



BANK OF FINLAND

Monthly Bulletin

**Structural changes in Finland's
wholesale and retail trade**

Monetary developments

Finland's balance of payments
January—March 1973

Inflow of long-term capital in
January—March 1973

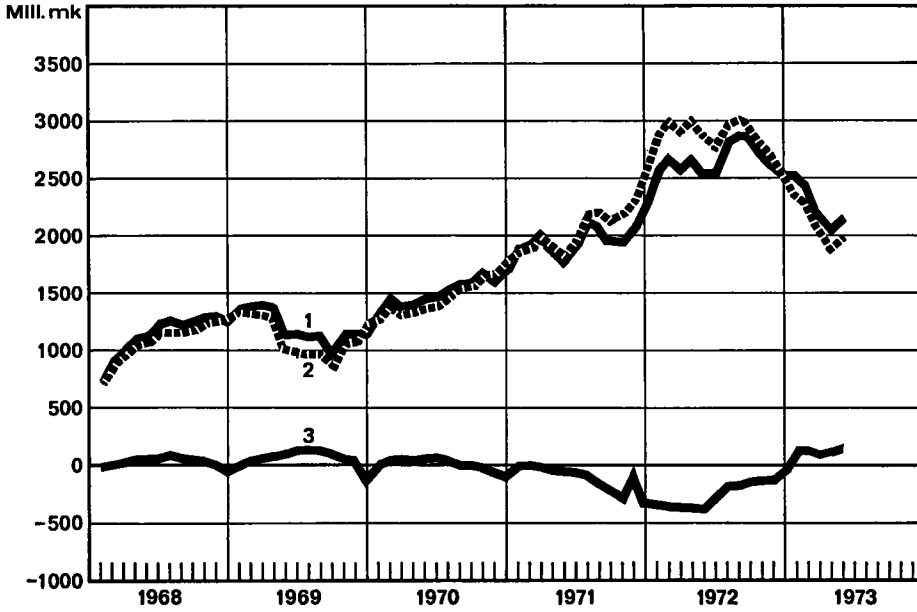
Supplementary budget

Board of Management of the Bank
of Finland

JULY 1973

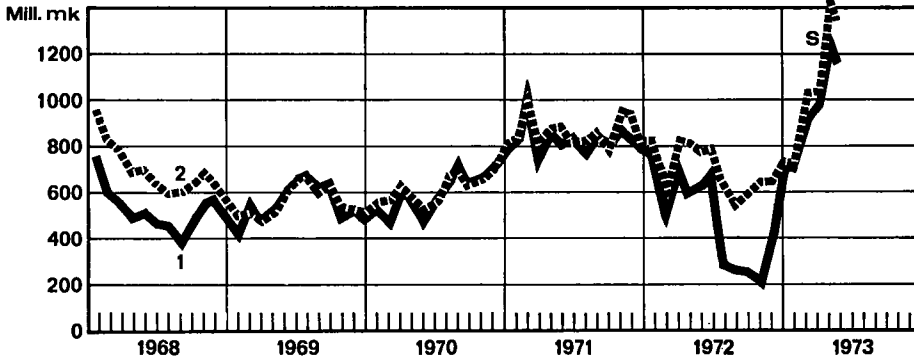
Vol. 47 No. 7

Bank of Finland foreign exchange reserve, 1968 - 1973



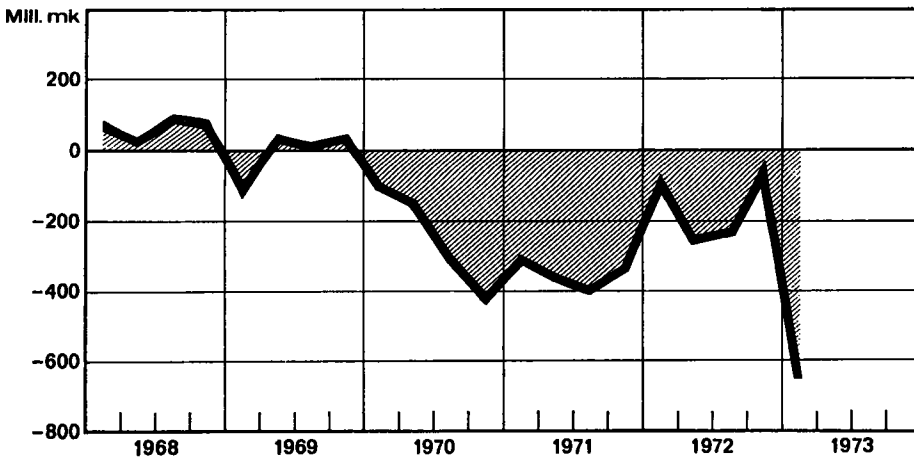
- 1. Total gold and foreign exchange
- 2. Gold and convertible currencies
- 3. Other currencies

Bank of Finland's position in regard to the banks, 1968 - 1973



- 1. Net claims on the banks
 - 2. Discounted and rediscounted bills
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Balance of payments current account surplus / deficit, 1968 - 1973



Seasonally adjusted quarterly figures

STRUCTURAL CHANGES IN FINLAND'S WHOLESALE AND RETAIL TRADE

One feature of both wholesale and retail trade is that it tends to adapt quickly to changes in the economic environment. The rise in the standard of living is reflected quite well by the turnover figures for commerce. Changes in the structure of the population and in the distribution of population over the country have also had a pronounced impact on the network of commercial establishments. The size, types of activity and the number of shops have changed and continue to change, producing a transformation in the structure of commerce which is worthy of detailed examination.

The end of the 1960s may be considered to be a turning point in the development of commerce. Even though no sudden change took place at that time, the evolution after 1968 differed from earlier developments. In the 1950s and 1960s the number of establishments in retail trade increased evenly, with the growth decelerating in the 1960s. The labour force employed by commerce grew both absolutely and relatively: the share of commerce in total employment increased from 8.4 per cent in 1950 to 12.3 per cent in 1968. However, the share of commerce in GDP remained fairly constant (10 per cent). Thus in the 1960s productivity in commerce increased more slowly than did productivity in the economy as a whole. The average annual increase in productivity was two per cent in retail trade and somewhat more in wholesaling.

In the 1960s there was no great pressure to rationalize commerce or to change its structure.

In recent years the development of commerce has been different from what it was in the 1950s and 1960s. Commerce has expanded at the same rate as GDP, but employment in this sector has shown no tendency to grow. Indeed employment in retail trade actually fell in 1971.

In the long run it seems likely that commerce will not increase its share in employment. The growth in the share of services, which is characteristic of the present stage of Finland's economic development, will obviously not take commerce in its wake. Recently productivity in commerce has risen more rapidly than in the past. However, figures for productivity in commerce should be viewed with circumspection.

The most pronounced change in the structure of commerce is the fall in the number of retail establishments. In 1968 there were 40 452 shops in Finland, but by 1970 their number had dropped to 37 859. Thus the number of retail shops has declined at a rate of more than three per cent per annum. Most closings took place among food shops, the number of which fell by about five per cent annually. This decline in the number of shops has continued: in both 1971 and 1972 the number of shops fell by about four per cent. The committee appointed to investigate the development of domestic trade estimated that the number of retail establishments would fall by 23 per cent in the 1970s but for the foodstuffs trade, the decrease would be as much as 30 per cent. Several factors contributed to this decline. Retail sales in Finland still take place largely in small shops. In 1968 the average retail shop covered 68 square meters, and shops of less than 100 square meters accounted for 80 per cent of total retail turnover. The average shop had a staff of four persons, but the average food store employed only three persons. In 1970 there were about 19 100 food stores in Finland, i.e. about one shop for every 240 inhabitants. The number of shops in Finland is large in comparison with Sweden where there are fewer food stores than in Finland even though the population is almost twice as large.

The trend is towards larger shops. The size of the average shop will increase, since the shops which close down tend to be small. Another feature in the development is a shift to self-service: in 1970 33 per cent of the food stores were self-service, and these accounted for about 53 per cent of turnover. It is estimated that in the 1970s, the share of self-service shops in total food retailing will rise to 80 per cent. Moreover department stores have clearly increased their share in retail trade. By 1972 the share of department stores in total retail trade in Finland had risen to 7.7 per cent.

When developments in trade are analyzed, the nature of retail and wholesale competition in Finland should be considered. A striking feature is the concentration of trade, especially food retailing into four equally-matched competitive groupings. Two of these are co-operative and two private. In 1972 the share of co-operative trade in total retail trade was 25.0 per cent. Each grouping has a central wholesale organization. Within the groupings, attempts are being made to formulate long-run development guidelines. The size of retail enterprises is small, and this tends to increase the importance of the grouping and their central services.

Recent structural changes in trade have been the result of a number of factors working in the same direction. Trade is a labour-intensive field: the share of labour costs in the total costs of retail trade is roughly 50 per cent. As labour costs have been rising in line with the overall incomes policy settlements made after the 1967 devaluation, and as prices have been controlled, it has become necessary to rationalize trade extensively. Labour can be used most effectively in large shops, where it is possible to arrange

the work of the employees in a flexible and rational way. For this reason the large shops have found themselves in a favourable competitive position. In addition, the rationalization in distribution and wholesale has given the larger units and advantage in terms of purchasing. Changes in consumers' purchasing habits have also affected the structural development of trade. The growth in the number of private cars and the shortening of the working week have increased the mobility of consumers and made it possible for them to patronize large shops. Strengthened price competition has accompanied the change in the structure of trade. Large discount stores which try to attract customers with lower prices have sprung up.

Some of the structural changes in trade have been detrimental to the consumer. The decline in the number of shops produces a sparser network of shops, which means that the consumer must travel greater distances for the necessities of life. Particularly in the countryside, the closing of shops has reduced retail services. The gaps created by the closing of shops in the countryside have been filled to some extent through a highly developed system of mobile shops. At present almost every part of the countryside is served by the lorries which have been converted into shops. The inconveniences which changes in the structure of retail trade have caused, especially to consumers who are not quite so well off, are so obvious that general attention has been focused on them. The public authorities have taken steps to ensure the availability of retail services, particularly to those living in the countryside.

