



# BANK OF FINLAND

*Monthly Bulletin*

**Recent price developments in Finland**

**Finnish consumer goods industries:  
an overview**

**Devaluation of the Finnish markka**

**Direct investment in 1976**

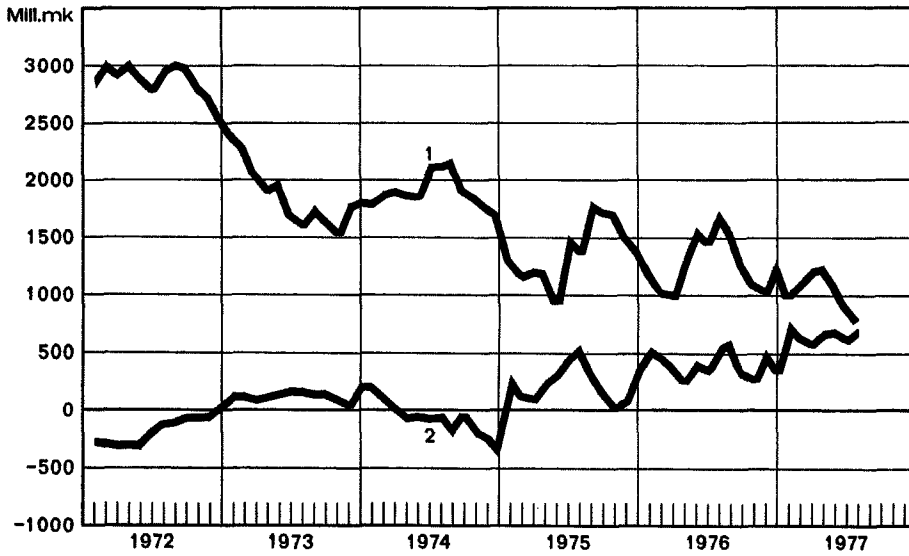
**Finland's balance of payments January—  
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**Finland's gross long-term foreign debt  
in January—June 1977**

**SEPTEMBER 1977**

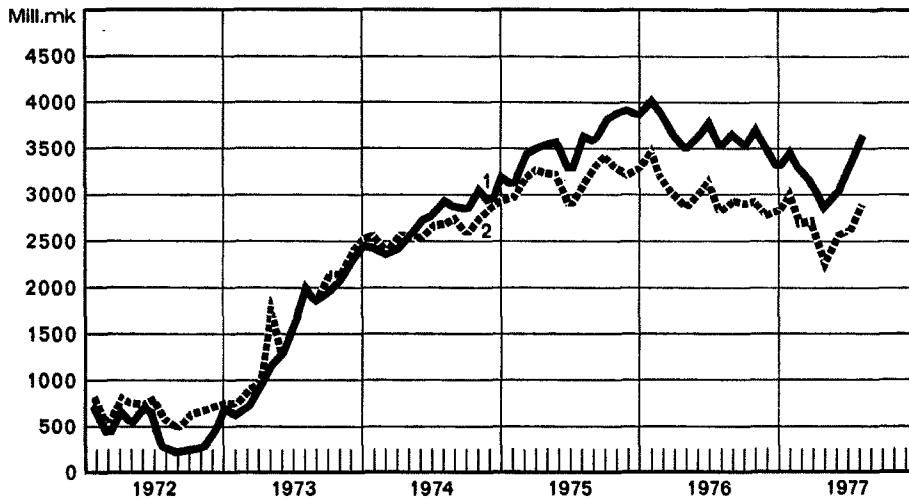
**Vol. 51 No. 9**

**BANK OF FINLAND'S CONVERTIBLE AND NON-CONVERTIBLE FOREIGN EXCHANGE RESERVES, 1972 - 1977**



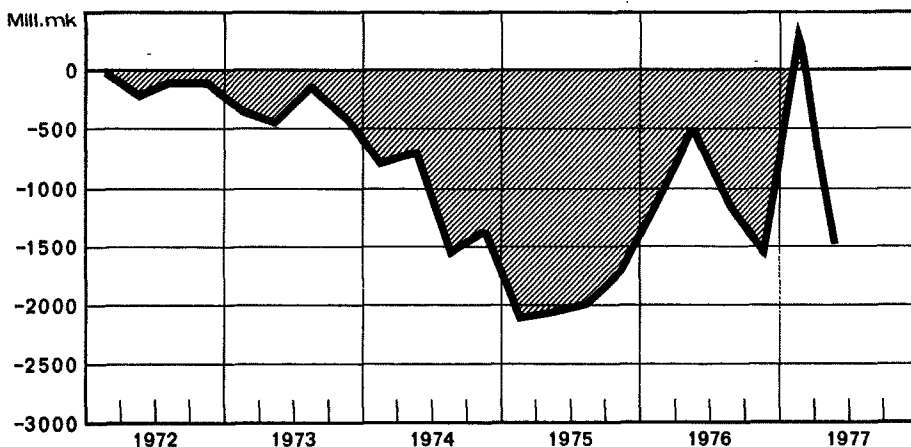
- 1. Gold and convertible currencies
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**BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1972 - 1977**



- 1. Net receivables from the domestic financial sector
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**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1972 - 1977**



Seasonally adjusted quarterly figures

## RECENT PRICE DEVELOPMENTS IN FINLAND

After a successful stabilization period in 1969—1971, when prices in Finland rose, on average, by less than four per cent, the rate of inflation in Finland has been higher than the average in the OECD countries. The acceleration of inflation in the second half of 1973 and the first half of 1974 followed the substantial rise in international prices. Due to the commodity structure of Finland's foreign trade — large energy and rawmaterial imports, with forest industry products accounting for about half of exports — the original external shock was greater in Finland than in most other countries. Because of the great increase in the prices of forest industry products, there was no weakening in the terms of trade, and this contributed to the prevalence of inflationary domestic demand pressures in 1974 and 1975. The cost-of-living index rose by 17 per cent in 1974 and by 18 per cent in 1975. Unit labour costs increased by almost 24 per cent in 1975.

Almost continuously since 1968 there have been quite extensive price controls in Finland. Being based on a full-cost principle they have, however, not curbed rises in prices induced by cost pressures. Attempts were made at the beginning of 1976 to reduce inflationary expectations by intensifying price regulation.<sup>1</sup> A five-month price freeze was implemented during which prices, with certain exceptions, were frozen at the level prevailing on January 21, 1976. Although the price increases accelerated again after the end of the price freeze, this measure — together with the deceleration of international inflation, fairly moderate collective agreements on wages and salaries,<sup>2</sup> and declining growth of demand — contributed to a slow-down in the rate of inflation.

During 1976 consumer prices rose by 12.3 per

cent, about three percentage points of which are directly attributable to central government measures. The direct impact of import prices was of almost the same size, and the agreement on agricultural incomes accounted for about 1.2 percentage points. On the year-to-year basis, the consumer price index rose by 14.4 per cent in 1976.

From December 1976 until July of this year, the consumer price index rose by 8.7 per cent. As compared with July 1976, the rise was 13.3 per cent. Food prices accounted for nearly 5 percentage points of the total rise in the consumer price index from July 1976 to July 1977, and the rise in the price of coffee alone for about 2 percentage points. In the agreement on agricultural incomes, concluded in the spring, the target prices for agricultural produce were raised and this, together with a decrease in the government subsidy on milk, contributed to the increase in food prices.

In addition, the price level has been pushed up during the current year by an increase of three percentage points in the sales tax at the beginning of 1977, the rise in some government prices, fees and tariffs, and by the effects of the six per cent devaluation of the Finnish mark at the beginning of April 1977. The direct impact of the devaluation on consumer prices is estimated to be two percentage points, most of which will come through during this year.

The price developments during the latter half of this year will largely reflect prior events and economic decisions already made. The lagged effects of devaluation, the increase in rents effected in the spring, and the new agreement on agricultural incomes to be concluded in September may create new price pressures. However, at the same time there will be a fall in the growth of unit labour costs this year, owing to increases in productivity and a fall

<sup>1</sup> See Bulletin 8/1976, »Price regulation in Finland 1968—1976».

<sup>2</sup> See Bulletin 7/1977, »Collective Agreements for March/May 1977—February 1979».

in the rate of wage increases.<sup>1</sup> It is estimated that consumer prices will rise from December 1976 to December 1977 by about 13 to 14 per cent, which is slightly more than the rise in 1976. On a year-to-year basis this means 13 per cent, or just less than in the previous year. Without devaluation, the increases in the sales tax and the price of coffee, the rise in the price level would have come to clearly less than ten per cent.

From the beginning of 1975, the restoration of a balance-of-payments equilibrium and the curbing of inflation have been the major targets for economic policy. Attempts have been made to reach these targets by pursuing stringent monetary policies and by holding back the expansion of the public sector. However, the counter-inflationary effects of these measures have been lessened, to some extent, by the increase in some prices, charges

and indirect taxes brought about by the financial difficulties of the public sector, although these increases have been partly offset by granting income tax concessions.

The reduction of inflation to a five per cent level in the years to come has been set as a goal by the Council of State in its Medium-Term Target Programme released in June of this year. The prospects for a reduction in the rate of inflation during 1978 are, in fact, supported by the concluded, fairly moderate, two-year collective agreements, which should help to bring the growth of unit labour costs to the level prevailing in Finland's competitor countries. The slowing-down of the rate of price increases will also be aided by the Government's tax and tariff policy projects and by measures which are designed to promote the corporate sector's efforts to raise their capacity utilization and to increase their productivity.

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<sup>1</sup> See Bulletin 7/1977, »Collective agreements for March/May 1977—February 1979».

