports with that for other countries. In fact, industry accounts for almost all Finnish exports. In 1960—1975 the average annual growth of the value of commodity exports was 12 per cent, while the average for the OECD countries as a whole was 14 per cent. The average annual growth of the volume of exports was 4.5 per cent, which was three percentage points less than the growth rate of world trade. In the most recent years, Finnish industry has suffered quite substantial losses of market share.

Price competitiveness is often measured in terms of labour costs per unit of output. On the other hand, unit labour costs depend on productivity and on total labour costs. Measured in terms of unit labour costs, industry's competitiveness improved after the devaluation of 1967; it then remained unchanged until 1972, but since then has weakened rapidly. The wage level of Finnish industry is lower than that of Finland's competitor countries; however, more work is needed in

the Taxation of Business and Professional Income. In any case, the capital structure has weakened further in the 1970s; according to the latest balance sheet statistics, the share of equity capital was 26.1 per cent. For 1975 it is estimated that the share has fallen to about 21 per cent. This estimate is based on an inquiry into the financial needs of firms, in which the total turnover of firms returning their questionnaires covered more than half of the total turnover of the manufacturing industry. In the estimate, an attempt has been made to correct for sampling errors.

The alarming growth of indebtedness has been slightly offset by a change in the structure of liabilities. More often than previously, industrial enterprises are receiving their borrowed capital for a longer period. It has only been in very recent years that the difficulties of industrial firms have been reflected in a sharp growth of short-term debt. However, the share of equity capital has been continuously less than the share of short-term liabilities. Of the sources of borrowed funds, the international capital market has become the most important. In 1973 the share of foreign loan capital was 24.4 per cent, while it had been clearly less than 20 per cent five years before. The second largest group comprises advances granted by other enterprises; these are mainly short-term advances, and in 1973 they accounted for 17.8 per cent of total liabilities. In the same year, industry's liabilities to enterprises amounted to 88 per cent of its receivables from enterprises. Then follow the banks, other credit institutions, insurance companies etc.

Industry's financial structure can also be examined on the basis of flow magnitudes. In the 1960s, industry was able to finance on average less than half of its outlays by means of profit financing — profits derived from the enterprises' own activities (depreciation and undistributed profits). At the beginning of the the current decade, the situation improved slightly, but the share of profit financing fell to about 38 per cent in 1974 and to as little as 20 per cent in 1975. These figures have been calculated on the basis of the above-

Finland to produce one unit of output. In recent years, labour costs have risen in Finland much faster than in her competitor countries, which has reduced the competitiveness of Finnish industry.

As compared with Swedish industry, for instance, the level of productivity of Finnish industry is low. (Productivity is here understood as the relationship between total outputs and inputs.) Finland's lower level of productivity has been attributed mainly to the scarcity of the capital stock. According to some estimates, the value of fixed assets per employee was more than 80 per cent greater in Swedish industry than in Finnish industry in the early 1970s. On the other hand, if increases in productivity are calculated per unit of labour input, Finnish industry came close to the international level, with an average productivity growth of 4.3 per cent per annum in 1950—1975.

MARKETS

THE DOMESTIC MARKET

Of the domestic aggregate demand components, both consumption and investment increased in 1960—1975 slightly more rapidly than gross domestic product, consumption on average by 5.2 per cent and investment by 5.4 per cent per annum. The vigorous investment activity has particularly stimulated the demand for the products of the metal, glassware and ceramics industries.

Liberalization of international trade has reduced the differences between domestic market and export market industries. At present, the performance of import-substituting domestic production is affected by much the same factors which determine the competitiveness of export industries. Since the domestic market is in many cases too small to ensure sufficient demand and profitability for specialized production, expanding foreign trade is one of the prerequisites for steady economic growth.

Of the different types of manufacturing industry, food processing is the one which is most

directly bound up with the domestic market. Even apart from the many obstacles hampering world trade in foodstuffs, imports are restrained by rather high transport costs.

EXPORTS

Foreign trade has been a great stimulus to the diversification of the structure of production. Nevertheless, despite the substantial diversification which has taken place over the years, it can still be claimed that Finnish exports remain highly concentrated—by sector, by industry, by product, and even by particular enterprise.