June 26, 1973

	1972		1973			
	June 30	Dec. 29	June 8	June 15	June 21	June 29
Assets						
Gold and other foreign assets	3 067	2 912	2 361	2 235	2 184	2 226
Gold	205	205	205	205	205	205
Special drawing rights	283	283	285	285	285	285
IMF gold tranche	268	268	268	268	268	268
Foreign exchange	2 109	1 929	1 368	1 235	1 187	1 227
Foreign bills	113	110	112	115	110	112
Foreign bonds	89	117	123	127	129	129
Claims on domestic banks	861	758	1 449	1 443	1 870	1 722
Discounted bills	860	752	1 432	1 431	1 851	1 696
Rediscounted bills	1	1	1	1	1	1
Cheque accounts	—	5	16	11	18	25
Other lending	311	316	342	344	345	346
Inland bills discounted						
In foreign currency	—	—	—	—	—	—
In Finnish marks	67	44	49	48	50	50
Loans	244	272	293	296	295	296
Other assets	700	607	632	623	644	602
Finnish bonds	124	47	61	50	72	32
Finnish coin	29	25	37	38	36	35
Currency subscription to Finland's quota						
in the IMF	530	530	530	530	530	530
Other claims	17	5	4	5	6	5
Total	4 939	4 593	4 784	4 645	5 043	4 896
Liabilities						
Notes in circulation	1 555	1 730	1 718	1 707	1 800	1 829
Liabilities payable on demand	500	136	179	127	278	96
Foreign exchange accounts	245	78	37	30	32	29
Mark accounts of holders abroad	37	43	53	46	46	46
Cheque accounts						
Treasury	36	1	45	35	48	5
Post Office Bank	154	2	29	2	138	1
Private banks	6	—	—	—	—	—
Other	2	1	3	2	3	2
Other sight liabilities	20	11	12	12	11	13
Term liabilities	1 077	899	1 018	1 018	1 167	1 197
Foreign	—	—	—	—	—	—
Domestic	1 077	899	1 018	1 018	1 167	1 197
IMF mark accounts	530	530	530	530	530	530
Allocations of special drawing rights	258	258	258	258	258	258
Equalization accounts	302	286	301	264	269	244
Bank's own funds	717	754	780	741	741	742
Capital	600	600	600	600	600	600
Reserve fund	74	74	114	114	114	114
Profits undisposed	—	—	40	—	—	—
Earnings less expenses (Dec. 31, Net profit)	43	80	26	27	27	28
Total	4 939	4 593	4 784	4 645	5 043	4 496

BANK OF FINLAND

Mill. mk

End of year and month	Gold and foreign accounts						Treasury		
	Gold and foreign exchange	Liabilities on foreign exchange and mark accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4-5)	Claims on Treasury	Liabilities, Cheque account	Net claims on the Treasury (7-8)
	1	2	3	4	5	6	7	8	9
1966	556	61	495	81	101	475	10	40	— 30
1967	701	75	626	98	354	370	— 7	4	— 11
1968	1 353	62	1 291	125	34	1 382	—354	3	—357
1969	1 268	92	1 176	517	360	1 333	—196	4	—200
1970	1 844	106	1 738	639	518	1 859	—118	2	—120
1971	2 620	327	2 293	686	530	2 449	— 15	2	— 17
1972	2 685	121	2 564	757	530	2 791	— 2	1	— 3
1972									
May	2 941	370	2 571	725	530	2 766	— 3	32	— 35
June	2 865	282	2 583	732	530	2 785	— 3	36	— 39
July	3 028	181	2 847	748	530	3 065	— 3	35	— 38
Aug.	3 073	175	2 898	743	530	3 111	— 3	43	— 46
Sept.	3 034	137	2 897	741	530	3 108	— 2	48	— 50
Oct.	2 881	134	2 747	742	530	2 959	— 2	43	— 45
Nov.	2 791	146	2 645	740	530	2 855	— 2	47	— 49
Dec.	2 685	121	2 564	757	530	2 791	— 2	1	— 3
1973									
Jan.	2 629	70	2 559	748	530	2 777	— 2	43	— 45
Feb.	2 530	70	2 460	740	530	2 670	— 2	47	— 49
March	2 287	75	2 212	737	530	2 419	— 2	41	— 43
April	2 177	73	2 104	752	530	2 326	— 2	46	— 48
May	2 280	90	2 190	762	530	2 422	— 1	41	— 42
June	1 985	75	1 910	771	530	2 151	— 1	5	— 6

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1972			Net holdings, May 31, 1973			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	May	Jan.-May
	Gold	205	—	205	205	—	205	—
Special drawing rights	283	—	283	285	—	285	+ 2	+ 2
IMF gold tranche	268	—	268	268	—	268	—	—
Convertible currencies	1 814	463	2 277	1 248	143	1 391	— 22	—886
Other currencies	— 6	— 3	— 9	184	— 15	169	+ 21	+178
Total	2 564	460	3 024	2 190	128	2 318	+ 1	—706

BANK OF FINLAND

Mill. mk

End of year and month	Domestic banks						Other					Notes in circulation
	Dis-counted bills	Redis-counted bills	Cheque accounts ¹	Liabilities, Cheque accounts		Net claims on the banks (1+2+3-4-5)	Inland bills in Finnish marks	Other advances	Liabilities	Net claims on the rest of economy (7+8-9)		
				Private banks ²	Post Office Bank ²							
1	2	3	4	5	6	7	8	9	10	11		
1966	—	915	—	14	17	884	180	85	72	193	1 106	
1967	—	868	—	155	35	678	197	383	56	524	1 052	
1968	—	618	107	163	16	546	186	195	43	338	1 160	
1969	—	550	87	93	12	532	192	269	25	436	1 298	
1970	827	9	3	1	4	834	137	246	528	-145	1 344	
1971	848	1	—	9	2	838	121	234	908	-553	1 479	
1972	752	1	5	—	2	756	44	277	909	-588	1 730	
1972												
May	796	1	6	—	74	729	79	254	1 067	-734	1 450	
June	860	1	—	6	154	701	67	261	1 096	-768	1 555	
July	616	1	19	—	347	289	63	256	1 072	-753	1 513	
Aug.	488	1	5	—	249	245	63	256	1 057	-738	1 474	
Sept.	661	1	15	—	388	289	63	248	977	-666	1 557	
Oct.	753	1	29	—	507	276	65	262	949	-622	1 507	
Nov.	787	1	17	—	312	493	57	265	937	-615	1 556	
Dec.	752	1	5	—	2	756	44	277	909	-588	1 730	
1973												
Jan.	621	1	9	—	18	613	40	273	911	-598	1 497	
Feb.	828	1	56	—	162	723	40	275	900	-585	1 521	
March	986	1	17	—	16	988	41	291	891	-559	1 562	
April	2 036	1	—	3	768	1 266	43	293	1 033	-697	1 937	
May	1 363	1	—	4	22	1 338	47	297	1 030	-686	1 795	
June	1 696	1	25	—	1	1 721	50	301	1 211	-860	1 829	

¹ Including special index accounts.² Including cash reserve accounts.

SELLING RATES FOR FOREIGN EXCHANGE

Mk

June 28, 1973

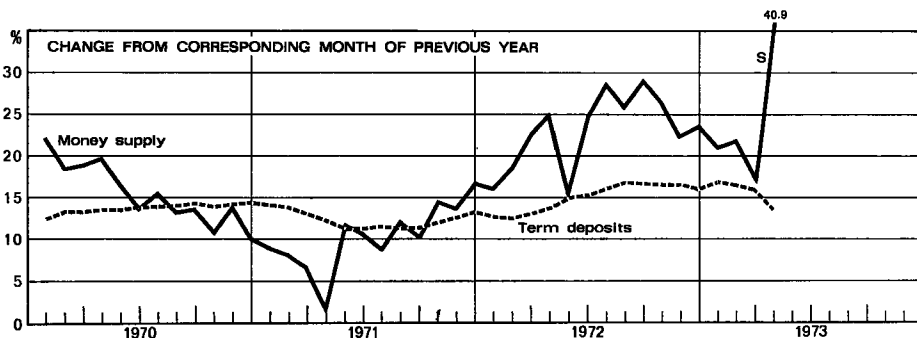
New York ¹	1 \$	3.690	Frankfurt o. M.	100 DM	147.60	Vienna	100 S	19.97
Montreal	1 \$	3.700	Amsterdam	100 Fl	138.70	Lisbon	100 Esc	16.01
London	1 £	9.530	Brussels ²	100 Fr		Reykjavik	100 Kr	4.17
Stockholm	100 Kr	89.40	Zurich	100 Fr	122.00	Madrid	100 Pta	6.50
Oslo	100 Kr	68.80	Paris ³	100 FF		Moscow ⁵	1 Rbl	5.180
Copenhagen	100 Kr	64.60	Rome ⁴	100 Lit				

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.² 10.050 commercial rate; 10.030 financial rate.³ 88.00 commercial rate; 88.10 financial rate.⁴ 0.6300 commercial rate; 0.6100 financial rate.⁵ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