August 23, 1977

	1976		1977			
	Aug. 31	Dec. 31	Aug. 8	Aug. 15	Aug. 23	Aug. 31
<b>Assets</b>						
Gold and foreign exchange receivables	2 336	1 801	1 575	1 571	1 676	1 579
Gold	121	121	127	127	127	127
Special drawing rights	265	236	191	191	191	191
Convertible currencies	1 284	1 004	446	507	502	379
Tied currencies	666	440	811	746	856	882
Other foreign receivables	1 503	1 660	1 869	1 862	1 863	1 857
Foreign bills	303	436	438	431	432	426
Foreign bonds	373	397	497	497	497	497
Currency subscription to Finland's quota in the IMF	827	827	934	934	934	934
Receivables from financial institutions	3 844	4 674	4 214	4 343	4 435	4 327
Cheque accounts of the commercial banks	169	174	163	87	125	85
Discounted bills	2 749	2 920	2 684	2 759	2 745	2 779
Bonds	357	332	350	507	350	467
Call money market advances	533	1 204	947	944	1 174	966
Other financial institution receivables	36	44	70	46	41	30
Receivables from the public sector	388	447	365	363	361	360
Bonds	74	67	64	64	63	63
Total coinage	274	279	297	297	297	297
Other public sector receivables	40	101	4	2	1	0
Receivables from corporations	1 297	1 400	1 500	1 492	1 488	1 439
New export bills	144	165	193	193	195	194
Financing of suppliers' credits	490	554	693	694	693	692
Bonds	209	198	179	179	179	178
Other corporate receivables	454	483	435	426	421	375
Other assets	49	53	75	75	76	76
<b>Total</b>	<b>9 417</b>	<b>10 035</b>	<b>9 598</b>	<b>9 706</b>	<b>9 899</b>	<b>9 638</b>
<b>Liabilities</b>						
Foreign exchange liabilities	169	101	99	95	95	91
Convertible accounts	123	50	52	50	53	50
Tied accounts	46	51	47	45	42	41
Other foreign liabilities	1 923	1 923	2 030	2 131	2 131	2 131
IMF mark accounts	1 665	1 665	1 772	1 772	1 772	1 772
Allocations of special drawing rights	258	258	258	258	258	258
Term liabilities	—	—	—	101	101	101
Notes and coins in circulation	2 858	2 885	3 091	3 090	3 049	3 022
Notes	2 614	2 635	2 828	2 827	2 786	2 760
Coins	244	250	263	263	263	262
Deposit certificates in circulation	—	—	180	180	180	180
Claims of financial institutions	534	1 143	839	878	1 080	848
Cheque account of Postipankki	0	2	0	0	0	1
Cheque accounts of the commercial banks	3	2	2	1	1	1
Call money market deposits	522	1 137	727	766	1 013	794
Other financial institution claims	9	2	110	111	66	52
Claims of the public sector	1 263	1 133	369	359	353	353
Cheque accounts	0	2	1	0	0	1
Counter-cyclical reserves	55	59	34	34	34	34
Import deposits	1 128	973	3	3	2	2
Other public sector claims	80	99	331	322	317	316
Claims of corporations	301	308	232	229	260	260
Investment deposits	63	58	48	46	44	44
Capital import deposits	232	242	171	172	203	203
Import levy deposits	3	6	12	11	13	13
Other corporate claims	3	2	1	0	0	0
Other liabilities	15	13	16	15	13	14
Equalization accounts	477	592	824	808	814	811
Capital accounts	1 877	1 937	1 918	1 921	1 924	1 928
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	334	334	436	436	436	436
Undisposed profits	—	—	—	—	—	—
Net earnings	143	203	82	85	88	92
<b>Total</b>	<b>9 417</b>	<b>10 035</b>	<b>9 598</b>	<b>9 706</b>	<b>9 899</b>	<b>9 638</b>

End of year and month	Foreign sector						Public sector			Deposit certificates in circulation	
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserve (1—2)	Non-convertible exchange reserve	Other receivables	Other liabilities	Net receivables (3+4+5—6)	Receivables	Liabilities		Net liabilities (9—8)
	1	2	3	4	5	6	7	8	9	10	11
1970	1 812	11	1 801	— 63	639	606	1 771	119	121	2	203
1971	2 620	30	2 590	—297	686	704	2 275	148	140	— 8	400
1972	2 613	43	2 570	— 6	757	788	2 533	175	49	—126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1976											
July	1 800	62	1 738	507	1 483	1 923	1 805	361	1 227	866	—
Aug.	1 670	123	1 547	620	1 503	1 923	1 747	388	1 263	875	—
Sept.	1 414	142	1 272	355	1 533	1 923	1 237	415	1 188	773	—
Oct.	1 257	134	1 123	304	1 560	1 923	1 064	421	1 130	709	—
Nov.	1 197	123	1 074	529	1 595	1 923	1 275	432	1 215	783	—
Dec.	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1977											
Jan.	1 074	53	1 021	768	1 636	1 923	1 502	440	979	539	—
Feb.	1 180	49	1 131	654	1 637	1 923	1 499	426	873	447	—
March	1 292	60	1 232	608	1 692	1 923	1 609	433	739	306	180
April	1 324	65	1 259	697	1 733	1 923	1 766	407	512	105	180
May	1 152	39	1 113	714	1 851	2 030	1 648	377	581	204	180
June	965	48	917	652	1 855	2 030	1 394	362	430	68	180
July	855	56	799	722	1 874	2 030	1 365	364	389	25	180
Aug	697	50	647	841	1 857	2 131	1 214	360	353	—7	180

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

## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1976			Net holdings, July 29, 1977			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	July	Jan.—July
Gold	121	—	121	127	—	127	—	+6
Special drawing rights	236	—	236	206	—	206	—	—30
IMF gold tranche	—	—	—	—	—	—	—	—
Convertible currencies	954	—1 783	—829	466	—3 077	—2 611	+47	—1 782
Total	1 311	—1 783	—472	799	—3 077	—2 278	+47	—1 806
Non-convertible currencies	389	—27	362	722	—20	702	+69	+340

End of year and month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Dis-counted and re-dis-counted bills	Cheque account receiv-ables <sup>2</sup>	Other receiv-ables	Cheque account liabilities to the commer-cial banks <sup>3</sup>	Cheque account liabilities to Posti-pankki <sup>3</sup>	Other liabili-ties	Net receiv-ables (1+2+3-4-5-6)	Receiv-ables	Liabili-ties <sup>4</sup>	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1970	836	3	—	1	4	—	834	383	324	59	1 455
1971	849	—	—	9	2	—	838	355	385	— 30	1 413
1972	753	5	—	—	2	—	756	321	73	248	1 879
1973	2 556	61	—	—	2	—	2 615	372	259	113	2 082
1974	3 034	114	266	4	4	1	3 405	631	195	436	2 462
1975	3 385	133	646	3	1	25	4 135	933	539	394	2 855
1976	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885

1976											
July	2 775	164	1 189	3	0	793	3 332	1 284	374	910	2 895
Aug.	2 749	169	926	3	0	531	3 310	1 297	301	996	2 858
Sept.	3 031	185	1 153	2	0	783	3 584	1 342	189	1 153	2 840
Oct.	3 148	164	1 566	3	0	1 005	3 870	1 356	297	1 059	2 882
Nov.	3 036	178	1 401	5	1	785	3 824	1 315	352	963	2 839
Dec.	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885

1977											
Jan.	2 729	119	2 095	2	0	1 673	3 268	1 308	244	1 064	2 758
Feb.	2 604	176	2 405	1	1	1 865	3 318	1 306	353	953	2 790
March	2 769	123	1 690	2	0	1 322	3 258	1 321	307	1 014	2 845
April.	2 460	152	1 480	3	1	1 061	3 027	1 398	272	1 126	2 924
May	2 749	110	1 193	2	0	832	3 218	1 437	263	1 174	2 932
June	2 768	128	1 305	5	0	768	3 428	1 459	230	1 229	3 154
July	2 773	116	1 320	5	0	797	3 407	1 498	232	1 266	3 157
Aug	2 779	85	1 463	1	1	846	3 479	1 439	260	1 179	3 022

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

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

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

## SELLING RATES FOR FOREIGN EXCHANGE

Mk

August 23, 1977

New York <sup>1</sup>	1 \$	4.040	Frankfurt o. M.	100 DM	174.40	Vienna	100 S	24.55
Montreal	1 \$	3.760	Amsterdam	100 Fl	165.00	Lisbon	100 Esc	10.47
London	1 £	7.035	Brussels <sup>2</sup>	100 Fr		Madrid	100 Pta	4.80
Stockholm	100 Kr	91.60	Zurich	100 Fr	168.10	Tokyo	100 Y	1.520
Oslo	100 Kr	76.50	Paris	100 FF	82.50	Reykjavik	100 Kr	2.05
Copenhagen	100 Kr	67.50	Rome	100 Lit	0.460	Moscow <sup>3</sup>	1 Rbl	5.576

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

<sup>2</sup> 11.400 commercial rate; 11.350 financial rate.

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

# DEPOSITS BY THE PUBLIC

Mill. mk

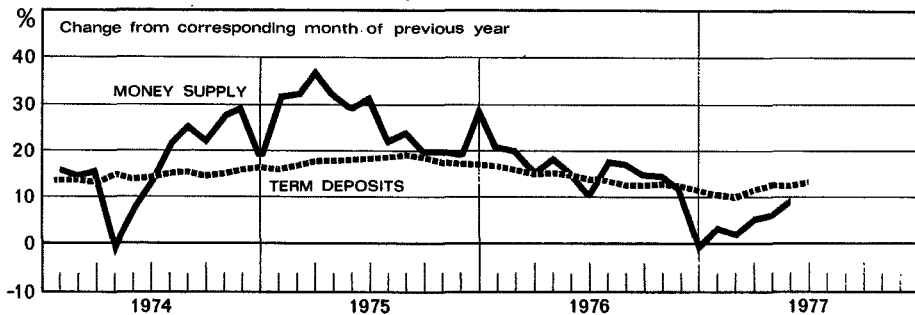
End of year and month	Sight deposits			Term deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1970	1 143	1 508	603	6 099	4 847	3 458	1 288	574	16 266	18 377
1971	1 343	1 734	754	6 962	5 446	3 877	1 491	642	18 418	20 906
1972	1 851	2 371	979	8 096	6 232	4 500	1 805	720	21 353	24 703
1973	2 144	2 892	1 360	8 989	7 109	5 237	2 159	805	24 299	28 551
1974	2 551	3 478	1 638	10 213	8 288	6 308	2 641	921	28 371	33 487
1975	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260
1976*	3 028	4 386	2 332	12 789	11 066	8 622	3 578	1 255	37 310	44 028

## 1976\*

July	2 985	4 176	1 951	11 966	10 389	8 064	3 390	1 184	34 993	41 120
Aug.	3 102	4 375	1 968	11 988	10 531	8 216	3 423	1 194	35 352	41 695
Sept.	2 856	4 094	1 935	11 896	10 545	8 286	3 426	1 213	35 366	41 395
Oct.	2 715	3 930	1 948	11 986	10 599	8 341	3 465	1 231	35 622	41 500
Nov.	2 933	4 170	1 913	12 031	10 769	8 477	3 480	1 248	36 005	42 088
Dec.	3 028	4 386	2 332	12 789	11 066	8 622	3 578	1 255	37 310	44 028

## 1977\*

Jan.	2 969	4 190	2 370	12 718	11 166	8 721	3 616	1 282	37 503	44 063
Feb.	2 827	4 103	2 495	12 719	11 273	8 821	3 673	1 296	37 782	44 380
March	2 911	4 265	2 346	12 783	11 362	8 885	3 737	1 307	38 074	44 685
April	2 923	4 234	2 382	12 988	11 443	9 183	3 758	1 324	38 696	45 312
May	3 163	4 536	2 221	13 108	11 597	9 081	3 787	1 331	38 904	45 661
June	3 199	4 617	2 219	13 222	11 826	9 219	3 822	1 337	39 426	46 262
July	2 928	4 342	2 115	13 339	11 995	9 327	3 894	1 348	39 903	46 360





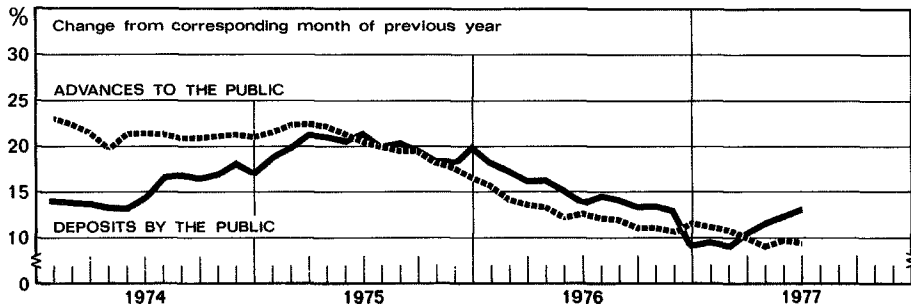
# ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7		
1970	7 963	4 342	3 404	1 342	1 454	17 815	690	18 505	3 445
1971	9 234	4 795	3 834	1 747	1 799	20 640	769	21 409	4 025
1972	10 667	5 503	4 483	2 245	2 374	24 473	799	25 272	4 959
1973	13 365	6 497	5 302	3 399	2 696	30 286	973	31 259	6 116
1974	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283
1975	17 773	9 108	7 798	5 488	4 129	43 002	1 294	44 296	9 450
1976*	19 090	10 616	9 256	6 012	4 582	47 965	1 591	49 556	9 288

