



BANK OF FINLAND

Monthly Bulletin

Finland's energy policy programme

Small and medium-sized industrial firms in Finland

Foreign direct investment in Finland and Finnish direct investment abroad in 1978

Supplementary budget

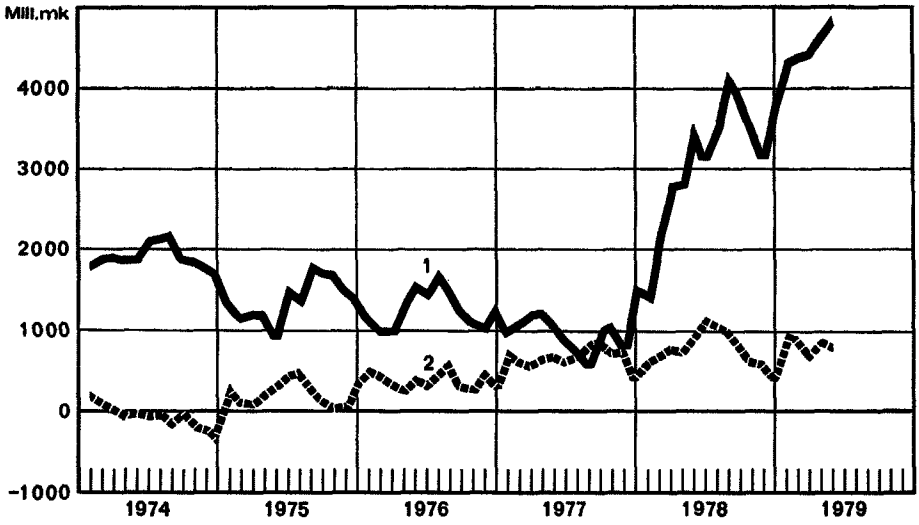
New silver commemorative coin

Publications of the Bank of Finland

JULY 1979

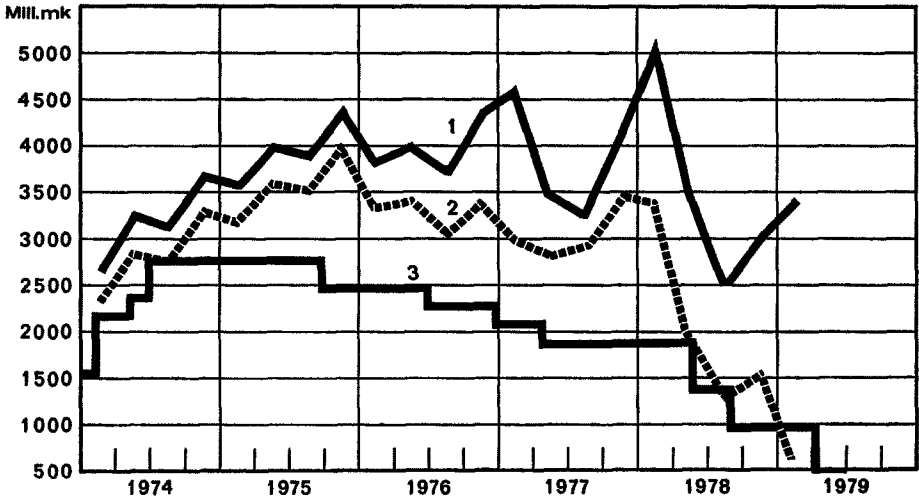
Vol. 53 No. 7

BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1974-79



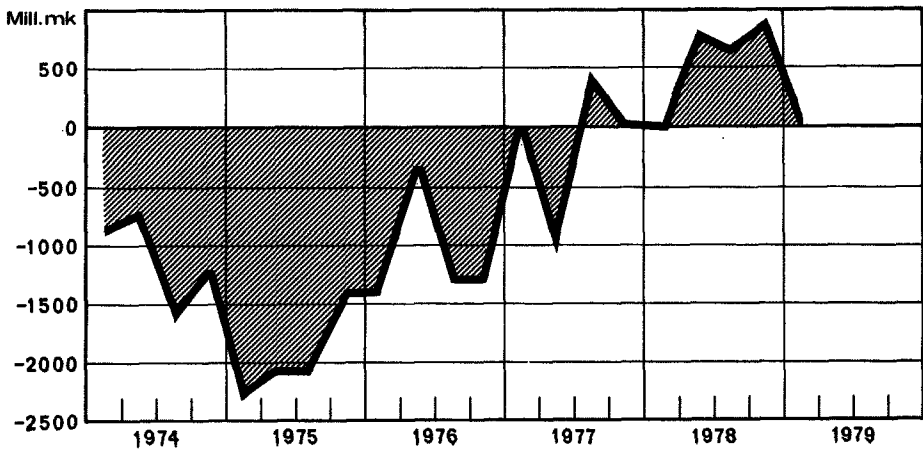
- 1. Gold and convertible currencies
- 2. Tied currencies

COMMERCIAL BANKS' CENTRAL BANK FINANCING, 1974-79



- 1. Total central bank debt
 - 2. Actual central bank debt
 - 3. The quotas
- Quarterly average of daily amounts (1 and 2)

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1974-79



Seasonally adjusted quarterly figures

FINLAND'S ENERGY POLICY PROGRAMME

On March 15, 1979, the Council of State sanctioned Finland's first energy policy programme, which will form the basis for the energy policy to be pursued in Finland in the coming years. The programme was prepared by an Energy Policy Commission which was set up in accordance with the parliamentary representation of political parties and operated as an advisory body, in connection with the Ministry of Trade and Industry. The programme specifies the aims and targets of energy policy and suggests a number of measures whereby these might be achieved. It is largely based on the same premises as the policies of other industrialized countries heavily dependent on imported energy.

An imbalance in energy markets, especially for oil, during the 1980s is already foreseen. In the absence of any fossil fuel resources other than peat, and with only limited alternative energy resources in Finland, this could critically affect the country's energy supply. Owing to a severe climate and the predominance of processing industries, total energy consumption per unit of GDP is greater in Finland than in many other countries, and hence continuous and assured access to energy is a prerequisite for the nation's welfare and its development. Energy should therefore aim to guarantee supply up to the specified targets for purposes of national security and economic development. The two main strands of this policy are energy conservation and the promotion of the production and use of indigenous energy.

An energy-saving target of about 10 per cent by 1990 has been set in an effort to keep the increase in total energy consumption below the increase in real GDP, compared with a previous increase about 30 per cent in excess of GDP growth. It is estimated that, to reach this target, a total of about 10 000 million marks will need to be invested in energy saving

by 1990. This would permit a reduction in the cost of energy imports annually by 2 000 to 3 000 million marks in the late 1980s.

According to the programme, the greatest potential savings lie in industry and the heating of buildings. Measures to promote energy conservation include research, information, training and financial incentives. In future, energy-saving investments in buildings will be subsidized by the central government by up to 200 million marks annually, with low-interest loans available to industry for this purpose.

In view of the importance attached to sureness of energy supply, an increasing emphasis on domestic energy is a priority. Since Finland has no indigenous oil, gas or coal resources, attention is focussed primarily on wood waste and peat, and, to some extent, on hydropower.

It is estimated that the measures proposed in the programme could boost the share of indigenous energy in the total supply of energy from the present level of nearly 30 per cent (27 per cent in 1977) to between 35 and 40 per cent by the end of the 1980s. The alternative, if this energy policy is not vigorously pursued, could be a drop in this share to 25 per cent.

The promotion of peat production and consumption will be the focus of special interest in Finland in the 1980s. A target of 25 million to 30 million cubic metres has been set for total peat consumption by 1990.¹ Primary consumers of peat would be community heating plants, large heating centres and industry. The feasibility of the use of peat as a fuel in condensing plants will also be examined. If this target is achieved, the share of peat in total energy consumption will be raised from the present level of about 1 per cent to 7 to 10 per cent.

¹ In 1978 the consumption of peat totalled 4 million cubic metres.

There is scope for increasing the use of wood for energy production without jeopardizing the availability of raw materials for the wood-processing industries. However, the Energy Policy Commission maintains that on the basis of the limits set by timber harvesting techniques, the use of wood for energy production can at most be doubled in the 1980s. This would mean a rise in the share of wood and other indigenous fuels (except peat) in the total supply of energy from the present 15 per cent to about 20 per cent.

The contribution of hydro-electric power is unlikely to increase significantly. The energy programme states that the exploitation of hydro-power will be increased mainly in waters which have already been fairly extensively harnessed. The harnessing of other waters will be considered case by case, taking into account environmental considerations etc.

The availability of electric energy will depend, to an increasing extent, on combined generation of heat and electricity. This will make it possible to reduce fuel consumption and exploit indigenous fuels, peat and wood.

In addition to growth in the supply of industrial back-pressure power, the country's district heating plant capacity will also be increased by 600 to 700 megawatts in the 1980s. This will postpone the need to construct separate condensing plants. According to the energy programme, the decision on the construction of the next condensing plant can be deferred, taking into account the present demand prospects for electric energy, at least until 1982. The final decision on whether the plant to be

constructed will be a nuclear, coal or peat power plant will not be made until the latest studies of these alternatives have been completed.

In the energy programme the need to increase co-ordination in the energy sector and to adopt a long-term energy strategy was noted several times. To this end, it will be necessary to co-ordinate the acquisition of imported fuels in accordance with energy and trade policy targets and the demand for energy, to intensify the central government's energy administration and revise the pricing and taxation of energy.

Energy research is regarded as an important prerequisite for the achievement of energy policy targets outlined in the energy programme. Hence the amount of energy research which is currently low by international standards will be increased substantially. At the same time, the emphasis in research will be shifted from the present nuclear studies to research into energy conservation and the exploitation of indigenous energy.

In the years to come, the implementation of the energy programme will call for state funds of up to 250—300 million marks per annum. Most of this will be used in subsidies granted for energy-saving investments in buildings.

When sanctioning the energy programme, the Council of State promised to monitor its implementation and to revise it whenever conditions changed. A comprehensive readjustment of the programme will be made not later than three years hence.

June 21, 1979

BANK OF FINLAND

Mill. mk

	1978		1979			
	June 30	Dec. 30	June 8	June 15	June 21	June 29
Assets						
Gold and foreign exchange receivables	4 451	4 339	6 179	6 602	7 029	6 915
Gold	133	169	169	169	169	169
Special drawing rights	167	316	451	451	451	451
IMF reserve tranche	—	243	236	236	236	236
Convertible currencies	2 984	3 126	4 490	4 734	5 168	5 143
Tied currencies	1 167	485	833	1 012	1 005	916
Other foreign receivables	2 641	1 968	2 560	2 571	2 601	2 637
Foreign bills ¹	588	—	—	—	—	—
Foreign bonds	697	872	1 454	1 465	1 495	1 531
Mark subscription to Finland's IMF quota	1 356	1 096	1 106	1 106	1 106	1 106
Receivables from financial institutions	3 586	3 695	2 189	2 691	1 958	1 542
Cheque accounts of the commercial banks	109	137	167	160	176	117
Discounted bills	1 607	970	357	357	351	295
Bonds	355	361	341	358	374	362
Call money market advances	1 495	2 213	1 295	1 795	1 038	736
Other financial institution receivables	20	14	29	21	19	32
Receivables from the public sector	393	633	831	835	836	844
Government promissory notes	—	188	346	346	346	346
Bonds	64	93	121	124	126	127
Total coinage	327	336	356	356	357	365
Other public sector receivables	2	16	8	9	7	6
Receivables from corporations	1 311	1 948	2 097	2 082	2 084	2 162
Financing of exports ²	207	904	952	940	939	1 009
Financing of domestic deliveries	753	752	808	808	810	818
Bonds	202	207	213	208	208	208
Other corporate receivables	149	85	124	126	127	127
Other assets	63	64	69	68	69	69
Total	12 445	12 647	13 925	14 849	14 577	14 169
Liabilities						
Foreign exchange liabilities	116	60	44	31	31	45
Convertible accounts	98	46	30	15	18	30
Tied accounts	18	14	14	16	13	15
Other foreign liabilities	3 046	2 195	2 077	2 077	2 077	2 077
IMF mark accounts	2 320	1 881	1 623	1 623	1 623	1 623
Allocations of special drawing rights	301	314	454	454	454	454
Term liabilities	425	—	—	—	—	—
Notes and coins in circulation	3 572	3 822	3 900	3 978	4 171	4 186
Notes	3 277	3 509	3 580	3 657	3 846	3 861
Coins	295	313	320	321	325	325
Deposit certificates in circulation	400	1 090	2 988	3 788	3 928	3 378
Claims of financial institutions	2 044	2 520	1 942	2 112	1 596	1 666
Cheque account of Postipankki	0	1	0	0	1	0
Cheque accounts of the commercial banks	2	1	2	1	0	1
Call money market deposits	1 630	2 075	1 595	1 788	1 272	1 246
Cash reserve deposits	—	—	115	115	115	235
Capital import deposits	333	405	228	206	205	182
Other financial institution claims	79	38	2	2	3	2
Claims of the public sector	222	114	112	92	92	41
Cheque accounts	0	2	0	0	0	0
Counter-cyclical reserves	38	40	40	40	40	40
Capital import deposits	183	70	71	51	50	—
Other public sector claims	1	2	1	1	2	1
Claims of corporations	386	356	426	383	382	402
Deposits for investment and ship purchase	38	32	56	59	65	111
Capital import deposits	337	303	360	317	313	286
Import levy deposits	10	6	1	1	1	1
Other corporate claims	1	15	9	6	3	4
Other liabilities	14	12	13	13	13	14
Equalization accounts	605	350	232	182	93	166
Capital accounts	2 040	2 128	2 191	2 193	2 194	2 194
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	545	545	636	636	636	636
Undisposed profits	0	—	92	92	92	92
Net earnings	95	183	63	65	66	66
Total	12 445	12 647	13 925	14 849	14 577	14 169