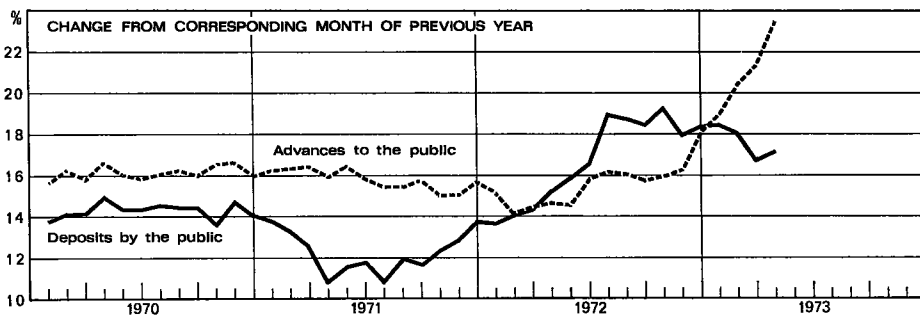
End of year and month	Sight deposits			Term deposits						Total (2+3+9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Post Office Bank	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1966	639.8	849.4	318.0	3 660.9	3 329.9	2 202.1	863.6	380.7	10 437.3	11 604.7
1967	661.5	834.0	340.9	4 103.1	3 644.6	2 417.3	941.2	431.3	11 537.9	12 712.8
1968	856.2	1 087.6	428.4	4 597.8	3 966.4	2 683.1	1 027.2	465.0	12 739.8	14 255.8
1969	1 057.4	1 373.9	520.8	5 236.3	4 333.1	3 021.6	1 116.0	521.6	14 228.7	16 123.4
1970	1 142.7	1 507.7	603.3	6 098.7	4 846.9	3 458.4	1 287.6	574.2	16 265.8	18 376.8
1971	1 343.2	1 733.5	754.4	6 961.4	5 446.4	3 876.6	1 491.4	642.3	18 418.1	20 906.0
1972*	1 851.2	2 371.9	979.2	8 095.8	6 232.1	4 499.2	1 805.6	720.0	21 352.7	24 703.8
1972*										
April	1 374.8	1 714.7	798.0	7 112.5	5 611.9	4 080.0	1 577.5	670.2	19 052.1	21 564.8
May	1 497.3	1 882.8	763.6	7 206.3	5 662.4	4 133.3	1 586.1	674.5	19 262.6	21 909.0
June	1 542.5	1 927.3	850.0	7 236.5	5 675.7	4 106.5	1 599.3	674.5	19 292.5	22 069.8
July	1 655.1	2 046.3	779.9	7 341.4	5 728.4	4 150.2	1 619.5	677.1	19 516.6	22 342.8
Aug.	1 637.3	2 078.4	793.6	7 418.0	5 813.8	4 218.5	1 634.3	678.4	19 763.0	22 635.0
Sept.	1 568.9	2 009.4	852.1	7 491.7	5 882.5	4 270.0	1 669.2	695.4	20 008.8	22 870.3
Oct.	1 735.6	2 181.9	793.0	7 567.4	5 934.6	4 311.5	1 693.8	697.2	20 204.5	23 179.4
Nov.	1 689.1	2 140.7	797.0	7 658.3	6 018.3	4 396.2	1 727.8	700.9	20 501.5	23 439.2
Dec.	1 851.2	2 371.9	979.2	8 095.8	6 232.1	4 499.2	1 805.6	720.0	21 352.7	24 703.8
1973*										
Jan.	1 849.2	2 315.5	944.6	8 190.6	6 327.8	4 583.8	1 839.0	729.6	21 670.8	24 930.9
Feb.	1 796.9	2 261.8	1 047.7	8 221.3	6 399.2	4 655.8	1 866.7	737.5	21 880.5	25 190.0
March	1 649.4	2 132.3	989.5	8 197.1	6 412.9	4 672.2	1 869.7	742.3	21 894.2	25 016.0
April	1 660.4	2 144.0	1 488.1	8 028.9	6 325.3	4 647.3	1 892.5	747.5	21 641.5	25 273.6
May	1 919.5	2 512.9	1 037.9	8 259.6	6 462.6	4 712.7	1 893.8	753.0	22 081.7	25 632.5



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Co-op. banks	Post Office Bank	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1966	5 205.4	2 951.4	2 261.0	779.6	908.8	11 618.1	488.1	12 106.2	2 181
1967	5 558.9	3 247.7	2 424.3	864.9	1 026.9	12 583.8	538.9	13 122.7	2 146
1968	5 865.5	3 448.4	2 600.5	927.9	1 053.0	13 392.0	503.3	13 895.3	2 642
1969	6 892.2	3 802.8	2 922.1	1 039.8	1 290.4	15 354.4	592.9	15 947.3	3 126
1970	7 963.5	4 342.1	3 403.8	1 341.9	1 454.0	17 814.9	690.4	18 505.3	3 445
1971	9 233.7	4 795.6	3 834.0	1 746.6	1 799.1	20 639.8	769.2	21 409.0	4 025
1972*	10 667.3	5 505.6	4 482.2	2 244.8	2 374.4	24 475.0	799.3	25 274.3	4 974
1972*									
April	9 583.6	4 954.0	3 976.1	1 879.5	1 869.7	21 432.3	830.6	22 262.9	3 964
May	9 671.5	5 011.3	4 034.2	1 918.8	1 908.3	21 725.5	818.6	22 544.1	4 018
June	9 887.3	5 052.3	4 074.7	1 943.4	1 975.1	22 074.8	858.0	22 932.8	4 275
July	9 867.9	5 101.2	4 124.7	1 963.3	2 086.5	22 332.1	811.5	23 143.6	4 247
Aug.	9 865.5	5 167.3	4 187.4	2 022.3	2 103.7	22 540.1	806.1	23 346.2	4 268
Sept.	10 038.7	5 253.3	4 269.7	2 095.4	2 135.6	22 957.3	835.4	23 792.7	4 408
Oct.	10 214.8	5 335.2	4 357.3	2 087.0	2 171.6	23 370.8	795.1	24 165.9	4 422
Nov.	10 386.3	5 429.3	4 417.6	2 107.8	2 229.2	23 758.6	811.6	24 570.2	4 418
Dec.	10 667.3	5 505.6	4 482.2	2 244.8	2 374.4	24 475.0	799.3	25 274.3	4 974
1973*									
Jan.	10 788.6	5 590.5	4 525.4	2 344.4	2 438.0	24 878.1	808.8	25 686.9	4 627
Feb.	11 007.4	5 659.5	4 593.6	2 399.7	2 446.4	25 249.9	856.7	26 106.6	4 757
March	11 284.3	5 732.6	4 626.6	2 538.3	2 450.7	25 699.4	933.1	26 632.5	4 644
April	11 839.6	5 829.5	4 681.0	2 648.4	2 490.1	26 490.4	998.2	27 488.6	..
May	11 805.2	5 876.4	4 730.2	2 777.4	2 486.8	26 806.2	869.8	27 676.0	..



FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1967	5 231	5 794	- 563
1968	6 874	6 711	+ 163
1969	8 345	8 505	- 160
1970	9 687	11 071	-1 384
1971	9 897	11 734	-1 837
1972*	12 082	13 107	-1 025

1972*

June	1 123	1 116	+ 7
July	993	1 100	-107
Aug.	832	999	-167
Sept.	1 171	1 092	+ 79
Oct.	1 019	1 215	-196
Nov.	1 135	1 257	-122
Dec.	1 175	1 207	- 32

1973*

Jan.	1 074	1 391	-317
Feb.	1 079	1 104	- 25
March	1 167	1 384	-217
April	938	1 287	-349

Jan.-Apr.

1972*	3 742	4 041	-299
1973*	4 258	5 166	-908

Indices of exports and
imports 1962 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1967	129	135	115	
1968	143	129	136	132	103
1969	167	160	141	135	104
1970	176	192	156	147	106
1971	171	190	164	157	104
1972*	197	196	174	170	102

1970

Oct.-Dec.	193	228	157	151	104
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1971

Jan.-Mar.	152	169	162	152	107
Apr.-June	157	182	166	156	106
July-Sept.	176	184	162	158	103
Oct.-Dec.	198	223	166	163	102

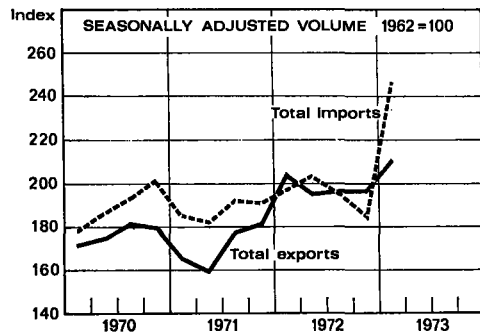
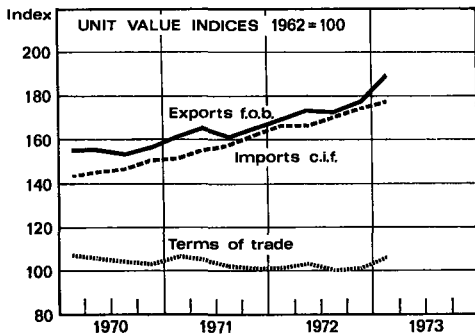
1972

Jan.-Mar.	192	179	170	167	102
Apr.-June	187	200	174	167	104
July-Sept.	197	190	173	171	101
Oct.-Dec.	212	215	178	175	102

1973¹

Jan.-Mar.	197	222	190	178	107
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¹ The 1973 figures have been calculated by converting the final 1972 Fisher index with the percentage change in the 1973-1972 Laspeyres index.



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.						Imports, c.i.f.			
	Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods	
									Investment goods	Consumer goods
1967	261	54	866	2 384	1 081	585	2 546	668	1 463	1 117
1968	327	56	1 158	2 994	1 566	773	3 023	874	1 525	1 289
1969	360	72	1 400	3 374	2 012	1 127	3 693	949	2 229	1 634
1970	426	88	1 544	3 789	2 437	1 403	4 918	1 243	2 906	2 004
1971	547	89	1 653	3 721	2 323	1 564	4 639	1 557	3 427	2 111
1972*	633	55	1 824	4 253	3 245	2 072	5 238	1 627	3 585	2 657

1972*

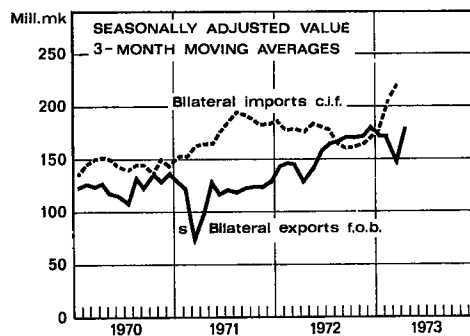
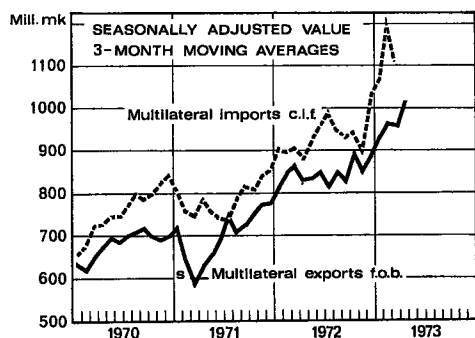
June	48	5	153	371	375	171	463	157	291	205
July	46	9	173	363	267	135	400	188	312	200
Aug.	30	4	145	319	172	162	413	144	241	201
Sept.	55	7	199	420	248	242	451	143	269	229
Oct.	45	4	170	343	257	200	480	167	309	259
Nov.	41	8	189	380	310	207	508	162	313	274
Dec.	71	3	186	438	281	196	523	139	303	242

1973*

Jan.	89	6	175	359	279	166	556	164	364	307
Feb.	24	6	159	398	308	184	444	86	311	263
March	83	3	166	424	271	220	532	101	415	336
April	49	5	142	350	219	173	501	126	343	317

Jan.-Apr.