1976*									
Month	1	2	3	4	5	6	7	8	9
July	18 212	9 831	8 376	5 844	4 479	45 365	1 377	46 742	8 665
Aug.	18 309	9 965	8 505	5 885	4 507	45 652	1 519	47 171	8 830
Sept.	18 453	10 148	8 683	5 937	4 470	46 092	1 599	47 691	8 504
Oct.	18 658	10 279	8 855	5 939	4 475	46 617	1 589	48 206	8 422
Nov.	18 791	10 418	9 000	6 046	4 494	47 168	1 581	48 749	8 565
Dec.	19 090	10 616	9 256	6 012	4 582	47 965	1 591	49 556	9 288

1977*									
Month	1	2	3	4	5	6	7	8	9
Jan.	19 176	10 683	9 271	6 044	4 625	48 168	1 631	49 799	8 960
Feb.	19 204	10 762	9 276	6 071	4 619	48 281	1 651	49 932	9 001
March	19 208	10 804	9 279	6 095	4 589	48 330	1 645	49 975	9 076
April	19 296	10 888	9 296	6 078	4 642	48 624	1 576	50 200	9 177
May	19 332	11 057	9 404	6 197	4 673	49 091	1 572	50 663	9 319
June	19 514	11 145	9 539	6 196	4 760	..	..	51 154	..
July	19 563	11 265	9 671	6 153	4 796	..	..	51 448	..



# STATE FINANCES

Mill. mk

Revenue	Jan.—June		Expenditure	Jan.—June	
	1976	1977		1976	1977
Income and property tax (net)	5 700	4 536	Wages, salaries, pensions etc.	2 497	2 736
Gross receipts	(11 700)	(13 331)	Repair and maintenance	321	361
Refunds & local authorities	(—6 000)	(—8 795)	Other consumption expenditure	1 123	1 338
Other taxes on income and property	128	140	<b>Total consumption expenditure</b>	<b>3 941</b>	<b>4 435</b>
Employers' child allowance payments	466	509	State aid to local authorities	2 807	3 348
Sales tax	2 984	3 583	State aid to industries	2 095	2 252
Revenue from Alcohol Monopoly	784	761	of which: agric. price subsidies	(1 210)	(1 257)
Customs duties & import charge	293	299	Child allowances	392	515
Counter-cyclical tax	—	—	Share in national pensions and health insurance	138	146
Excise duty on tobacco	339	375	Other transfer expenditure	1 661	1 997
»  »  on liquid fuel	657	826	<b>Total transfer expenditure</b>	<b>7 093</b>	<b>8 258</b>
Other excise duties	330	672	Machinery and equipment	532	598
Tax on autom. and motor cycles	395	367	House construction	264	299
Stamp duties	303	350	Land and waterway construction	777	714
Special diesel etc. vehicles tax	39	62	<b>Total real investment</b>	<b>1 573</b>	<b>1 611</b>
Other taxes and similar revenue <sup>1</sup>	434	421	Interest on State debt	141	229
<b>Total taxes</b>	<b>12 852</b>	<b>12 901</b>	Index compensations	22	19
Miscellaneous revenue	844	882	Net deficit of State enterprises	162	29
Interest, dividends etc.	281	364	Other expenditure	19	23
Sales and depreciation of property	3	4	<b>Total other expenditure</b>	<b>344</b>	<b>300</b>
Redemptions of loans granted	130	149	Increase in inventories	—19	47
<b>Total revenue</b>	<b>14 110</b>	<b>14 300</b>	Lending	1 022	1 411
Foreign borrowing	167	152	Other financial investment	383	292
Domestic borrowing	422	488	<b>Total expenditure</b>	<b>14 337</b>	<b>16 354</b>
<b>Total borrowing</b>	<b>589</b>	<b>640</b>	Redemption of foreign loans	199	63
<b>Deficit (+) or surplus (—)</b>	<b>(—81)</b>	<b>(+1 713)</b>	Redemption of domestic loans	82	236
			<b>Total redemptions</b>	<b>281</b>	<b>299</b>
			<b>Total</b>	<b>14 618</b>	<b>16 653</b>
	<b>Total</b>	<b>14 618</b>	<b>Total</b>	<b>14 618</b>	<b>16 653</b>

<sup>1</sup> Including supplementary turnover tax and import-equalization tax from June 1971.

State debt	1975	1976	1977			
	Dec.	Dec.	April	May	June	July
<b>Foreign debt</b>	1 603	2 248	2 377	2 384	2 520	2 537
Loans	1 645	2 175	2 314	2 371	2 407	2 450
Compensatory obligations	1	1	1	1	1	1
Short-term credit	85	287	196	202	221	..
Cash debt (net)	—242	—643	—303	37	—220	..
<b>Domestic debt</b>	1 489	1 820	2 208	2 611	2 409	..
<b>Total State debt</b>	3 092	4 068	4 585	4 995	4 929	..
Total debt, mill \$	798	1 069	1 136	1 223	1 206	..

# FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050

1976			
May	2 212	1 956	+ 256
June	2 232	2 441	- 209
July	2 256	2 543	- 287
Aug.	1 758	2 357	- 599
Sept.	2 119	2 632	- 513
Oct.	2 395	2 361	+ 34
Nov.	2 463	2 783	- 320
Dec.	2 610	3 305	- 695

1977*			
Jan.	2 469	2 389	+ 80
Feb.	1 917	1 992	-75
March	2 621	2 403	+ 218
April	2 085	2 170	- 85
May	2 233	2 422	- 189
June	2 542	3 132	- 590

Jan.-June			
1976	10 904	12 577	-1 673
1977*	13 867	14 508	- 641

Indices of exports and imports 1975 = 100<sup>1</sup>

Period	Indices of exports and imports 1975 = 100 <sup>1</sup>				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1972	113	82	53	57	93
1973	121	93	60	64	94
1974	121	100	85	92	92
1975	100	100	100	100	100
1976	117	96	103	107	97

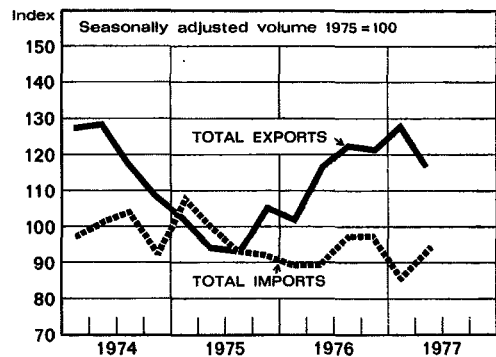
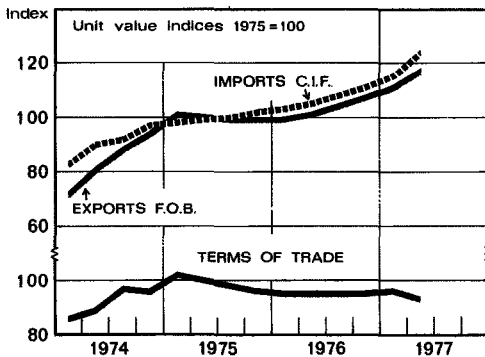
1974					
July-Sept.	114	105	89	94	95
Oct.-Dec.	119	101	96	98	98

1975					
Jan.-Mar.	100	107	102	99	103
Apr.-June	92	95	101	100	100
July-Sept.	89	94	100	101	99
Oct.-Dec.	116	100	100	103	97

1976					
Jan.-Mar.	99	87	100	104	96
Apr.-June	114	84	102	106	96
July-Sept.	116	98	105	109	96
Oct.-Dec.	136	107	108	112	96

1977*					
Jan.-Mar.	124	83	112	116	97
Apr.-June	115	88	118	125	95

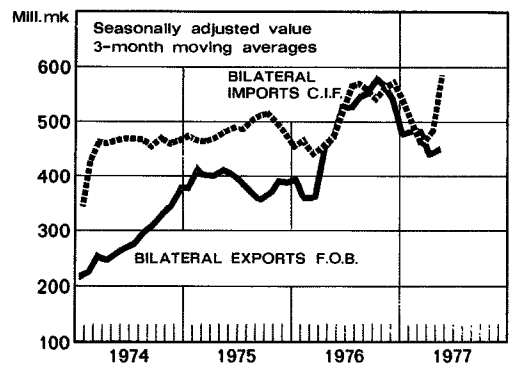
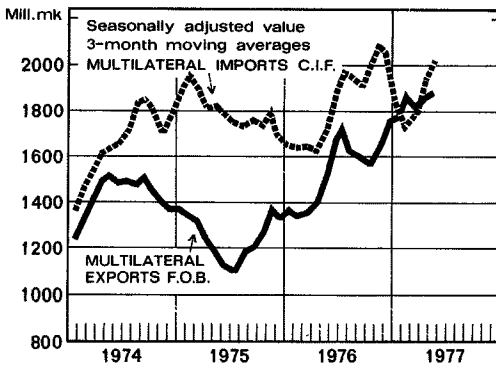
<sup>1</sup> New series.