End of year or month	Foreign sector						Public sector			Deposit certificates in circulation	
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserves (1-2)	Tied exchange reserves	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
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	—
1977	1 602	53	1 549	496	1 959	3 447	557	391	328	— 63	200
1978	3 854	46	3 808	471	1 968	2 195	4 052	633	114	—519	1 090
1978											
June	3 284	98	3 186	1 149	2 641	3 046	3 930	393	222	—171	400
July	3 583	40	3 543	1 084	2 659	3 038	4 248	404	203	—201	760
Aug.	4 237	43	4 194	1 019	2 407	2 786	4 834	453	202	—251	859
Sept.	4 039	53	3 986	842	2 428	2 756	4 500	464	199	—265	1 209
Oct.	3 620	48	3 572	663	2 551	2 729	4 057	614	191	—423	1 359
Nov.	3 252	31	3 221	622	2 553	2 197	4 199	624	138	—486	890
Dec.	3 854	46	3 808	471	1 968	2 195	4 052	633	114	—519	1 090
1979											
Jan.	4 364	38	4 326	983	2 061	2 335	5 035	791	114	—677	1 718
Feb.	4 446	44	4 402	920	2 120	2 213	5 229	798	114	—684	1 718
March	4 508	39	4 469	754	2 288	2 213	5 298	821	113	—708	2 068
April	4 790	28	4 762	900	2 366	2 213	5 815	822	113	—709	2 288
May	4 906	25	4 881	824	2 548	2 077	6 176	828	112	—716	2 588
June	5 999	30	5 969	901	2 637	2 077	7 430	844	41	—803	3 378

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1978			Net holdings, May 31, 1979			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	May	Jan.—May
Gold	169	—	169	169	—	169	—	—
Special drawing rights	315	—	315	451	—	451	— 7	+ 136
IMF reserve tranche	243	—	243	236	—	236	— 7	— 7
Convertible currencies	3 080	—2 072	1 008	4 026	—4 036	— 10	— 604	—1 018
Total	3 807	—2 072	1 735	4 882	—4 036	846	— 618	— 889
Non-convertible currencies	471	152	623	823	154	977	— 68	+ 354
Grand total	4 278	—1 920	2 358	5 705	—3 882	1 823	— 686	— 535

Domestic financial sector

Corporate sector

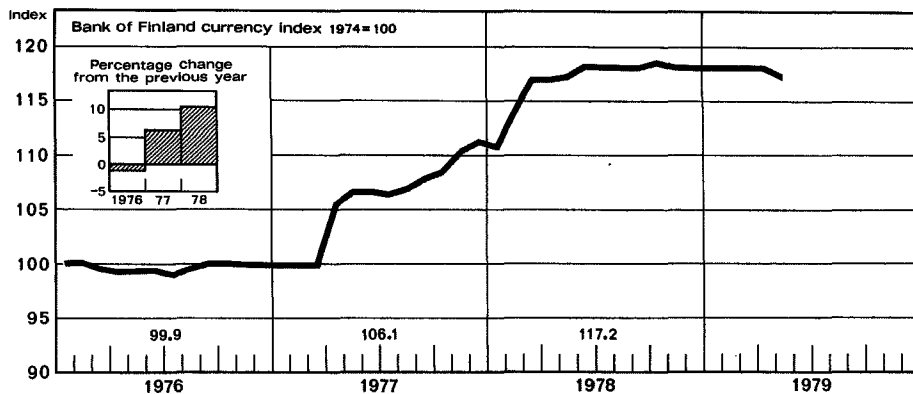
End of year or month	Dis-counted and re-dis-counted bills	Cheque account receivables, net, commercial banks	Demand for call money by deposit banks	Supply of call money by deposit banks	Other liabilities, net	Net receivables (1+2+3-4-5)	Permanent special financing schemes	Liabilities, net	Net receivables (7-8)	Notes and coins in circulation
	1	2	3	4	5	6	7	8	9	10
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	110	—	—	-261	3 405	631	195	436	2 462
1975	3 385	130	372	95	-343	4 135	933	539	394	2 855
1976	2 920	172	1 204	1 137	-372	3 531	1 400	308	1 092	2 885
1977	3 091	107	1 804	850	-74	4 226	1 416	242	1 174	3 167
1978	970	136	2 213	2 075	69	1 175	1 948	356	1 592	3 822

1978

June	1 607	106	1 495	1 629	37	1 542	1 311	386	925	3 572
July	1 571	83	1 408	1 623	34	1 405	1 297	304	993	3 520
Aug.	1 320	80	1 229	1 628	108	893	1 288	505	783	3 414
Sept.	1 107	77	1 680	1 298	59	1 507	1 311	372	939	3 538
Oct.	1 113	69	2 013	1 413	87	1 695	1 298	344	954	3 431
Nov.	968	168	1 995	1 821	60	1 250	1 297	360	937	3 492
Dec.	970	136	2 213	2 075	69	1 175	1 656	64	1 592	3 822

1979

Jan.	919	113	2 080	2 573	183	356	1 680	71	1 609	3 512
Feb.	891	168	2 431	3 135	95	260	1 669	37	1 632	3 653
March	829	113	1 735	2 138	-23	562	1 693	27	1 666	3 740
April	349	176	1 808	2 078	-116	371	1 673	10	1 663	3 822
May	379	138	1 368	1 589	-59	355	1 742	98	1 644	3 923
June	295	116	736	1 246	25	-124	1 827	67	1 760	4 186



MONETARY POLICY INDICATORS

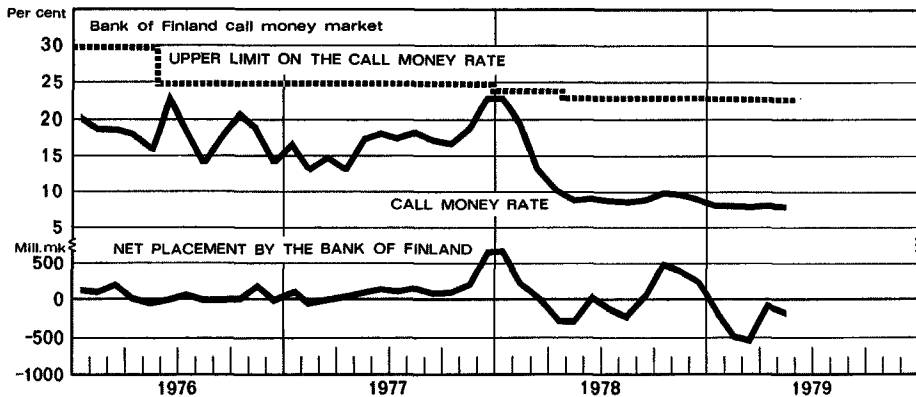
Average for period	Total central bank debt of the commercial banks, mill. mk	Actual central bank debt of the commercial banks, mill. mk	Credit quotas of the commercial banks at the Bank of Finland, mill. mk	Cash reserve deposits of the deposit banks ³ mill. mk	Cash reserve deposits of the commercial banks ³ mill. mk	Bank of Finland placements in the call money market, mill. mk	Basic discount rate %	Call money interest rate %	Average cost of total central bank debt %	Average lending rate of the commercial banks ¹ %
	1	2	3	4	5	6	7	8	9	10
1972	809	798	1 224				7.75		7.75	7.87
1973	2 042	1 819	1 333				8.50		9.99	8.65
1974	3 204	2 840	2 494				9.25		10.57	9.52
1975	4 000	3 611	2 725			239 ²	9.25	26.80 ²	12.10	9.65
1976	4 001	3 345	2 400			79	9.25	18.40	12.38	9.69
1977	3 914	3 094	1 967			149	9.00	17.20	11.82	9.54
1978	3 573	2 070	1 475			90	7.58	11.99	8.88	8.22
1978										
June	3 110	1 611	1 400			— 28	7.25	9.43	7.05	7.99
July	2 700	1 452	1 400			—182	7.25	9.14	7.87	7.86
Aug.	2 552	1 260	1 400			—271	7.25	8.97	7.61	7.94
Sept.	2 373	1 253	1 000			100	7.25	9.18	7.90	7.88
Oct.	2 961	1 754	1 000			524	7.25	10.04	8.59	7.88
Nov.	3 105	1 573	1 000			421	7.25	9.85	8.31	7.86
Dec.	3 134	1 397	1 000			287	7.25	9.29	7.94	7.87
1979										
Jan.	3 334	838	1 000			—243	7.25	8.48	7.68	7.83
Feb.	3 814	553	1 000			—509	7.25	8.40	7.59	7.83
March	3 138	455	1 000			—588	7.25	8.29	7.53	7.81
April	2 682	417	500			—143	7.25	8.42	7.76	7.82
May	2 343	292	500	4	3	—226	7.25	8.35	7.65	..
June	1 499	200	500	123	108	—308	7.25	8.35	..	..

See explanations on page 22.

¹ End of period.

² 1. 9.—31. 12. 1975.

³ See Bulletin April., 1979, page 1.



FOREIGN EXCHANGE RATES

Average selling rates for foreign exchange, mk

Period	New York 1 US \$ USD	London 1 £ GBP	Stockholm 100 Skr SEK	Oslo 100 Nkr NOK	Copenhagen 100 Dkr DKK	Frankfurt 100 DM DEM	Zurich 100 Sfr CHF	Paris 100 FF FRF	Moscow 1 Cl Rbl SUR	Currency Index 1974 = 100
	1	2	3	4	5	6	7	8	9	10
1972	4.146	10.368	87.20	62.97	59.72	130.07	108.64	82.25	4.960	102.1
1973	3.816	9.355	87.76	66.64	63.47	144.34	121.22	86.10	5.159	102.5
1974	3.774	8.833	85.22	68.44	62.17	146.21	127.19	78.65	4.995	100.0
1975	3.679	8.155	88.80	70.59	64.21	149.80	142.64	86.00	5.093	101.1
1976	3.864	6.983	88.86	70.95	64.04	153.78	154.86	81.09	5.125	99.9
1977	4.029	7.042	90.21	75.83	67.23	174.15	168.70	82.16	5.475	106.1
1978	4.117	7.917	91.43	78.93	75.06	205.53	231.83	91.77	6.037	117.2

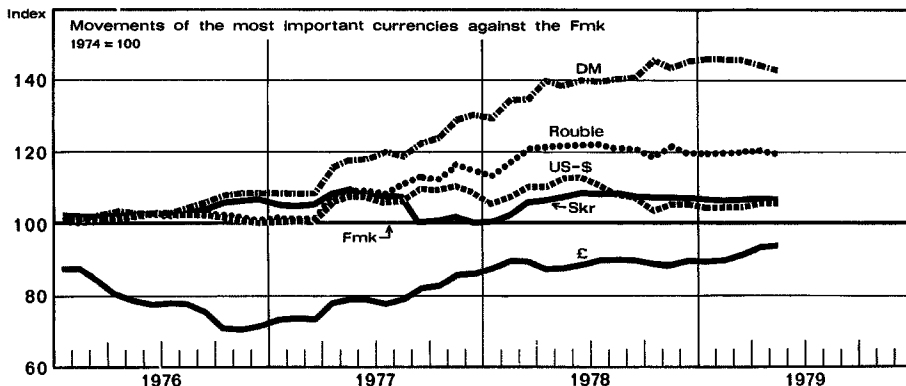
1978

June	4.285	7.887	93.22	79.61	76.27	205.94	227.55	93.87	6.132	118.5
July	4.209	7.995	92.96	78.33	75.41	205.21	233.82	95.13	6.137	118.5
Aug.	4.113	8.005	92.96	78.57	75.15	206.32	247.18	94.93	6.079	118.5
Sept.	4.076	7.994	92.40	78.50	75.28	207.03	259.64	93.81	6.091	118.5
Oct.	3.939	7.919	92.07	80.23	77.20	214.03	256.37	93.81	5.988	118.7
Nov.	4.008	7.885	92.04	79.53	76.58	211.17	240.28	92.57	6.117	118.5
Dec.	4.012	7.988	91.88	79.16	76.88	213.79	239.61	93.30	6.002	118.5

1979

Jan.	3.967	7.970	91.55	78.66	77.65	214.91	237.78	93.88	6.018	118.5
Feb.	3.979	7.990	91.38	78.40	77.64	214.63	237.79	93.46	6.018	118.5
March	3.983	8.132	91.49	78.45	77.05	214.34	237.14	93.23	6.024	118.5
April	4.012	8.332	91.65	78.33	76.40	212.10	234.14	92.55	6.055	118.5
May	4.013	8.276	91.59	77.63	74.76	210.53	232.49	91.31	6.032	117.8
June	3.973	8.390	91.71	77.29	73.35	210.71	233.39	91.21	5.956	117.5

See explanations on page 22.

