



# BANK OF FINLAND

*Monthly Bulletin*

Revision of the collective agreements  
for April 1974—January 1976

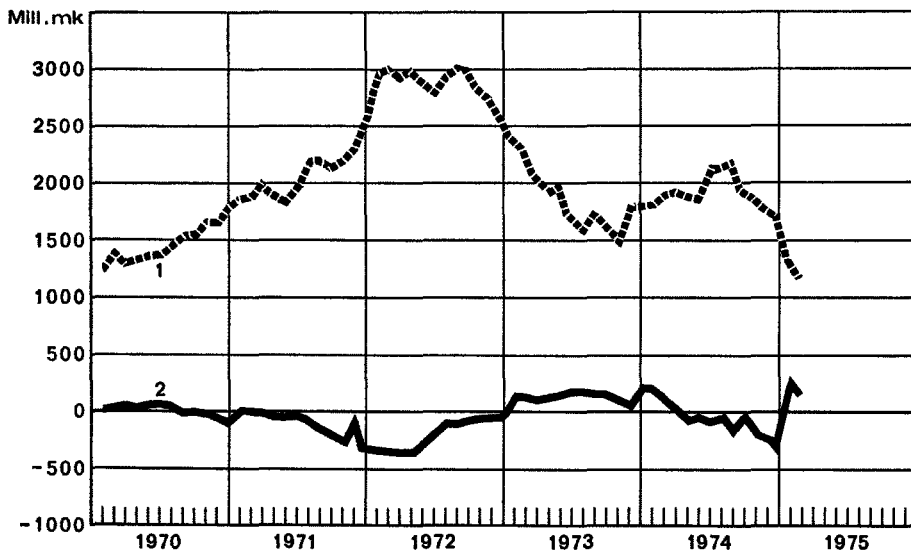
The balance of payments and foreign  
exchange policy in 1974

The inquiry concerning the financial  
needs of Finnish firms

**APRIL 1975**

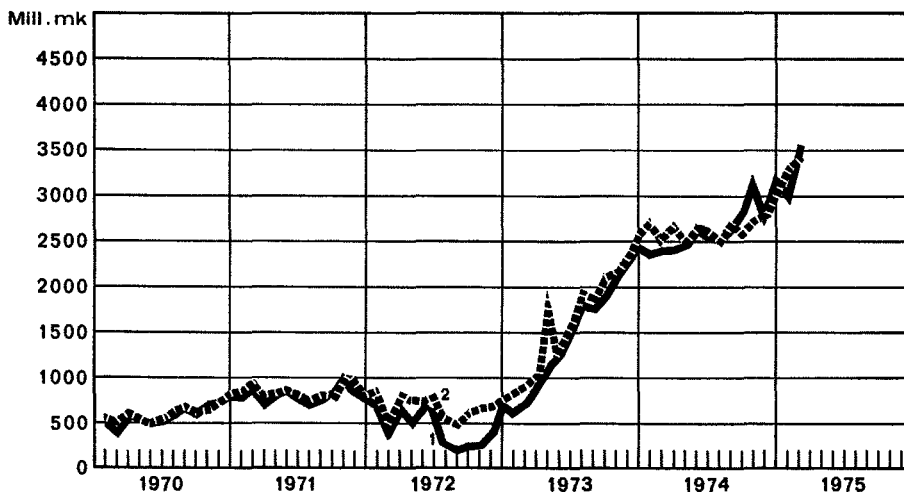
**Vol. 49 No. 4**

**BANK OF FINLAND'S CONVERTIBLE AND NON-CONVERTIBLE FOREIGN EXCHANGE RESERVES, 1970-1975**



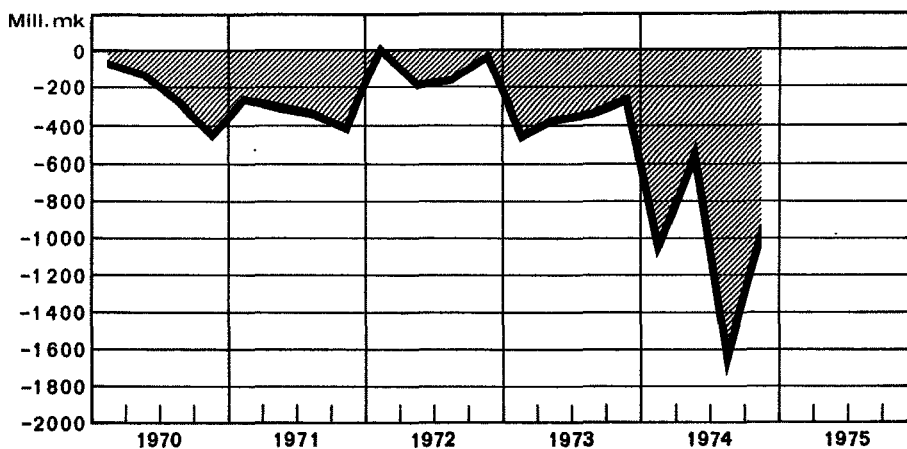
- 1. Gold and convertible currencies
- 2. Non-convertible currencies

**BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1970-1975**



- 1. Net receivables from the domestic financial sector
  - 2. Discounted and rediscounted bills
- Seasonally adjusted end-of-month figures

**BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1970-1975**



Seasonally adjusted quarterly figures

# REVISION OF THE COLLECTIVE AGREEMENTS FOR APRIL 1974—JANUARY 1976

The incomes policy agreement which was signed last spring for the period from April 1974 to January 1976 made provision for follow-up negotiations in the beginning of this year<sup>1</sup>. The result of these negotiations was that, as of April 1975 some revisions were made to the agreements on wages and salaries and also on farmers' incomes. These were followed by some fiscal and social policy measures.

The economic activity had remained brisk during the first part of the agreement period. Employment increased, and the growth of GDP was some 5 per cent in 1974. However, the rapid growth of demand led to bottlenecks, which together with the marked acceleration in foreign trade prices, were reflected in strong inflationary pressures and an increasing current account deficit. Although wage drift had, on average, brought about a fairly significant increase in real earnings, the development was spread unevenly over different sectors. The rise in farmers' income was reduced by a poor crop and cost increases. This disparity in real earnings and the strong pressures on farmers' income was the greatest cause for concern in the negotiations

When the negotiations were carried out, the economic prospects pointed towards a slackening in foreign demand in particular, a gradual, but not very marked, increase in unemployment and also continuously strong pressures on the external balance. The price pressures were expected to ease somewhat as a result of lower rise in import and export prices and diminishing demand pressures.

To facilitate the negotiations, the Government declared that it was ready to take some fiscal

<sup>1</sup> The agreement was presented in Bulletin No. 5/1974.

and social policy measures, if the agreement was not broken. These measures formed part of the basis for the proposal which the State Incomes Policy Negotiator submitted. This proposal was approved and signed by the central labour market organizations. In connection with this the agricultural organizations and the Government concluded an agreement on farmers' income, and the Government promised to take the necessary steps to fulfil its pledges.

The original intention had been to raise wages and salaries twice during the remainder of the agreement period. These increases were now to take place in April and to be somewhat higher than was earlier agreed. Thus the agreement stipulated that hourly earnings should rise by 75 pennies, or at least 5 per cent in April. As special efforts were made to secure a rise in real earnings for low income classes, their rises are above the average, and the minimum wage level has been increased by 140 pennies to 6 marks 30 pennies an hour. In addition to these flat rate increases, a small percentage adjustment can be made. It is estimated that the agreement will raise wages and salaries on an average by some 9 per cent in April 1975, or about 2 percentage points more than the agreement originally allowed for, in the course of 1975.

According to the agreement on farmers' incomes these will grow by 1200 million marks in the pricing year 1975—1976. To reduce the effects on consumer prices, 470 million marks will be paid through state subsidies and it is estimated that the final effect on the consumer price index will be some 2 per cent.

To obviate an increase in housing costs, the Government decided to continue to grant tax

exemption to light fuel and to develop the system of housing subsidies. An additional measure is that family allowances will be raised by 30 per cent from the beginning of July.

The Government also promised to submit a proposal to Parliament for allowing separate

taxation of married couples from the beginning of 1976. Furthermore, the Government will examine how it can reduce the effects of inflation on householders' direct taxes without jeopardising the flexibility of state finances.