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	
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1976										
May	78	158	601	837	538	1 236	106	291	316	7
June	38	302	804	529	559	1 604	100	390	347	0
July	29	320	693	739	475	1 725	164	342	307	5
Aug.	42	257	645	324	490	1 483	163	381	308	22
Sept.	47	276	665	554	577	1 564	166	515	386	1
Oct.	71	255	741	749	579	1 448	177	380	346	10
Nov.	66	273	724	826	574	1 849	157	371	397	9
Dec.	161	311	741	797	600	2 145	144	583	422	11
1977*										
Jan.	204	286	655	748	576	1 384	144	546	308	7
Feb.	45	232	625	476	539	1 297	102	271	320	2
March	181	261	802	692	685	1 487	85	381	448	2
April	54	246	630	600	555	1 278	107	373	405	7
May	106	350	681	435	661	1 452	148	370	441	11
June	90	366	750	770	566	1 996	202	565	353	16
Jan.-June										
1976	388	1 200	3 651	2 902	2 763	7 612	611	2 398	1 937	19
1977*	680	1 741	4 143	3 721	3 582	8 894	788	2 506	2 275	45



## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—June				January—June			
	1976*		1977*		1976*		1977*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	65.3	7 119	66.8	9 273	67.5	8 492	66.6	9 665
Austria	0.7	70	0.8	112	1.5	194	1.3	194
Belgium-Luxembourg	1.4	155	1.8	252	1.9	239	1.9	271
Denmark	3.8	414	3.8	527	3.1	384	3.0	442
France	4.0	440	3.6	504	2.8	356	2.9	420
Federal Republic of Germany	9.8	1 069	11.4	1 577	16.7	2 103	16.2	2 350
Italy	1.7	189	1.3	179	2.1	268	2.0	288
Netherlands	2.9	320	3.7	511	3.0	372	3.3	482
Norway	3.7	398	4.5	623	3.4	427	3.2	464
Portugal	0.4	47	0.3	43	0.3	41	0.4	58
Spain	1.0	109	0.9	128	1.4	173	1.7	251
Sweden	18.5	2 015	18.0	2 498	19.1	2 400	17.3	2 510
Switzerland	1.7	187	2.0	273	3.5	446	3.6	515
United Kingdom	14.5	1 578	12.6	1 754	8.4	1 056	9.5	1 373
Other	1.2	128	2.1	292	0.3	33	0.3	47
<b>OECD countries outside Europe</b>	4.9	537	6.4	878	7.8	976	7.9	1 148
Canada	0.7	76	0.7	92	0.4	44	0.3	45
Japan	0.7	74	0.7	91	1.6	205	2.0	285
United States	2.8	309	4.2	588	5.8	724	5.6	815
Other	0.7	78	0.8	107	0.0	3	0.0	3
<b>CMEA countries</b>	21.9	2 389	18.7	2 598	20.4	2 564	20.3	2 952
Czechoslovakia	0.6	63	0.4	60	0.5	67	0.4	64
Democratic Republic of Germany	0.7	74	1.1	151	0.5	59	0.6	83
Poland	1.2	132	0.8	116	1.6	196	1.7	253
Soviet Union	18.5	2 019	15.6	2 159	17.0	2 144	17.0	2 471
Other	0.9	101	0.8	112	0.8	98	0.6	81
<b>Latin America</b>	2.2	244	2.1	288	1.9	241	2.6	373
Argentina	0.3	29	0.2	27	0.1	12	0.1	11
Brazil	0.6	65	0.5	65	0.5	66	0.3	37
Colombia	0.1	9	0.1	10	0.6	76	1.3	190
Other	1.2	141	1.3	186	0.7	87	0.9	135
<b>Other</b>	5.7	615	6.0	830	2.4	304	2.6	370
<b>GRAND TOTAL</b>	100.0	10 904	100.0	13 867	100.0	12 577	100.0	14 508
of which								
<b>EFTA countries</b>	25.1	2 732	25.7	3 566	28.0	3 522	25.9	3 764
<b>EEC countries</b>	38.7	4 222	38.8	5 383	38.1	4 790	38.9	5 644
<b>OECD countries</b>	70.2	7 656	73.2	10 151	75.3	9 468	74.5	10 813

# 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
1974 r	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976	24 372	28 472	-4 100	+1 193	+ 22	+245	-2 640	-1 749	-118	-4 507

## 1974

July-Sept.	5 104	6 838	-1 734	+251	+243	-36	-1 276	-243	- 4	-1 523
Oct.-Dec.	5 753	6 879	-1 126	+204	- 1	+89	- 834	-291	-29	-1 154

## 1975

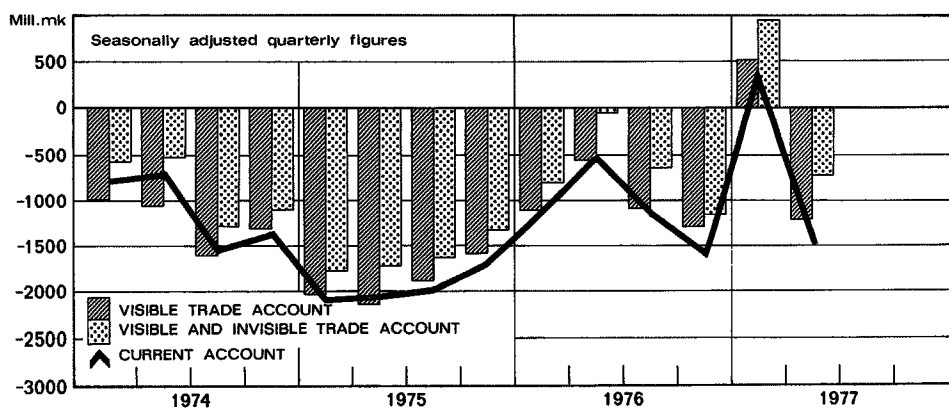
Jan.-March	5 143	7 368	-2 225	+292	- 43	- 44	-2 020	-316	-57	-2 393
Apr.-June	4 695	6 688	-1 993	+221	+ 13	- 2	-1 761	-379	-15	-2 155
July-Sept.	4 482	6 649	-2 167	+237	+142	+ 57	-1 731	-308	- 6	-2 045
Oct.-Dec.	5 961	7 234	-1 373	+234	- 7	+206	- 940	-411	-30	-1 381

## 1976

Jan.-March	4 987	6 307	-1 320	+252	- 50	+ 65	+1 053	-347	-35	-1 435
Apr.-June	5 864	6 224	- 360	+252	+ 49	+ 26	- 33	-485	-26	- 544
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	6 982	6 737	+ 245	+348	- 83	+ 73	+ 583	-509	-46	+ 28
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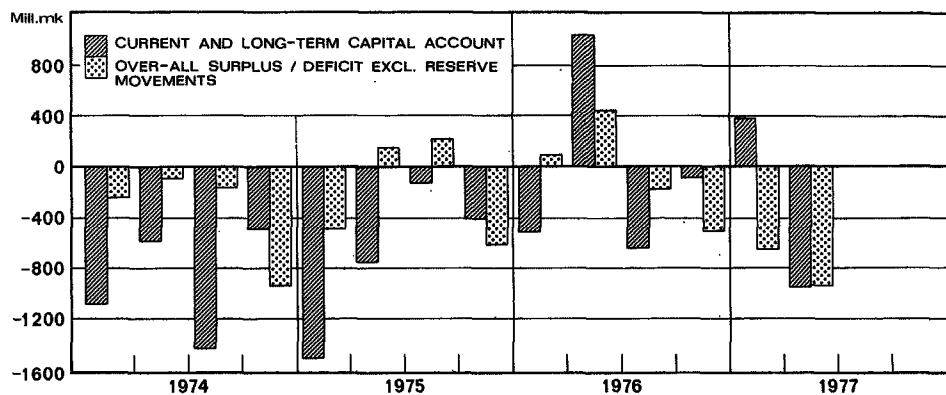


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+ 736
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+638	+1 449	+ 8	- 747	-444	+1 191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+138	-1 288	+1 327	- 128	+ 78	+ 50
+549	-379	- 61	-25	+ 84	-1 439	+502	+312	+462	-163	+202	- 39
+942	-274	- 24	+15	+659	- 495	-209	-157	- 86	-947	+498	+449
+1 206	-310	- 24	+11	+ 883	-1 510	+310	+758	- 35	-477	- 32	+509
+1 870	-433	- 48	+ 9	+1 398	-757	-140	+758	+296	+157	-668	+511
+2 121	-287	- 3	+57	+1 888	-157	+131	- 34	+265	+205	+ 91	-296
+1 532	-415	-139	-15	+ 963	-418	+337	- 33	-518	-632	+165	+467
+1 404	-374	+ 5	+11	+1 046	- 389	-628	+119	+996	+ 98	+373	-471
+2 096	-394	- 95	- 7	+1 600	+1 056	-158	+120	-560	+458	-485	+ 27
+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	-115	- 5	+ 352	+ 380	-829	-291	+100	-640	-140	+780

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

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

<sup>2</sup> Including Allocations of special drawing rights 88 million in 1970, 85 million in 1971 and 85 million in 1972.



# PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 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			
1975	562	575	513	570	637	532	629	536	539	139	131	142
1976	626	646	548	614	707	621	679	594	614	152	142	154
1976												
Oct.	650	671	567	642	726	640	699	624	637	158	146	161
Nov.	656	678	570	646	727	651	706	627	645	159	146	163
Dec.	659	681	573	647	738	654	710	627	649	160	146	164
1977												
Jan.	669	692	584	653	770	665	710	629	672	165	149	169
Feb.	676	698	588	658	781	672	718	635	677	166	149	171
March.	682	706	591	660	777	687	727	645	680	167	149	172
April	686	708	601	665	790	688	730	646	686	168	149	173
May	688	709	607	666	795	690	727	648	691	169	150	174
June	692	714	610	667	802	698	725	659	694	172	158	176
July	697	719	613	671	807	704	736	661	697	173	158	176
Consumer prices 1972 = 100												
Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.—Dec. 1957 = 100	Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1975	392	308	153	157	135	150	162	184	150	145	144	156
1976	449	352	174	182	164	166	171	200	164	174	162	185
1976												
Oct.	465	365	181	192	168	173	174	208	167	178	167	194
Nov.	468	367	182	194	168	173	174	209	170	180	169	194
Dec.	469	368	182	195	168	173	174	209	170	181	171	195
1977												
Jan.	476	374	185	196	174	173	174	210	174	185	179	198
Feb.	482	378	187	200	174	176	175	210	176	187	180	201
March.	489	384	190	207	174	179	175	214	177	190	182	202
April	493	387	192	209	174	180	175	215	179	193	183	203
May	500	392	194	212	174	182	181	218	180	196	184	205
June	506	397	197	219	174	182	181	222	181	197	184	209
July	510	400	198	222	174	177	181	222	182	199	190	211



## 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							
1975	508	383	389	313	312	307	362	300	384	347
1976*	597	441	427	360	361	353	417	346	441	399
1975										
July-Sept.	514	390	395	319	322	311	374	308	396	358
Oct.-Dec.	559	399	405	335	334	332	380	318	404	366
1976*										
Jan.-March	584	416	411	351	349	347	396	337	417	382
Apr.-June	591	448	427	362	364	355	422	348	448	404
July-Sept.	600	447	434	362	365	355	425	349	451	406
Oct.-Dec.	608	453	437	363	365	356	427	351	453	408
1977*										
Jan.-March	694	457	441	373	374	364	429	357	454	412
Apr.-June	700	485	454	386	388	378	454	373	481	434

## PRODUCTION

Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1974	160	197	90	96	168	103	163	179	158	159	165
1975	161	192	100	83	175	104	158	188	166	168	169
1976*	162	195	106	79	153	103	160	190	173	173	173
1976*											
Jan.-March	156	202	62	84	121	102	149	179	171	171	171
Apr.-June	161	195	103	91	134	106	157	187	172	172	172
July-Sept.	160	167	185	57	166	101	161	187	173	174	173
Oct.-Dec.	172	216	74	86	192	102	171	206	177	176	175
1977*											
Jan.-March	158	200	65	99	132	99	152	173	179	176	175
Apr.-June	161	189	100	94	142	103	160	188	180	176	175