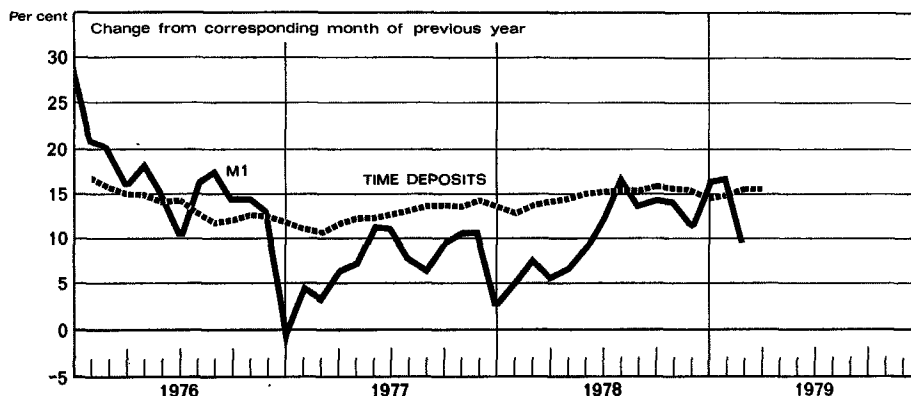


DEPOSITS BY THE PUBLIC¹

Mill. mk

End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commer- cial banks	Savings banks & Co-op. banks	Posti- pankki	All depos- it banks	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	All depos- it banks	
	1	2	3	4	5	6	7	8	9		10
1975	3 472	1 181	2 309	6 962	12 176	9 743	7 530	3 200	32 649	39 611
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1978										
Feb.	3 106	1 468	2 478	7 052	15 191	12 901	9 996	4 243	42 331	49 383
March	2 922	1 420	2 340	6 682	15 350	13 058	10 107	4 363	42 878	49 560
April	3 068	1 414	2 415	6 897	15 596	13 190	10 225	4 368	43 379	50 276
May	3 550	1 541	2 304	7 395	15 975	13 287	10 277	4 393	43 932	51 327
June	3 713	1 517	2 359	7 589	16 210	13 523	10 458	4 485	44 676	52 265
July	3 712	1 594	2 352	7 658	16 440	13 679	10 567	4 600	45 286	52 944
Aug.	3 716	1 718	2 237	7 671	16 323	13 956	10 796	4 681	45 756	53 427
Sept.	3 475	1 699	2 226	7 400	16 328	14 008	10 818	4 707	45 861	53 261
Oct.	3 792	1 756	2 106	7 654	16 484	14 081	10 890	4 696	46 151	53 805
Nov.	3 774	1 793	2 039	7 606	16 550	14 342	11 139	4 820	46 851	54 457
Dec.	3 887	1 676	2 052	7 615	17 035	14 641	11 286	4 900	47 862	55 477
1979										
Jan.	4 138	1 579	2 089	7 806	16 951	14 720	11 454	4 917	48 042	55 848
Feb.	3 544	1 629	2 081	7 254	17 267	15 045	11 716	5 004	49 032	56 286
March	3 717	1 589	2 108	7 414	17 521	15 231	11 803	5 085	49 640	57 054
April	3 837	1 670	1 995	7 502	17 816	15 405	11 966	5 112	50 299	57 801

¹ New series. See explanations on page 18.

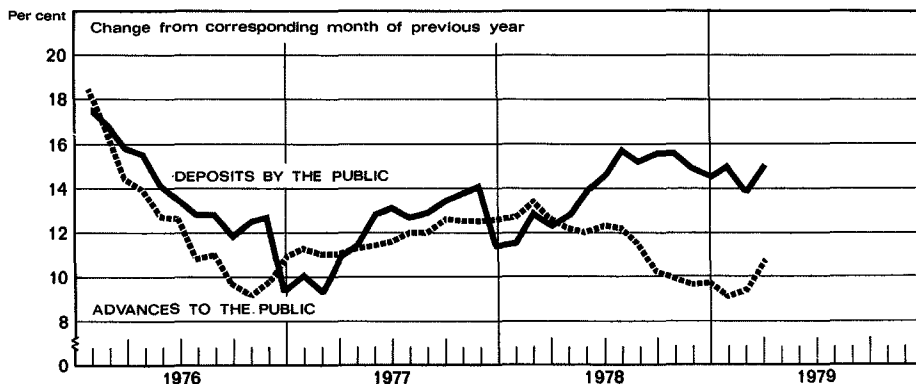


ADVANCES TO THE PUBLIC¹ — MONEY SUPPLY¹

Mill. mk

End of year and month	Advances granted by				Types of advances				Money Supply	
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency	Total (1 to 4) (6 to 7)	M ₁	M ₁ +Quasi- Money
	1	2	3	4	5	6	7	8	9	10
1975	20 799	9 108	7 797	5 597	38 285	1 281	3 735	43 301	9 772	43 165
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1978	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1978										
Feb.	25 472	12 509	10 636	6 731	47 977	1 787	5 584	55 348	10 137	53 709
March	25 599	12 553	10 650	6 500	47 817	1 732	5 753	55 302	10 058	54 272
April	25 820	12 661	10 743	6 488	48 095	1 641	5 976	55 712	10 272	54 990
May	25 841	12 816	10 878	6 537	48 575	1 655	5 842	56 072	10 679	55 962
June	26 123	12 914	11 023	6 707	48 930	1 771	6 066	56 767	11 247	57 365
July	26 017	13 048	11 148	6 753	49 217	1 761	5 988	56 966	11 351	58 025
Aug.	25 771	13 241	11 367	6 650	49 649	1 659	5 721	57 029	11 177	58 501
Sept.	25 774	13 477	11 596	6 682	50 317	1 769	5 443	57 529	11 071	58 328
Oct.	25 862	13 658	11 755	6 670	51 022	1 772	5 151	57 945	11 129	58 611
Nov.	26 091	13 846	11 951	6 707	51 673	1 759	5 163	58 595	11 108	59 300
Dec.	26 324	14 092	12 181	6 847	52 517	1 723	5 204	59 444	11 496	60 682
1979										
Jan.	26 250	14 214	12 272	6 986	52 889	1 746	5 087	59 722	11 544	61 064
Feb.	26 735	14 373	12 348	7 160	53 558	1 876	5 182	60 616	11 102	61 615
March	27 186	14 446	12 446	7 196	53 701	1 805	5 768	61 274	..	..
April	28 170	14 598	12 548	7 342	54 374	1 816	6 468	62 658	..	..

¹ New series. See explanations on page 22.



FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050
1977	30 931	30 708	+223
1978	35 206	32 338	+2 868

1978*

April	2 894	2 426	+468
May	2 942	2 935	+7
June	2 823	2 676	+147
July	2 684	2 635	+49
Aug.	2 401	2 473	-72
Sept.	3 240	2 718	+522
Oct.	3 437	3 040	+397
Nov.	3 636	3 140	+496
Dec.	3 364	2 906	+458

1979*

Jan.	3 438	3 564	-126
Feb.	2 813	2 389	+424
March	3 459	3 163	+296
April	3 374	3 159	+215

Jan.-April

1978*	10 679	9 808	+871
1979*	13 084	12 275	+809

Indices of exports and imports
1975 = 100

Period	Indices of exports and imports 1975 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1974	121	100	85	92	92
1975	100	100	100	100	100
1976	117	96	103	107	96
1977	129	88	119	124	96
1978	138	84	126	138	91

1976

Oct.-Dec.	136	107	108	112	96
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1977

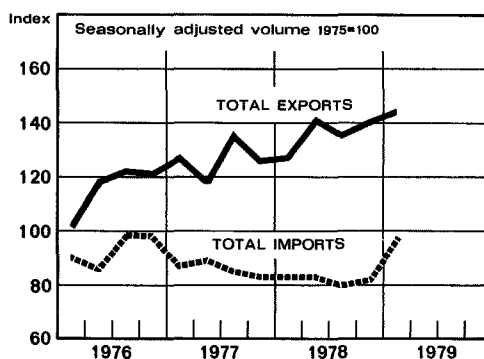
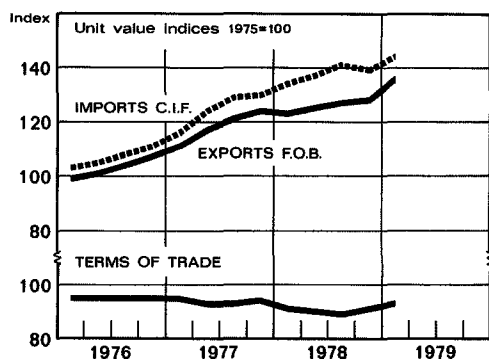
Jan.-March	123	83	112	117	96
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94
Oct.-Dec.	143	93	125	131	95

1978

Jan.-March	124	78	124	135	92
Apr.-June	136	83	126	139	91
July-Sept.	128	79	128	142	90
Oct.-Dec.	160	93	129	140	92

1979*

Jan.-March	140	90	137	145	94
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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	
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
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83
1978	966	4 641	10 402	9 593	9 604	20 431	2 224	4 801	4 830	52

1978*

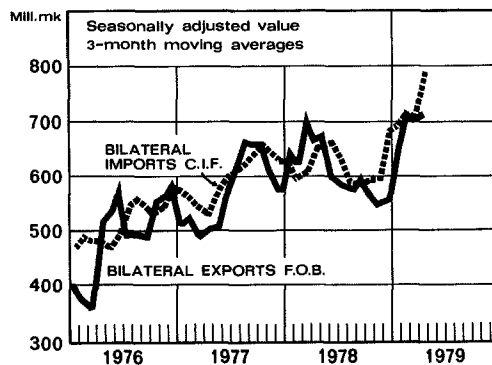
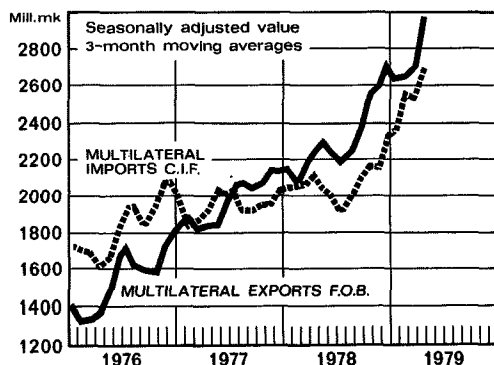
April	19	348	907	799	821	1 445	123	402	455	1
May	113	431	850	729	819	1 823	199	412	501	0
June	40	414	873	810	686	1 740	196	376	362	2
July	44	414	775	756	695	1 700	233	362	325	15
Aug.	33	330	750	553	735	1 558	215	328	370	2
Sept	36	421	948	887	948	1 715	200	396	389	18
Oct.	36	454	1 002	987	958	1 942	195	448	453	2
Nov.	50	498	918	1 122	1 048	2 069	197	408	462	4
Dec.	248	421	936	1 021	738	1 908	260	374	361	3

1979*

Jan.	266	458	918	794	1 002	2 249	235	539	539	2
Feb.	16	337	890	725	845	1 623	83	315	367	1
March	258	327	1 128	797	949	1 964	64	529	604	2
April	17	441	1 107	895	914	1 950	110	585	511	3

Jan.-April

1978*	366	1 258	3 350	2 728	2 977	5 970	529	1 697	1 606	6
1979*	557	1 563	4 043	3 211	3 710	7 786	492	1 968	2 021	8