1972*	232	11	481	1 350	1 062	606	1 581	401	1 230	829
1973*	245	20	642	1 531	1 077	743	2 033	477	1 433	1 223



FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—April				January—April			
	1972*		1973*		1972*		1973*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	72.7	2 721	71.2	3 030	76.0	3 070	75.2	3 887
Austria	0.9	34	1.2	50	1.5	60	1.7	89
Belgium-Luxembourg	1.6	60	1.6	68	1.9	75	2.2	116
Denmark	3.6	135	4.3	181	3.1	125	3.8	197
France	3.9	147	4.3	184	4.6	187	3.4	175
Federal Republic of Germany	9.6	361	10.5	447	19.1	773	18.6	960
Italy	1.7	62	1.9	83	2.2	89	1.9	100
Netherlands	3.5	130	4.0	171	3.8	152	3.6	185
Norway	3.1	115	2.9	124	2.4	98	2.6	132
Portugal	0.2	9	0.4	16	0.7	29	0.9	46
Spain	1.0	37	1.1	45	0.5	20	0.6	31
Sweden	20.5	767	15.8	672	18.3	740	19.8	1 021
Switzerland	2.2	83	2.3	100	3.5	139	3.2	165
United Kingdom	18.3	684	19.2	818	14.1	570	12.1	627
Other	2.6	97	1.7	71	0.3	13	0.8	43
OECD countries outside Europe	7.0	261	6.3	268	6.1	247	6.9	354
Canada	1.0	37	0.5	23	0.2	10	0.3	13
Japan	0.5	17	0.7	28	1.7	67	2.7	140
United States	5.5	207	5.1	217	4.2	170	3.9	201
Eastern Bloc	13.7	512	14.2	605	14.7	594	14.0	723
Czechoslovakia	0.5	18	0.4	15	0.5	19	0.5	26
Democratic Republic of Germany	0.4	14	0.6	27	0.6	23	0.5	28
People's Republic of China	0.3	13	0.3	12	0.3	14	0.3	14
Poland	0.9	34	1.7	74	0.6	24	1.3	66
Soviet Union	10.9	406	10.3	437	11.5	465	10.3	534
Other	0.7	27	0.9	40	1.2	49	1.1	55
Latin America	1.8	68	1.9	83	1.6	65	1.4	74
Argentina	0.4	13	0.3	15	0.1	3	0.0	2
Brazil	0.6	24	0.7	29	0.5	20	0.4	22
Colombia	0.1	5	0.1	5	0.6	25	0.6	30
Other	0.7	26	0.8	34	0.4	17	0.4	20
Other	4.8	180	6.4	272	1.6	65	2.5	128
GRAND TOTAL	100.0	3 742	100.0	4 258	100.0	4 041	100.0	5 166
of which								
EFTA countries	27.1	1 014	22.8	970	26.5	1 071	28.3	1 463
EEC countries	42.9	1 605	46.6	1 985	48.8	1 972	46.1	2 383
OECD countries	79.7	2 982	77.5	3 298	82.1	3 317	82.1	4 241

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
1970	9 634	11 099	-1 465	+716	+142	+17	-590	-397	--18	-1 005
1971	9 845	11 762	-1 917	+660	+247	+66	-944	-477	- 1	-1 422
1972*	12 012	13 145	-1 133	+736	+336	+56	- 5	-600	-24	-- 629

Jan.-Mar

1970 ^f	2 074	2 309	-235	+192	- 9	- 3	- 55	- 86	-11	-152
1971 ^f	2 168	2 536	-368	+208	- 13	+19	-154	-135	- 1	-290
1972	2 870	2 960	- 90	+217	+ 3	+ 1	+131	-142	-22	- 33
1973*	3 300	3 888	-588	-227	- 5	+10	-356	-149	-14	-519

Apr.-June

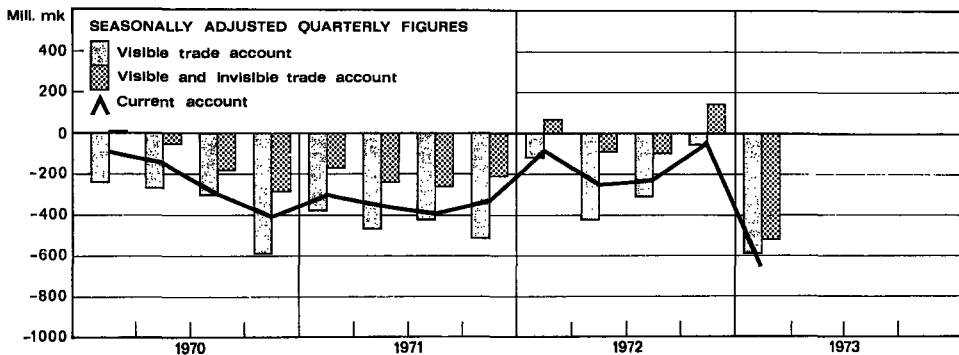
1970 ^f	2 429	2 721	-292	+180	+ 10	+ 0	-102	- 96	+ 1	-197
1971 ^f	2 291	2 797	-506	+141	+ 47	+21	-297	-118	- 1	-416
1972	2 856	3 298	-442	+162	+ 57	+46	-177	-155	- 8	-340

July-Sept.

1970 ^f	2 469	2 690	-221	+180	+109	- 4	+ 64	-110	- 1	- 47
1971 ^f	2 501	2 864	-363	+159	+166	+16	- 22	-119	- 4	-145
1972	2 978	3 195	-217	+170	+191	+19	+163	-140	+20	+ 43

Oct.-Dec.

1970 ^f	2 662	3 379	-717	+164	+ 32	+24	-497	-105	- 7	-609
1971 ^f	2 885	3 565	-680	+152	+ 47	+10	-471	-105	+ 5	-571
1972*	3 308	3 692	-384	+187	+ 85	-10	-122	-163	-14	-299

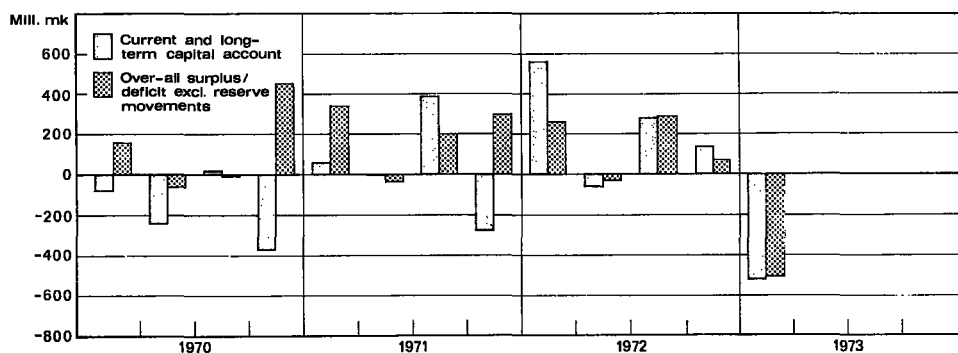


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+1 479	-694	-253	-202	+330	-675	+751	+237	+232 ²	+545	-563	+ 18
+2 730	-855	-208	- 85	+1 582	+160	+387	+197	+ 62 ²	+806	-555	-251
+3 014	-1 011	-376	- 81	+1 546	+917	+111	-113	-324 ²	+591	-271	-320
+ 278	-158	- 51	+ 1	+ 70	- 82	- 9	+225	+ 23	+157	-240	+ 83
+ 609	-228	- 5	-17	+359	+ 69	+ 21	+329	- 77	+342	-314	- 28
+ 968	-273	-115	+17	+597	+564	-152	- 27	-124 ²	+261	-327	+ 66
+ 379	-392	+ 34	-24	- 3	-522	+ 36	+ 5	- 26	-507	+353	+154
+ 220	-191	- 69	- 4	- 44	-241	+142	+ 42	- 4	- 61	- 86	+147
+ 596	-201	- 11	-30	+354	- 62	-140	+146	+ 19	- 37	+ 99	- 62
+ 655	-180	-192	- 5	+278	- 62	+ 92	+ 25	- 84	- 29	+ 37	- 8
+ 359	-175	- 60	-58	+ 66	+ 19	+ 87	+ 5	-119	- 8	-116	+124
+ 869	-252	- 89	+ 5	+533	+388	- 60	+ 21	-150	+199	- 35	-164
+ 628	-327	- 41	-25	+235	+278	+265	-124	-131	+288	-314	+ 26
+ 622	-170	- 73	-141	+238	-371	+531	- 35	+332	+457	-121	-336
+ 656	-174	-103	- 43	+336	-235	+566	-299	+270	+302	-305	+ 3
+ 763	-231	- 28	- 68	+436	+137	- 94	+ 13	+ 15	+ 71	+333	-404

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	Machin- ery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1970	297	300	286	299	317	290	329	290	283	138	146	126
1971	312	315	302	309	361	304	346	295	303	149	162	134
1972	338	342	325	330	400	334	370	318	332	161	182	141
1972												
Sept.	343	347	328	334	402	340	375	324	337	164	187	144
Oct.	346	350	334	339	406	341	379	328	339	165	187	144
Nov.	352	356	335	347	406	344	393	333	340	165	187	145
Dec.	356	361	339	351	408	350	396	338	344	166	187	147
1973												
Jan.	363	365	352	356	413	359	401	345	352	168	190	147
Feb.	367	370	357	361	413	364	403	351	356	169	190	149
March	372	374	365	367	429	365	405	358	362	171	190	152
April	374	376	369	369	430	367	403	362	365	175	191	160
May	382	383	375	379	438	372	407	377	369	180	191	170

Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 100	Consumer prices 1967 = 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
1970	223	175	115	116	115	109	115	121	115	113	113	115
1971	237	186	122	121	119	112	125	141	119	125	119	125
1972	254	199	131	133	125	118	131	147	126	135	128	135
1972												
Sept.	259	203	133	137	126	121	132	146	128	137	129	138
Oct.	260	204	134	137	126	121	134	146	128	138	129	139
Nov.	262	205	135	138	126	122	134	147	129	138	130	140
Dec.	262	206	135	139	127	122	135	149	130	139	130	140
1973												
Jan.	265	208	136	140	130	124	135	149	131	141	131	141
Feb.	267	210	138	141	131	126	136	151	132	142	132	142
March	269	211	139	142	132	126	137	153	133	142	133	143
April	272	214	140	143	137	127	140	155	135	143	136	145
May	277	218	143	147	137	128	142	157	135	147	137	147