# PRODUCTION

Index of industrial production 1970 = 100

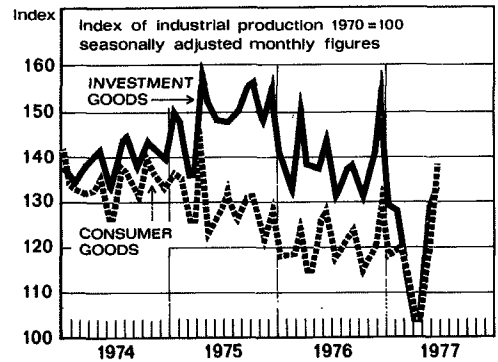
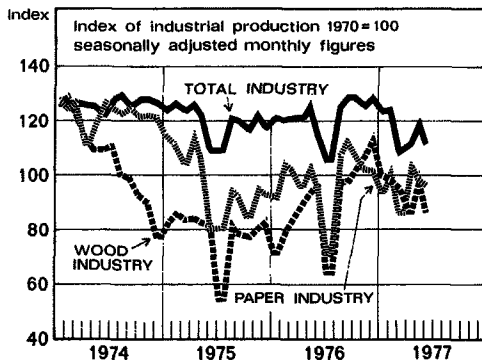
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	141	127
1975*	121	151	111	132	112	81	99	136	123	145	120
1976*	124	144	121	123	118	94	102	120	114	142	123

## 1976\*

April	123	155	119	119	103	107	84	133	99	150	123
May	133	152	130	132	128	115	115	130	120	150	126
June	118	150	110	127	132	103	74	91	120	147	121
July	68	57	68	74	114	37	71	74	61	56	100
Aug.	123	133	120	126	124	85	113	116	118	133	123
Sept.	135	151	133	135	129	101	116	136	139	155	131
Oct.	136	151	135	132	126	102	121	119	133	153	128
Nov.	137	160	135	133	129	117	109	106	133	159	126
Dec.	132	152	130	130	112	104	97	143	120	154	129

## 1977\*

Jan.	129	144	129	120	104	97	98	150	124	146	125
Feb.	125	138	126	119	98	101	102	136	108	143	125
March	124	127	125	120	108	116	96	123	110	138	110
April	114	118	114	110	105	106	92	114	93	126	112
May	130	180	114	147	114	114	102	111	123	158	121
June	118	176	101	137	104	95	79	106	122	154	112



# LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Un- employed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1974	3 483	2 268	2 229	39	1.7	34 457	114	114
1975	3 513	2 272	2 221	51	2.2	29 133	118	119
1976*	3 530	2 244	2 158	86	3.8	27 305	110	120
1976*								
June	3 533	2 396	2 320	76	3.2	1 821	114	124
July <sup>1</sup>	3 532	2 416	2 317	99	4.1	1 047	114	106
Aug.	3 531	2 352	2 253	99	4.2	1 155	106	121
Sept.	3 533	2 215	2 144	71	3.2	1 839	109	133
Oct.	3 532	2 183	2 111	72	3.3	2 293	111	125
Nov.	3 534	2 183	2 099	84	3.8	2 787	102	125
Dec.	3 535	2 186	2 085	101	4.6	3 126	143	147
1977*								
Jan.	3 524	2 181	2 053	128	5.9	2 455	84	91
Feb.	3 528	2 163	2 032	131	6.1	2 934	87	103
March	3 527	2 161	2 030	131	6.1	3 564	99	120
April	3 524	2 152	2 016	136	6.2	3 227	101	113
May	3 523	2 186	2 054	132	6.1	2 856	..	..
June	3 531	2 402	2 266	136	5.7	..	..	..

\* Revised figures since July 1976.

## CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Buildings-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1974	53.23	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975	51.42	19.65	3.79	21.62	3.39	47.85	20.59	2.80	18.68	3.64	52.45
1976*	46.90	19.95	3.93	15.81	3.83	40.95	17.60	3.12	15.32	2.58	52.48
1976*											
Jan.-March	8.52	3.04	0.73	3.29	0.86	8.40	3.70	0.53	3.53	0.34	48.82
Apr.-June	14.00	7.39	1.80	2.81	0.55	9.59	3.60	0.35	4.45	0.78	51.30
July-Sept.	12.42	5.43	0.71	4.44	0.97	8.89	3.59	0.97	2.95	0.67	54.82
Oct.-Dec.	11.96	4.09	0.69	5.12	1.45	12.85	6.16	1.15	3.94	0.80	52.48
1977*											
Jan.-March	6.73	2.92	0.66	1.91	0.83	9.08	3.50	0.45	4.33	0.54	48.54

# EXPLANATIONS RELATING TO THE STATISTICAL SECTION

## BANK OF FINLAND

The balance sheet of the Bank of Finland was revised on Dec. 31, 1974 in connection with the revision of accounting legislation. New series have been built according to the revision. When the figures are not fully comparable to the previous ones, the series is broken by a line.

Page 4. *Foreign sector:* Gold and convertible exchange receivables = Gold + Special drawing rights + IMF gold tranche + Convertible currencies.

Gold and convertible exchange reserve = Gold and convertible exchange receivables — Liabilities in convertible currencies.

Non-convertible exchange reserve = Receivables in tied currencies — Liabilities in tied currencies.

Other receivables = Foreign bills + Foreign bonds + Currency subscription to Finland's quota in the IMF.

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

*Public sector:* Receivables = Total coinage + Other public sector receivables + Bonds.

Liabilities = Cheque accounts + Counter-cyclical reserves + Import deposits + Other public sector liabilities.

Deposit certificates are interest bearing, freely transferable, term liabilities of the Bank of Finland. Their maturities range from one week to one year.

Page 5. *Domestic financial sector:* Other receivables = Call money market advances + Bonds + Other financial institution receivables. Other liabilities = Call money market deposits + Other financial institution claims.

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

Liabilities = Investment deposits + Counter-cyclical withholdings + Capital import deposits + Import levy deposits + Other corporate claims.

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

Figures for deposits and advances are supplied by the Central Statistical Office. From the beginning of 1974 the figures include deposits by and advances to other credit institutions.

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

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

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

## STATE FINANCES

Page 8. Official figures computed by the Economic Department of the Ministry of Finance. First date of publication: Bulletin No. 8. 1968. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included. Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations. Index-tied bond loans are taken at nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to Postipankki less cash holdings (net) of State departments and funds.

## FOREIGN TRADE

Pages 9—11. Figures supplied by the Board of Customs. *Indices* (p. 9). The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade:* the ratio of export indices to import indices. *Foreign trade by countries* (p. 11): imports by countries of purchase exports by countries of sale.

## BALANCE OF PAYMENTS

Pages 12—13. Figures are calculated by the Bank of Finland. In addition to the Board of Customs figures, exports include grants in kind but exclude stevedoring expenses and imports include seamen's duty-free imports, non-monetary gold, grants in kind and adjusted allowance for smuggling.

## PRICE INDICES

Page 14. All indices calculated by the Central Statistical Office.

## WAGES — PRODUCTION

Pages 15—16. Figures supplied by the Central Statistical Office.

Page 16. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: Investment goods weight 7.0, other producer goods weight 67.0 and consumer goods weight 26.0. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.8, manufacture of wood, and wood and cork products (SIC 311-2) 8.0, manufacture of paper and paper products (SIC 341) 15.2, manufacture of industrial chemicals (SIC 351-2) 5.2, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 361-9) 3.6 and metal industry (SIC 37-38) 25.9.

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

Page 17. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Ministry of Labour. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Construction of buildings* figures calculated by the Central Statistical Office.

## SYMBOLS USED

- Preliminary
- r Revised
- 0 Less than half the final digit shown
- . Logically impossible
- .. Not available
- Nil
- S affected by strike

# SOME PARTICULARS ABOUT FINLAND

## FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. Mr. Urho Kekkonen has been President for three 6-year periods. His last term of office was extended by four years and will end on March 1, 1978.

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1975 is as follows: Social Democrats 54, People's Democrats 40, Centre Party 40, Conservatives 35, Swedish Party 10, Liberal Party 9, Christian League 9, Finnish Farmers Party 2 and Finnish People's Constitutional Party 1.

## INTERNATIONAL ORGANIZATIONS

Finland became a member of BIS 1930, IMF 1948, IBRD 1948, GATT 1950, UN 1955, IFC 1956, IDA 1960, EFTA 1961, ADB 1966, 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 (1975): 4.7 million. Sweden 8.2. Switzerland 6.4, Denmark 5.1 and Norway 4.0 million.

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

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

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

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

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

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

## TRADE AND TRANSPORT

NATIONAL INCOME (1976, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 407 (6 %), forestry and fishing 4 950 (5 %), manufacturing 31 509 (31 %),

construction 9 233 (9 %), transport and communication 10 849 (11 %), commerce, banking and insurance 13 585 (14 %), public administration 5 264 (5 %), ownership of dwellings 3 639 (4 %), services 15 581 (15 %), total 101 017. Index of real domestic product 162 (1964 = 100).

FOREST RESOURCES (1975): The growing stock comprised of 1 513 million m<sup>3</sup> (solid volume with bark), of which 44 % was pine and 38 % spruce, the remaining 18 % being broad-leaved trees, chiefly birch. Of the growing stock, 656 million m<sup>3</sup> was up to the standard required for logs, 55 % of these being pine. The annual growth was 57.5 million m<sup>3</sup> and the total removal, calculated on the basis of roundwood consumption, was 40.1 million m<sup>3</sup>.

AGRICULTURE (1975): Cultivated land 2.5 million hectares. Number of holdings 248 700, of which 167 800 are of more than 5 ha. Measure of self-sufficiency in bread cereals 133 % in the crop year 1975/76.

INDUSTRY (1975): Gross value of industrial production 89 210 mill. marks, number of workers 410 181, salaried employees 132 074, motive power (1975) 6.7 mill. kW. Index of industrial production 127 for 1975 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1977): Length 5 920 km.

MERCHANT FLEET (June 30, 1977): Passenger vessels 118 (197 669 gross reg. tons), tankers 53 (1 159 495 gross reg. tons), dry cargo vessels 207 (845 343 gross reg. tons), other vessels 62 (9 863 gross reg. tons), total 440 (2 212 370 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1976): Passenger cars 1 032 900, lorries and vans 132 700, buses 8 800, others 7 100, total 1 181 500.

FINNISH AIRLINES (April 1, 1977): Finnair and Kar-Air have in use 4 DC-8, 1 DC-6-ST, 8 Super Caravelles, 9 DC-9s, 5 DC-9-51s, 2 DC-10-30 and 5 Convair Metropolitan. Companies have scheduled traffic outside of Finland to 32 airports and to 20 domestic airports.

## FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). Since Oct. 12, 1967, the par value of the mark is 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per one SDR). On Feb. 15, 1973 a central rate of 3.90 marks to one U.S. dollar was set, and since June 4, 1973 the mark has been allowed to float.

THE CENTRAL BANK. The Bank of Finland (estab. 1811) functions under the guarantee and supervision of Parliament. Its Board of Management is appointed by the President of the Republic; the Bank Supervisors, nine in number, are elected by Parliament. The Bank has a head office in Helsinki and 12 branches in other towns.

OTHER CREDIT INSTITUTIONS (Dec. 31, 1976). There are two big and five small commercial banks with in all 856 offices, 280 savings banks 380 co-operative banks, six mortgage banks, Postipankki and five development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-nine private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1975). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 9 ¼ %. The range of rates for other credits granted by the Bank of Finland is between 7 ½ % and 10 ½ %. Other credit institutions; term deposits 5 ¾ %; 6 month deposits 6 ¼ %; 12 month deposits 6 ¾ %; 24 month deposits 7 ¾ %; 36 month deposits 9 % + savings premium; 36 month deposits 8 ¼ % + tax concession and sight deposits 1 ¼ %; highest lending rate 12 ¼ %.