FOREIGN TRADE BY COUNTRIES¹

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—April				January—April			
	1978*		1979*		1978*		1979*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	61.9	6 611	65.8	8 600	62.1	6 091	63.4	7 780
Austria	0.7	79	0.7	88	1.5	144	1.4	174
Belgium and Luxembourg	2.0	215	1.5	191	1.9	184	2.1	254
Denmark	4.0	422	3.8	490	2.8	273	2.8	347
France	4.0	427	4.6	596	3.4	329	3.9	480
Federal Republic of Germany	10.9	1 165	11.7	1 534	14.3	1 404	14.7	1 801
Italy	1.6	174	2.1	269	2.4	236	2.6	317
Netherlands	3.8	402	3.6	477	3.0	293	2.9	361
Norway	4.3	465	5.5	722	3.3	321	2.8	344
Portugal	0.2	24	0.2	27	0.4	38	0.5	62
Spain	0.7	76	0.9	123	0.8	76	1.2	147
Sweden	14.0	1 490	15.6	2 038	15.6	1 529	16.5	2 020
Switzerland	1.9	199	2.0	266	2.2	216	2.2	272
United Kingdom	12.4	1 328	12.1	1 583	10.1	994	9.2	1 124
Other	1.4	145	1.5	196	0.4	54	0.6	77
OECD countries outside Europe	7.3	780	7.8	1 024	8.4	823	9.3	1 144
Canada	0.5	51	0.5	70	0.4	40	0.7	84
Japan	1.0	108	1.6	204	2.7	264	3.2	390
United States	4.8	518	4.8	626	5.0	495	5.3	647
Other	1.0	103	0.9	124	0.2	24	0.1	23
CMEA countries	20.7	2 209	17.1	2 233	20.0	1 961	19.2	2 355
Czechoslovakia	0.5	52	0.3	34	0.5	45	0.5	67
German Democratic Republic	0.5	58	0.4	54	0.6	59	0.7	81
Poland	0.5	56	0.5	64	2.0	195	0.9	110
Soviet Union	18.1	1 930	14.9	1 955	15.8	1 550	16.2	1 990
Other	1.1	113	1.0	126	1.1	112	0.9	107
Latin America	3.6	381	1.4	189	3.9	385	3.7	459
Argentina	0.2	20	0.2	30	0.2	21	0.1	17
Brazil	0.5	48	0.5	64	0.7	69	1.0	119
Colombia	0.1	15	0.1	12	1.9	182	1.2	142
Other	2.8	298	0.6	83	1.1	113	1.4	181
Other	6.5	698	7.9	1 038	5.6	548	4.4	537
GRAND TOTAL	100.0	10 679	100.0	13 084	100.0	9 808	100.0	12 275
of which								
EFTA countries	21.3	2 269	24.2	3 161	23.2	2 270	23.6	2 895
EEC countries	39.4	4 208	40.0	5 238	38.0	3 732	38.3	4 707
OECD countries	69.2	7 381	73.6	9 624	70.5	6 914	72.7	8 924

¹ New series. See explanations on page 22

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
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976	24 372	28 472	-4 100	+1 193	+ 22	+245	-2 640	-1 749	-118	-4 507
1977	30 766	30 625	+ 141	+1 392	- 3	+411	+1 941	-2 434	-147	- 640
1978 *	35 024	32 243	+2 781	+1 679	+166	+884	+5 510	-2 853	-138	+2 519

1976

July-Sept.	6 098	7 515	-1 417	+365	+ 62	+110	- 880	-434	-17	-1 331
Oct.-Dec.	7 423	8 426	-1 003	+324	- 39	+ 44	- 674	-483	-40	-1 197

1977

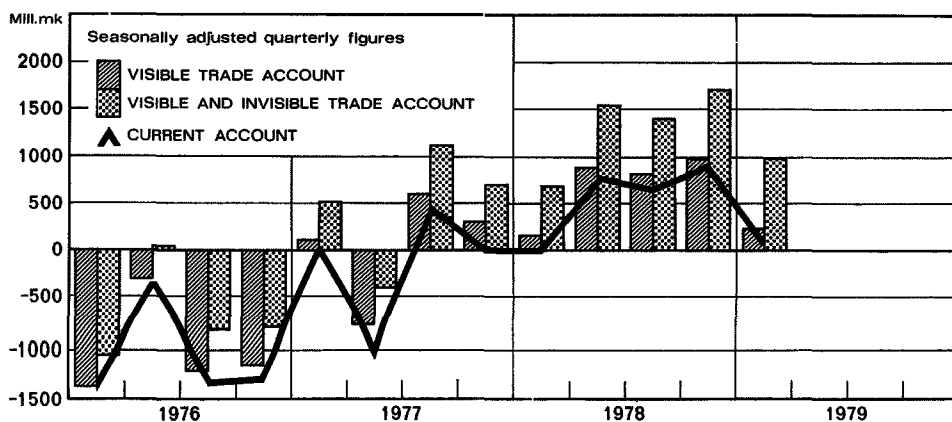
Jan.-March	6 977	6 765	+ 212	+ 331	- 80	+ 82	+ 545	- 506	-46	- 7
Apr.-June	6 817	7 689	- 872	+ 299	+ 10	+ 49	- 514	- 726	-12	-1 252
July-Sept.	7 931	7 671	+ 260	+ 377	+118	+180	+ 935	- 532	-30	+ 373
Oct.-Dec.	9 041	8 500	+ 541	+ 385	- 51	+100	+ 975	- 670	-59	+ 246

1978*

Jan.-March	7 745	7 355	+ 390	+ 369	- 66	+192	+ 885	- 613	-61	+ 211
Apr.-June	8 614	8 007	+ 607	+ 401	+ 11	+232	+1 251	- 820	-20	+ 411
July-Sept.	8 271	7 822	+ 449	+ 426	+222	+167	+1 264	- 644	-23	+ 597
Oct.-Dec.	10 394	9 059	+1 335	+ 483	- 1	+293	+2 110	- 776	-34	+1 300

1979*

Jan.-March	9 674	9 069	+ 605	+ 481	-105	+315	+1 296	- 685	-173	+ 438
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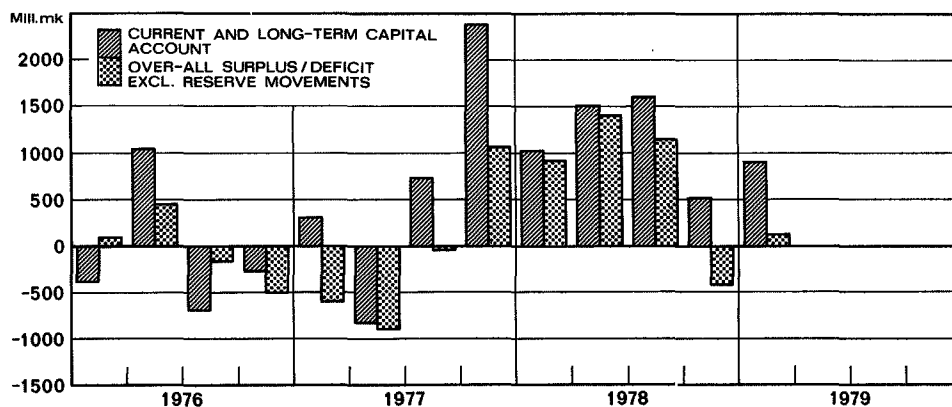


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+ 638	+1 449	+ 8	- 747	- 444	+1 191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+ 138	-1 288	+1 327	- 128	+ 78	+ 50
+6 454	-2 745	-241	-229	+3 239	+2 599	-1 547	- 470	-1 071	- 489	- 170	+ 659
+9 007	-5 743	-774	-229	+2 261	+4 780	+ 130	-2 188	+ 318	+3 040	-2 339	- 701
+1 239	- 568	- 11	- 25	+ 635	- 696	+ 565	- 764	+ 722	- 173	+ 263	- 90
+1 391	- 449	- 90	+ 69	+ 921	- 276	+ 359	- 763	+ 169	- 511	- 73	+ 584
+1 022	- 550	-127	- 24	+ 321	+ 314	- 799	+ 149	- 269	- 605	- 140	+ 745
+1 273	- 857	+ 35	- 37	+ 414	- 838	- 333	+ 149	+ 116	- 906	+ 358	+ 548
+1 252	- 647	-156	- 89	+ 360	+ 733	+ 227	- 384	- 631	- 55	- 319	+ 374
+2 907	- 691	+ 7	- 79	+2 144	+2 390	- 642	- 384	- 287	+1 077	- 69	-1 008
+1 876	- 854	-166	- 17	+ 839	+1 050	- 479	- 402	+ 755	+ 924	-1 556	+ 632
+2 900	-1 733	- 1	- 51	+1 115	+1 526	+ 328	- 402	- 52	+1 400	- 687	- 713
+2 265	-1 089	- 96	- 39	+1 041	+1 638	+ 20	- 692	+ 178	+1 144	- 607	- 537
+1 966	-2 067	-511	-122	- 734	+ 566	+ 261	- 692	- 563	- 428	+ 511	- 83
+2 202	-1 626	- 7	+ 91	+ 660	+1 098	- 46	- 139	- 786	+ 127	- 913	+ 786

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.

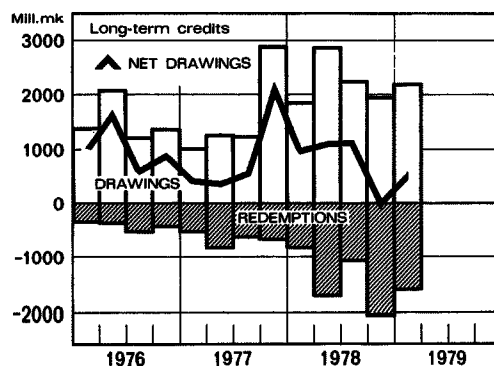
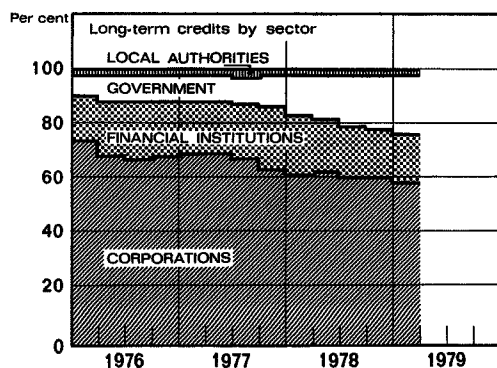


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

End of year and month	Long-term assets				Long-term liabilities					Net long-term liabilities (9-4)
	Export credits	Direct investment	Other	Total (1 to 3)	Financial loans	Import credits	Direct investment	Other	Total (5 to 8)	
	1	2	3	4	5	6	7	8	9	10
1975	1 871	1 224	364	3 459	14 295	3 373	1 125	109	18 902	15 443
1976	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978*	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660
1975										
Sept.	1 699	1 184	320	3 203	13 488	3 228	1 066	88	17 870	14 667
Dec.	1 871	1 224	364	3 459	14 295	3 373	1 125	109	18 902	15 443
1976										
March	1 813	1 250	369	3 432	14 915	3 786	1 165	106	19 972	16 540
June	1 878	1 259	392	3 529	16 690	3 901	1 216	130	21 937	18 408
Sept.	1 910	1 310	425	3 645	17 045	4 321	1 273	155	22 794	19 149
Dec.	1 969	1 342	479	3 790	17 484	4 571	1 497	169	23 721	19 931
1977										
March	2 094	1 312	489	3 895	17 598	4 974	1 632	163	24 367	20 472
June	2 175	1 404	508	4 087	19 150	5 483	1 708	156	26 497	22 410
Sept.	2 238	1 499	713	4 450	20 364	5 509	1 700	156	27 729	23 279
Dec.	2 269	1 596	750	4 615	22 695	5 775	1 717	169	30 356	25 741
1978*										
March	2 499	1 673	837	5 009	25 107	6 068	1 774	159	33 108	28 099
June	2 517	1 759	859	5 135	26 769	6 134	1 865	159	34 927	29 792
Sept.	2 548	1 785	863	5 196	28 212	5 812	1 885	187	36 096	30 900
Dec.	2 978	1 850	956	5 784	27 716	5 612	1 885	231	35 444	29 660

See explanations on page 22.