March 21, 1975

	1973	1974	1975			
	Dec. 31	Dec. 31	Mar. 7	Mar. 14	Mar. 21	Mar. 27
<b>Assets</b>						
Gold and foreign exchange receivables	2 210	1 791	1 551	1 547	1 607	1 571
Gold	121	121	121	121	121	121
Special drawing rights	285	286	286	286	286	286
IMF gold tranche	268	268	268	268	268	268
Convertible currencies	1 228	1 109	601	609	638	625
Tied currencies	308	7	275	263	294	271
Other foreign receivables	952	1 123	1 105	1 085	1 085	1 089
Foreign bills	103	252	232	246	252	254
Foreign bonds	319	341	343	309	303	305
Currency subscription to Finland's quota in the IMF	530	530	530	530	530	530
Receivables from financial institutions	2 745	3 414	3 708	3 861	4 015	3 701
Cheque accounts of the commercial banks	19	114	195	224	202	142
Discounted bills	2 556	3 034	3 285	3 354	3 518	3 275
Bonds	121	220	202	254	256	257
Other financial institution receivables	49	46	26	29	39	27
Receivables from the public sector	268	301	303	305	312	307
Bonds	53	71	71	71	71	71
Total coinage	200	224	231	231	233	233
Other public sector receivables	15	6	1	3	8	3
Receivables from corporations	613	631	658	657	664	667
New export bills	47	90	100	99	100	103
Financing of suppliers' credits	271	276	277	277	279	280
Bonds	255	231	242	242	246	246
Other corporate receivables	40	34	39	39	39	38
Other assets	34	37	36	36	37	37
<b>Total</b>	<b>6 822</b>	<b>7 297</b>	<b>7 361</b>	<b>7 491</b>	<b>7 720</b>	<b>7 372</b>
<b>Liabilities</b>						
Foreign exchange liabilities	147	457	175	179	218	205
Convertible accounts	73	62	54	55	75	66
Tied accounts	74	395	121	124	143	139
Other foreign liabilities	788	788	788	788	788	788
IMF mark accounts	530	530	530	530	530	530
Allocations of special drawing rights	258	258	258	258	258	258
Notes and coins in circulation	2 082	2 461	2 257	2 305	2 285	2 433
Notes	1 907	2 259	2 061	2 109	2 088	2 233
Coins	175	202	196	196	197	200
Deposit certificates in circulation	1 450	1 040	1 370	1 440	1 660	1 080
Claims of financial institutions	13	9	25	41	37	44
Cheque account of Postipankki	2	4	2	2	0	1
Cheque accounts of the commercial banks	7	4	1	1	1	2
Other financial institution claims	4	1	22	38	36	41
Claims of the public sector	535	560	552	554	547	553
Cheque accounts	2	7	7	9	2	8
Counter-cyclical reserves	509	543	543	543	543	543
Other public sector claims	24	10	2	2	2	2
Claims of corporations	239	195	360	366	364	388
Investment deposits	5	34	36	37	38	62
Counter-cyclical withholdings	—	49	120	120	120	120
Capital import deposits	214	98	189	191	188	189
Import levy deposits	6	6	8	9	9	9
Other corporate claims	14	8	7	9	9	8
Other liabilities	16	17	14	13	12	12
Equalization accounts	740	858	886	869	869	925
Capital accounts	812	912	934	936	940	944
Primary capital	600	600	600	600	600	600
Reserve fund	114	163	237	237	237	237
Undisposed profits	—	—	75	75	75	75
Net earnings	98	149	22	24	28	32
<b>Total</b>	<b>6 822</b>	<b>7 297</b>	<b>7 361</b>	<b>7 491</b>	<b>7 720</b>	<b>7 372</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
1968	1 309	6	1 303	— 12	125	34	1 382	105	364	259	—
1969	1 266	11	1 255	— 80	517	360	1 332	102	200	98	—
1970	1 812	11	1 801	— 63	639	606	1 771	119	121	2	203
1971	2 620	30	2 590	—297	686	704	2 275	148	140	— 8	400
1972	2 613	43	2 570	— 6	757	788	2 533	175	49	—126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1974											
Feb.	1 986	75	1 911	160	817	788	2 100	204	533	329	1 380
March	2 030	86	1 944	— 9	831	788	1 978	205	578	373	1 450
April	1 974	72	1 902	—113	855	788	1 856	207	579	372	1 450
May	1 968	77	1 891	— 89	874	788	1 888	208	533	325	1 490
June	2 219	72	2 147	—113	888	788	2 134	209	528	319	1 600
July	2 240	82	2 158	— 96	888	788	2 162	209	575	366	1 600
Aug.	2 274	74	2 200	—220	889	788	2 081	213	530	317	1 360
Sept.	1 989	71	1 918	— 86	899	788	1 943	217	564	347	1 390
Oct.	1 947	70	1 877	—235	922	788	1 776	220	521	301	1 510
Nov.	1 862	64	1 798	—280	936	788	1 666	222	520	298	1 400
Dec.	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1975											
Jan.	1 388	56	1 332	306	1 105	788	1 955	302	555	253	990
Feb.	1 249	53	1 196	161	1 106	788	1 675	307	551	244	1 050
March	1 300	66	1 234	132	1 089	788	1 667	307	553	246	1 080

<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, 1974			Net holdings, Jan. 31, 1975			Change
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	January
Gold	121	—	121	121	—	121	—
Special drawing rights	286	—	286	286	—	286	—
IMF gold tranche	268	—	268	268	—	268	—
Convertible currencies	1 047	—564	483	657	—565	92	—391
Total	1 722	—564	1 158	1 332	—565	767	—391
Non-convertible currencies	—388	— 5	—393	306	— 21	285	+678

End of year and month	Domestic financial sector							Corporate sector			
	Dis-counted and redis-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	Net receiv-ables (8-9)	Notes and coins in cir-culation
	1	2	3	4	5	6	7	8	9	10	11
1968	618	107	—	163	16	—	546	381	43	338	1 246
1969	550	87	—	93	12	—	532	461	25	436	1 394
1970	836	3	—	1	4	—	834	383	324	59	1 455
1971	849	—	—	9	2	—	838	355	385	— 30	1 622
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
1974											
Feb.	2 227	113	—	—	4	—	2 336	368	229	139	1 910
March	2 530	103	—	—	78	—	2 555	368	230	138	1 959
April	2 677	156	—	—	80	—	2 753	372	244	128	1 977
May	2 719	93	—	—	3	—	2 809	370	230	140	2 081
June	2 794	127	—	—	3	—	2 918	378	221	157	2 315
July	2 688	158	—	—	43	—	2 803	389	213	176	2 155
Aug.	2 538	122	—	—	3	—	2 657	400	203	197	2 227
Sept.	2 703	249	—	—	9	—	2 943	415	181	234	2 246
Oct.	2 985	142	—	—	2	—	3 125	425	219	206	2 206
Nov.	3 108	167	—	—	1	—	3 274	422	224	198	2 360
Dec.	3 034	114	266	4	4	1	3 405	631	195	436	2 462
1975											
Jan.	2 572	112	269	2	2	23	2 926	631	231	400	2 274
Feb.	2 970	171	313	2	2	23	3 427	654	336	318	2 318
March	3 275	142	284	2	1	41	3 657	667	388	279	2 433

<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

March 21, 1975

New York <sup>1</sup>	1 \$	3.520	Frankfurt o. M.	100 DM	152.10	Vienna	100 S	21.37
Montreal	1 \$	3.522	Amsterdam	100 Fl	148.90	Lisbon	100 Esc	14.63
London	1 \$	8.535	Brussels <sup>2</sup>	100 Fr		Madrid	100 Pta	6.33
Stockholm	100 Kr	90.05	Zurich	100 Fr	142.05	Tokyo	100 Y	1.230
Oslo	100 Kr	71.95	Paris	100 FF	84.00	Reykjavik	100 Kr	2.36
Copenhagen	100 Kr	64.85	Rome	100 Lit	0.5610	Moscow <sup>3</sup>	1 Rbl	5.029

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

<sup>2</sup> 10.300 commercial rate; 10.160 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
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	2 371.4	979.2	8 095.8	6 231.8	4 499.8	1 805.6	720.0	21 353.0	24 703.6
1973*	2 153.3	2 900.5	1 360.2	8 973.8	7 117.1	5 238.7	2 158.7	804.9	24 293.2	28 553.9

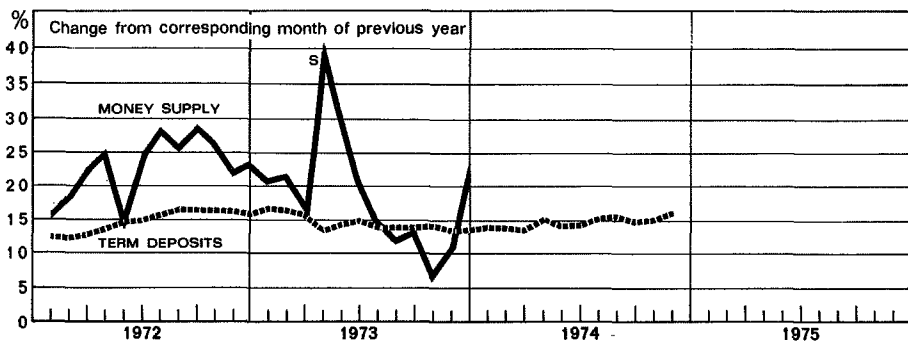
1973\*

Nov.	1 681.9	2 221.5	989.1	8 508.2	6 833.8	5 113.1	2 052.0	785.2	23 292.3	26 502.9
Dec.	2 153.3	2 900.5	1 360.2	8 973.8	7 117.1	5 238.7	2 158.7	804.9	24 293.2	28 553.9

1974<sup>1</sup>

Jan.	1 896.2	2 478.1	1 272.5	9 113.6	7 227.8	5 377.5	2 207.4	814.2	24 740.5	28 491.1
Feb.	1 851.4	2 431.8	1 373.6	9 162.3	7 272.2	5 445.5	2 230.9	825.6	24 936.5	28 741.9
March	1 806.1	2 379.5	1 253.4	9 078.6	7 271.1	5 449.4	2 266.3	831.7	24 897.1	28 530.0
April	1 839.1	2 482.1	1 229.2	9 081.0	7 272.6	5 510.5	2 268.9	833.3	24 966.3	28 677.6
May	2 007.4	2 641.1	1 179.0	9 158.2	7 378.6	5 598.5	2 286.7	839.3	25 261.3	29 081.4
June	1 992.3	2 627.9	1 231.6	9 205.1	7 484.0	5 631.6	2 334.9	847.2	25 502.8	29 362.3
July	2 155.1	2 817.9	1 267.3	9 244.4	7 565.9	5 725.8	2 365.5	854.4	25 756.0	29 841.2
Aug.	2 157.9	2 855.2	1 201.4	9 366.3	7 705.0	5 838.6	2 395.5	859.8	26 165.2	30 221.8
Sept.	2 160.5	2 871.7	1 287.6	9 370.3	7 740.4	5 884.6	2 421.9	874.7	26 291.9	30 451.2
Oct.	2 224.3	2 958.4	1 183.7	9 501.4	7 815.3	5 981.7	2 457.3	891.8	26 647.5	30 789.6
Nov.	2 198.0	2 924.2	1 346.1	9 652.8	7 943.8	6 100.6	2 503.7	895.8	27 096.7	31 367.0

<sup>1</sup> New series, see explanations on page 18.