# FINNISH CONSUMER GOODS INDUSTRIES: AN OVERVIEW<sup>1</sup>

Although the role of private consumption in the Finnish economy has markedly declined in recent decades, it is still a vital component of aggregate demand, accounting for about 40 per cent of it. This demand is primarily met by domestic consumer goods industries. About one quarter of total manufacturing output can be classified as consumer goods.

Owing to the liberation of international trade, Finland is participating, to an increasing extent, in the international division of labour. The share of consumer goods in total Finnish imports is about 15 per cent. The value of imports of consumer goods is about a fifth of the value of the domestic output of consumer goods.

In this article, Finnish consumer goods industries are examined; however, a number of industries which also produce consumer goods (clay, glass, stone and chemicals) are excluded and will be dealt with in another article.

## THE MANUFACTURE OF FOOD, BEVERAGES AND TOBACCO

The food manufacturing industries play an important role in the country's food supply, as more than 90 per cent of the food consumed by Finnish people has been manufactured. Some twenty years ago, the corresponding figure was about 70 per cent, and before World War II, about 50 per cent. The increased consumption of manufactured food has been the result of rapid changes in the country's industrial structure during recent decades. There have also been a number of other factors operating: a rise in the labour participa-

tion rate of house-wives; growth of leisure and tourism; and an increase in the provision of canteen meals.

The manufacture of food, beverages and tobacco make up Finland's third largest industrial sector: in 1975 it accounted for 19.2 per cent of the gross value of total manufacturing output, for 12.5 per cent of value added by manufacturing industries and for 12.0 per cent of their labour force. Since 1960 the share of this sector in the total manufacturing labour force has remained almost unchanged, while its shares in value added and the gross value of output have declined distinctly. This justifies the conclusion that productivity in the food manufacturing industries has grown more slowly than in manufacturing industries as a whole.

**TABLE 1. FOOD MANUFACTURING INDUSTRIES' VALUE ADDED AND LABOUR FORCE IN 1970 AND 1975: PERCENTAGE BREAKDOWN BY INDUSTRIAL CATEGORY**

Manufacture of	Share in value added		Share in labour force	
	1970	1975	1970	1975
Food	82.4	82.6	87.0	88.1
Beverages	13.7	14.7	10.5	10.0
Tobacco	3.9	2.7	2.5	1.9
Total food manufacturing industries	100	100	100	100

In 1975 the food manufacturing industries employed some 61 000 people, of whom about 54 000 were employed in the manufacture of food, 6 100 in the manufacture of beverages and some 1 200 people in the manufacture of tobacco.

## FOOD MANUFACTURING

The manufacture of dairy products, slaughtering and meat manufacturing, and the manufacture of bakery products are the largest sections of

<sup>1</sup> The overviews of individual branches have been prepared by Mr. Tauno Lehti, Central Association of Footwear Manufacturers; Mr. Risto Simonen, Food Industries' Federation; Mr. Kai Snellman, Association of Finnish Textile Industries; Mr. Kyösti Valttonen, Central Federation of Finnish Clothing Industries; Mr. Mauri Zilliacus, Finnish Tanners' Association, and summarized by Mr. Jyrki Malmio and Mr. Heikki Tulokas, Confederation of Finnish Industries.

the food manufacturing industry. In recent years, food consumption has grown more slowly than other consumption expenditure. In fact, the share of food in total private consumption expenditure fell from almost a third in 1960 to less than a quarter in 1975. This was despite the fact that, particularly in the 1970s, food prices rose more rapidly than the prices of consumer goods on average. Moreover, the growth in the output of food manufacturing has been slower than the average growth of manufacturing output. In 1960—1975 the output of food manufacturing increased, on average, by slightly over four per cent per annum, compared with more than six per cent for the manufacturing industries as a whole.

The food manufacturing industry requires a high level of raw-material inputs. In 1975 raw-material costs accounted for almost 70 per cent of the gross value of its output, the value added for nearly 20 per cent, and the wage bill for about 10 per cent. Most of the raw materials used by the food manufacturing industries are domestically produced, but the most important imported raw materials are raw coffee, unrefined sugar, spices, cacao seeds, cocoa butter, and oil seeds.

Of the total output of the food manufacturing industries less than a tenth is exported. In recent years, this has accounted for about two to three per cent of the country's total commodity exports. Chocolate and sweets, bakery products, beverages, meat manufactures and dairy products are the major exports. The EFTA and the EEC countries, the Soviet Union, and the United States are the most important export markets.

*In the Finnish food manufacturing industries there is highly organized co-operation between the distribution units and the units producing raw materials. As a result, almost half of the country's food manufacturing industries are owned by co-operative, central organizations of trade and by various producers' co-operatives, while the remainder is privately owned. With only a few exceptions, there are no food*

manufacturing industries in Finland that are owned by the state or by multinational companies.

#### TNE MANUFACTURE OF BEVERAGES AND TOBACCO

The manufacture of beverages centres on the manufacture of alcoholic beverages, particularly beer; in 1975 beer accounted for over two thirds of the value added in beverage manufacturing, distilled beverages and wines for about a fifth, and soft drinks for about a tenth.

Although the consumption of alcohol has grown vigorously in Finland, it is still fairly small by international standards — about six litres of absolute alcohol per capita per year. Since 1960 the consumption has more than tripled, partly due to a fall in the real prices of alcoholic beverages, particularly in the 1970s.

The manufacture of tobacco accounts for about two per cent of the food manufacturing industries' total output and labour force. Because of the danger to health involved in smoking, attempts have been made to curb the growth of tobacco consumption, for example, by raising the relative price of tobacco. The consumption and output of tobacco actually did start to decline, at least temporarily, during 1976.

On the whole, the Finnish tobacco market is dominated by cigarettes. Cigars and pipe tobacco account for less than a tenth of the value of tobacco consumption. Domestic production is carried out by three enterprises, all of which are also engaged in exporting. Although the share of tobacco exports in total output has grown vigorously in the last couple of years, it is still relatively small.

#### TEXTILE AND CLOTHING INDUSTRIES

The 1960s and 1970s have seen the Finnish textile and clothing industries developing from a home-market industry into an internationally

competitive one. The relatively small size of the Finnish market, its demands for a wide range of goods, and its internationally high cost level have together forced the textile and clothing industries to specialize, surrendering a substantial part of their domestic market to imports, and to seek their opportunities for growth primarily in exports.

This development process is still under way. Under the Free Trade Agreement between Finland and the EEC, import duties on most textiles will be gradually reduced, but not finally abolished until 1985. The same applies to imports from those Socialist countries in eastern Europe with which Finland has concluded similar free-trade agreements.

In 1975 the textile and clothing industries employed some 73 000 people, slightly over 14 per cent of the total manufacturing labour force. In the same year, the textile and clothing industries accounted for 7 per cent of the gross value of total manufacturing output and for 9 per cent of its value added. Since 1960 the shares of this industry in total manufacturing labour force and output have declined distinctly. On the other hand, the share of the textile and clothing industries in the country's commodity exports has grown from about 2 per cent in the early 1960s to 8 per cent in 1976.

**TABLE 2. THE VALUE ADDED OF OUTPUT AND THE LABOUR FORCE OF THE TEXTILE AND CLOTHING INDUSTRIES IN 1970 AND 1975: PERCENTAGE BREAKDOWN BY INDUSTRIAL CATEGORY**

	Value added		Labour force	
	1970	1975	1970	1975
Manufacture of textiles	46.9	44.4	41.3	38.4
Manufacture of clothing	39.0	43.0	43.4	48.5
Manufacture of leather and fur products	4.5	4.6	4.7	4.6
Manufacture of footwear	9.6	8.0	10.6	8.5
Total	100	100	100	100

#### MANUFACTURE OF TEXTILES

The share of the manufacture of textiles in the

total output and labour force of this industrial sector has declined slightly in the 1960s and the 1970s. In 1975 the manufacture of textiles employed 28 000 people, about 20 per cent less than in 1960. The structure of the textile industry is highly diversified, covering all stages of processing from spinning and texturing to weaving, knitting, finishing and printing. In addition, it also includes the manufacture of knitted goods, the manufacture of technical textiles, carpets and rugs, and several special textiles.

More than half of the output of the textile industry goes, in the form of finished goods, to domestic consumption, less than a quarter to exports, and similarly less than a quarter, in the form of semi-finished goods, to the clothing industry. Domestic production satisfies almost 60 per cent of the domestic consumption of textiles.

Owing to its structure, the Finnish textile industry is, in principle, suited to operate on the domestic and the international markets. Several small specialized forms are flexible enough to satisfy the rapidly changing domestic needs. On the other hand, some of the larger enterprises, for which the domestic market does not offer sufficient scope for specialized production, have become highly international. However, the promotion of this trend is hampered by the weak profitability prospects caused by the present exceptional competitive pressure.

Although the textile industry has become increasingly capital-intensive in recent years, a substantial part of it can still be regarded as being fairly labour-intensive. In recent years, labour costs have risen more rapidly in Finland than in her most important competitor countries. Since productivity increases have not fully compensated for this, the Finnish textile industry has lost part of its international price competitiveness. This can be redressed, and attempts are being made to do so, by increasing technical and artistic product development, organization, marketing etc. Moreover, competitiveness and the ensuing prospects for



preserving the positions in the domestic and export markets will still mainly depend on whether it is possible to alter the course of domestic cost developments.

## THE CLOTHING INDUSTRY

In the 1970s the share of the clothing industry in the total output and labour force of this sector has grown by several percentage points. In 1975 the clothing industry employed more than 35 000 people, of whom almost 95 per cent were women. The most important lines of production are the manufacture of men's and women's outer garments, with the manufacture of shirts, underwear, hats, caps and leather outfits, all accounting for a smaller share in the total output of this industry.

More than half of the output of the clothing industry is exported. As the growth of the domestic demand for clothes has been slower than the growth of consumption demand in general, it has been necessary to find foreign markets for the expanding production. In 1964, for the first time, the value of Finnish clothing exports exceeded the value of corresponding imports. Ten years later the value of exports was more than quadruple the value of corresponding imports.

The EFTA area has remained the major export market for the Finnish clothing industry; in 1975 it accounted for about 60 per cent of exports. In the 1970s, the Soviet Union has become the second major export market, accounting, with other Socialist countries, for 26 per cent of exports in 1975. However, it is expected that during the latter half of this decade exports to the EEC countries will expand most rapidly.

Raw materials account for 30 to 50 per cent of total production costs in the clothing industry. In 1975 direct wages and salaries made up 30 per cent of the gross value of output. Allowing for indirect labour costs, total labour costs account for almost 45 per cent of the gross value of total output.

From the point of view of the competitiveness of the clothing industry, the question of raw materials is very important. The price paid for cloths and knitted materials should be at least comparable to those paid by Finland's competitors. Half of the raw materials used by the clothing industry are domestically produced and the other half imported. In importing materials, it is necessary to find the widest possible range of sources, so as to guarantee the diversification of the clothing industry. It must also be possible to rapidly shift over from one raw material source to another in response to the sharp fluctuations in the demand for products.

The future competitiveness and performance of the clothing industry will depend on its ability to quickly adapt to meet the challenge of swiftly changing fashion. It is also necessary that the renovations can be applied to industrial production and the marketing process.