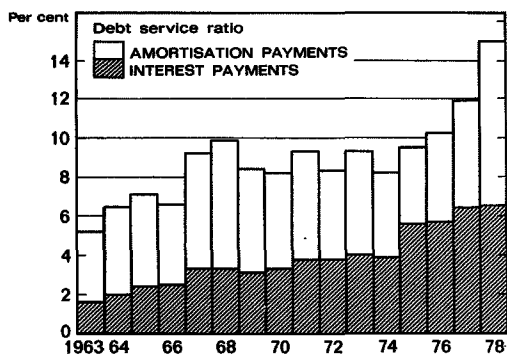
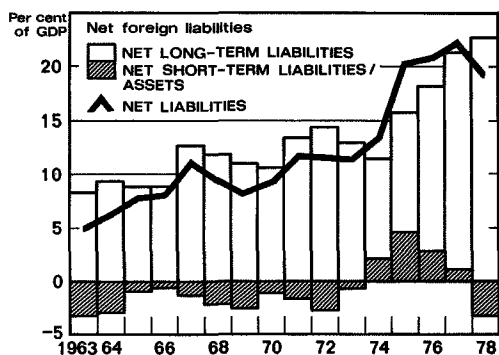


FINLAND'S FOREIGN ASSETS AND LIABILITIES

Mill. mk

Short-term assets				Short-term liabilities				Net short-term liabilities (18-14)	Net liabilities (10 + 19)	Debt service, flow	Of which amortisation payments, flow
Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (11 to 13)	Bank of Finland	Authorized banks and other foreign exchange holders	Corporate sector	Total (15 to 17)				
11	12	13	14	15	16	17	18	19	20	21	22
3 363	2 779	4 684	10 826	1 242	4 519	9 565	15 326	4 500	19 943	2 414	996
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	3 103	1 354
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	4 516	2 082
6 545	4 568	8 161	19 274	1 478	6 365	7 302	15 145	-4 129	25 531	6 621	3 769
3 569	2 853	4 767	11 189	1 275	4 272	9 360	14 907	3 718	18 385	496	187
3 363	2 779	4 684	10 826	1 242	4 519	9 565	15 326	4 500	19 943	645	235
3 187	3 061	4 817	11 065	1 301	4 519	9 293	15 113	4 048	20 588	639	292
3 610	3 095	4 949	11 654	1 201	4 215	9 377	14 793	3 139	21 547	763	278
3 517	3 307	5 313	12 137	1 298	4 379	9 497	15 174	3 037	22 186	882	448
3 630	3 087	5 676	12 393	1 201	4 812	9 486	15 499	3 106	23 037	819	336
3 798	2 641	5 690	12 129	1 187	4 997	8 779	14 963	2 834	23 306	778	272
3 686	2 504	5 703	11 893	1 295	5 444	8 606	15 345	3 452	25 862	1 418	692
4 042	2 984	6 076	13 102	1 406	6 382	8 905	16 693	3 591	26 870	1 114	582
4 306	3 863	6 448	14 617	1 423	6 335	8 242	16 000	1 383	27 124	1 206	536
5 491	3 409	7 233	16 133	1 293	6 594	7 559	15 446	- 687	27 412	1 392	779
6 748	4 097	7 456	18 301	1 772	6 610	7 752	16 134	-2 167	27 625	1 494	673
6 757	4 412	7 774	18 943	1 483	6 264	7 419	15 166	-3 777	27 123	1 628	984
6 545	4 568	8 161	19 274	1 478	6 365	7 302	15 145	-4 129	25 531	2 107	1 333

See explanations on page 22.



PRICE INDICES

Period	Who lesa le prices 1949 = 100									Building costs 1973 = 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			
1977	692	713	610	667	804	695	728	654	695	171	154	176
1978	727	740	675	691	890	732	743	678	749	181	161	186
1978												
July	730	742	685	691	902	739	752	677	752	180	160	186
Aug.	730	742	686	690	905	739	745	679	756	180	160	186
Sept.	735	747	688	696	909	743	744	681	765	184	168	188
Oct.	741	752	697	704	920	744	748	691	769	185	168	189
Nov.	744	756	700	710	918	744	753	695	771	185	168	189
Dec.	747	758	704	712	925	747	758	696	774	185	168	189
1979												
Jan.	752	764	707	717	932	753	757	702	783	188	170	193
Feb.	760	774	709	721	938	767	772	708	788	190	171	195
March	763	776	714	727	952	763	768	711	794	193	177	196
April	770	782	726	736	971	765	772	724	800	195	179	198
May	772	782	732	739	970	764	770	729	802	197	179	201

Period	Consumer prices 1977 = 100 ¹										
	Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	House- hold goods and services	Health and medical services	Transport and communi- cation	Education and recreation	Other goods and services
1978	107.8	104.4	114.6	105.8	106.3	106.4	105.2	112.4	111.1	108.2	109.2
1978											
July	108.1	104.2	118.4	102.4	106.7	106.5	104.6	115.2	112.6	107.4	109.5
Aug.	108.6	103.9	118.3	105.1	106.9	106.8	104.9	116.0	112.9	110.2	109.9
Sept.	109.3	105.4	118.4	106.9	106.9	106.7	105.1	116.0	112.6	110.7	112.1
Oct.	110.0	106.8	118.4	110.1	106.9	106.9	106.7	117.4	112.1	111.3	113.0
Nov.	110.6	106.1	118.4	111.4	107.4	107.2	108.0	119.8	114.0	111.8	113.0
Dec.	110.4	105.0	118.4	111.5	107.4	107.3	108.4	119.8	114.6	111.9	112.7
1979											
Jan.	111.3	104.6	129.0	109.6	107.4	107.3	109.4	122.6	114.4	112.6	114.8
Feb.	112.6	106.6	129.4	110.4	111.4	107.2	109.8	122.8	114.6	112.9	115.4
March	113.4	107.5	129.4	111.7	111.4	109.0	110.2	122.8	116.4	112.8	115.9
April	114.4	107.8	129.4	115.5	111.4	108.9	112.6	123.4	118.1	115.1	116.8
May	114.8	107.9	129.4	116.0	113.0	108.9	112.9	123.4	117.8	115.5	117.4

¹ New series.

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							
1977	671	484	457	386	387	378	453	373	479	433
1978*	749	518	478	413	406	394	486	398	511	462
1977										
July-Sept.	672	493	462	389	390	382	461	377	488	440
Oct.-Dec.	708	499	468	398	394	382	468	385	492	445
1978*										
Jan.-March	728	502	469	399	395	384	471	386	495	447
Apr.-June	736	515	473	404	398	387	483	391	508	457
July.-Sept.	749	521	474	417	408	395	492	401	517	466
Oct.-Dec.	777	534	494	432	423	411	502	415	526	477
1979*										
Jan.-March	808	556	509	451	440	428	523	433	547	497

PRODUCTION

Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce	Public sector services	Others
1976*										
July-Sept.	100	89	192	64	92	93	101	100	106	98
Oct.-Dec.	108	110	75	121	107	98	114	111	108	104
1977*										
Jan.-March	98	106	71	110	78	96	94	84	111	101
Apr.-June	100	103	87	112	74	95	97	95	110	103
July-Sept.	100	90	153	63	94	90	106	96	111	100
Oct.-Dec.	108	110	75	110	105	93	114	101	113	106
1978*										
Jan.-March	99	107	71	115	74	93	96	84	116	102
Apr.-June	103	109	89	104	75	95	107	93	116	104
July-Sept.	101	92	154	60	93	90	109	92	117	102
Oct.-Dec.	112	114	79	137	97	91	120	102	118	107

PRODUCTION

Index of industrial production 1970 = 100

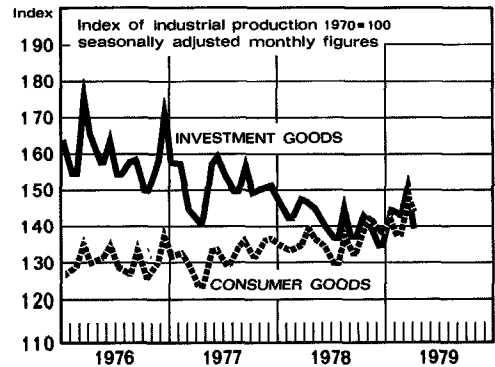
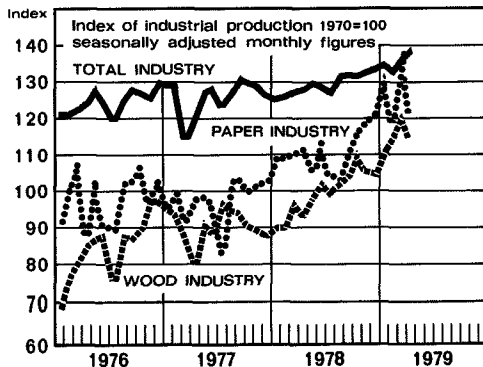
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1975	122	178	110	130	113	76	95	143	128	150	122
1976	125	162	116	132	110	85	99	153	121	150	125
1977*	127	153	119	133	108	91	98	153	119	151	128
1978*	130	143	125	137	114	100	112	165	117	145	130

1978*

Feb.	128	147	123	134	94	87	113	164	118	146	127
March	136	156	130	141	104	104	107	183	121	156	128
April	134	148	129	140	106	114	115	179	128	149	128
May	140	159	134	147	119	126	112	165	127	161	130
June	124	146	116	136	114	111	97	126	129	146	129
July	67	53	67	72	101	43	72	98	49	50	128
Aug.	135	145	128	146	124	97	112	177	117	150	132
Sept.	138	148	134	142	114	107	129	182	129	154	132
Oct.	147	161	142	152	137	120	133	199	133	163	132
Nov.	148	162	141	157	141	116	131	173	124	165	133
Dec.	129	132	125	137	113	90	109	160	104	140	134

1979*

Jan.	146	157	142	148	112	109	133	193	113	162	135
Feb.	136	148	133	138	102	110	123	186	108	151	134
March	153	161	149	157	117	138	140	210	127	166	137
April	136	139	133	143	117	127	116	183	119	146	140



LABOUR—TIMBER FELLINGS—INTERNAL TRADE

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- sellers' volume index 1972 = 100
1975	3 513	2 272	2 221	51	2.2	29 133	122	127
1976	3 547	2 254	2 163	91	4.0	27 305	123	127
1977	3 561	2 248	2 111	137	6.1	27 814	113	120
1978*	3 578	2 253	2 084	169	7.5	29 021	109	120
1978*								
June	3 576	2 420	2 241	179	7.4	1 379	111	120
July	3 579	2 418	2 243	175	7.2	613	109	95
Aug.	3 579	2 326	2 171	155	6.7	1 080	113	127
Sept.	3 580	2 233	2 086	147	6.6	1 829	110	126
Oct.	3 584	2 219	2 066	153	6.9	2 559	111	131
Nov.	3 583	2 224	2 061	163	7.3	3 046	109	125
Dec.	3 586	2 211	2 047	164	7.4	3 294	139	137
1979*								
Jan.	3 587	2 210	2 025	185	8.4	3 335	..	..
Feb.	3 590	2 210	2 029	181	8.2	3 968	..	..
March	3 590	2 210	2 048	162	7.3	4 352	..	..
April	3 592	2 201	2 052	149	6.8	..	..	..

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building- 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											
1976	46.89	19.95	3.93	15.81	3.84	41.25	17.74	3.16	15.40	2.59	51.85
1977	41.88	18.86	4.22	12.11	3.71	43.70	18.10	3.07	16.80	3.33	48.12
1978*	41.98	17.89	4.97	12.72	3.68	42.14	18.02	3.71	13.50	4.18	43.47
1977*											
Jan.-March	6.73	2.92	0.66	1.91	0.83	9.44	3.59	0.47	4.52	0.57	47.96
Apr.-June	13.22	7.00	1.71	2.69	0.80	8.77	4.16	0.39	2.76	1.01	51.52
July-Sept.	11.41	4.72	1.06	3.85	0.91	10.91	4.03	1.05	4.03	0.99	52.69
Oct.-Dec.	10.52	4.21	0.80	3.65	1.18	14.58	6.30	1.17	5.52	0.78	48.12
1978*											
Jan.-March	10.21	3.72	1.02	4.06	0.92	8.36	3.81	0.66	2.80	0.75	45.37
Apr.-June	12.92	6.51	2.17	2.59	0.69	9.54	4.21	0.54	3.38	0.91	47.13
July-Sept.	11.07	4.12	1.04	4.33	0.85	9.57	3.58	1.10	2.95	1.07	49.12
Oct.-Dec.	7.79	3.54	0.74	1.74	1.21	12.65	5.83	1.23	3.35	1.35	43.47

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. The balance sheet was re-organized from Dec. 31, 1978. Foreign bills were included in corporate sector receivables rather than in receivables from the foreign sector as was the case before.

Page 4. *Foreign sector*: Gold and convertible exchange receivables = Gold + Special drawing rights + IMF reserve 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 bonds + Currency subscription to Finland's quota in the IMF.

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

Public sector: Receivables = Government promissory notes + Bonds + Total coinage + Other public sector receivables.

Liabilities = Cheque accounts + Counter-cyclical reserves + Capital import deposits + Other public sector claims.

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 liabilities, net = Capital import deposits + Cash reserve deposits + Cheque account liabilities to Postipankki + Other financial institution claims — Bonds — Other financial institution receivables.

Corporate sector: Permanent special financing schemes = Foreign bills + New export bills + Financing of suppliers credits.

Liabilities, net = Deposits for investment and ship purchase + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Other corporate claims — Bonds — Other corporate receivables.

MONETARY POLICY INDICATORS

Page 6. All the figures except the Average lending rate of the commercial banks are mean values of daily figures for the month or year in question. The Average lending rate of the commercial banks is the mean value of end of the month lending rates weighted by credit outstanding.

Total central bank debt of the commercial banks = Discounted and rediscounted bills + net cheque account receivables from the commercial banks + call money debt + bond transactions with repurchase obligations — call money deposits by the commercial banks.