# ADVANCES TO THE PUBLIC—MONEY SUPPLY

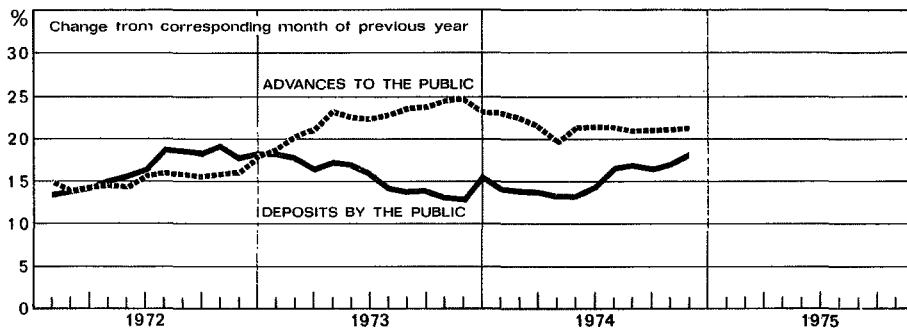
Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
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	5 503.0	4 482.6	2 244.8	2 374.4	24 472.6	799.5	25 272.1	4 959
1973*	13 293.1	6 495.5	5 302.5	3 398.6	2 696.4	30 214.3	971.8	31 186.1	6 114

1973*									
Nov.	13 162.8	6 414.2	5 209.2	3 284.9	2 629.6	29 677.4	1 023.3	30 700.7	4 906
Dec.	13 293.1	6 495.5	5 302.5	3 398.6	2 696.4	30 214.3	971.8	31 186.1	6 114

1974 <sup>1</sup>									
Jan.	13 386.6	6 609.8	5 361.4	3 570.9	2 741.2	30 656.7	1 013.2	31 669.9	..
Feb.	13 446.8	6 697.9	5 444.2	3 664.7	2 770.1	31 007.0	1 016.7	32 023.7	..
March	13 595.2	6 771.6	5 514.6	3 740.9	2 827.4	31 379.4	1 070.3	32 449.7	..
April	13 829.9	6 844.2	5 574.4	3 890.5	2 847.7	31 914.6	1 072.1	32 986.7	..
May	14 110.7	6 935.2	5 670.5	4 016.1	2 920.3	32 536.8	1 116.0	33 652.8	..
June	14 292.8	7 014.9	5 749.7	4 164.3	2 980.7	33 083.6	1 118.8	34 202.4	..
July	14 349.5	7 091.4	5 839.7	4 334.5	3 021.2	33 533.7	1 102.6	34 636.3	..
Aug.	14 500.3	7 190.6	5 953.4	4 359.1	3 038.9	33 962.9	1 079.4	35 042.3	..
Sept.	14 826.2	7 340.9	6 102.0	4 424.4	3 086.5	34 609.4	1 170.6	35 780.0	..
Oct.	15 225.3	7 478.7	6 224.7	4 531.7	3 130.5	35 397.7	1 193.2	36 590.9	..
Nov.	15 541.7	7 616.4	6 338.0	4 614.6	3 206.0	36 138.5	1 178.2	37 316.7	..

<sup>1</sup> New series, see explanations on page 18.





# FOREIGN TRADE

Mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1970	9 687	11 071	-1 384
1971	9 897	11 734	-1 837
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974*	20 687	25 676	-4 989

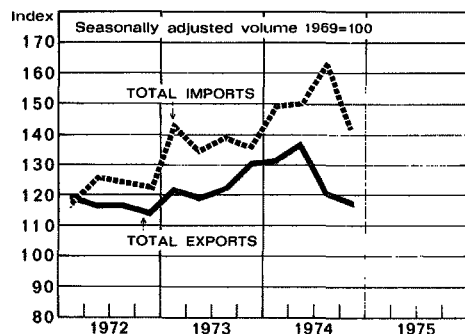
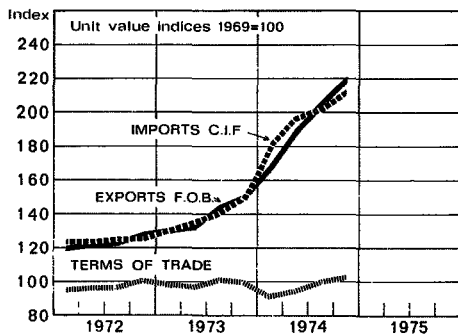
Period	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1974*			
Jan.	1 540	1 951	- 411
Feb.	1 471	1 884	- 413
March	1 599	1 867	- 268
April	1 779	2 131	- 352
May	1 848	2 272	- 424
June	1 555	1 813	- 258
July	1 799	2 164	- 365
Aug.	1 550	2 265	- 715
Sept.	1 780	2 421	- 641
Oct.	2 239	2 400	- 161
Nov.	1 812	2 302	-490
Dec.	1 715	2 206	- 491
1975*			
Jan.	2 014	2 752	- 738

Period	Indices of exports and imports 1969 = 100				
	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1970	107	121	108	108	100
1971	103	119	115	116	99
1972	118	124	123	125	98
1973	127	141	138	139	99
1974*	126	151	196	200	98

Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
1972					
Jan.-Mar.	114	112	121	125	97
Apr.-June	112	124	123	125	98
July-Sept.	116	120	124	126	98
Oct.-Dec.	123	136	129	127	102

Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
1973					
Jan.-Mar.	120	140	131	131	100
Apr.-June	115	133	133	136	98
July-Sept.	122	136	145	141	103
Oct.-Dec.	140	149	151	150	101

Period	Volume Exports	Volume Imports	Unit value Exports	Unit value Imports	Terms of trade
1974					
Jan.-Mar.	131	147	169	182	93
Apr.-June	131	147	190	198	96
July-Sept.	119	158	206	203	101
Oct.-Dec.	125	152	221	213	104



# FOREIGN TRADE BY MAIN GROUPS

Mill. mk

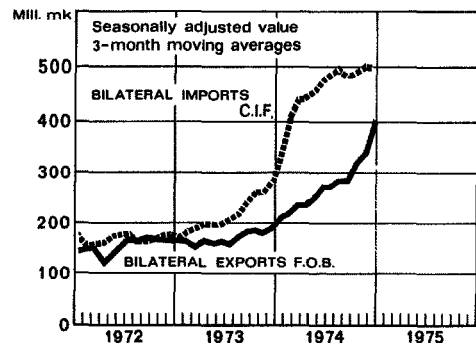
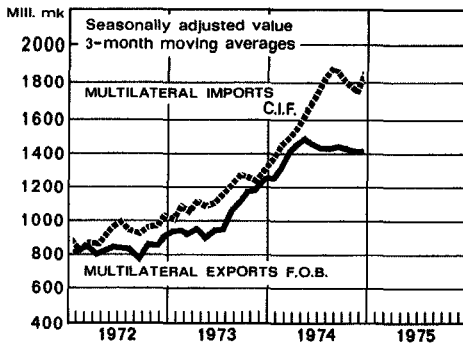
Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1970	286	1 536	3 883	1 828	2 154	6 891	422	1 949	1 750	59
1971	313	1 643	3 797	1 764	2 380	7 037	570	2 333	1 746	48
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974*	464	3 153	7 872	4 245	4 953	16 533	1 979	3 858	3 282	24

## 1974\*

Jan.	89	249	513	378	311	1 251	174	292	233	1
Feb.	21	249	540	316	345	1 195	198	244	246	1
March	94	229	605	258	413	1 173	171	262	261	0
April	22	291	671	351	444	1 375	146	325	276	9
May	47	314	595	414	478	1 498	137	313	320	4
June	10	262	557	340	386	1 245	120	237	208	3
July	18	302	656	456	367	1 350	147	422	244	1
Aug.	25	339	673	168	345	1 537	169	290	267	2
Sept.	32	248	756	275	469	1 512	187	388	334	0
Oct.	27	251	852	618	491	1 551	190	339	319	1
Nov.	16	228	736	361	471	1 382	186	429	304	1
Dec.	63	191	718	310	433	1 464	154	317	270	1

## 1975\*

Jan.	71	229	780	480	454	1 686	146	539	380	1
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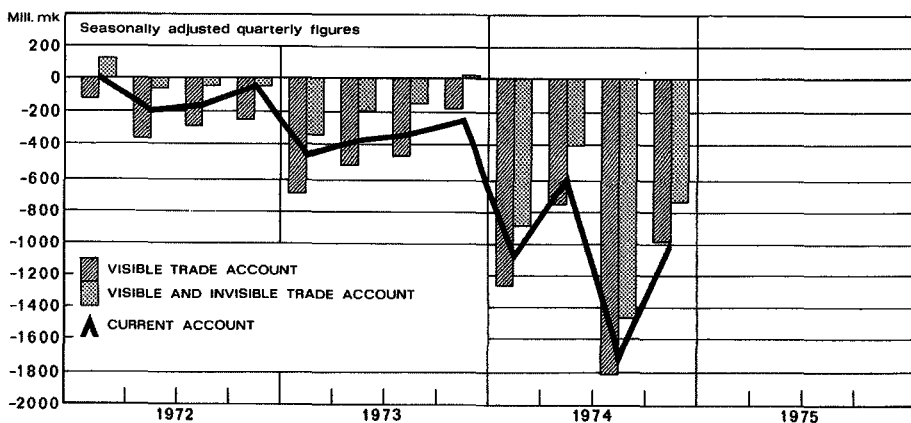
## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January				January			
	1974*		1975*		1974*		1975*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	74.0	1 139	61.5	1 239	66.7	1 301	69.0	1 898
Austria	1.0	16	0.6	12	1.3	26	1.4	39
Belgium-Luxembourg	1.6	25	1.4	28	1.6	32	2.1	58
Denmark	5.9	91	3.5	71	3.0	58	3.7	102
France	4.6	70	4.3	86	3.1	60	2.8	76
Federal Republic of Germany	9.4	145	9.5	191	14.2	278	16.2	446
Italy	1.9	30	1.6	33	1.4	27	1.9	53
Netherlands	3.1	47	2.1	42	4.9	96	3.2	88
Norway	2.5	38	2.6	52	2.7	52	2.8	76
Portugal	0.5	7	0.2	5	0.6	11	0.6	17
Spain	1.5	23	1.1	23	0.7	14	2.2	60
Sweden	17.8	274	14.5	293	20.8	405	19.8	544
Switzerland	1.9	30	2.0	41	3.0	58	3.6	98
United Kingdom	20.4	314	16.2	326	9.2	179	8.6	238
Other	1.9	29	1.9	36	0.2	5	0.1	3
<b>OECD countries outside Europe</b>	7.0	108	4.4	88	8.2	159	11.7	323
Canada	0.8	12	0.5	11	0.2	3	0.5	15
Japan	1.0	16	1.0	20	1.1	21	1.2	32
United States	4.7	73	2.3	46	6.9	135	10.0	275
Other	0.5	7	0.6	11	0.0	0	0.0	1
<b>CMEA countries</b>	11.8	182	23.0	464	19.7	385	15.3	421
Czechoslovakia	0.4	6	0.3	7	0.3	7	0.3	10
Democratic Republic of Germany	0.7	11	0.5	11	0.6	11	0.6	16
Poland	0.6	10	1.0	20	1.5	30	1.5	42
Soviet Union	9.6	148	20.3	408	16.5	322	12.1	332
Other	0.5	7	0.9	18	0.8	15	0.8	21
<b>Latin America</b>	1.7	26	2.8	56	3.0	58	2.0	54
Argentina	0.4	6	1.5	31	0.0	0	0.0	0
Brazil	0.9	14	0.7	14	1.5	29	0.7	18
Colombia	0.1	1	0.0	0	0.8	16	1.0	27
Other	0.3	5	0.6	11	0.7	13	0.3	9
<b>Other</b>	5.5	85	8.3	167	2.4	47	2.0	56
<b>GRAND TOTAL</b>	100.0	1 540	100.0	2 014	100.0	1 950	100.0	2 752
of which								
<b>EFTA countries</b>	23.8	366	20.3	409	28.4	554	28.1	774
<b>EEC countries</b>	47.7	734	39.5	795	37.5	731	38.6	1 062
<b>OECD countries</b>	81.0	1 247	65.9	1 327	74.9	1 460	80.7	2 221