As for the manufacture of staple clothes, the production costs in the low-wage countries of the Far East are so low that it is not possible for producers in Finland to compete, not even by means of the best rationalization measures or with the greatest increases in labour productivity. It is not possible, by means of the trade policy instruments available, to keep the domestic market for staple products permanently dominated by the Finnish clothing industry. However, foreign trade policy measures could possibly be used to give the Finnish clothing industry more time to discover and develop its own most competitive lines of production, and to improve its own versatility.

## MANUFACTURE OF FOOTWEAR

In 1975 the manufacture of footwear accounted for 8 per cent of the gross value of the total output of the textile and clothing industries and for 8.5 per cent of its labour force. The manufacture of footwear is a labour-intensive industry, which processes almost solely domestic raw materials. Raw-material costs account for about half of the gross value of

output and wages and salaries for slightly over a quarter.

The Finnish manufactures' share of the domestic market — at present about three quarters — is fairly large by international standards, but the share of imports is steadily increasing. In recent years, there has been an increase in imports priced below the world market level, particularly from certain Socialist countries.

Of the output of footwear, about a third is exported, mainly to the Soviet Union and the Scandinavian countries. The shares of the United States and Canada are expanding. As the export deliveries to the Soviet Union for any year are agreed upon, they have helped to overcome the problem of cyclical fluctuations. Accordingly, the enterprises engaged in exports to the Socialist countries have been fully employed throughout the year, which was not previously possible.

#### MANUFACTURE OF LEATHER, FUR AND SIMILAR PRODUCTS

In all, the manufacture of leather, fur and similar products employed some 3 400 people in 1975, of whom some 2 000 were engaged in the tanning of leather, 1 100 in the manufacture of bags and similar leather products, and some 300 people in fur dressing. In 1975 this industry accounted for about five per cent of the total output and labour force of the textile and clothing industries.

In the first half of the 1970s, leather consumption increased fairly rapidly, on average by more than 10 per cent a year. Most of this growth of consumption was met by imports, the share of which in total consumption increased from 27 per cent in 1970 to 44 per cent in 1975. The majority of imports came from the United Kingdom and Sweden.

Of the raw materials used in the manufacture of leather, about 90 per cent are cattle hides and the remainder raw sheepskins. About 70 per cent of the cattle hides used are produced in

Finland, but almost all of the sheepskins are imported.

In the manufacture of leather, clothing leather accounts for about a half of the output, footwear leather for about a third, and upholstery leather for most of the rest. The share of clothing leather has been increasing and that of footwear leather decreasing.

Manufacturers are hoping to promote exports and to focus more attention in domestic markets on uses of leather other than for clothing. Although the share of exports in total output has slightly increased in recent years, it still accounts for less than 10 per cent.

#### OTHER CONSUMER GOODS INDUSTRIES

In the present overview, the printing, publishing and allied industries and the manufacture of furniture and fixtures have been included in »Other Consumer Goods Industries», although these are, in some contexts, counted as sectors of the forestry industry. Also, the manufacture of instruments, has been included although it is often regarded as a part of the metal and engineering industry.

**TABLE 3. PERCENTAGE SHARES OF CERTAIN CONSUMER GOODS INDUSTRIES IN THE VALUE ADDED AND THE EMPLOYEES OF ALL MANUFACTURING INDUSTRIES IN 1970 AND 1975**

	Per cent of value added		Per cent of employees	
	1970	1975	1970	1975
Manufacture of non-metallic furniture and fixtures	1.4	1.8	2.2	2.1
Printing, publishing and allied industries	6.2	6.8	6.0	6.0
Manufacture of instruments	0.4	0.7	0.5	0.8
Total	8.0	9.3	8.7	8.9

In 1975 printing accounted for 54 per cent and publishing for 46 per cent of the value added of the printing, publishing and allied industries. Newspaper printing, litographic printing and bookbinding were the major components of printing.

Printing, publishing and allied industries is a labour-intensive industrial sector, dominated by small enterprises. Traditionally it has centred on the domestic market.

In recent years, exports of wooden furniture and fixtures have expanded more rapidly than domestic demand, and now account for more than a quarter of total output. Exports are almost three times greater than imports in volume.

In the 1970s the manufacture of instruments has been one of the fastest expanding sectors of the metal and engineering industry. In this sector, the share of imported raw materials and semi-finished products in total consumption of raw materials is larger than the average for the metal and engineering industry.

## CONCLUSION

In the future, the Finnish consumer goods industries will be faced with increasingly keen international competition. The removal of barriers to trade will increase imports, particu-

larly from countries with lower labour costs. Because of their role in import substitution, the importance of the consumer goods industries grows further when attempts are being made to gain external balance.

As an industrial sector directly serving society, the consumer goods industries are forced to pay growing attention to society's increasing demands. Because of their nature, the food industries have to adjust themselves to the price and quality requirements expected by the consumer, and to the price regulation applied by the government. The textile and clothing industries are socially important, mainly because of employment considerations, but also for the maintenance of a certain level of self-sufficiency.

On the whole, the growth of production in the consumer goods industries is dependent on the rise of the domestic standard of living. To be able to compete successfully with imports and to open up new export markets, it will be necessary to maintain a moderate domestic cost and wage level and to promote flexible and developing technology.

## ITEMS

**Devaluation of the Finnish markka.** The government of Finland has decided to depreciate the external value of the Finnish markka against Bank of Finland's trade-weighted basket of currencies by 3 per cent compared with the level prevailing on April 5, 1977. The decision becomes effective September 1, 1977.

**Direct investment in 1976.** Direct investments made by foreign enterprises in Finland in 1976 declined, in net terms, by about 20 per cent from the previous year. Although net investments made by Finnish enterprises abroad increased slightly, they were only about a half of the net inflow of investment capital. Due to high dividend and interest expenses, the total balance of direct investment showed a deficit in 1976.

The inflow of direct investment in the form of equity capital (including rights issues) amounted to 156 million marks and the repatriation of foreign capital to 3 million marks. Drawings of loans by foreign subsidiaries in Finland totalled 82 million marks and amortizations 14 million marks. The net inflow of investment capital thus amounted to 221 million marks, as against 276 million marks in 1975.

Of the net inflow of investment capital, 74 million marks was invested in industrial enterprises, 134 million marks in sales and marketing enterprises, and 13 million marks in other enterprises. Table 1 shows the countries of origin of investment capital. Sweden's share in the inflow from the EFTA group was 57 per cent, which compares with 77 per cent in 1975.

Foreign-owned enterprises in Finland transferred 113 million marks in the form of dividends to their parent companies and paid 13 million marks in interest on loans granted by their parent companies. The corresponding

figures for 1975 were 98 million marks and 13 million marks.

In all, 51 permits were granted in 1976 to foreign firms for new investment in Finland, whereas 14 enterprises ceased their activities. At the end of the year, there were 831 enterprises in Finland which were totally or partly foreign-owned. Of these, 187 were industrial enterprises, 486 commercial enterprises and the remainder other service sector enterprises.

**TABLE 1. INFLOW OF INVESTMENT CAPITAL IN THE FORM OF EQUITY CAPITAL AND LOANS OF FOREIGN PARENT COMPANIES TO SUBSIDIARIES IN FINLAND, AND DIVIDENDS PAID FROM FINLAND, IN 1976, MILL. MK**

	Investment	Repatriation	Investment, net	Loans, net	Total	Dividends paid
EFTA countries	105.6	2.3	103.3	51.3	154.6	31.6
EEC countries	23.3	0.1	23.2	6.7	29.9	29.2
North America	23.2	0.1	23.1	6.5	29.6	52.4
Other countries	3.9	—	3.9	3.2	7.1	0.1
Total in 1976	156.0	2.5	153.5	67.7	221.2	113.3
Total in 1975	182.1	17.2	164.9	110.8	275.7	97.7
Total in 1974	102.7	20.1	82.6	48.8	131.4	69.7

Finnish direct investment in foreign countries in the form of equity capital (including rights issues) amounted to 111 million marks in 1976. The repatriation of Finnish capital totalled 11 million marks, drawings of loans granted to Finnish subsidiaries abroad 29 million marks and amortizations 11 million marks. The net outflow of investment capital thus amounted to 118 million marks, as against 102 million marks in 1975.

Of the net outflow of investment capital, 28 million marks was invested in production, 26 million marks in trade and 64 million marks in other types of activities. Table 2 shows the regional breakdown of Finnish investment.

Finnish subsidiaries abroad transferred to Finland in 1976 4 million marks in the form of dividends. According to data obtained, no interest earnings from loans granted by Finnish parent companies to subsidiaries abroad were transferred to Finland in 1976. In 1975 payments of dividends amounted to 13 million marks and interest earnings from loans to subsidiaries to 2 million marks.

Finnish firms were granted a total of 87 permits for new investment abroad, which was 20 more than in 1975 and almost the same number as in 1974. During the course of the year 11 enterprises ceased their activities, giving a total of 711 Finnish subsidiaries abroad at the end of 1976. As these, in turn, had 69 subsidiaries, there were 780 enterprises abroad, which were totally or partly Finnish-owned. Of these, 482 (over 60 per cent) were sales enterprises, 109 industrial enterprises and 189 enterprises engaged in other activities.

**TABLE 2. OUTFLOW OF FINNISH INVESTMENT CAPITAL IN THE FORM OF EQUITY CAPITAL AND LOANS OF FINNISH PARENT COMPANIES TO SUBSIDIARIES ABROAD, AND DIVIDENDS RECEIVED IN FINLAND, IN 1976, MILL. MK**

	Investment	Repatriation	Investment, net	Loans, net	Total	Dividends
EFTA countries	28.2	6.2	22.0	12.3	34.3	1.9
EEC countries	69.5	2.1	67.4	5.9	73.3	1.3
North America	8.7	0.1	8.6	0.3	8.9	0.3
Other countries	4.3	3.0	1.3	0.2	1.5	0.6
Total in 1976	110.7	11.4	99.3	18.7	118.0	4.1
Total in 1975	173.1	3.3	169.8	-67.9	101.9	13.3
Total in 1974	69.9	8.8	61.1	50.6	111.7	2.5

The total balance of direct investment, allowing for the payment of dividends and interest expenses, in addition to investment capital flows proper, showed a deficit of 19 million marks in 1976. In 1975 the total balance of direct investment showed a surplus of 78 million marks.

**Finland's balance of payments January—March 1977.** According to the Bank of Finland's preliminary figures, the current account showed a surplus of about 30 million marks

for the first quarter of this year. In the corresponding period of 1976, the current account showed a deficit of slightly over 1 400 million marks. The net inflow of long-term capital amounted to about 350 million marks in January—March. A significant decline in the trade credit debt led, however, to a deficit on the overall balance. The foreign exchange reserves of the Bank of Finland grew slightly, while other foreign exchange holders increased their foreign debt.

The trade account showed a surplus of 245 million marks for January—March, as compared with a deficit of about 1 300 million marks in the same period in 1976. Although the value of exports in January—March was higher than in the corresponding period in 1976, it was slightly lower than in the last quarter of 1976. The decline in the value of imports during the first quarter of this year was more noticeable, as the figures for the last quarter of 1976 had been unusually high due to sizeable purchases of oil and other raw materials.