Actual central bank debt of the commercial banks = Total central bank debt — Postipankki's call money placements. Postipankki accounts for the bulk of the supply of call money from the deposit banks (supply of call money, see column 4 on page 5).

Credit quotas of the commercial banks at the Bank of Finland is the sum of individual quotas specifying the amount each bank eligible for central bank credit can borrow at the discount rate. A progressively rising interest rate is charged on credit in excess of the quota. There is an absolute ceiling on quota related debt, which is currently 170 per cent of the quota.

Bank of Finland placements in the call money market = Demand for call money by the deposit banks — Supply of call money by the deposit banks. Average cost of the total central bank debt of the commercial banks: Net costs paid to the Bank of Finland by the commercial banks, as a percentage of their total central bank debt, per annum.

FOREIGN EXCHANGE RATES

Page 7. *Exchange rates* are annual and monthly averages of the Bank of Finland's daily quotations. *Currency index* is annual and monthly average of daily index numbers.

DEPOSITS BY THE PUBLIC — ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

Page 8. *Deposits by the public*. The central government and the financial institutions are mainly excluded from the public. From 1974 deposits include domestic deposits denominated in foreign currency.

Page 9. *Advances to the public*. The central government and the financial institutions are not included in the public.

Postipankki's (Post Office Bank's) advances do not include loans granted by the State Investment Fund (INRA). Domestic credits in foreign currency are mainly granted by the commercial banks and the rest by Postipankki.

Money Supply. M_1 = Finnish notes and coins in circulation — Finnish notes and coins held by the banks + Demand deposits held by the public (incl. Demand deposits at the Bank of Finland) Quasi-Money = Time deposits held by the public (incl. Time deposits at the Bank of Finland).

Note: Domestic deposits in foreign currency included in money supply since 1974. In the money supply the public includes non-monetary financial institutions.

STATE FINANCES

Page 10. 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 11—13. Figures supplied by the Board of Customs. *Indices* (p. 11): 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. 13): from January 1978 imports by countries of origin exports by countries of consumption.

BALANCE OF PAYMENTS

Pages 14—15. 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.

FOREIGN ASSETS AND LIABILITIES

Pages 16—17. Figures calculated by the Bank of Finland. Long-term assets: Other = financial loans + Finland's subscriptions to international financial institutions. Long-term liabilities: Other = Leasing credits + subscriptions to international financial institutions paid in the form of bonds. Short-term assets: From 1978 the Bank of Finland's foreign bills are included in financing of exports and reclassified under the corporate sector.

Column 21 Debt service = Net investment income of short-term and long-term assets and liabilities + net amortisation payments of long-term foreign assets and liabilities.

Columns 21 and 22 during the year and the quarter.

Chart Long-term credits by sector: Quarterly figures available since 1976. Chart Debt service ratio: Debt service as a per cent of current account earnings. 1978 Debt service does not include amortisation of the Bank of Finland credit facilities.

PRICE INDICES

Page 18. All indices calculated by the Central Statistical Office.

WAGES — PRODUCTION

Pages 19—20. Figures supplied by the Central Statistical Office. Page 20. *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 — INTERNATIONAL TRADE — TRAFFIC — CONSTRUCTION OF BUILDINGS

Page 21. *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, — Break in series.

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 since 1956 and he was re-elected for the period March 1, 1978, to March 1, 1984.

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 1979 is as follows: Social Democratic Party of Finland 52, National Coalition Party 47, Centre Party 36, Democratic League of the People of Finland 35, Swedish Party 10, Christian League of Finland 9, Finnish Rural Party 7 and Liberal Party 4.

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, OECD 1969, and IDB 1977.

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 (1977): 4.7 million. Sweden 8.3, Switzerland 6.3, Denmark 5.1, and Norway 4.0 million.

DENSITY OF POPULATION (1977): In South Finland 46.4, in East and Central Finland 13.9, in North Finland 4.0 and in the whole country an average of 15.5 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1977): 40% of the population inhabit the rural areas, 60% towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 487 519 inhabitants, Tampere (Tammerfors) 166 118, Turku (Åbo) 165 215.

EMPLOYMENT (1977): Agriculture and forestry 13%, industry and construction 35%, commerce 15%, transport and communication 7%, services 30%.

LANGUAGE (1977): Finnish speaking 93.4%, Swedish speaking 6.4%, others 0.2%.

EDUCATION (1978): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 14 colleges of university standard.

CHANGE OF POPULATION (1977): births 13.9‰, deaths 9.4‰, change + 2.2‰, net emigration — 2.2‰. Deaths in France 10.1‰ and Great Britain 11.7‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1977, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 308 (6%), forestry and fishing 5 345 (5%), manufacturing 33 593 (30%), construction 9 979 (9%), transport and communication 11 604 (11%), commerce, banking and insurance 14 903 (14%), public administration 5 956 (5%), ownership of dwellings 4 030 (4%), services 17 543 (16%), total 109 261. Index of real domestic product 183 (1984 = 100).

FOREST RESOURCES (1977): The growing stock comprised of 1 620 million m³ (solid volume with bark) of which 45% was pine and 37% spruce, the remaining 18% being broad-leaved trees, chiefly birch. Of the growing stock, 637 million m³ was up to the standard required for logs, 56% of these being pine. The annual growth was 57.4 million m³ and the total removal, calculated on the basis of roundwood consumption, was 40.7 million m³.

AGRICULTURE (1977): Cultivated land 2.3 million hectares. Number of holdings 237 700 of which 182 000 are of more than 5 ha. Measure of self-sufficiency in bread cereals 125%.

INDUSTRY (1976): Gross value of industrial production 95 790 mill. marks, number of workers 412 718, salaried employees 136 890, motive power (1976) 6.8 mill. kW. Index of industrial production 125 for 1976 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1979): Length 6 063 km.

MERCHANT FLEET (March 31, 1979): Passenger vessels 120 (192 379 gross reg. tons), tankers 45 (1 070 458 gross reg. tons), dry cargo vessels 216 (1 031 944 gross reg. tons), other vessels 80 (10 550 gross reg. tons), total 461 (2 305 331 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1978): Passenger cars 1 115 300, lorries and vans 139 100, buses 8 800, others 7 600, total 1 270 800.

FINNISH AIRLINES (March 31, 1979): Finnair and Kar-Air have in use 4 DC-8, 1 DC-6-ST, 8 Super Caravelles, 9 DC-9s, 7 DC-9-51s, 2 DC-10-30 and 4 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 30 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). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The present currency weights are Rbl 19.3, Skr 17.5, £ 13.7, DM 13.4, \$ 9.3, other currencies 26.8. The permissible range of fluctuation is 2.25 per cent on either side of the arithmetic mean. The fluctuation limits are 121.7 and 116.4.

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, 1978). There are two big and five small commercial banks with in all 858 offices, 280 savings banks, 374 co-operative banks, six mortgage banks, Postipankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-seven private insurance companies also grant credits.

RATES OF INTEREST (May 1, 1978). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 7 ½%. The range of rates for other credits granted by the Bank of Finland is between 5% and 8 ½%. Other credit institutions time deposits 3 ¼%; 6 month deposits 4 ¼%; 12 month deposits 5 ½%; 24 month deposits 6 ½%; 36 month deposits 7 ¼% + savings premium; 36 month deposits 7 ¼% + tax concession. The highest lending rate 10 ½%.

SMALL AND MEDIUM-SIZED INDUSTRIAL FIRMS IN FINLAND

by Heikki J. Kunnas, Lic.Pol.Sc.

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In recent years, industrial policy discussions in industrialized countries have focussed on small and medium-sized firms. These firms have played an important macroeconomic role in Finland, and owing to the regional structure of Finnish industry, they have been especially prominent in the formulation of regional development policies.

The fact that small and medium-sized industrial firms are generally labour-intensive and not highly capitalised means that not only are they particularly important in efforts to reduce unemployment, but also they are relatively adaptable to structural changes within industry.

Medium-sized firms can, in addition, make a substantial contribution to the country's foreign trade, as indicated by their notable export performance following the liberalisation of Finnish trade policy in the early 1960s. They also offer certain other advantages. Smaller-scale enterprises usually constitute less of an environmental hazard, and offer a better working environment, and their reputation has been further enhanced by the fact that their energy consumption relative to the volume of production is less than that of large industrial firms. In future, this aspect may become more significant in Finland, since we are vitally dependent on imported energy.

In addition to these macroeconomic considerations, there are a number of microeconomic features favouring the development of small and medium-sized industrial firms. Previously, lack of data has precluded an analysis of their importance to the economy, but now, in order to amend this SITRA has conducted a study of small and medium-sized industrial firms in Finland. The following examination is based on the results of this study.

SMALL AND MEDIUM-SIZED FIRMS AND INDUSTRIAL GROWTH

Small and medium-sized industrial firms clearly have a crucial role in the promotion of economic growth. There is a tendency for these firms to be more innovative in product markets, although, in line with the normal trend such initiatives are not always successful and some enterprises are forced to discontinue their operations.

A substantial proportion of firms have originally begun as small enterprises, but in certain sectors production technology and competitive conditions preclude small-scale enterprise. Hence it is very difficult to group firms by size.

THE GROUPING OF FIRMS BY SIZE

It is impossible to draw precise lines between the categories of firm size, because no single indicator is entirely adequate. The most common criterion for size classification is the number of employees, and then to a lesser extent turnover and the gross value of output are also used. One of the main problems is that the same indicator is not always equally appropriate for all industrial sectors and hence the adoption of any single size classification is necessarily somewhat arbitrary.

In SITRA's study of small and medium-sized industrial firms, enterprises were classified by size according to the number of employees, with firms employing less than 100 people classified as small, those employing between 100 and 499 people as medium-sized, and those with more than 500 employees as large firms.

THE NUMBER OF SMALL AND MEDIUM-SIZED INDUSTRIAL FIRMS

The analysis is based primarily on the Finnish Industrial Statistics, which do not include firms employing less than five people. According to the Company Register, there were some 9 400 such firms in 1974. These employed on average 1.5 persons, thus representing mainly handicraft rather than manufacturing.

Chart 1 shows developments in the number of industrial firms between 1960 and 1975, for each firm size category. It can be seen that while the number of small and medium-sized industrial firms increased in the 1960s, it declined sharply in the early 1970s. In 1975 industrial firms totalled slightly more than 4 500, some 700 less than in 1970.

TABLE 1. THE NUMBER OF INDUSTRIAL FIRMS, 1960 AND 1975, BY SIZE OF FIRM

	1960		1975	
	Number	Per cent	Number	Per cent
Small firms	4 423	89.6	3 851	85.2
Medium-sized firms	410	8.3	529	11.7
Large firms	103	2.1	142	3.1
Total	4 936	100.0	4 522	100.0

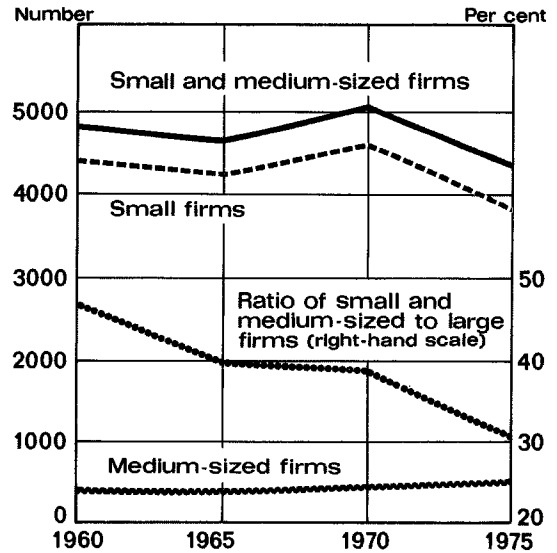
In 1975 most small industrial firms (3 286) had less than 50 employees, with only 565 having 50 to 99 employees. The decline in the number of small and medium-sized firms has occurred mainly in the former category, thereby shrinking slightly the growth potential of the Finnish economy.

Changes in the structure of manufacturing can also be illustrated by means of data by establishment. Figures in Table 2 show the breakdown of manufacturing establishments in 1960 and 1975, by category of size of firm.

TABLE 2. THE BREAKDOWN OF MANUFACTURING ESTABLISHMENTS, 1960 AND 1975, BY SIZE OF FIRM

	1960	1975
	Per cent	Per cent
Small firms	74.7	65.4
Medium-sized firms	11.5	14.0
Large firms	13.8	20.6

CHART 1. DEVELOPMENTS IN THE NUMBER OF INDUSTRIAL FIRMS BETWEEN 1960 AND 1975, BY CATEGORY OF SIZE



Although the number of establishments has declined amongst small firms and in total manufacturing in the 1970s, the number of establishments amongst medium-sized and large firms has increased continuously since 1960.

The Finnish manufacturing industry has been characterised by a growing dominance of large firms and a consequent increase in the average size of establishment.