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	Manufacturing	Construction							
1970	181	170	170	164	161	165	164	157	169	164
1971	210	195	195	180	176	178	188	171	195	185
1972*	253	222	220	195	191	193	211	187	220	205
1971										
July-Sept.	210	199	200	180	178	178	192	171	200	188
Oct.-Dec.	219	205	207	185	181	184	196	177	204	192
1972*										
Jan.-Mar.	236	207	206	186	182	185	197	177	205	193
Apr.-June	251	225	219	196	193	194	214	189	223	208
July-Sept.	255	226	226	198	196	196	218	190	228	212
Oct.-Dec.	271	228	228	199	196	197	218	191	226	211
1973*										
Jan.-Mar.	285	231	228	202	199	199	220	194	229	213

PRODUCTION

Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	By sector								
			Agriculture	Forestry	House construction	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1969	123	138	97	102	123	104	124	123	123	123	127
1970	132	154	96	111	141	98	132	132	129	128	134
1971*	136	158	97	106	138	97	134	140	135	134	140
1972*	144	173	94	95	147	102	144	154	142	139	147
1972*											
Jan.-Mar.	140	179	59	132	106	101	132	145	141	138	146
Apr.-June	141	168	83	108	137	105	146	148	141	138	147
July-Sept.	143	154	175	51	170	101	148	151	142	139	147
Oct.-Dec.	150	191	57	90	175	100	150	171	145	141	149
1973*											
Jan.-Mar.	149	194	52	146	109	103	142	155	146	143	153

PRODUCTION

Index of industrial production 1959 = 100

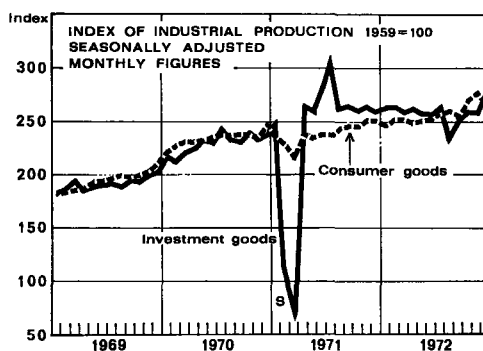
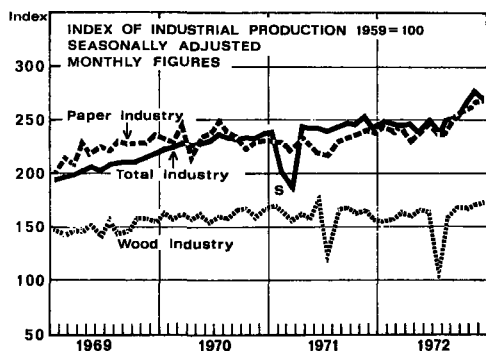
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1968	182	175	191	164	163	132	202	253	240	177	181
1969	207	194	214	196	173	151	223	285	281	199	207
1970	232	230	223	235	182	164	234	336	341	233	232
1971*	238	235	229	241	192	164	231	363	360	231	238
1972*	258	261	245	261	202	164	248	389	372	259	255

1971*

Sept.	256	283	244	258	192	170	241	374	378	278	248
Oct.	264	288	256	257	229	173	250	375	394	282	248
Nov.	269	289	260	264	234	166	251	389	370	283	256
Dec.	251	274	242	250	188	159	223	375	305	272	245

1972*

Jan.	257	286	246	249	171	164	256	418	308	277	249
Feb.	258	280	245	257	175	171	245	402	321	273	248
March	277	295	261	280	190	188	262	423	372	287	245
April	254	270	236	265	183	180	218	386	349	267	248
May	259	271	242	271	213	191	231	394	350	270	250
June	244	247	226	262	207	164	220	371	340	250	251
July	180	144	178	178	183	91	235	238	325	139	240
Aug.	254	233	234	283	217	138	247	325	421	236	251
Sept.	262	267	249	265	195	168	261	369	425	266	254
Oct.	290	292	279	286	256	182	278	443	441	289	271
Nov.	292	284	281	292	244	172	278	450	433	287	278
Dec.	268	265	263	250	190	165	249	449	382	274	273



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Total labour force, 1 000 persons	Employed 1 000 persons	Unemployed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1968 = 100	Wholesalers' volume index 1968 = 100	Indicator of traffic activity 1964 = 100
1968	2 188	2 100	88	4.0	31 859	100	100	106
1969	2 189	2 127	62	2.8	35 338	108	117	118
1970	2 194	2 153	41	1.9	39 267	114	130	125
1971	2 199	2 150	49	2.2	36 238	118	137	122
1972*	2 206	2 149	57	2.6	31 441	128	151	132
1972*								
June	2 355	2 303	52	2.2	1 854	133	149	144
July	2 359	2 305	54	2.3	768	126	132	127
Aug.	2 276	2 225	51	2.2	1 185	129	159	136
Sept.	2 198	2 153	45	2.0	1 637	130	157	137
Oct.	2 194	2 148	46	2.1	2 092	134	164	143
Nov.	2 190	2 142	50	2.3	2 367	134	169	147
Dec.	2 187	2 132	55	2.5	3 328	177	173	138
1973 ¹								
Jan.	2 127	2 055	72	3.4	3 257	116	140	141
Feb.	2 116	2 047	69	3.3	3 529	117	153	123
March	2 111	2 047	64	3.0	4 175	132	176	137

¹ See explanations on page 18.

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1970	41.42	17.96	3.72	15.56	2.36	38.55	16.41	4.29	12.59	3.35	36.56
1971*	42.63	19.54	3.10	15.18	2.60	37.35	15.79	3.16	13.88	2.91	37.64
1972*	47.73	20.56	3.08	17.04	4.28	39.72	18.02	2.81	14.13	2.96	39.29
1972*											
Jan.-Mar.	7.31	2.73	0.55	3.20	0.48	7.95	3.23	0.33	3.44	0.75	34.34
Apr.-June	13.52	6.22	1.55	3.91	0.85	8.02	4.08	0.35	2.56	0.65	38.57
July-Sept.	13.44	6.11	0.55	4.89	1.17	9.90	4.49	0.83	3.18	0.75	40.93
Oct.-Dec.	13.46	5.50	0.43	4.88	1.78	13.32	5.94	1.26	4.83	0.77	39.29
1973*											
Jan.-Mar.	10.62	3.99	0.80	4.85	0.50	8.07	3.71	0.42	3.17	0.51	38.39

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. Since Dec. 31, 1969. *Gold and foreign exchange* = Gold (valued on basis of the value of the mark) + Special drawing rights + IMF gold tranche + Foreign exchange. *Liabilities on foreign exchange and mark accounts* = Foreign exchange accounts + Mark account of holders abroad. *Other foreign assets* = Foreign bills + Foreign bonds + Currency subscription to Finland's quota in the IMF. *Other foreign liabilities* = Foreign term liabilities + IMF mark accounts. *Claims on Treasury* = Treasury bills covering certain IMF and IBRD accounts + Advances for stand-by stocks — Export levies (net). *Foreign exchange situation*: Gold holdings are valued on basis of the par value of the mark. Gold tranche position measures that part of Finland's quota which may be drawn essentially automatically in convertible exchange against payment in marks.

Page 5. *Other advances* = Inland bills discounted in foreign currency + Loans + Other claims (excl. Treasury's IMF and IBRD bills and Advances for stand by stocks). *Liabilities* = Other cheque accounts + Other sight liabilities + Domestic term liabilities — Cash reserve accounts — Export levies (net).

DEPOSITS BY THE PUBLIC —

ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

Page 6. *Cheque accounts in all credit institutions* relates to commercial banks, savings banks and co-operative banks.

Page 7. *Money supply* = Finnish notes and coins in circulation — Finnish notes and coins held by the banks + Cheque accounts of the public + Postal giro accounts of the public.

STATE FINANCES

Page 8. Official figures computed by the Economic Department of the Ministry of Finance. First date of publication: Bulletin No. 8, 1968. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations. Index-tied bond loans are taken at nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to the Post Office Bank 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 indice are calculated according to the Laspeyres formula. At the endes of the year tl arithmetic mean of the Laspeyres indices corresponds to the annual level of the Fisher index 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 Institute for Economic Research. 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 international nomenclature (ISIC). The seasonally adjusted series is calculated by the Bank of Finland Institute for Economic Research 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 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indices: food industry ISIC no. 20, weight 11.2, wood industry no. 25, weight 6.6, paper industry no. 27, weight 13.1, chemical industry no. 31, weight 5.2, non-metallic mineral industry no. 33, weight 3.6 and metal industry nos. 34—38, weight 23.5

LABOUR — TIMBER FELLINGS — INTERNAL TRADE — TRAFFIC — CONSTRUCTION OF BUILDINGS

Page 17. *Labour* figures supplied by the Central Statistical Office. As of the beginning of 1973, the figures for the labour force, the employed labour force and the rate of unemployment are not fully comparable to the previous figures. The sample population used in the Labour Force Sample Survey was changed to accord with the data provided by the demographic forecast made in 1973. In January 1973, the labour force was estimated to be about 30 000 persons smaller, and the seasonally unadjusted rate of unemployment about 0.1 percentage point lower, than the corresponding figures derived with the aid of the former sample population.

Commercial timber fellings compiled by the Ministry of Labour. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Indicator of traffic activity* calculated by the Bank of Finland Institute for Economic Research. Figures are weighted averages of the sea, air, railway and road traffic. *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. The President for the current period, March 1, 1968, to March 1, 1978, is Urho Kekkonen.

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1972 were as follows: Social Democrats 55, People's Democrats 37, Centre Party 35, Conservatives 34, Finnish People's Unification Party 13, Swedish Party 10, Liberal Party 7, Finnish Farmers' Party 5 and Christian League 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 and OECD 1969.

LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. Of the land area (1970) 2.7 mill. ha (9.6 %) are cultivated and 19.1 mill. ha (88.4 %) are covered by forests.

OWNERSHIP OF LAND (1970): The total land area was distributed among different classes of owners approximately as follows: private 80.7 %, State 29.4 %, joint stock companies etc. 8.0 %, municipalities and parishes 1.9 %.

POPULATION

NUMBER OF INHABITANTS (1971): 4.6 million. Sweden 8.1, Switzerland 6.3, Denmark 5.0 and Norway 3.9 million.

DENSITY OF POPULATION (1971): In South Finland 44.2 in East and Central Finland 14.2, in North Finland 3.9 and in the whole country an average of 15.2 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1971): 52 % of the population inhabit the rural areas, 48 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 519 900 inhabitants, Tampere (Tammerfors) 159 600, Turku (Åbo) 159 900.

EMPLOYMENT (1971): Agriculture and forestry 21 %, industry and construction 36 %, commerce 15 %, transport and communications 7 %, services 21 %.