The surplus on the services account increased slightly, as compared with the figure for January—March 1976; the increase was mainly attributable to transport receipts growing by nearly 25 per cent. On the other hand, the travel account weakened, with receipts increasing by 13 per cent and expenditure by 22 per cent from the corresponding period of 1976. Net receipts from services amounted to 338 million marks.

There was a net increase of almost 50 per cent in payments of interest expenses and dividends abroad. The deficit on the investment income and transfer payments account amounted to 555 million marks during the first quarter.

Drawings of long-term foreign loans amounted to 1 022 million marks in January—March, while amortizations of outstanding loans totalled 550 million marks. Export credits granted to foreign customers amounted to 214 million marks, while redemptions of similar loans outstanding totalled 99 million

**MAJOR BALANCE OF PAYMENTS ITEMS,  
JANUARY—MARCH 1977, MILL. MK<sup>1</sup>**

	Receipts	Expenditure	Net
Commodity trade			
(exports f.o.b., imports c.i.f.)	7 008	6 759	249
Adjustment items	—26	—22	—4
Visible trade account	6 982	6 737	245
Transport (c.i.f.)	506	158	348
Travel	224	307	—83
Other services	606	533	73
Invisible trade account	1 336	998	338
<b>VISIBLE AND INVISIBLE TRADE ACCOUNT</b>	<b>8 318</b>	<b>7 735</b>	<b>583</b>
Investment income, net	88	597	—509
Transfer payments	23	69	—46
<b>A. CURRENT ACCOUNT</b>	<b>8 429</b>	<b>8 401</b>	<b>28</b>
	Change in receivables	Change in liabilities	Net
Long-term financial loans and suppliers' credits: drawings	—214	1 022	808
redemptions	99	—550	—451
Direct investment	—42	125	83
Other long-term capital	—87	—1	—88
<b>B. LONG-TERM CAPITAL ACCOUNT</b>	<b>—244</b>	<b>596</b>	<b>352</b>
<b>BASIC BALANCE (A+B)</b>			<b>380</b>
Prepayments and liabilities related to imports		—829	—829
Prepayments and receivables related to exports	—291		—291
Errors and omissions			366
Other short-term capital			—266
<b>C. SHORT-TERM CAPITAL ACCOUNT</b>			<b>—1 020</b>
<b>OVERALL BALANCE (A+B+C)</b>			<b>—640</b>
Change in the foreign exchange reserves of the Bank of Finland			—140
Change in net short-term foreign receivables of other foreign exchange holders			780

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

<sup>1</sup> Preliminary figures

marks. Foreign direct investment in Finland amounted to 125 million marks, while Finnish direct investment abroad was 42 million marks.

The short-term foreign debt, mainly consisting of trade credits, declined by 1 020 million marks. This was primarily caused by a fall in short-term credits, which was attributable to a fall in the value of imports and to the extension, in March, of the cash payment scheme applied to imported goods.

The deficit on the overall balance amounted to 640 million marks in January—March. The foreign exchange reserves of the Bank of Finland declined by 79 million marks to 1 232 million marks, while the Bank's receivables denominated in tied currencies increased by 219 million marks to 608 million marks. The net foreign debt of other foreign exchange holders grew by 780 million marks.

According to revised calculations, the current account deficit for 1976 was 4 507 million marks.

**Finland's gross long-term foreign debt in January—June 1977.** At the end of June 1977, Finland's gross long-term foreign debt amounted to 26 497 million marks. The net inflow of long-term capital during the first half of this year totalled 1 054 million marks, as against 2 811 million marks in the corresponding period last year. Changes in the rates of exchange caused by devaluation increased the balance outstanding at the end of June by 1 722 million marks.

Drawings of foreign loans amounted to 2 484 million marks, while redemptions totalled 1 430 million marks. During the first half of 1976, drawings totalled 3 596 million marks and redemptions 785 million marks. Debt service costs (redemptions, interest expenses and dividends) amounted to 2 636 million marks, as against 1 448 million marks in the corresponding period last year.

Financial loans of 1 238 million marks, import credits and leasing credits together totalling 1 057 million marks, and direct investments of 189 million marks, accounted respectively

for 50, 43 and 7 per cent of total drawings of long-term foreign loans. During the first half of 1976, financial loans amounted to 2 673 million marks, import credits and leasing credits together to 827 million marks, and direct investments to 96 million marks; 74, 23 and 3 per cent, respectively, of total drawings of long-term foreign loans.

Drawings of 784 million marks by corporations, 254 million marks by financial institutions, and 200 million marks by the Central Government and local authorities accounted

respectively for 63, 21 and 16 per cent of total drawings of financial loans.

Four Finnish bond issues, together worth 478 million marks, were floated abroad in January—June (Enso-Gutzeit Oy: \$ 30 million; Outokumpu Oy: Sfr 50 million; the Finnish Government: 10 000 million yen; and Imatran Voima Oy: 25 million EUA). This compares with five bond issues, 515 million marks altogether, in the corresponding period of 1976. In addition to these bond issues, in 1977 there was a debenture issue worth 121 million marks (Union Bank of Finland Ltd: \$ 30 million).

#### FINLAND'S GROSS LONG-TERM FOREIGN DEBT IN JANUARY—JUNE 1977, MILLION MARKS

	Debt Dec. 31, 1976	Drawings <sup>1</sup>	Redemp- tions <sup>1</sup>	Net change	Impact of exchange rates	Debt <sup>1</sup> June 30, 1977	Interest expenses, commissions and dividends
FINANCIAL LOANS	17 484	1 238	950	+ 288	+1 378	19 150	867
Individual financial loans	9 651	577	766	— 189	+ 673	10 135	502
Bonds and debentures	7 833	661	184	+ 477	+ 705	9 015	365
Bond issues	4 516	478	97	+ 381	+ 459	5 356	202
Private placement loans	2 916	58	45	+ 13	+ 213	3 142	145
Loans from the World Bank	401	4	42	— 38	+ 32	395	18
Debenture issues	—	121	—	+ 121	+ 1	122	—
IMPORT CREDITS	4 571	1 056	441	+ 615	+ 297	5 483	197
LEASING CREDITS	123	1	16	— 15	+ 10	118	3
DIRECT INVESTMENTS (Equity capital and loans to subsidiaries)	1 497	189	15	+ 174	+ 37	1 708	139
SUBSCRIPTIONS TO INTERNA- TIONAL FINANCIAL INSTITUTIONS <sup>2</sup>	46	—	8	— 8	—	38	—
<b>Total</b>	<b>23 721</b>	<b>2 484</b>	<b>1 430</b>	<b>+1 054</b>	<b>+1 722</b>	<b>26 497</b>	<b>1 206</b>
Financial loans, import credits and leasing credits	22 178	2 295	1 407	+ 888	+1 685	24 751	1 067

<sup>1</sup> The mark values of debt outstanding have been calculated by using the selling rates of the same date, drawings and redemptions by using the average monthly selling rates.

<sup>2</sup> Subscriptions to international financial institutions paid up in the form of bonds.







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# BANK OF FINLAND

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## Board of Management

Mauno Koivisto

*Governor*

Ahti Karjalainen

Päiviö Hättemäki

Pentti Uusivirta

Rolf Kullberg

Ele Alenius

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## Directors

Jouko J. Voutilainen

Markku Puntila

Seppö Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

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## Senior officials

Pertti Kukkonen

*Director, ADP-planning*

Reino Airikkala

*Monetary Policy*

Pekka Tukiainen

*Domestic Financial  
Operations*

Kari Pekonen

*Foreign Exchange Policy*

Raine Panula

*Foreign Exchange*

Raili Nuortila

*Eastern Trade*

Antti Lehtinen

*Capital Transfers*

J. Ojala

*Foreign Exchange Control*

Kari Puumanen

*Economics Dept.*

Heikki Koskenkylä

*Research Dept.*

Markku Pietinen

*Information and Publications*

Heikki T. Hämäläinen

*Administration and Legal Affairs*

Antti Saarlo

*Foreign Correspondence*

Eino Suomela

*Internal Audit*

K. Eirola

*Automatic Data Processing*

Pauli Kanerva

*Personnel Administration and  
General Affairs*

Stig G Björklund

*Banking Services*

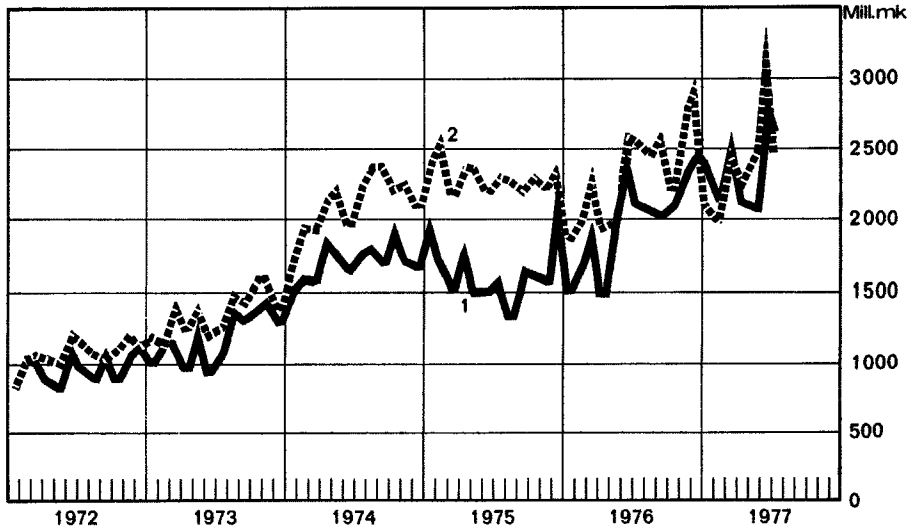
Antti Luukka

*Cash*

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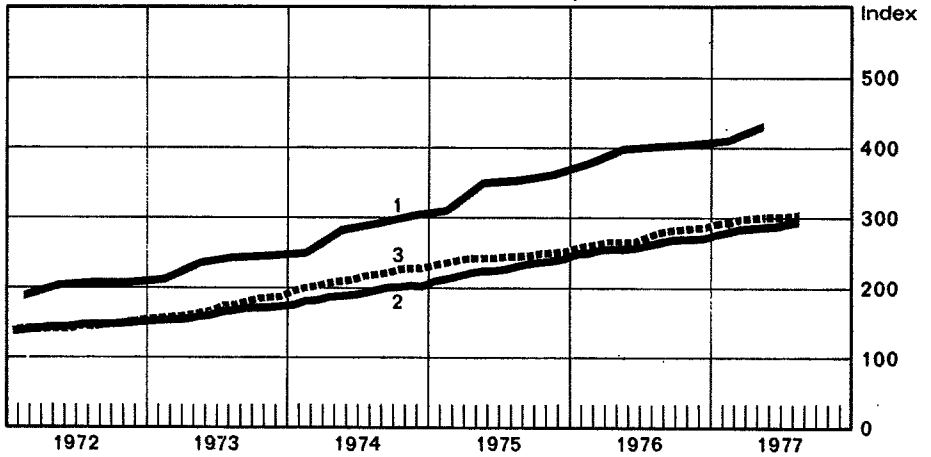
FOREIGN TRADE, 1972 - 1977

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



PRICES AND WAGES, 1972 - 1977

- 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, 1972 - 1977

- 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