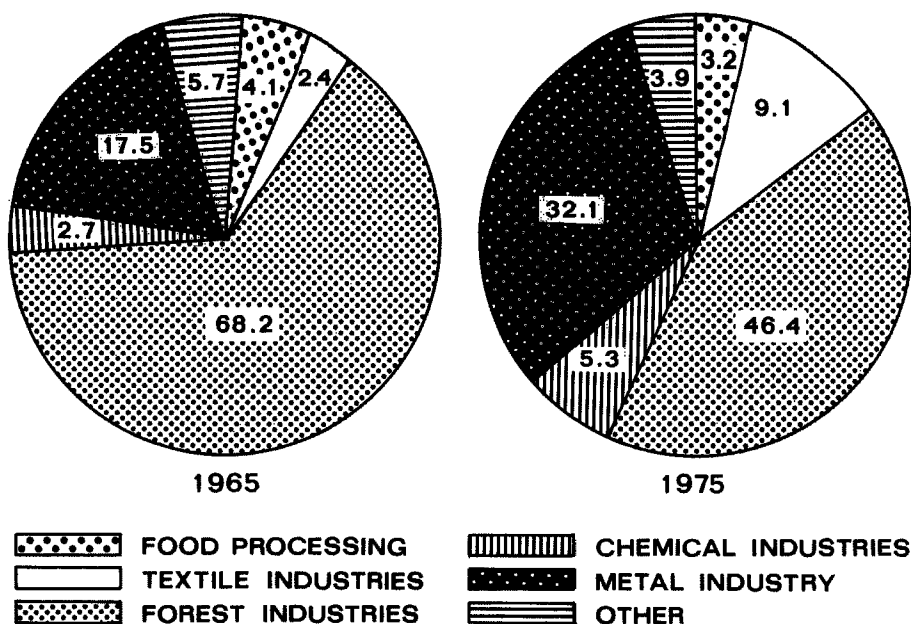
In 1975 the manufacturing industries accounted for about 98 per cent of all exports. Examined by industrial category, exports are still strongly centred on forest industry products, although in 1975 their share of the country's total exports fell below 50 per cent for the first time. Even then paper industry products alone accounted for 36 per cent of exports.

Exports are produced particularly by large enterprises; in 1974 the country's ten largest industrial companies accounted for 41 per cent of total commodity exports.

The average annual growth of exports between 1960 and 1975 was 4.5 per cent, which was slightly less than that of gross domestic product. In addition, the growth of Finnish exports has been slightly slower than the average for other industrialized countries. This can be explained by certain structural factors; Finnish exports have generally been in sectors which have been more slowly expanding and more cyclically sensitive. Furthermore, exports have been directed to countries in which the growth of demand has been slower than the average.

Particularly in the first half of the 1970s, rising export prices increased the share of exports in gross domestic product. In the 1960s the share was on average 23 per cent and in 1970—1975 27 per cent.

**CHART 9. BREAKDOWN OF FINNISH EXPORTS BY INDUSTRIAL CATEGORY
IN 1965 AND 1975, ACCORDING TO THE NEW COMMODITY
CLASSIFICATION OF THE FOREIGN TRADE STATISTICS**



The share of output going in exports is very large in the forest industries, about 80 to 90 per cent, and on the whole, the more highly processed the product, the greater the share of exports. It is estimated that in the metal industry, exports account for about one third of the output. Textiles and clothing is the industry which has best been able to take advantage of the export outlets opened by international intergration. During the 1970s this category has become the third most important export industry.

The growth of exports has also been greatly affected by trade policy arrangements. Since 1950 Finland has taken part in the global removal of obstacles to trade in industrial products under the General Agreement on Tariffs and Trade (GATT). In addition, Finland has participated in international economic integration first in the European Free Trade Area (EFTA) from 1961, and with the European Economic Community (EEC) from 1974, by concluding tariff agreements with these organizations. Along with these tariff agreements with Western countries, the Finnish Government has also concluded similar agreements

with certain Socialist countries (KEVSOS Agreements). In the trade between the Soviet Union and Finland, most import duties were removed in the first half of the 1960s.