LANGUAGE (1970): Finnish speaking 93.2 %, Swedish speaking 6.6 %, others 0.2 %.

EDUCATION (1971): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 10 colleges of university standard, and 2 teacher training colleges, besides teacher training departments in two of the universities.

CHANGE OF POPULATION (1971): births 13.3 ‰, deaths 9.9 ‰, change + 3.3 ‰, net emigration 0.0 ‰. Deaths in France 10.7 ‰ and Great Britain 11.6 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1972, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 3 225 (7 %), forestry and fishing 2 721 (6 %), manufacturing 15 147 (31 %),

construction 4 703 (10 %), transport and communication 4 750 (10 %), commerce, banking and insurance 6 174 (13 %), public administration 2 191 (4 %), ownership of dwellings 2 538 (5 %), services 6 891 (14 %), total 48 340. Index of real domestic product 143 (1964 = 100).

FOREST RESOURCES (1971). The growing stock comprised 1 448 million of solid cu. m incl. bark (51 135 million cu.ft), of which pine 44 % and spruce 37 %, the remaining 19 % being broad-leaf-trees, chiefly birch. Of the growing stock 17 386 million cu. m, 48 % of them pine, was up to the standard required for logs. The annual growth is 47.6 million solid cu. m green wood excl. bark (1 681 mill. cu. ft). The total removal calculated according to the use of wood was 48.4 million cu. m excl. bark (1 709 million cu. ft).

AGRICULTURE (1971): Cultivated land 2.7 million hectares. Number of holdings 297 257, of which 188 461 are of more than 5 ha. Measure of self-sufficiency in bread cereals 97 % in the crop year 1970/71 and 115 % in 1971/72.

INDUSTRY (1970): Gross value of industrial production 35 577 mill. marks, number of workers 502 981, salaried employees 103 449, motive power (1970) 5.1 mill. kW. Index of industrial production 238 for 1971 (1959 = 100).

STATE RAILWAYS (Jan. 1, 1973): Length 5 887 km.

MERCHANT FLEET (June 30, 1973): Steamers 32 (32 400 gross reg. tons), motor vessels 389 (790 600 gross reg. tons), tankers 59 (748 500 gross reg. tons), sailing vessels with auxiliary engines 3 (500 gross reg. tons). Total 483 (1 572 000 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1972): Passenger cars 818 000, lorries and vans 116 100, buses 8 400, others 5 400. Total 947 900.

FINNISH AIRLINES (March 31, 1973): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6s, 8 Super Caravelles 8 DC-9s and 5 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 25 airports and to 18 domestic airports.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish marka). Since Oct. 12, 1967, the par value of the mark is 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per U.S. dollar). Since Feb. 15, 1973 a central rate of 3.90 marks to one U.S. dollar has been applied.

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, 1972). There are two big and five small commercial banks with in all 837 offices, 302 savings banks, 406 co-operative banks, six mortgage banks, and Post Office Bank. The co-operative stores accept deposits from their members. The National Pension Institute and fifty-nine private insurance companies also grant credits.

RATES OF INTEREST (July 1, 1973). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 9 ¼ %. The range of rates for other credits granted by the Bank of Finland is between 7 ½ and 10 ½ %. Other credit institutions: term deposits 5 ¾ %, 6 month deposits 6 ¼ %, 12 month deposits 6 ¾ %, 24 month deposits 7 ¾ %; and sight deposits 1 ½ %; highest lending rate 12 ½ %.

RECENT FINANCIAL DEVELOPMENTS

by Seppo Kostiainen, M.Pol.Sc.
and Tapio Korhonen, M.Pol.Sc.

Economics Department
Bank of Finland

The period of relatively easy financial conditions that had begun in the latter half of 1971 continued throughout 1972. The improved availability of finance was partly a result of cyclical factors and partly of the economic policies pursued. After a slow-down in 1971, exports picked up markedly in 1972 and provided stimulus for monetary expansion. This was further supported by the import of long-term capital, which remained on quite a high level throughout 1972. As the growth in domestic demand and imports was still relatively modest at this stage, both the current account and the external liquidity position of the country improved. The revival of employment and growth was further stimulated by the release of counter-cyclical reserves and by other policy measures.

Despite the exceptional financial ease, corporate fixed investment did not pick up in 1972, mainly because of the existence of unused capacity. Thus the increased supply of finance tended to buoy up other investment, in particular residential construction and to improve the liquidity position of the private sector. Part of the initial inflow of finance was, however, neutralized through the central government surplus. Nevertheless, it seems that the availability of finance helped prevent the most recent slow-down from becoming as serious as many others have been.

The financial slack was taken up rapidly as domestic demand picked up during the first half of 1973. Although the expansion in exports has remained strong the fast growth in imports has produced a pronounced trade deficit. This, together with disturbances in capital flows, has

led to a tighter liquidity position in the banking sector. In addition, the financial markets were disrupted by a bank strike in May. In view of the prospects for the economy in the near future, a package of restrictive monetary policy measures was introduced in June in order to tighten the financial markets still further.¹

This article first discusses financial developments in 1972, and then reviews the current situation and sketches short-term prospects.

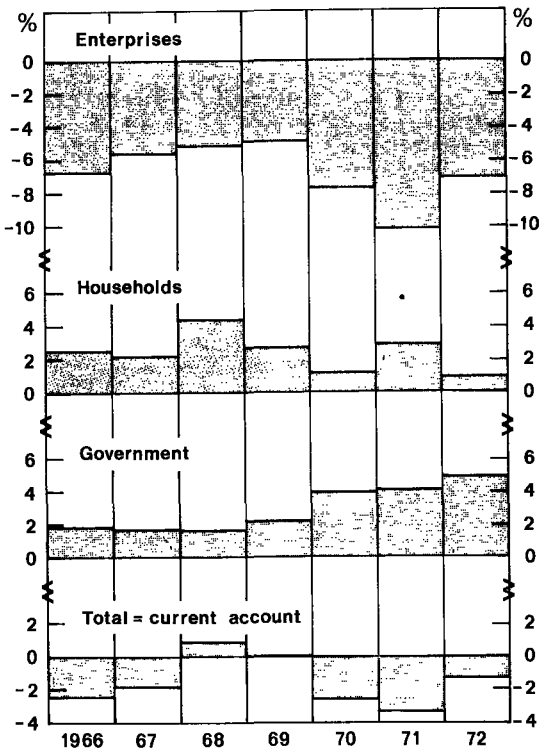
NON-FINANCIAL SECTORS

In 1972 gross disposable income at current prices grew by nearly 14 per cent, or four percentage units faster than in the previous year. This acceleration was due to the revival of real growth on one hand and to continuing inflation on the other. The real increase in gross domestic product was slightly under six per cent; however, the figure reflects the effect of strikes one year earlier.

The financial deficit of the enterprise sector (includes only corporations) fell by roughly 1 000 mill. marks in 1972 (Chart 1). This was a result of the high rate of growth of corporate income and the sluggishness of business investment. The strengthening of export demand did not lead to a rise in business fixed investment until this year, largely because there was still some unused productive capacity and also because of the uncertainties surrounding foreign trade. However, the reduction in business investment remained smaller than in similar

¹ See forthcoming article in the August issue of this Bulletin.

CHART 1. FINANCIAL SURPLUSES AND DEFICITS BY SECTORS, PER CENT OF GDP



cyclical situations in the past partly on account of monetary policy measures taken since the middle of 1971. For the most part the enterprise sector's deficit was matched by the surplus in the government sector; the amount of finance provided by the household sector and that coming from abroad was small compared with the year before.

The financial surplus of the household sector declined by roughly 800 million marks from 1971. This was a consequence of an increase in consumption and household investment expenditure in excess of the growth of disposable income. The growth in consumption was affected by a rise in the propensity to consume, typical of that phase of the cycle. The removal of the supplementary sales tax on consumer durables at the beginning of the year, the relaxation of hire purchase terms during the summer and the easiness of the financial markets were all special factors contributing to the growth in consumption. The increase

in housing investment by the household sector was substantial mainly because of increased government support and the improved availability of bank loans for this purpose.

Despite the fact that government expenditure grew faster than did total expenditure in the economy, the financial surplus of the government sector was larger than the year before. This was due to a substantial increase in tax revenue brought in by progressive personal taxation applied to larger nominal incomes. Much of the government's financial surplus was used to finance housing loans. Apart from this, the financial surplus of the central government was used to reduce the national debt. When these and other financial investments are taken into account, the state's cash surplus comes to 680 million marks (including the counter-cyclical deposits which had been released).

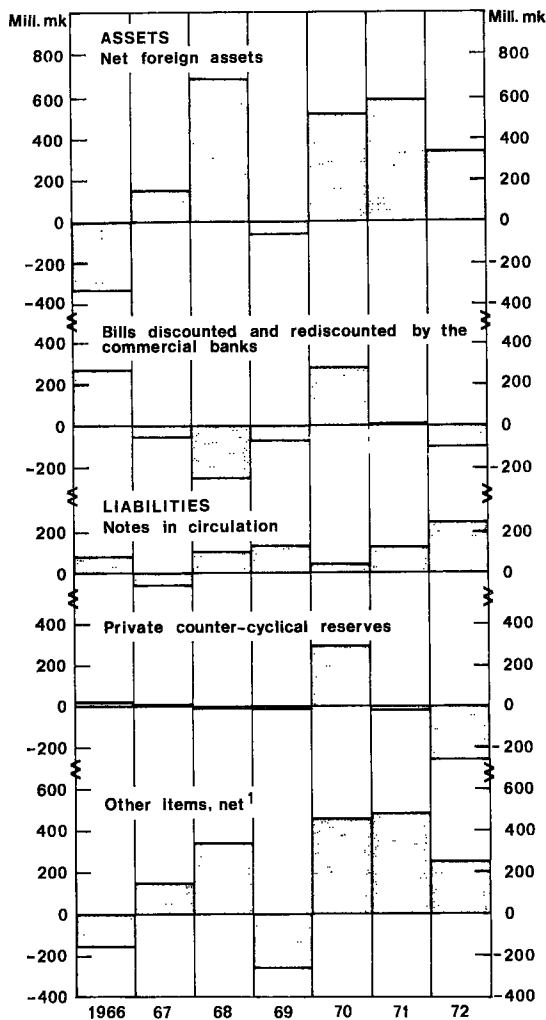
The growth of foreign debt led to increased transfers abroad in the form of interest payments and factor income. As the balance of goods and services was more or less in equilibrium, the current deficit of 600 million marks roughly equalled net investment payments. Net imports of foreign long-term capital exceeded 1 500 million marks. This was, for the most part, taken up directly by firms, the rest being borrowed by domestic financial institutions. The availability of long-term foreign capital and the slow growth in imports made it possible to reduce short-term foreign liabilities by 400 million marks. The increase in foreign exchange reserves affecting the money supply thus came to about 500 million marks.