# 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
1972	12 012	13 087	-1 075	+ 732	+335	+ 72	+ 64	- 586	+42	- 480
1973*	14 525	16 560	-2 035	+ 996	+341	+ 28	- 670	- 753	-57	-1 480
1974*	20 608	25 610	-5 002	+1 086	+319	+149	-3 448	-1 004	-59	-4 511
Jan.-March										
1972	2 870	2 956	- 86	+ 207	+ 3	+ 1	+ 125	- 142	-22	- 39
1973*	3 282	3 868	- 586	+ 260	- 5	+ 28	- 303	- 139	-14	- 456
1974*	4 589	5 663	-1 074	+ 281	+ 10	+ 28	- 755	- 233	-25	-1 013
Apr.-June										
1972	2 855	3 296	- 441	+ 170	+ 56	+ 47	- 168	- 156	- 8	- 332
1973*	3 182	3 843	- 661	+ 218	+ 48	+ 16	- 379	- 190	-22	- 591
1974*	5 160	6 224	-1 064	+ 199	+ 74	+ 72	- 719	- 239	-12	- 970
July-Sept.										
1972	2 979	3 198	- 219	+ 179	+192	+ 18	+ 170	- 139	+20	+ 51
1973*	3 656	4 084	- 428	+ 271	+240	+ 10	+ 93	- 173	- 9	- 89
1974*	5 107	6 810	-1 703	+ 353	+243	- 45	-1 152	- 244	- 6	-1 402
Oct.-Dec.										
1972	3 308	3 637	- 329	+ 176	+ 84	+ 6	- 63	- 149	+52	- 160
1973*	4 405	4 765	- 360	+ 247	+ 58	- 26	- 81	- 251	-12	- 344
1974*	5 752	6 913	-1 161	+ 253	- 8	+ 94	- 822	- 288	-16	-1 126

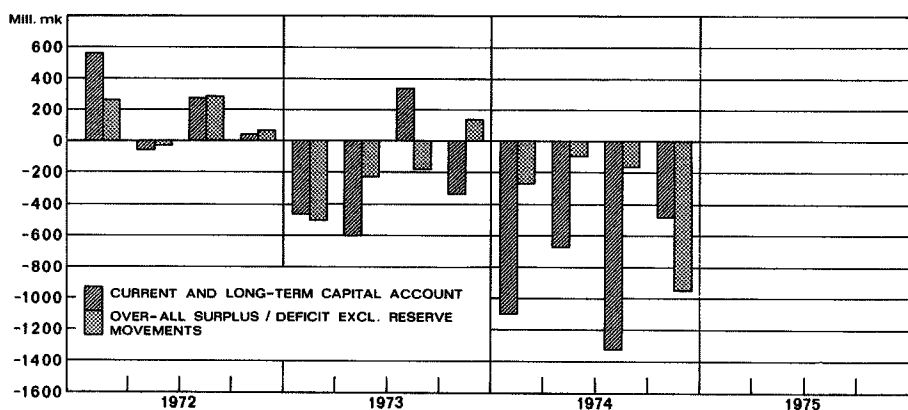


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, 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
+3 014	-1 228	-376	-106	+1 304	+ 824	+104	- 90	-247 <sup>2</sup>	+ 591	-271	-320
+1 858	-1 366	+ 34	-114	+ 412	-1 068	-246	+ 561	- 31	- 784	+491	+293
+2 725	-1 564	-224	- 21	+ 916	-3 595	+746	+1 090	+284	-1 475	+739	+736
+ 968	- 273	-115	+ 17	+ 597	+ 558	-156	- 27	-114 <sup>2</sup>	+ 261	-327	+ 66
+ 364	- 396	+ 35	- 24	- 21	- 477	+ 21	+ 25	- 76	- 507	+353	+154
+ 481	- 522	- 23	- 26	- 90	-1 103	+270	+ 285	+279	- 269	+138	+131
+ 655	- 180	-192	- 5	+ 278	- 54	+ 90	+ 26	- 91	- 29	+ 37	- 8
+ 309	- 265	- 48	- 9	- 13	- 604	+ 95	+ 323	- 41	- 227	+301	- 74
+ 758	- 362	-115	+ 15	+ 296	- 674	+369	+ 182	+ 27	- 96	- 99	+195
+ 628	- 327	- 41	- 25	+ 235	+ 286	+268	- 125	-141	+ 288	-314	+ 26
+ 774	- 370	+ 59	- 15	+ 448	+ 359	-403	- 274	+132	- 186	+ 66	+120
+ 543	- 385	- 61	- 22	+ 75	-1 327	+483	+ 523	+158	- 163	+202	- 39
+ 763	- 448	- 28	- 93	+ 194	+ 34	- 98	+ 36	+ 99	+ 71	+333	-404
+ 411	- 335	- 12	- 66	- 2	- 346	+ 41	+ 486	- 45	+ 136	-229	+ 93
+ 943	- 295	- 25	+ 12	+ 635	- 491	-376	+ 100	-180	- 947	+498	+449

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

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

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



# PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machin- & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1973	398	401	385	403	447	378	435	395	378	188	202	176
1974	495	498	482	523	536	448	555	495	459	233	231	230
1974												
May	487	489	477	518	521	436	539	495	450	235	235	230
June	489	491	481	519	537	438	541	495	454	235	235	230
July	500	503	488	528	544	451	567	505	456	235	235	231
Aug.	505	507	497	532	549	457	567	510	463	235	235	231
Sept.	515	521	495	538	554	475	573	514	481	239	239	237
Oct.	524	531	497	549	570	478	595	510	489	241	239	238
Nov.	525	533	496	552	577	477	602	508	491	242	239	240
Dec.	525	535	489	551	578	478	602	507	491	243	239	237
1975												
Jan.	537	546	502	565	589	487	616	518	502	247	243	237
Feb.	546	556	509	571	596	501	620	529	513	246	243	239

Period	Consumer prices 1972 = 100											
	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 100	Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1973	284	223	111	112	107	111	116	110	109	109	105	111
1974	333	261	129	130	109	128	144	161	129	128	118	127
1974												
May	328	257	127	128	108	126	141	160	127	127	115	124
June	329	258	128	129	108	126	141	150	128	128	116	125
July	335	263	130	131	108	127	146	151	129	129	119	130
Aug.	340	267	132	135	108	129	146	171	130	130	120	130
Sept.	348	273	135	142	109	133	147	172	131	130	121	132
Oct.	351	275	136	139	111	137	153	175	133	131	121	134
Nov.	353	277	137	139	111	138	154	172	136	132	123	136
Dec.	354	278	138	138	111	139	154	175	137	133	125	136
1975												
Jan.	364	285	141	139	124	141	155	179	140	136	135	141
Feb.	369	290	143	143	125	142	155	180	145	137	137	146



# 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							
1971	210	195	195	180	176	178	188	171	195	185
1972	253	222	222	196	189	194	212	188	220	206
1973*	317	260	261	223	213	223	247	214	258	239
1974*	402	313	318	262	251	261	294	250	309	283
1973*										
Jan.-March	287	235	238	206	197	206	224	196	234	217
Apr.-June	331	260	248	227	215	226	249	216	259	241
July-Sept.	313	268	271	229	220	230	259	220	271	249
Oct.-Dec.	340	275	286	231	221	230	261	222	273	251
1974*										
Jan.-March	361	283	292	233	226	233	265	224	278	254
Apr.-June	388	316	321	266	252	265	300	253	315	288
July-Sept.	410	323	324	268	255	268	306	256	323	294
Oct.-Dec.	430	330	334	279	269	279	309	265	325	300

# PRODUCTION

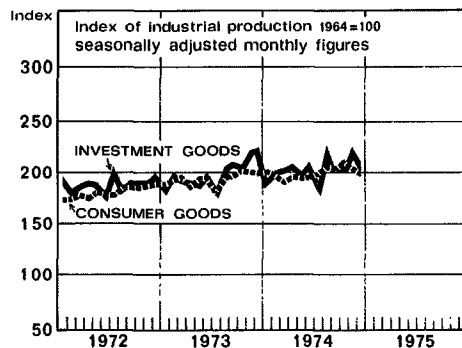
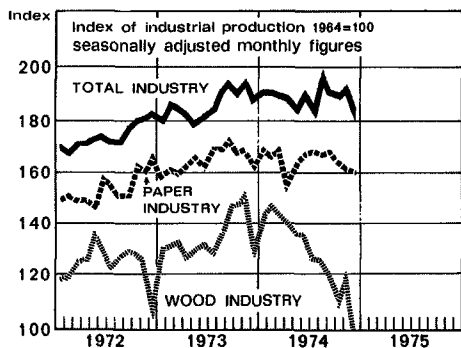
Volume indices of production 1964 = 100