In 1975 more than one third of Finnish exports went to the EEC countries, one quarter to the EFTA countries and just less than one quarter to the Socialist countries. Since 1960 the shares of the EEC countries and the Socialist countries have grown, while the share of the EFTA countries has declined.

Since the expansion of the EEC, the nine countries have formed the most important market area for Finnish forest industry products; in 1975 they accounted for 55 per cent of such exports. Of the exports of metal industry products, almost 40 per cent went to the EFTA countries and almost 30 per cent to the COMECON countries.

FUTURE PROSPECTS

The most recent estimate of the long-term prospects for Finnish industry is in the Report

of the 1975 Industrial Commission.¹ According to the Commission, the average annual growth of manufacturing output in 1974—1985 will be 5.8 per cent. However, since the release of the Report, it has proved that the downswing in world trade has been reflected in Finland more severely than was expected. When new estimates are being drawn up, it may be necessary to revise the long-term growth forecasts slightly downwards.

Industry's development prospects can be promoted by the stance taken in economic policy. Because of the central role it plays in the efforts to restore external balance, it is to industry that the main weight should be given in investment. In order to improve industrial productivity, production must be rationalized and made more capital-intensive. For it is only through increased productivity that higher real wages can be attained, and emigration discouraged.

ITEMS

Supplementary budget. At the end of December, Parliament approved the third supplementary budget for 1976, which involved a 1 533 million mark addition to state expenditure and a 1 280 million mark increase in state revenue. Both budgeted state expenditure and state revenue for 1976 thus rose to a total of 32 308 million marks. As compared with 1975, expenditure and revenue were higher by 16 and 23 per cent respectively. In 1976, supplementary budgets accounted for just over nine per cent of total budgeted state expenditure, the smallest share in the 1970s so far. In addition, by implementing an austerity programme involving cancellations and deferments of appropriations, the Government has reduced state expenditure budgeted for 1976 by more than 600 million marks.

The major increase in expenditure involved in the third supplementary budget was caused by a rise in the cost and price level larger than had been predicted when the ordinary Budget for 1976 was prepared. Hence, it was necessary to increase, among other things, the appropriations for wages, salaries and pensions, for other consumptions expenditure, and for state aid to local authorities. More funds were also needed to cover subsidies paid to the food processing industries and to finance the deficit incurred by the State Railways. Other major increases in expenditure provisions were made for the

marketing of agricultural products and for defraying the costs of Finnish UN troops in Cyprus and the Middle East during the coming six-month period.

On the revenue side, the main increases are the additional tax receipts and other revenue stemming from the unexpectedly rapid rise in earnings and prices. The increase in revenue from taxes and related sources was put at 1 213 million marks; the largest single item, 500 million marks, was from taxes on income and wealth. Although certain indirect taxes yielded more than previously estimated, others yielded less, and the total revenue from indirect taxes is expected to be slightly smaller than the sum budgeted for 1976.

Finland's long-term foreign debt in January-September 1976. Finland's long-term foreign debt grew by 3 551 million marks in January—September 1976, to total 22 770 million marks at the end of September. The increase was 19 per cent smaller than that in the corresponding period of 1975

Up to the end of September, drawings of long-term foreign loans amounted to 4 903 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 loans amounted to

¹ The Report of the 1975 Industrial Commission. Commission Reports 1975: 47. Helsinki 1975. See also Jarmo Pesola and Ilmo Pyyhtiä: Finnish Industry in 1960—1985, Bulletin 1/1976.

FINLAND'S LONG-TERM FOREIGN DEBT ON SEPTEMBER 30, 1976, MILLION MARKS

	Debt ¹ Dec. 31, 1975	Drawings ²	Redemptions ²	Net change	Impact of exchange rates ³	Debt ¹ Sept. 30, 1976	Interest expenses, commissions and dividends
Financial loans	14 295	3 311	904	+2 407	+343	17 045	752
Individual financial loans	7 823	1 834	513	+1 321	+129	9 273	394
Bonds and debentures	6 472	1 477	391	+1 086	+214	7 772	358
Bond issue	3 704	738	179	+ 559	+129	4 392	199
Private placement loans	2 314	721	141	+ 580	+ 71	2 965	137
Loans from the World Bank	454	18	71	— 53	+ 14	415	22
Import credits	3 373	1 351	417	+ 934	+ 14	4 321	155
Leasing credits	67	77	15	+ 62	+ 2	131	4
Direct investments ⁴	1 125	164	16	+ 148	—	1 273	108
Total	18 860	4 903	1 352	+3 551	+359	22 770	1 019

¹ 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 the previous year.