FINANCIAL INSTITUTIONS

BANK OF FINLAND

Net foreign assets of the Bank of Finland grew by 271 million marks in 1972 (Chart 2) as a result of the over-all balance of payments surplus. In addition to the increase in net foreign assets, the release of cyclical and investment funds deposited at the Bank of Finland during

CHART 2. YEARLY CHANGES IN THE BALANCE SHEET OF THE BANK OF FINLAND



¹ Includes loans to the public and bonds (assets) and deposit certificates, governmental counter-cyclical reserves and own funds (liabilities).

the previous boom eased the money market. These releases, which were begun in 1971, amounted to 260 million marks last year. The central government also drew its counter-cyclical deposits totalling 250 million marks, which had been placed in foreign assets as well as 86 million marks of its export levy and counter-cyclical tax funds which had been placed with the Bank of Finland. To counter-balance this very substantial easing of the money market, the Bank of Finland absorbed a part of the increase of the money supply by issuing 390 million marks of deposit certificates in 1972. The decrease in the debt

of the commercial banks to the central bank was slowed down also by a decline in the Bank of Finland's lending to the public and a pronounced increase in notes in circulation. At the end of 1972 the debt of the commercial banks to the central bank was 100 million marks less than one year earlier.

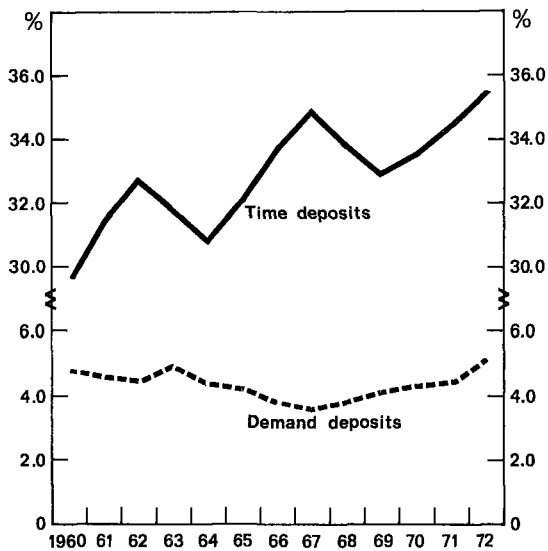
DEPOSIT BANKS

The expansion of bank deposits in 1972 was, in view of the cyclical situation, exceptionally large. The growth of deposits amounted to 18 per cent, with time deposit growing by 16 per cent and demand deposits by as much as 35 per cent (Charts on pages 6 and 7). The growth of time deposits was relatively slow in the early months of the year but accelerated later after the buying spree brought about by the removal of the supplementary sales tax came to an end.

The substantial growth in demand deposits of the enterprise sector was in part a consequence of the temporary placing of export earnings, foreign credits and cyclical reserves in bank accounts. Thus firms clearly have made preparations to invest during the current cyclical upturn. The improved liquidity position of the firms may strengthen the coming boom and the disequilibrium phenomena connected with it. On the other hand, the rapid growth of demand deposits in recent years seems partly to be due to a permanent increase in liquidity preferences which had weakened considerably in the 1960s. The ratio of demand deposits to gross domestic product exceeded the highest level of the 1960s only last year, even though these deposits increased threefold between 1967 and 1972 (Chart 3).

The fairly large increase in time deposits during 1972 was to some extent due to special factors rather than high financial saving by the household sector. Sales of dwellings were exceptionally high in 1972 because of continued rent control and the expiration of the privileged tax treatment of certain dwellings. These conditions simultaneously increased both the deposits of and lending to the household sector.

CHART 3. BANK DEPOSITS, PER CENT OF GDP



In addition, amortizations of government bonds held by the public exceeded new issues, and this seems also to have supported the growth in time deposits.

Although bank lending to the public increased by three percentage units less than deposits in 1972, the nominal growth of credits was above its long-term trend. The demand for loans remained high primarily because of the spurt in the construction of housing. Certain industries and local authorities also turned to the banks for finance to a greater extent than in the past. The improved financial position of the business sector as a whole is shown in the decline of bank credit in the form of bills of exchange and the exceptionally low use made of overdraft facilities. Domestic commercial bank lending denominated in foreign currencies also declined. But the bond holdings of the commercial banks increased greatly signifying better lending possibilities for mortgage banks and for development credit institutions.

The growth of deposits exceeded the growth of lending by nearly 500 million marks for the entire banking sector in 1972. The commercial banks used this surplus mainly to increase foreign assets and, to a lesser degree, to reduce their central bank debt (Chart 4). Savings

banks and co-operative banks, for their part, placed liquidity reserves on deposit with their central commercial banks, which produced a net increase in the liabilities of the commercial banks to other domestic banks.

OTHER FINANCIAL INSTITUTIONS

The lending of the mortgage credit institutions grew by 32 per cent in 1972 (Table 1). These institutions acquired funds mainly by marketing bonds to banks and to foreign holders. Funds were used to finance the construction of dwellings, the activities of local authorities and investment in certain branches of industry. The stock of outstanding insurance company loans grew by 23 per cent; the growth was strongest for lending based on funds of the employees' pension systems. On the other hand, lending by the National Pensions Institute fell further as its insurance funds declined. The role of the special financial institutions financing industry and exports is still small, but as in the previous years the growth rate of lending by these institutions was considerable, 30 per cent. Taken as a whole, the 22 per cent increase in the credit stock of other financial institutions clearly exceeded the corresponding growth of the deposit banks.

CHART 4. THE FINANCING OF THE EXCESS OF CREDITS OVER DEPOSITS IN THE COMMERCIAL BANKS

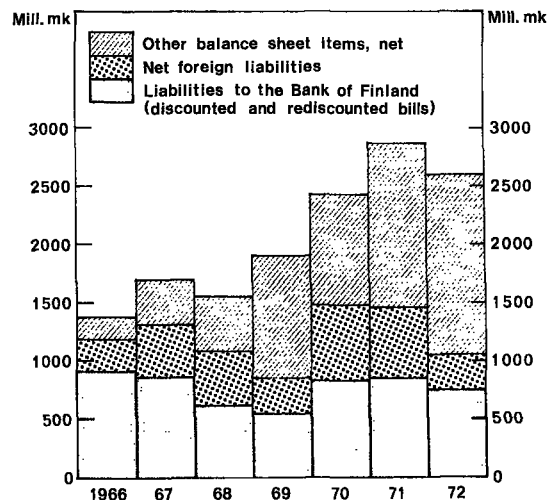


TABLE 1. CREDIT GRANTED TO THE PUBLIC BY FINANCIAL INSTITUTIONS ¹

	Change in 1972		Stock Dec. 31, 1972	
	Mill. mk	Per cent	Mill. mk	Per cent of total
Commercial banks	1 275.0	12.6	11 362.1	32.8
Savings banks	712.0	14.8	5 509.5	15.9
Co-operative banks	646.7	16.8	4 506.0	13.0
Post Office Bank	468.1	26.0	2 269.4	6.5
Total	3 101.8	15.1	23 647.0	68.2
Insurance companies	931.0	22.9	5 002.9	14.4
Mortgage banks	572.0	31.6	2 383.3	6.9
Development credit institutions	394.8	29.2	1 748.7	5.0
National Pensions Institute	—73.8	—6.4	1 072.6	3.1
Bank of Finland	—45.5	—9.3	443.3	1.3
Hire purchase and credit card companies	66.9	29.8	291.1	0.8
Factoring and leasing institutions	19.8	24.7	100.0	0.3
Total	4 967.0	16.7	34 688.9	100.0
Direct loans granted by the State	645.7	14.1	5 224.2	—

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

Direct borrowing by firms and households from the state and from abroad has expanded greatly. Direct state lending to households and firms grew by 14 per cent in 1972. Firms have been induced to borrow directly from abroad by the availability and low interest rates of foreign long-term loans. Thus the net foreign long-term debt of the enterprise sector increased by 1 200 million marks in 1972.

CAPITAL MARKET

Although recent tax reforms have favoured the growth of the bond and stock market, this market remains small, and its financial significance is dwarfed by that of the credit institutions. The growth of the bond market as a whole was sluggish in 1972. The stock of domestic bonds increased by four per cent

during the year. The slow rate of growth was mainly due to a decline in the amount of government bonds outstanding. On the other hand the stock of private bonds which make up two fifths of the total stock of bonds, increased by 26 per cent in 1972.

The value of the shares exchanged on the Helsinki Stock Exchange grew by as much as 80 per cent in 1972. Several large share issues were made, but the supply was not adequate to meet the strong demand at prevailing prices. Share prices thus rose by 60 per cent during the year whereas the volume of trading grew by only a fifth. Continuous increases in bond and stock dealings apparently are a result of more widespread knowledge of this form of financial investment, and changes in taxation. Other factors that contributed to the increase in turnover in 1972 include the investment of funds freed by the maturing of government bonds as well as the fear of further inflation.

CURRENT SITUATION AND SHORT-TERM PROSPECTS

During this year the financial markets have been subject to some exceptional disturbances. Uncertainties in the international capital markets have caused firms to refrain from borrowing abroad and to make greater use of domestic finance instead. This is the primary reason why the rate of growth of lending by deposit banks reached 24 per cent on an annual basis by the end of May. The bank strike in May led to a run on deposits as firms and households increased their cash holdings and transferred deposits to the Post Office Bank, the sole major deposit bank not affected by the strike. For this reason the debt of the commercial banks to the central bank during the strike was over two times as high as the present ceilings would have permitted in normal circumstances. The uncertainties in the exchange markets early in the year and the bank strike are expected to be of only minor importance in the longer run. The debt of the commercial banks to the central bank was reduced already by the end of May to a level only slightly above the ceilings.

This year private demand and particularly investment will still grow rapidly and the financial deficit of the enterprise sector will increase. The financial surplus of the government sector is expected to grow as tax revenues rise and non-monetary investments fall. However, the overall effect of the government sectors financial activities should be to tighten the financial market. The decline in the financial surplus of

the household sector is expected to continue also in 1973.