Table 3 shows the breakdown of small and medium-sized firms in 1960 and 1975 by type of industry. In 1960 the largest single category of small firms was engaged in food processing, but in 1975 the manufacture of metal products took the lead amongst both small and medium-sized firms. The other main activities in which medium-sized firms engaged were food processing and the manufacture of textiles and footwear.

These activities, together with the manufacture of wood products, wooden furniture, plastic products and metal products are typically dominated by relatively small-scale enterprise, and account for almost 60 per cent of the total output of small and medium-sized industrial firms and for about 25 per cent of total industrial output.

TABLE 3. THE NUMBER OF SMALL AND MEDIUM-SIZED INDUSTRIAL FIRMS, 1960 AND 1975, BY INDUSTRY

	Small	1960 Medium- sized	Total	Small	1975 Medium- sized	Total
Food processing	1 119	63	1 182	798	59	857
Textiles, footwear, etc.	743	110	853	564	123	687
Wood products	849	52	901	607	37	644
Paper products	407	55	462	408	68	476
Chemical industries	167	25	192	196	38	234
Ceramics, glassware, etc.	311	16	327	229	23	252
Basic metal industries	45	2	47	58	5	63
Metal products	699	83	782	899	162	1 061
Other manufacturing industries	83	4	87	92	14	106
Total manufacturing	4 423	410	4 833	3 851	529	4 380

Large firms accounted for most of the increase in the total industrial labour force between 1960 and 1975. While the total labour force of large firms increased by more than 130 000 during that period, small and medium-sized industrial firms' total personnel increased by barely 30 000. In the distribution of the labour force by firm size, large firms have taken up a growing share, with a decline in the labour

TABLE 4. DISTRIBUTION OF THE INDUSTRIAL LABOUR FORCE, 1960 AND 1975, BY SIZE OF FIRM

	1960		1975	
	1 000 persons	Per cent	1 000 persons	Per cent
Small firms	92.0	25.5	96.7	18.3
Medium-sized firms	80.6	22.3	109.1	20.6
Large firms	188.5	52.2	323.6	61.1
Total manufacturing	361.1	100.0	529.4	100.0

force of small and medium-sized industrial firms relative to the total industrial labour force from 48 per cent in 1960 to only 39 per cent in 1975.

Since large firms generally consist of several establishments, changes in the breakdown of the labour force by size of establishment have been less significant. As a result, about two thirds of the total industrial labour force are still working in establishments with less than 500 employees.

The average size of a firm's labour force has also increased, again emphasising the tendency

TABLE 5. THE AVERAGE NUMBER OF EMPLOYEES OF A MANUFACTURING FIRM, 1960 AND 1975, BY SIZE OF FIRM

	Persons per firm	
	1960	1975
Small firms	21	25
Medium-sized firms	197	206
Large firms	1 830	2 280
Total manufacturing	73	117

in the manufacturing industry towards larger firms (Table 5). In 1975 small firms had on average 25 employees, medium-sized firms some 200 and large firms nearly 2 300.

OUTPUT BY SIZE OF FIRM

Table 6 shows the breakdown of output by size of firm. Although data on the gross value of output tend to stress the role of large firms, data on value added provide a less biased picture of changes in the structure of production.

TABLE 6. MANUFACTURING OUTPUT, 1960 AND 1975, BY SIZE OF FIRM

	Gross value of output		Value added	
	1960	1975	1960	1975
Small firms	20.9	12.6	19.9	15.0
Medium-sized firms	20.2	16.0	21.0	18.6
Large firms	58.9	71.4	59.1	66.4
Total manufacturing	100.0	100.0	100.0	100.0

In 1975 small and medium-sized industrial firms accounted for almost 29 per cent of the gross value of manufacturing output and for nearly 34 per cent of the value added. The gross value of output, which is almost the same as turnover, was on average nearly 3 million marks for small firms and more than 20 million marks for medium-sized firms in the same year.

As shown by Table 7, the ratio of value added to the gross value of output has risen somewhat in small and medium-sized industrial firms, whereas the corresponding ratio has fallen slightly in large firms.

These figures are also subject to changes in the sectorial structure of production, and hence, the averages for various size categories may differ partly because of a different structure of production. Nevertheless, it seems that the ratio of value added to the gross value of output is increasing in small and medium-sized industrial firms, and that production is becoming more capital-intensive.

TABLE 7. THE RATIO OF VALUE ADDED TO THE GROSS VALUE OF OUTPUT, 1960 AND 1975, BY SIZE OF FIRM

	Per cent	
	1960	1975
Small firms	39.8	42.2
Medium-sized firms	34.6	41.1
Large firms	33.5	32.9
Total manufacturing	33.3	35.4

A SHIFT TOWARDS HIGHER CAPITAL-INTENSITY

Small and medium-sized industrial firms are no longer engaged solely in labour-intensive production, for they have become increasingly heavily capitalised during the period under review, implying a move towards modernisation. This conclusion is also supported by time series data on value added per employee, which shows a rapid increase over the period under review, although it is still lower in small and medium-sized industrial firms than in large firms.

These conclusions suggest that, although small medium-sized industrial firms are still predominantly labour-intensive, the shift towards higher capital-intensity has meant an increase in their financial requirements.

TABLE 8. FIXED CAPITAL AND VALUE ADDED PER EMPLOYEE IN MANUFACTURING, 1965 AND 1975, BY SIZE OF FIRM

	Capital per employee		Value added per employee	
	1 000 marks		1 000 marks	
	1965	1975	1965	1975
Small firms	13.7	42.5	14	48
Medium-sized firms	20.3	69.5	15	48
Large firms	29.0	199.2	15	59
Total manufacturing	22.3	149.6	15	52

LOCATION OF SMALL AND MEDIUM-SIZED INDUSTRIAL FIRMS IN FINLAND

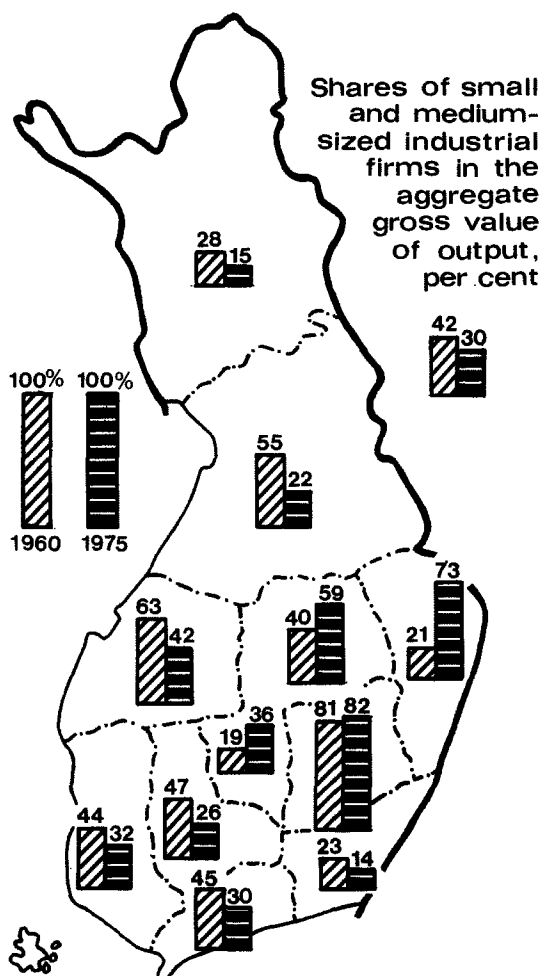
Chart 2 shows the regional distribution of small and medium-sized industrial firms in Finland, and the shares of small and medium-sized industrial firms in the gross value of output in 1960 and 1975. It can be seen that Eastern Finland especially is dominated by smaller-scale enterprises, which in 1975 accounted for about 70 per cent of the industrial output in this region. In the province of Kymi, however, where there is a concentration of large-scale forest industry enterprises, large firms account for a major share in output.

On a provincial level, since 1960 the share of small and medium-sized firms in industrial output has increased only in the provinces of Keski-Suomi, Mikkeli, Kuopio and Pohjois-Karjala and has declined quite markedly in other parts of the country.

THE ROLE OF SMALL AND MEDIUM-SIZED FIRMS IN FINNISH EXPORTS

Statistics on the breakdown of Finnish exports by size of firm were available only for 1977.

CHART 2. PERCENTAGE CONTRIBUTIONS OF SMALL AND MEDIUM-SIZED INDUSTRIAL FIRMS TO THE GROSS VALUE OF TOTAL INDUSTRIAL OUTPUT IN 1960 AND 1975, BY PROVINCE



Source: The base data of Industrial Statistics.

Table 9 shows the breakdown of Finnish exports by trade region and category of firm size. However, the size classification differs slightly from that adopted within this study, and hence

the export share of large firms may have been slightly undervalued and that of small and medium-sized firms slightly overvalued. On the other hand, since the export share of the latter acting as subcontractors to large firms has been included under large firms' exports, this tendency has been counter-acted somewhat.

In 1977 the total value of exports by small and medium-sized industrial firms amounted to about 9 500 million marks, accounting for 31.5 per cent of total Finnish exports. The export share of medium-sized firms was substantial, particularly in exports to the Soviet Union and other CMEA countries, and to the Middle East.

It is estimated that small industrial firms export about 20 per cent of their output and medium-sized firms about 40 per cent.

THE FINANCIAL POSITION OF SMALL AND MEDIUM-SIZED INDUSTRIAL FIRMS

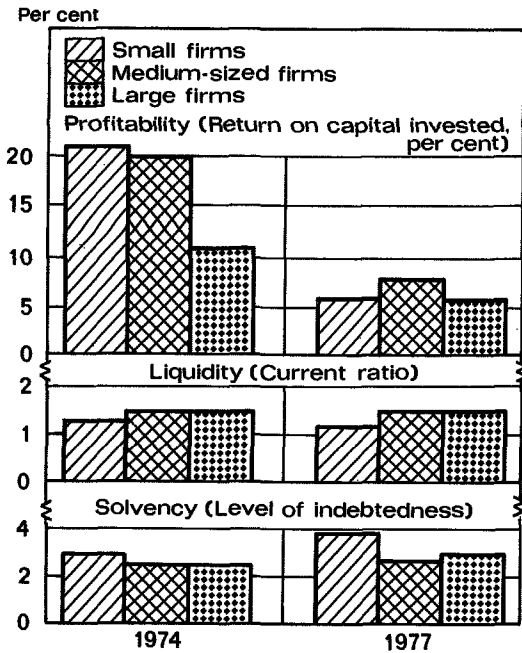
The study of the financial position of small and medium-sized industrial firms was based on company research conducted by the Industrialization Fund of Finland Ltd.

The data available for the years 1973—1977 indicate that corporate profitability declined in terms of both the operating margin and the rate of return on capital invested, the latter showing a particularly sharp fall. Small firms experienced the sharpest decline in profitability, followed by medium-sized firms. In 1977 the average rate of return on capital invested varied from 6 to 8 per cent for different categories of firm size, or only about half of the 1974 rate, which was the highest for the period under review.

TABLE 9. FINNISH EXPORTS IN 1977, BY TRADE REGION AND SIZE OF FIRM, PER CENT

	EFTA	EEC	CMEA	Others	All countries
Small firms	14.1	7.6	6.3	7.9	8.9
Medium-sized firms	20.9	21.6	28.5	19.1	22.6
Large firms	65.0	70.8	65.2	73.0	68.5
Total manufacturing	100.0	100.0	100.0	100.0	100.0

CHART 3. PROFITABILITY, LIQUIDITY AND SOLVENCY OF FINNISH INDUSTRIAL FIRMS IN 1974 AND 1977, BY CATEGORY OF SIZE



Corporate liquidity was examined in terms of the current ratio, the relationship between the current assets and the current liabilities of an enterprise. According to this ratio, liquidity seemed to be poorest in small firms and showed some deterioration, whereas there were no significant differences in liquidity between the medium-sized and large firms and its level was fairly stable.

Looking at corporate solvency in terms of indebtedness, it can be seen that small firms were less solvent than medium-sized and large firms. Indebtedness as measured by the ratio of total debt to tangible assets, continued to rise during the period under review, and in 1977 it exceeded the figure often regarded as a reasonable upper limit on the ratio, 2.5, in all categories of firm size.

CONCLUSIONS

As in other industrialized countries, there has been a tendency towards larger enterprises in Finland during the last decades, as indicated by changes in the breakdown of firms classified by size and by the increase in the average labour force of a firm. Large firms have been established in the major new industrial sectors, and some have also taken over small and medium-sized firms. Another factor contributing to this trend is the amalgamation of small and medium-sized firms into bigger units.

An increase in firm size has been encouraged to some extent by production techniques and also product marketing, as well as certain legislative measures concerning the working conditions and employees' social security.