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

³ The impact of exchange rates figure shows the effect of exchange rate fluctuations during January—September 1976 on the value of the debt outstanding.

⁴ Figures include both investments in equities and loans to subsidiaries.

1 352 million marks. Drawings of loans were 10 per cent smaller than in the corresponding period of 1975, while redemptions were 27 per cent larger. Total debt service costs (redemptions, interest expenses and dividends) amounted to about 11 per cent of total current account earnings.

Financial loans, 3 311 million marks, import credits and leasing credits, together totalling 1 428 million marks, and direct investments, 164 million marks, accounted respectively for 68, 29 and 3 per cent of total drawings of long-term foreign loans. As compared with the corresponding period of 1975, drawings of financial loans fell by 15 per cent and the inflow of indirect investments by 31 per cent, while drawings of import credits and leasing credits increased by 8 per cent.

Seven Finnish bond issue, with a total value of 738 million marks, were floated abroad in the January—September period (Finnish Export Credit Ltd: \$ 20 million; Enso-Gutzeit OY: 25 million EUA; the Mortgage Bank of Finland Ltd: \$ 20 million; Imatran Voima Oy: Sfr 60 million; the Finnish Government two issues: DM 100 million and Sfr 80 million; and the Industrialization Fund of Finland Ltd: \$ 25 million).

Trade agreement between Finland and the U.S.S.R. On November 23, 1976 an agreement was signed in Helsinki governing the exchange of goods between Finland and the U.S.S.R. in 1977. This is the second agreement within the framework of the five-year pact which was signed in September 1974 for the period 1976—1980. It is estimated that the total value of goods exchanged in 1977 will be about 10 000 million marks (ca. 2 000 million roubles), an increase of some 10 per cent over 1976.

The value of Finnish exports of metal industry products will increase from 2 500 million marks to 3 000 million marks. Finland will deliver machines and equipment to the value of 1 500 million marks and ships worth 1 100 million marks. Exports of forest industry products and consumer goods will remain the same as in 1976, at 1 500 million marks and 300 million marks respectively. Milk powder is the most important export commodity in the group »agricultural products»; the quantity involved is some 15 000—30 000 tons. In addition Finland will deliver eggs, cheese and meat products.

Crude oil and oil products, solid fuels, natural gas and electrical energy will account for three-quarters of Finnish imports from the

U.S.S.R. in 1977. The quota for crude oil is 6 500 000—7 500 000 tons, for diesel oil 1 500 000—2 000 000 tons, for coal and anthracite 600 000 tons and for coke 850 000—1 200 000 tons. The import quota for natural gas is 1 200 million cu.m. and for electrical energy 630 million kWh. Finland will import machines and equipment to the value of 445 million marks. Other commodities of note in the import list are timber, metallurgical products, fertilizers and cotton.

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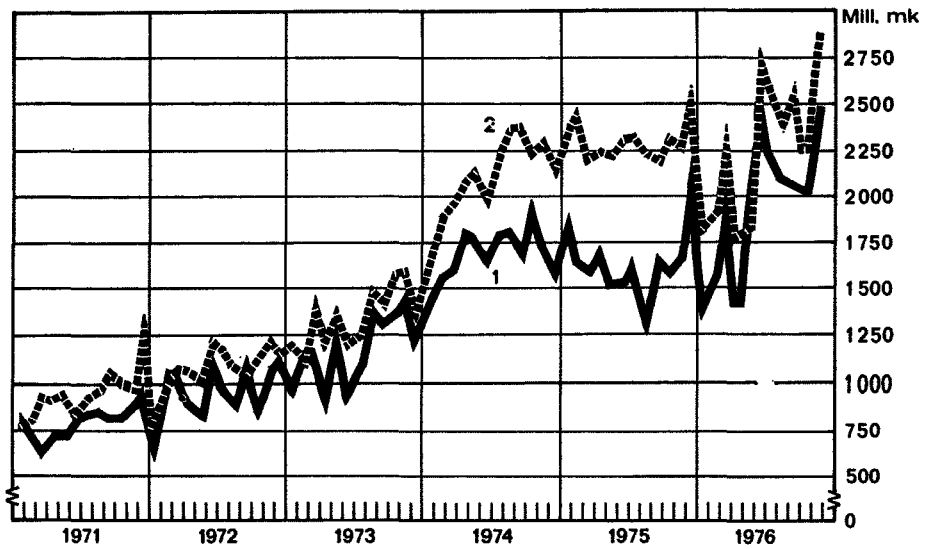
Cash