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
1972	145	177	94	95	149	103	143	155	142	143	148
1973*	153	187	89	96	162	104	154	169	150	148	155
1974*	161	200	86	98	177	105	165	179	157	154	162
1973*											
July-Sept.	153	169	164	55	198	105	159	165	149	149	156
Oct.-Dec.	160	205	65	97	185	101	159	186	153	150	158
1974*											
Jan.-March	157	205	59	124	134	104	159	169	155	152	158
Apr.-June	154	188	62	113	156	113	161	170	157	153	160
July-Sept.	163	184	161	62	210	105	169	176	157	154	164
Oct.-Dec.	170	223	59	94	206	99	172	199	161	155	167

# 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	
1972	114	116	114	111	111	109	112	142	115	118	113
1973*	121	123	122	120	114	118	120	151	124	127	121
1974*	123	126	123	123	119	112	120	158	132	131	123
1973*											
Oct.	138	146	138	138	139	143	133	166	144	151	124
Nov.	135	145	134	135	126	134	128	161	143	148	126
Dec.	117	119	118	113	109	113	111	146	116	122	125
1974*											
Jan.	134	135	135	131	118	139	133	167	139	141	124
Feb.	124	128	125	120	106	134	121	155	132	132	123
March	134	138	136	127	107	139	136	179	145	143	123
April	123	134	121	124	121	130	95	160	143	139	122
May	133	138	132	131	128	139	123	156	142	144	121
June	112	121	111	112	114	110	97	145	122	124	123
July	86	59	92	79	122	65	121	128	92	62	120
Aug.	124	125	123	128	127	92	124	154	144	131	128
Sept.	125	130	124	125	116	106	123	150	142	135	124
Oct.	138	145	135	144	140	111	130	172	147	150	123
Nov.	130	141	128	135	123	102	125	169	134	146	125
Dec.	115	119	114	116	103	75	110	165	107	124	120
1975*											
Jan.	128	143	125	131	111	91	115	176	125	145	118



# 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 <sup>1</sup>	Retailers' sales volume index 1968 = 100	Wholesalers' volume index 1968 = 100
1971	3 507	2 199	2 150	49	2.2	41 264	118	137
1972	3 409	2 173	2 118	55	2.5	34 954	128	151
1973	3 442	2 215	2 164	51	2.3	35 123	138	167
1974*	3 483	2 269	2 229	40	1.8	34 457	143	168

## 1974\*

Jan.	3 471	2 187	2 134	53	2.4	3 510	119	156
Feb.	3 474	2 194	2 140	54	2.5	3 923	122	160
March	3 476	2 183	2 138	45	2.1	4 014	131	174
April	3 478	2 199	2 154	45	2.0	3 976	137	169
May	3 480	2 236	2 200	36	1.6	3 527	143	175
June	3 483	2 432	2 397	35	1.4	2 308	140	163
July	3 485	2 447	2 409	38	1.6	1 305	146	155
Aug.	3 487	2 355	2 318	37	1.6	1 545	148	185
Sept.	3 489	2 262	2 230	32	1.4	2 021	140	178
Oct.	3 491	2 249	2 219	30	1.3	2 476	151	196
Nov.	3 439	2 239	2 207	32	1.4	2 773	149	186
Dec.	3 495	2 241	2 204	37	1.7	3 079	190	193

## 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											
1972	47.73	20.56	3.08	16.50	4.28	40.00	18.15	2.84	14.19	2.99	40.57
1973*	54.96	24.68	3.82	20.66	2.81	40.20	18.81	2.91	13.63	2.82	51.42
1974*	53.23	22.34	3.26	20.84	3.52	45.85	21.29	2.70	16.74	3.11	50.87
1973*											
Oct.-Dec.	11.13	4.98	0.45	4.09	0.92	14.11	6.79	1.14	4.58	1.13	51.42
1974*											
Jan.-March	10.33	3.65	0.68	4.79	0.76	8.72	3.98	0.45	3.31	0.69	49.20
Apr.-June	16.64	7.96	1.62	5.39	0.70	9.96	4.99	0.35	3.73	0.48	54.42
Jyly-Sept.	14.53	6.15	0.56	5.82	1.26	10.39	4.51	0.40	3.65	0.81	57.01
Oct.-Dec.	11.73	4.58	0.40	5.21	0.80	15.19	7.06	1.00	5.60	0.99	50.87

# 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 (since Dec. 1974).

Liabilities = Cheque accounts + Counter-cyclical reserves + 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 = Other financial institution receivables + Bonds (since Dec. 1974).

*Corporate sector*: Receivables = New export bills + Financing of suppliers' credits + Other corporate receivables + Bonds (since Dec. 1974).

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.

## 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 1972 is as follows: Social Democrats 56, People's Democrats 37, Centre Party 35, Conservatives 33, Finnish People's Unification Party 13, Swedish Party 9, Liberal Party 6, Finnish Farmers Party 5, Christian League 4 and Finnish People's Constitutional Party 2.

## INTERNATIONAL ORGANIZATIONS

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

## LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. Of the land area (1970) 2.7 mill. ha (9.6 %) are cultivated and 19.1 mill. ha (68.4 %) are covered by forests.

OWNERSHIP OF LAND (1970): The total land area was distributed among different classes of owners approximately as follows: private 60.7 %, State 29.4 %, joint stock companies etc. 8.0 %, municipalities and parishes 1.9 %.

## POPULATION

NUMBER OF INHABITANTS (1973): 4.7 million. Sweden 8.1. Switzerland 6.4, Denmark 5.0 and Norway 4.0 million.

DENSITY OF POPULATION (1973): In South Finland 44.9, in East and Central Finland 14.0, in North Finland 3.9 and in the whole country an average of 15.3 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1973): 57 % of the population inhabit the rural areas, 43 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 505 700 inhabitants, Tampere (Tammerfors) 164 400, Turku (Åbo) 162 200.

EMPLOYMENT (1973): Agriculture and forestry 17 %, industry and construction 35 %, commerce 16 %, transport and communications 7 %, services 25 %.

LANGUAGE (1971): Finnish speaking 93.2 %, Swedish speaking 6.6 %, others 0.2 %.

EDUCATION (1974): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 11 colleges of university standard.

CHANGE OF POPULATION (1973): births 12.2 ‰, deaths 9.3 ‰, change + 4.1 ‰, net immigration 1.2 ‰. Deaths in France 10.7 ‰ and Great Britain 12.0 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1973, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 3 378 (6 %), forestry and fishing 3 728 (6 %), manufacturing 18 561 (32 %),

construction 5 788 (10 %), transport and communication 5 617 (10 %), commerce, banking and insurance 7 620 (13 %), public administration 2 624 (4 %), ownership of dwellings 2 770 (5 %), services 8 490 (14 %), total 58 576. Index of real domestic product 153 (1964 = 100).

FOREST RESOURCES (1973): The growing stock comprised of 1 501 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, 618 million m<sup>3</sup> was up to the standard required for logs, 56 % of these being pine. The annual growth was 56.9 million m<sup>3</sup> and the total removal, calculated on the basis of roundwood consumption, was 55.4 million m<sup>3</sup>.

AGRICULTURE (1973): Cultivated land 2.7 million hectares. Number of holdings 266 000, of which 176 000 are of more than 5 ha. Measure of self-sufficiency in bread cereals 114 % in the crop year 1973/74.

INDUSTRY (1972): Gross value of industrial production 44 958 mill. marks, number of workers 404 033, salaried employees 114 534, motive power (1971) 5.7 mill. kW. Index of industrial production 114 for 1972 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1975): Length 5 908 km.

MERCHANT FLEET (Dec. 31, 1974): Steamers 27 (13 800 gross reg. tons), motor vessels 361 (756 700 gross reg. tons) tankers 61 (853 400 gross reg. tons). Total 449 (1 623 900 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1973): Passenger cars 894 100, lorries and vans 119 900, buses 8 400, others 5 700. Total 1 028 100.

FINNISH AIRLINES (March 27, 1975): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6, 9 Super Caravelles, 8 DC-9s, 1 DC-10-30 and 5 Convair Metropolitan. Companies have scheduled traffic outside of Finland to 27 airports and to 20 domestic airports.

## FINANCE AND BANKING

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

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1974). There are two big and five small commercial banks with in all 857 offices, 294 savings banks, 390 co-operative banks, six mortgage banks, and Postipankki. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-seven private insurance companies also grant credits.

RATES OF INTEREST (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 ½ %; highest lending rate 12 ½ %.

# THE BALANCE OF PAYMENTS AND FOREIGN EXCHANGE POLICY IN 1974

by Kerstin Jonsson, M.Pol.Sc.,  
Peter Nyberg, Lic.Pol.Sc.  
and Tapio Peura, M.Sc. (Econ.)

Bank of Finland

## GENERAL DEVELOPMENTS

The growth of production in the major industrial countries began to decelerate in the latter half of 1973, and came to a halt as a consequence of the energy crisis in the first half of 1974. The rate of inflation accelerated fast, at first due to higher raw material and energy prices and later due to higher wage costs. International capital markets had to work under great pressure and uncertainty, and interest rates remained high most of the year. Finnish exports to her neighbouring countries developed favourably. However, the weakening of demand in western markets showed in exports towards the end of the year. The deep recession in building activity was the main reason for the slight decline in the volume of exports. But because the pressure of domestic demand remained high, the volume of imports of raw materials and investment goods underwent a marked increase.

Although the terms of trade deteriorated only marginally, the great imbalance between foreign and domestic demand pressures led to a heavy deficit in the trade account. The service account surplus increased further even if moderately and interest payments on foreign loans were considerably larger than in the previous year. The deficit in the current account rose from 1 500 million marks in 1973, to 4 500 million marks in 1974.