The net financial deficit of the domestic sectors, i.e., the current account deficit, will be covered this year without recourse to the reserves only if there is a definite revival in capital imports during the latter half of the year.

ITEMS

Finland's balance of payments January—March 1973. According to preliminary figures compiled by the Bank of Finland, the current account deficit amounted to 519 million marks during the first quarter of the year. In January—March 1972, the deficit was only 33 million marks. The weakening of the current account was the result of an increase in imports. The country's net borrowing abroad grew only slightly, as the uncertainty prevailing in foreign exchange markets held back drawings of long-term foreign loans. The current account deficit was thus financed by a decline of more than 500 million marks in the country's foreign exchange reserves.

During the first quarter of the year, the trade deficit, including adjustment items, amounted to 588 million marks, which was 500 million marks more than in January—March 1972. The value of imports grew by 32 per cent on the first quarter of 1972 and the value of exports increased by 15 per cent. The trade account was adversely affected by the domestic cyclical upswing, the postponement of some imports into 1973, a sharp rise in import prices and possibly a tendency to build up stocks in fear of further price rises.

Partly because trade in services tends to be seasonal, net income under this heading amounted to only slightly more than 232 million marks, or about 40 per cent of the trade deficit during the first quarter of the year. The surplus on transport account grew by about 5 per cent, whereas there was a small deficit on travel account. There was a 356 million mark deficit in visible and invisible trade. The other current account entries, such as interest expenditure on foreign loans remained on the level of 1972. The current account showed a 519 million mark deficit, which was more than 11 per cent of total current expenditure.

Drawings on long-term foreign loans were less than 50 per cent of drawings in the first quarter of 1972. However, amortizations were substantially larger than during the previous year, and net foreign indebtedness in the form of long-term loans declined slightly. The instability on foreign exchange markets had pronounced effects on the development of the country's capital account. Drawings on long-term export credits did not match redemptions, and direct investment in Finland exceeded Finnish direct investment abroad by a small margin. Short-term foreign liabilities grew only slightly.

As the increase in long-term and short-term borrowing came to only 12 million marks, the current account deficit had to be financed almost entirely through the use of foreign exchange reserves. The country's foreign exchange reserves declined by an amount equal to the overall deficit, i.e. by 507 million marks. The gold and foreign exchange reserves of the Bank of Finland declined by 353 million marks, and the net foreign exchange assets of other foreign exchange holders fell by 154 million marks.

MAJOR ITEMS OF BALANCE OF PAYMENTS, MILL. MK

	January—March	
	1973	1972
Trade account	—588	— 90
Service account	232	221
Visible and invisible trade account	—356	131
Other items of current account	—163	—164
Current account	—519	— 33
Long-term capital	— 3	597
Short-term capital	15	—303
Capital inflows	12	294
The change in the foreign exchange reserves	—507	261

Inflow of long-term capital in January—March 1973. The net inflow of long-term loan capital has been strong in recent years, but during the first quarter of the current year this inflow decreased. The decline is partly a consequence of the disturbances in the international foreign exchange market, which have made lenders more cautious and borrowers less anxious to take loans. Furthermore, the strong inflow of foreign capital during the past year when capital markets were easy may have reduced the need to import capital during the early months of the current year.

Drawings of long-term foreign loans exceeded the corresponding redemptions by only seven million marks, whereas in the corresponding period of 1972 net debt increased by 719 million marks. Daily changes in exchange rates raised the mark value of the debt by 77 million marks, i.e. by 0.8 per cent. Thus long-term foreign debt amounted to 10 070 million marks at the end of March. Drawings of loans totalled 391 million marks and redemptions 384 million marks in January—March.

Drawings of financial loans amounted to 245 million marks and exceeded redemptions by 47 million marks. At the end of March, debt in the form of financial loans amounted to 4 742 million marks. During the first quarter of the year, no Finnish bond issues were floated abroad. Amortizations of outstanding bonds totalled 18 million marks, and outstanding bond debt amounted to 2 767 million marks at the end of March.

Both the drawings and redemptions of import credits amounted to 114 million marks. Drawings of loans to subsidiaries exceeded the corresponding repayments by 20 million marks. Redemptions of loans granted by the World Bank exceeded drawings by 25 million marks. Amortizations of loans granted by foreign governments totalled 17 million marks.

Interest expenses on long-term foreign loans amounted to 148 million marks in January—March 1973, and total debt service costs, in-

cluding amortizations, totalled 531 million marks.

Supplementary budget. In June Parliament approved the second supplementary budget for 1973. It involved a 389 million mark rise in expenditure and a 38 million rise in revenue.

The supplementary budget includes a 20 million mark long-term loan for Neste Oy to finance the construction of a third oil refinery. It also includes appropriations for the construction of new highways required by the oil refinery, for planning and constructing a railway leading to the crude oil harbour and the oil refinery, as well as for planning necessary maritime security equipment.

Of the 75 million mark loan granted to Outokumpu Oy to finance the building of a processed steel mill, 25 million marks was included in the supplementary budget. It is intended that the share capital of the state-owned company will be raised by 150 million marks during 1973—1975. This year's share of 50 million marks was included in the present supplementary budget.

In addition, funds were earmarked for several other projects designed to improve economic conditions in the development regions. Nine million marks was set aside to subsidize transport in the development regions. An additional two million marks was allotted to the Regional Development Fund for the support of research, product development and marketing. A grant of 18.5 million marks was made to improve the housing conditions of pensioners in the development regions.

In keeping with the recommendation made by the Nordic Council, a further 9.5 million marks was set aside for Iceland as natural disaster aid. This supplements the 3 million mark grant approved in the first supplementary budget of the current year.

When the two supplementary budgets are included, total budgeted state expenditure for 1973 amounts to 15 466 million marks.

Board of Management of the Bank of Finland. On June 21, 1973, the President of the Republic appointed Mr. Pentti Uusivirta, LL.M., Envoy Extraordinary and Minister Plenipotentiary, member of the Board of Management of the Bank of Finland as from January 1, 1974. Mr. Uusivirta has been head of the Foreign Trade Department of the Ministry of Foreign Affairs since 1969, and he will act as a consultant to the Bank of Finland from August 1, 1973 until the end of the year.

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

A. Simonen

Deputy Governor

Ahti Karjalainen

*Absent as a Member
of Government*

Heikki Valvanne

Jaakko Lassila

Päiviö Hetemäki

Timo Helelä

ad int.

Directors

Jouko J. Voutilainen

Timo Helelä

Jorma Aranko

Pertti Tammivuori

Markku Puntila

Senior officials

Pertti Kukkonen

Director, ADP-planning

Pauli Kanerva

Administration

K. Ignatius

Personnel

Antti Lehtinen

*Domestic financial
operations*

Helge Lindström

Credits and securities

Kalle Koski

Capital transfers

Kari Nars

Foreign exchange policy

Raili Nuortila

Eastern trade

J. Ojala

Foreign exchange control

Kari Puumanen

Economics dept., ad int.

Henri J. Vartiainen

Research dept.

Stig Törnroth

Cash

K. Eirola

Automatic Data Processing

A. Nenonen

Foreign correspondence

Väinö Heiskanen

Banking services

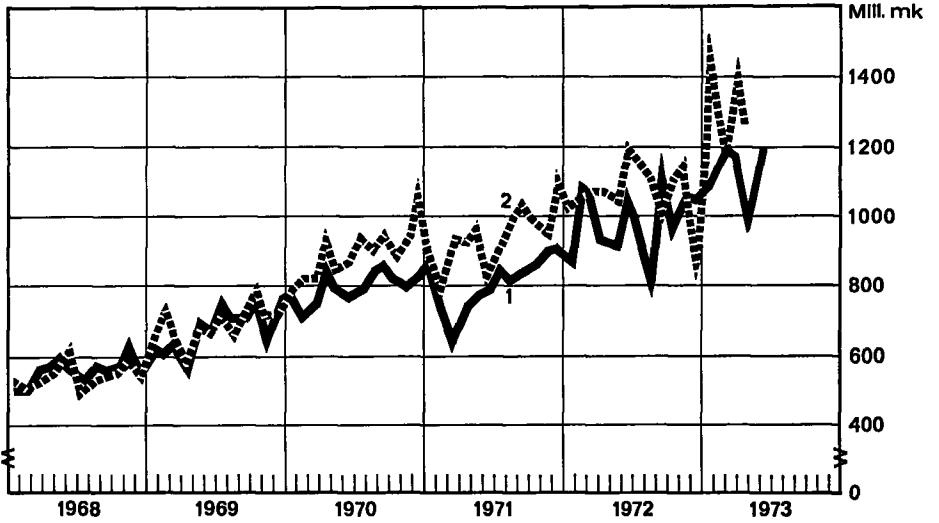
Eino Suomela

Internal Audit

Foreign trade, 1968-1973

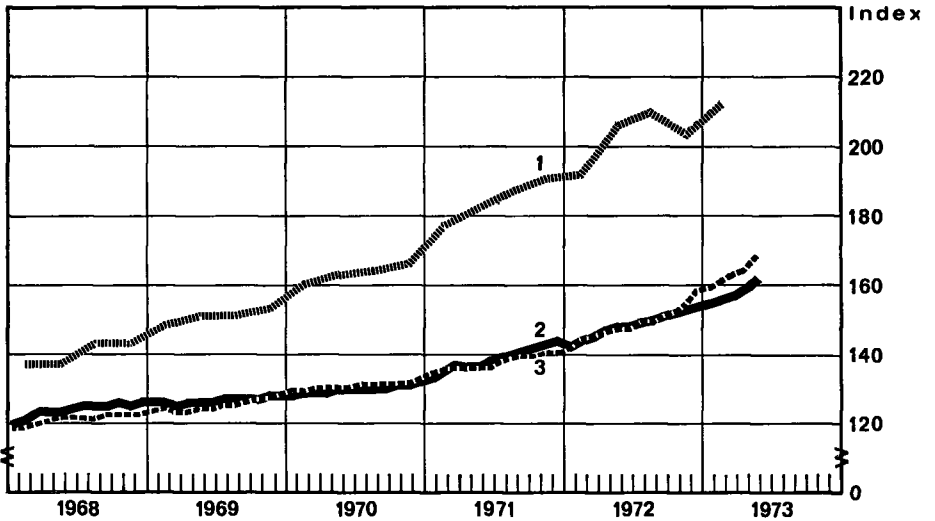
- 1. Exports f.o.b.
- 2. Imports c.i.f.

Seasonally adjusted monthly figures



Prices and wages, 1968-1973

- 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, 1968-1973

- 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