FOREIGN TRADE, 1971-1976

1. Exports f.o.b.

2. Imports c.i.f.

Seasonally adjusted monthly figures

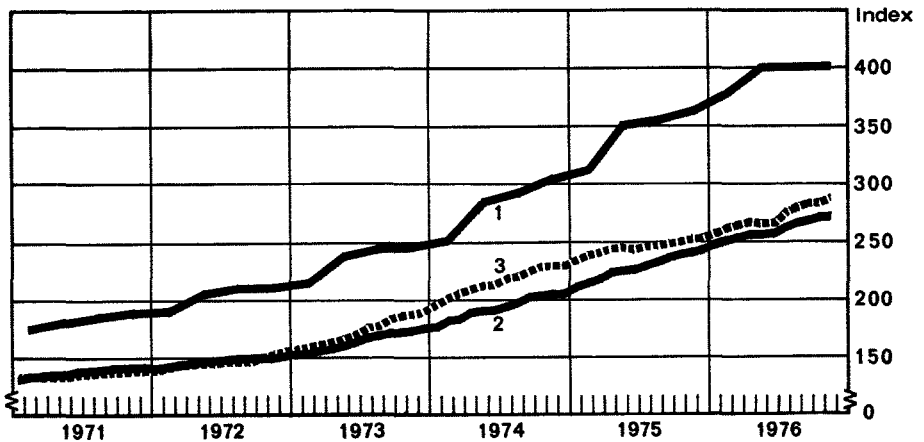


PRICES AND WAGES, 1971-1976

1. Index of salary and wage earnings 1964 = 100, quarterly

2. Cost of living index 1964 = 100, monthly

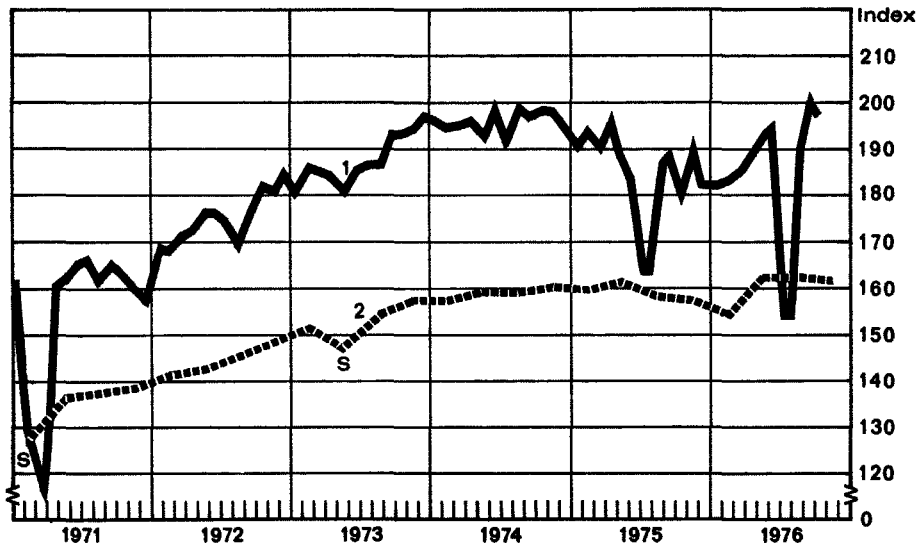
3. Wholesale price index 1964 = 100, monthly



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



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