Last year only one fifth of the current account deficit was financed by imports of long-term capital because high interest rates and the uncertainty prevailing in international financial markets still curbed capital imports. Half of the

current deficit was financed by increases in short-term trade credits, the rest mainly by drawing upon foreign exchange reserves.

## EXPORTS

Last year Finnish exports experienced a number of contrasting pressures. Although the total production in the western countries most important for Finnish exports increased by only one per cent, the demand for Finnish products remained brisk during the first part of the year. Greater export expansion was in fact hampered by bottlenecks in production in some industries and export prices rose steeply. Export demand was sustained by the buoyancy of the Swedish economy. As trade with the Soviet Union is carried out on a bilateral payments basis, the need to meet the increased energy bill led to the opening of new export deliveries to the Soviet Union. Towards the end of the year the export situation took a turn for the worse. The deepening recession in western markets, particularly in Great Britain, had a severe effect on the exports of timber and related products. For the year as a whole, the volume of exports declined one per cent, while export markets, i.e. total import volume of market countries increased by 4 per cent. However, this loss of market shares cannot be attributed to a lack of price competitiveness. The paper industry for instance reached a capacity ceiling in the first half of the year while the metal industry was hampered by a shortage of skilled labour. Export earnings, on the other hand, present a much more favourable picture. The value of exports increased by 42 per cent, which was entirely due to the rise in export prices.

No major change took place in the commodity structure of exports. The share of wood-based products increased slightly to reach almost 54 per cent. Although the group of wood industry products recorded a 20 per cent decline in the volume of exports, it still had the highest rise in export prices, one of some 64 per cent, following the heavy demand of the previous year. In spite of the strong demand in the first part of the year, the volume of paper industry exports remained approximately at the level of the preceding year, while the rise of export prices raised the value of these exports by 50 per cent. Strengthening of activity in Sweden and increased deliveries to the Soviet Union boosted the exports of other industries. The volume of metal industry exports increased by 12 per cent while export prices rose by a quarter. The export value of chemicals almost doubled and the value of exports of textiles and clothing as well as exports of foodstuffs increased by 37 per cent.

## IMPORTS

Domestic demand remained high and total production increased by more than five per cent. The greatest expansion took place in investment. The growth of imports was centered on the so-called productive imports, i.e. raw materials, fuels and investment goods. The growth rate of import volume declined from the previous year, but remained at the average long-term growth rate of 7 per cent. As oil prices almost trebled and the full impact of the commodity price boom on imports was not felt until 1974, import prices rose altogether by 44 per cent. Hence, the value of imports increased by 55 per cent.

The commodity structure of import outlays underwent a fundamental change due to the high rise in prices of oil and raw materials. The volume of imports of raw materials and semi-finished products increased by 7 per cent, i.e. more than industrial production. This was a reflection of the need to rebuild stocks. The volume of crude oil imports, which is included in this category, remained only slightly below the level of the previous year. As the import price of crude oil trebled and the prices of other raw materials rose by nearly 40 per cent, the value of total raw material imports increased by 67 per cent. The import volume of fuels and lubricants increased by 18 per cent, and fuel prices by 130 per cent. The value of the total energy bill thus rose to nearly 7 per cent of GDP. The investment boom that had started in the latter half of 1973 raised the value of investment good imports by 32 per cent, two-thirds of which was due to volume growth. In the total imports of consumption goods there was no quantitative growth at all. The amount of imported passenger cars declined by a quarter, but the import volume of other consumption goods increased by 5 per cent in line with consumption demand. Import prices of these products rose by 10 per cent. The cash payment requirement for consumption goods, which was still in force did not have much effect on the volume of these imports. Furthermore the licensing system for consumer durables was used only for supervision purposes. The development of demand was the decisive factor in slowing down import volume.

The change in the price of oil brought about marked changes in the regional distribution of trade. There was a shift of 3 per cent away from the European Community towards the

## FOREIGN TRADE BY COUNTRIES, MILLION MARKS AND AS A PERCENTAGE OF TOTAL TRADE

Area	Exports, fob					Change 74/73 %	Imports, cif				Change 74/73 %
	1973		1974		1973		1974				
	Mill.mk	%	Mill.mk	%	Mill.mk		%	Mill.mk	%		
EEC	6 758	46.3	8 952	43.3	32.5	6 758	40.7	9 398	36.6	39.1	
EFTA	3 332	22.8	4 573	22.1	37.3	4 253	25.6	5 987	23.3	40.8	
CMEA	2 125	14.5	3 565	17.2	67.8	2 715	16.4	5 759	22.4	112.1	
Other	2 390	16.4	3 597	17.4	50.5	2 873	17.3	4 532	17.7	57.7	
Total	14 605	100.0	20 687	100.0	41.6	16 599	100.0	25 676	100.0	54.7	

**BALANCE OF PAYMENTS, MILLION MARKS**

	1972	1973	1974*
Exports, f.o.b.	12 012	14 525	20 604
Imports, c.i.f.	13 087	16 560	25 609
TRADE BALANCE	-1 075	-2 035	-5 005
Services, net	1 139	1 365	1 557
BALANCE OF GOODS AND SERVICES	64	- 670	-3 448
Investment income & transfer payments	- 544	- 810	-1 064
CURRENT ACCOUNT	- 480	-1 480	-4 512
Long-term capital, net	1 304	412	929
BASIC BALANCE	824	-1 068	-3 583
Short-term capital, net	- 233	284	2 108
OVER-ALL BALANCE	591	- 784	-1 475
Reserve movements (increase —):			
Bank of Finland	- 271	+ 491	+ 739
Other foreign exchange holders	- 320	+ 293	+ 736

For details, see pp. 12—13.

CMEA countries in the regional distribution of Finnish exports. Imports from the Soviet Union more than doubled, and the share of imports from the CMEA countries rose by six percentage units.

**CURRENT ACCOUNT**

One major reason for the large increase in absolute terms in the trade deficit in 1974 was the great difference between the volume of exports and imports. The terms of trade deteriorated by only one percentage unit. The price rises of energy and raw materials caused a sharp increase in import prices at the beginning of the year. However, the rise in prices of wood-processing products in the course of the year, meant that the loss in the terms of trade for Finland was only marginal. The trade deficit amounted to 5 000 million marks, an increase of 150 per cent over the previous year. Export earnings on a f.o.b. basis covered only some 80 per cent of imports c.i.f. If imports and exports are both valued on a uniform f.o.b. basis the deficit on trade account would be about 3 000

million marks, and the coverage rate would rise to 87 per cent. The CMEA countries made up some 40 per cent of the total trade deficit.

In 1974 expenditures on services continued to rise at a steady growth rate of about 20 per cent which, however, was much less than half of the increase of commodity imports. The growth of service receipts slowed down to 19 per cent or to roughly one half of the growth of commodity exports. There were no drastic price rises in services as was the case with exports and imports of goods.

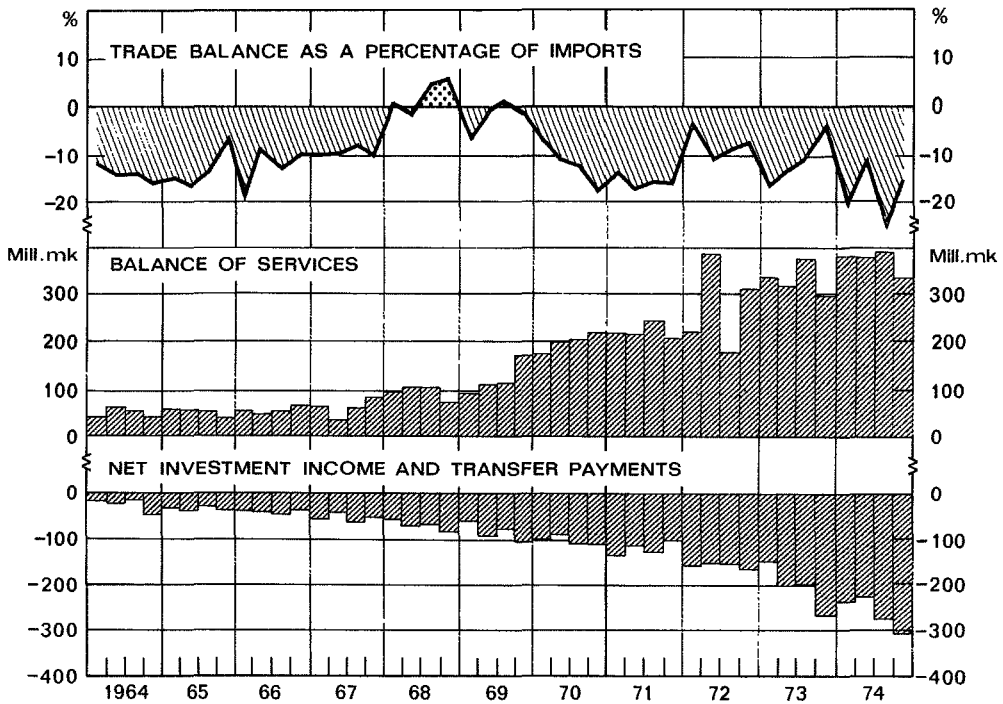
Although net receipts from transportation, imports recorded on a c.i.f. basis, increased by 9 per cent, an estimate of the transportation item on a f.o.b. basis shows, a deterioration in 1974. Freight earnings by the Finnish merchant fleet increased by a fifth. Contributing factors were the rise in shipping costs, the small increase in the volume shipped and the larger share of the transportation of Finnish merchandise by domestic vessels. On the other hand port disbursements and other expenditures rose substantially in 1974.

There was a reduction of travel receipts by 1 per cent in 1974. The growth rate of the previous year was 18 per cent. The main reasons are the further levelling off of border trade with Sweden, and the decline of European tourism in 1974 in general. The growth of travel expenditure also slowed down from 27 per cent in 1973 to only 2 per cent last year. Taking into account the increase in the price level of tourism services, a fall in the volume of tourism transactions is implied. This is a reflection of the general decrease in the growth rate of private consumption last year.