Despite this general trend, however, it seems that there is scope for small and medium-sized firms to operate in Finland. While it might be difficult to establish new large firms in Finland, small and medium-sized industrial firms have a number of advantages from the point of view of industrial and economic policy.

Finland seems to offer good prospects for entrepreneurs to benefit from the economies of small-scale production. There are a number of instances where small and medium-sized firms have succeeded through specialization in a highly skilled field. The availability of factor inputs also favours the establishment of a small or medium-sized firm rather than a large-scale enterprise.

SITRA's study reveals that, although small and medium-sized industrial firms have become more capital-intensive, the capital invested per new vacancy is still less in these than in large industrial firms. The study also shows that the value of output per employee continues to be lower in small and medium-sized firms than in large ones.

ITEMS

Foreign direct investment in Finland and Finnish direct investment abroad in 1978.

In 1978 a growing number of Finnish firms entered foreign markets by establishing subsidiaries abroad. Although the number of permits granted showed an increase on the previous year, the net outflow of investment capital decreased, with a fall in the average size of investment project. The net inflow of investment capital was down by a quarter on the previous year. As in 1977, the overall balance, allowing for the payment of dividends and interest expenses in addition to investment capital flows proper, showed a deficit for 1978.

The net inflow of investment capital amounted to 141 million marks, as against 188 million marks in 1977. This comprised direct investment in the form of equity capital (including bonus issues) of 155 million marks, and drawings of loans by foreign companies to subsidiaries in Finland of 43 million marks, less redemptions on these of 28 million marks and less the repatriation of investment capital of 29 million marks. Although direct investment in the form of equity capital increased slightly, the net inflow of investment capital as a whole decreased, owing to a decline in net drawings of loans to subsidiaries in Finland.

Of the net inflow of investment capital, 16 million marks was invested in manufacturing firms and 136 million marks in sales firms. In the service sector, the repatriation of capital exceeded the inflow of investment capital by 11 million marks. In all, 61 permits were granted in 1978 to foreign firms for the establishment of new subsidiaries in Finland, while 16 firms ceased their activities. At the end of the year, there were a total of 887 firms in Finland which were at least 20 per cent foreign-owned. Of these, 526 were sales firms, 197 manufacturing firms and the remainder mainly in the service sector.

Most of the inflow of investment capital came from Sweden, the United Kingdom and the

TABLE 1. FOREIGN DIRECT INVESTMENT IN FINLAND, AND FINNISH PAYMENTS OF DIVIDENDS AND INTEREST, MILL. MK

	1977	1978
Investment ¹	122	155
Repatriation	14	29
Investment, net	108	126
Loans, net	80	15
Total	188	141
Payments of dividends	188	130
Bonus issues	3	15
Interest expenses	31	29

¹ Includes bonus issues.

Netherlands, each accounting for about a fifth of the total of net investment.

The foreign subsidiaries in Finland transferred 130 million marks in dividends (31 per cent less than in 1977) to their parent companies and paid 29 million marks in interest on loans granted by their parent companies.

The net outflow of investment capital amounted to 257 million marks. Finnish direct investment in foreign countries in the form of equity capital (including bonus issues) amounted to 243 million marks, while the repatriation of investment capital totalled 2 million marks. Drawings of loans granted by Finnish parent companies to subsidiaries abroad amounted to 17 million marks and redemptions on these to 1 million marks.

Of the net outflow of investment capital, 100 million marks was invested in production, 64 million marks in sales firms and 93 million marks in other activities.

Finnish firms were granted a total of 144 permits for new investment abroad, 12 more than in 1977. At the end of the year, there were 861 subsidiaries abroad in which at least 20 per cent of the share capital was Finnish-owned. Of these, 64 per cent were sales firms, 15 per cent manufacturing firms and the remainder mainly service sector firms.

TABLE 2. FINNISH DIRECT INVESTMENT, ABROAD, AND DIVIDEND AND INTEREST EARNINGS RECEIVED IN FINLAND, MILL. MK

	1977	1978
Investment ¹	459	243
Repatriation	2	2
Investment, net	457	241
Loans, net	-164	16
Total	293	257
Dividend earnings ²	3	14
Bonus issues	2	22
Interest earnings ²	3	1

¹ Including bonus issues.

² The figures are imprecise, with transfers of dividends and interest to Finland not requiring a permit from the Bank of Finland.

According to data obtained by the Bank of Finland, Finnish subsidiaries abroad in 1978 transferred 14 million marks to Finland in the form of dividends and paid 1 million marks of interest expenses. Since a Bank of Finland permit is not required for transfers of dividends and interest to Finland, these figures are not quite precise.

Nearly 60 per cent of the net outflow of investment capital went to the EEC countries and 17 per cent to the EFTA countries.

The majority of Finnish subsidiaries abroad and foreign subsidiaries in Finland were sales firms. Most of last year's net inflow of investment capital went to sales firms, whereas manufacturing firms accounted for the major share in the net outflow of investment capital.

The overall balance of direct investment, allowing for the payment of dividends and interest expenses, showed a deficit of 253 million marks for 1978, as against a deficit of 319 million marks for 1977.

Supplementary budget. The second supplementary budget for 1979 was approved by Parliament in June. It involved an addition of 1 157 million marks or almost 3 per cent to budgeted state expenditure for 1979. This brings total budgeted state expenditure for 1979 to 45 352 million marks. In the second supplementary budget, only minor increases in state revenue were proposed: it was estimated

that the increases in expenditure could be financed with current receipts accruing to the central government and by virtue of the Council of State's authority to take out new loans which had been granted earlier.

About one fifth of the increase in expenditure is attributable to measures aiming to improve the liquidity position and employment prospects of municipalities; the Council of State made an overall decision on these in March. An additional 200 million marks was earmarked for state grants for local government investment projects and for accelerating the payment of state grants to the municipalities, and another 200 million marks was set aside for central government equipment purchases and building projects in order to promote employment. The central government's authority to grant housing loans was also increased. An allocation of 118 million marks was made for the purpose of increasing the share capital of state-owned companies, and a further 200 million marks was set aside for income transfers to agriculture, most of this increase being based on the agricultural incomes policy agreement concluded in January.

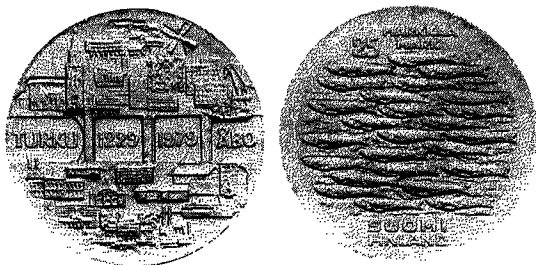
25 million marks was earmarked for experiments with early retirement age: through special arrangements, a chance to retire between July 1, 1979 and June 30, 1980, before the actual retirement age of 65 years, will be offered to about 1 000 persons of 63—64 years of age. The aim of these experiments is to examine the impact of lower retirement age on the supply of labour and the rate of unemployment.

New silver commemorative coin. In commemoration of the 750th Anniversary of Turku, the oldest city in Finland, the Republic of Finland will strike a silver commemorative coin in the denomination of 25 marks to be issued by this Bank on August 6, 1979. The description of this coin, which will be legal tender in Finland, runs as follows:

The obverse shows riverside views along the river Aura that traverses Turku, featuring the

Cathedral, the Windmill at Sappallinna, the Theatre Building, part of the docks and the Castle of Turku. In the middle of the coin, the legend runs — Turku 1229 1979 ÅBO —.

The reverse shows a shoal of fish which symbolizes the maritime character of Turku. Above the fish, the legend runs — 25 MARKKAA MARK — and underneath — SUOMI FINLAND.



The coin is made of an alloy containing 500/1 000 silver and 500/1 000 copper. The diameter is 37 mm and the weight 26.3 grams. The coin was designed by Heikki Häiväoja.

Publications of the Bank of Finland. In Series B, the following publication has appeared: 32, Kari Nars, *Företagets valutastrategi, Undersökning av ett urval finska företags beteende under valutaosäkerhet 1970—77* (Foreign Exchange Strategies of the Firm, A study of the behaviour of a sample of Finnish companies under exchange rate uncertainty 1970—77). Doctoral thesis, published in Swedish with an English summary. Helsinki 1979, 214 pp. ISBN 951-686-054-0, ISSN 0357-4776.

In Series A, the following publications have appeared: A 48 Heikki Koskenkylä and Kari Pekonen, *Työttömyys ja tuotannon rakenne Suomen kansantaloudessa* (Unemployment and the Structure of the Finnish Economy), in Finnish with an English summary. Helsinki 1979, 122 pp. ISBN 951-686-051-6, ISSN 035-6034.

A 49 Inkeri Hirvensalo, *Suomen ja SNTL:n välinen clearingmaksujärjestelmä* (The Clearing System for Payments between Finland and the U.S.S.R.), in Finnish with an English summary. Helsinki 1979, 125 pp. ISBN 951-686-053-2, ISSN 0355-6034.

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Governor, absent as Prime Minister

Ahti Karjalainen

Deputy Governor, Acting Governor

Rolf Kullberg

Deputy Governor, ad int.

Harri Holkeri

Pentti Uusivirta

Ele Alenius

Seppo Lindblom
ad int.

Directors

Markku Puntila

Eino Helenius

Kari Nars

Seppo Lindblom

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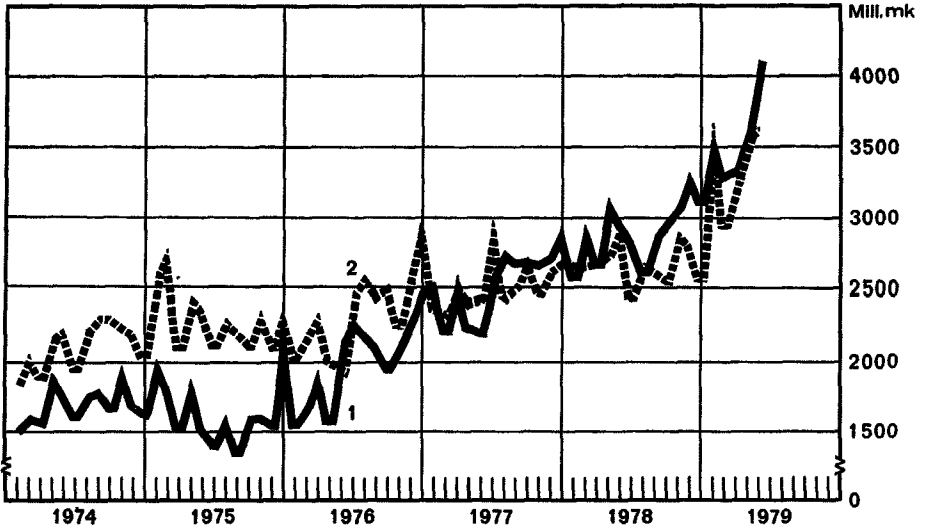
Banking Services

Antti Luukka

Cash

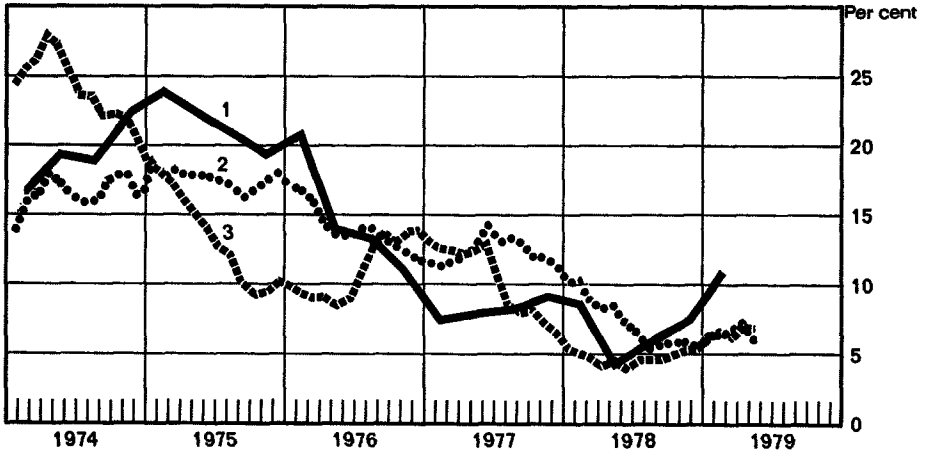
FOREIGN TRADE, 1974-79

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



PRICES AND WAGES, 1974-79

- 1. Index of salary and wage earnings 1964 = 100, quarterly figures
 - 2. Consumer price index 1977 = 100, monthly figures
 - 3. Wholesale price index 1949=100, monthly figures
- Percentage change over previous year



PRODUCTION, 1974-79

- 1. Total index of industrial production 1970 = 100, seasonally adjusted monthly figures
- 2. Volume index of gross domestic product 1970 = 100, seasonally adjusted quarterly figures