Other services, although on a gross basis constituting about one third of total services, have in the past 15 years almost balanced in net terms. The receipts include the income of Finland from construction activity in the Soviet Union. At present they add about 100 million marks to the net service receipts, and will in the near future be significantly larger.



**CHART 1. PRINCIPAL CURRENT ACCOUNT COMPONENTS, SEASONALLY ADJUSTED**



The investment income deficit, which is a reflection of Finland's foreign debts, increased markedly in 1974. Continued borrowing and high interest rates produced the growth of expenditures. Dividends and interest payments increased on a net basis by one third last year and showed a deficit of over 1000 million. The net outflow of transfer payments was 60 million marks in 1974.

The current account deficit increased last year to 4 500 million marks which is nearly 6 per cent of GDP. The deficit amounted to 15 per cent of total current expenditures, a marked increase on the average of the past 15 years, which was 6 per cent.

#### CAPITAL FLOWS AND RESERVE POSITION

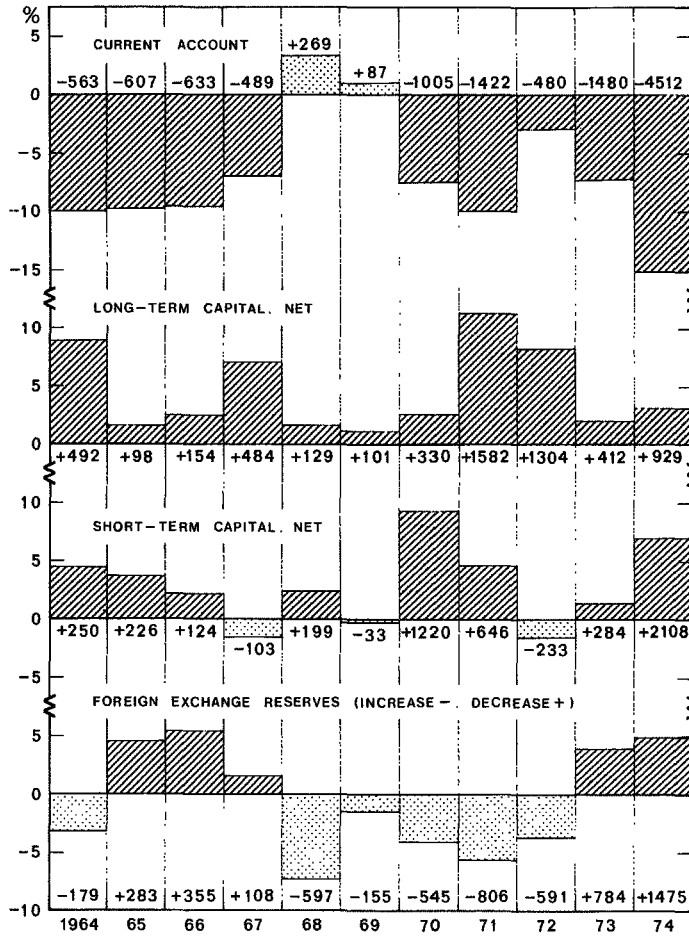
The principal balance of payments components are shown in Chart 2 as a percentage of current payments in order to facilitate comparisons of the relative importance of the different financing items in various years. The net inflow of long-term capital more than doubled in 1974, but

covered in spite of this only one fifth of the current account deficit. Half of the deficit was financed by increases in short-term trade credits, the rest mainly by drawing upon foreign exchange reserves.

High interest rates in international capital markets and uncertainty about currency fluctuations dampened enthusiasm to raise new loans from abroad. In the first three quarters of the year borrowing from abroad remained at the same low level as the previous year. Only towards the end of the year did borrowing increase as the situation on the international capital markets began to ease a little.

Drawings of new foreign long-term loans increased by more than 800 million marks to 2 800 millions while amortizations remained almost at the level of the previous year. The net inflow of foreign long-term loans for the year as a whole was about 1 200 million marks raising the gross long-term foreign debt to 11 800 million marks or 15 per cent of the GDP. The ratio of servicing costs to current receipts fell from 11 to about 9 per cent, a

**CHART 2. PRINCIPAL BALANCE OF PAYMENTS COMPONENTS AS A PERCENTAGE OF CURRENT PAYMENTS AND IN MILLIONS OF MARKS**



result of relatively moderate borrowing in 1973 and higher export prices.

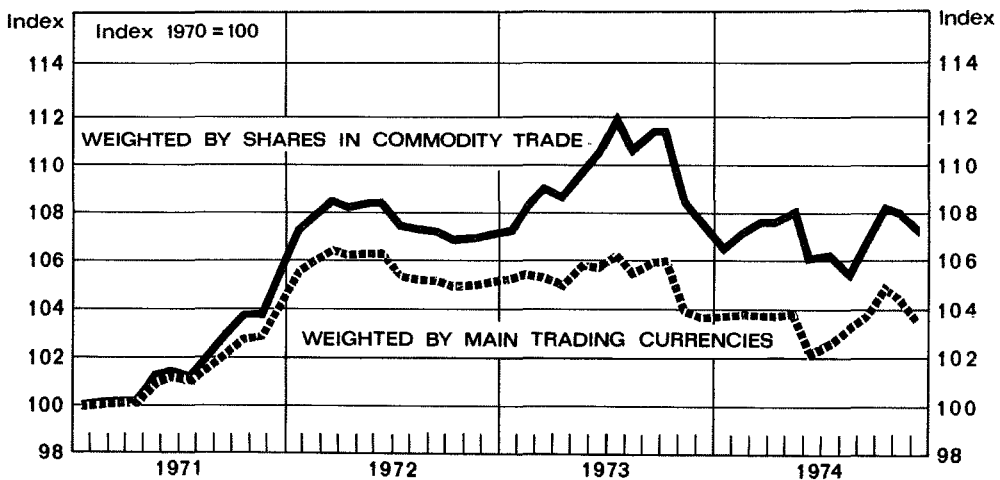
Increased exports of metal and engineering products last year led to a capital outflow of about 200 million marks in the form of long-term export credits. In 1973 amortizations had slightly exceeded the amount of new credits.

Direct investment in Finland was roughly equal to Finnish investment abroad, the amount involved being about 100 million marks. The total long-term capital movements of 900 million marks net gave rise to a deficit of 3 600 million marks on the basic balance.

The major part of the inflow of short-term capital was made up of import credits that were brought about automatically with the increase in the value of imports. Short-term foreign liabilities increased still further because large amounts of export prepayments were received. The total imports of short-term capital amounted to 2 100 million marks. This gave an overall-balance deficit of 1 475 million marks, which was also the decrease in the total foreign exchange reserves.

The change in the international liquidity position of Finland was not, however, as significant as the change in the foreign exchange reserves.

CHART 3. DEVELOPMENT OF EXCHANGE RATE INDICES IN 1971—1974



The bilateral clearing account debt increased by 600 million marks. The rest of the estimated 2 000 million marks current deficit in the bilateral payments was financed with receipts from services, long-term and short-term import credits and with export prepayments. Total convertible foreign exchange reserves decreased by roughly 900 million marks. The net foreign exchange liabilities of commercial banks increased by over 700 million marks. Hence, convertible foreign exchange reserves of the Bank of Finland declined by only about 100 million marks and were at the end of 1974 roughly 1 700 million marks.

#### FOREIGN EXCHANGE POLICY

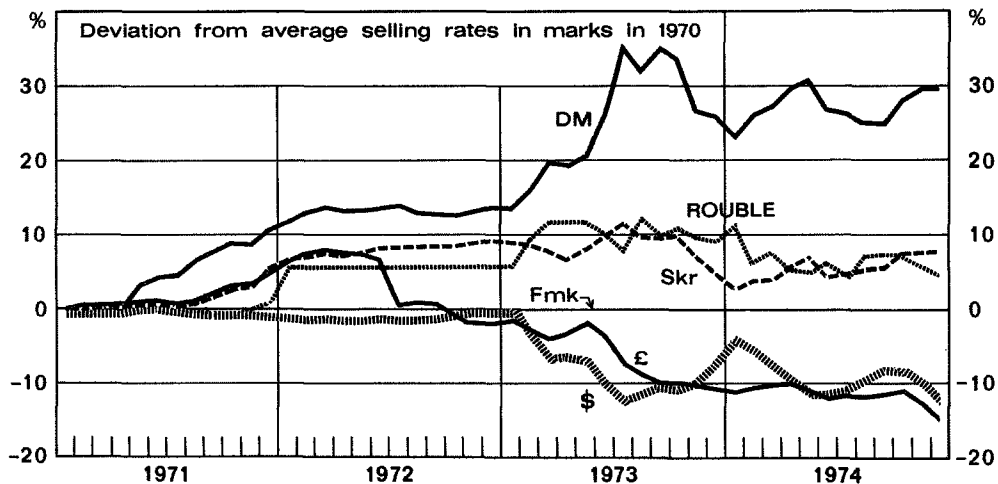
Developments in the international foreign exchange markets were more orderly and exchange rate movements somewhat less spectacular than the year before. One apparent reason for this was the system of managed floating which Finland applied in common with many other countries. While central bank intervention was used mainly to stabilize excessive and uncontrolled short-term swings in the rates, more gradual changes in the rates of major currencies were allowed as before. The weakening of the US dollar, the pound and the rouble, as well as the strengthening of the Deutschemark and the

Swedish crown, were, from the Finnish point of view, of major significance.

Economic policy in 1974 was primarily aimed at easing demand pressures and inflationary tendencies in the Finnish economy and, thereby, also at diminishing the increase of the current account deficit. Exchange rate policy was geared to these aims, priority being given to stabilizing the effective value of the mark. In Chart 3 each currency is weighted by each country's share in commodity trade. Measured against this basket of currencies the effective value of the mark in the first three quarters of 1974 was almost 3 per cent higher than in the same period in 1973, and in the last quarter of 1974, about 1 per cent higher than in the last quarter of 1973. The effective value of the mark in 1974 was 2.5 per cent higher than in 1973. Using trading currency weights the value of the mark increased by almost 2 per cent.

While this policy stabilized the average value of the mark in terms of a basket of currencies, it did not prevent the mark rates of individual currencies from changing (Chart 4). In the course of 1974, the selling rate for the US dollar depreciated by almost 8 per cent, the pound rate by more than 6 per cent, while the rouble rate at the end of the year was almost 5 per cent lower than at the beginning

CHART 4. EXCHANGE RATE DEVELOPMENTS SINCE JANUARY 1971



of the year. The rate for the Deutschemark and the Swedish crown rose by 4 per cent.

Forward rates for the US dollar fluctuated quite strongly as the Bank of Finland, through its quotations for the authorized banks, aimed at balancing the supply and demand of forward dollars. The discount of the mark in relation to the dollar was pronounced during the first two quarters, diminished during the third quarter and increased again towards the end of the year, when the difference between three-month selling rates and spot rates for the dollar was 14.2 per cent on an annual basis. In August the

Bank declared its willingness to deal in forward roubles too. No other currencies were used in forward dealings between the Bank and the authorized banks.

The cash payment requirement applying mainly to imports of consumer goods, as well as the capital import deposit scheme for medium and long-term capital imports, remained in force during the year. As export demand for wood products weakened, the Bank decided in January to revoke the restrictions on advance export payments which had applied to these products since September 1973.

## ITEMS

**The inquiry concerning the financial needs of Finnish firms.** The inquiry concerning the financial needs of firms, which the Bank of Finland conducts annually, is designed to estimate the need for foreign loans in the future in Finland. The first inquiry was made in 1973 and the second in September 1974. It was based on a selected sample of enterprises comprising the largest in terms of total turnover and the total drawings of long-term foreign loans. The firms were asked to state how much loan capital they estimated each of their investment projects would require and whether domestic or foreign financial sources would be used. The special credit institutions were asked to provide estimates of their total lending and the share of long-term foreign loans in the total financial needs of the firms. Finally, the firms were asked to describe the purposes of their investment projects.

The 75 enterprises, corporations and special credit institutions participating in the inquiry, made up about 96 per cent of all the drawings of long-term foreign loans made in Finland in 1974. The fact that all participants returned their questionnaires completed means that the information provides a very full picture of the future demand for long-term foreign loans. However, it should be noted that the inquiry gives no more than an outline of the foreign loan capital needed in the future according to the firms' own estimates, and that the data obtained are in no way binding for the firms. Compared with the results obtained by the 1973 inquiry, the estimates provided by the 1974 inquiry, for the current year showed an increase of 30 per cent for total financial needs and of 50 per cent for the needs of long-term foreign loan capital.

Imports of long-term foreign capital are expected to amount to about 4 300 million marks in 1975. If we assume that the loan of about

800 million marks which was scheduled to be drawn during the last quarter of 1974, but which was, however, left undrawn, will be carried over to the current year, the demand for long-term foreign capital amounts to about 5 100 million marks in the current year. The demand for long-term foreign capital is then about 4 200 million marks in 1976 and about 4 500 million marks in 1977. During the period 1975—1977, the total annual demand for capital among firms which finance part of their activities by means of foreign capital will come to about 12 000 million marks. The demand for long-term foreign capital will account for about 43 per cent of total financial needs in 1975, for 36 per cent in 1976 and for 38 per cent in 1977. The estimate of the total demand for capital decreases substantially after 1977, because some of the firms do not have detailed programmes which plan beyond that. However, the size of the estimate increases again after 1981, mainly because some of the large energy investments planned are scheduled for the early 1980s. Although the short-term nature of the firms' planning reduces the reliability of the estimate after 1977, the inquiry still covers, even for this later period, most of the larger long-term investment projects, which have, to a large extent, been planned by the major enterprises included in the sample.

The industrial categories which drew most long-term foreign loans in 1973—1974 or planned to do so for the years 1975—1977, were the energy sector, the paper and the chemical industries. Drawings of long-term foreign loans which the energy sector has scheduled for the period 1975—1977, account for about a third of the total planned drawings of long-term foreign loans during the same period. In 1975 the share of long-term foreign loans in the total demand for capital within each industrial category was largest, or about 73 per cent, in the energy sector, about 66 per cent in transport,

storage and communication, and about 60 per cent in the chemical industries. In 1975 about three fourths of the imported long-term foreign capital will be used for extension investment and at least one fifth for renovation investment. Regarding the total demand for long-term foreign capital within each industrial category, the share of extension investment to be financed by long-term foreign loans was smallest in agriculture and forestry, the paper industry and the manufacture of metal products, machinery and equipment.

Regarding state-owned companies, in 1975 their total demand for capital represents about 35 per cent of the total financial needs estimated in this inquiry. Similarly, they make up about 52 per cent of the estimated demand for long-term foreign capital. This shows that state-owned companies, unlike the other companies examined in the survey, tend to base their financial plans on imports of foreign capital.

The inquiry made by the Bank of Finland provides an estimate of the demand for long-term foreign capital, but not a forecast, and it aims only at outlining the plans to draw foreign loans. Future policy, at any one time, is also affected by the policy pursued by the Bank of Finland concerning capital imports and by the availability and price of potential capital.

#### THE DEMAND FOR CAPITAL

Year	Total demand for capital	Demand for long-term foreign capital	Demand for long-term capital for which the Bank of Finland had not yet granted import permits on Oct. 1, 1974	Demand for short-term foreign capital
1975	11.9	5.1	2.7	0.5
1976	11.8	4.2	3.3	0.6
1977	11.9	4.5	3.8	0.6

## BANK OF FINLAND

### Board of Management

Mauno Koivisto

*Governor*

A. Simonen

*Deputy Governor*

Ahti Karjalainen

*Absent as a Member of Government*

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

Pertti Tammivuori

*ad int.*

### Directors

Jouko J. Voutilainen

Jorma Aranko

Pertti Tammivuori

Markku Puntila

Seppo Lindblom

K. Ignatius

### Senior officials

Pertti Kukkonen

*Director, ADP-planning*

Pauli Kanerva

Eino Helenius

*Administration*

Pentti Koivikko

*Personnel*

Reino Airikkala

*Monetary Policy*

Antti Lehtinen

*Domestic Financial Operations*

Kalle Koski

*Capital Transfers*

Kari Nars

*Foreign Exchange Policy*

Raili Nuortila

*Eastern Trade*

J. Ojala

*Foreign Exchange Control*

Kari Puumanen

*Economics Dept.*

Heikki Koskenkylä

*Research Dept.*

Stig Törnroth

*Cash*

K. Eirola

*Automatic Data Processing*

A. Nenonen

*Foreign Correspondence*

Stig G Björklund

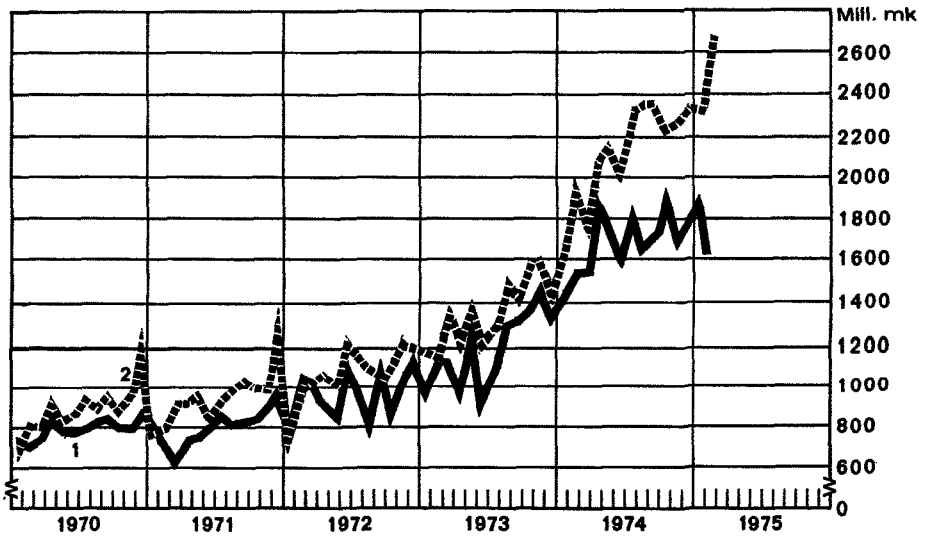
*Banking Services*

Eino Suomela

*Internal Audit*

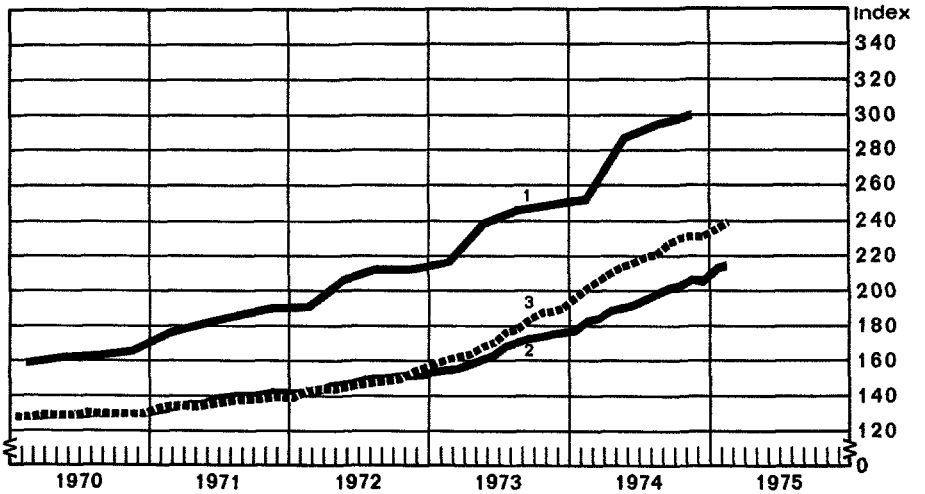
**FOREIGN TRADE, 1970-1975**

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



**PRICES AND WAGES, 1970-1975**

- 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, 1970-1975**

- 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

