



BANK OF FINLAND

Monthly Bulletin

The revision of the Finnish foreign
exchange regulations

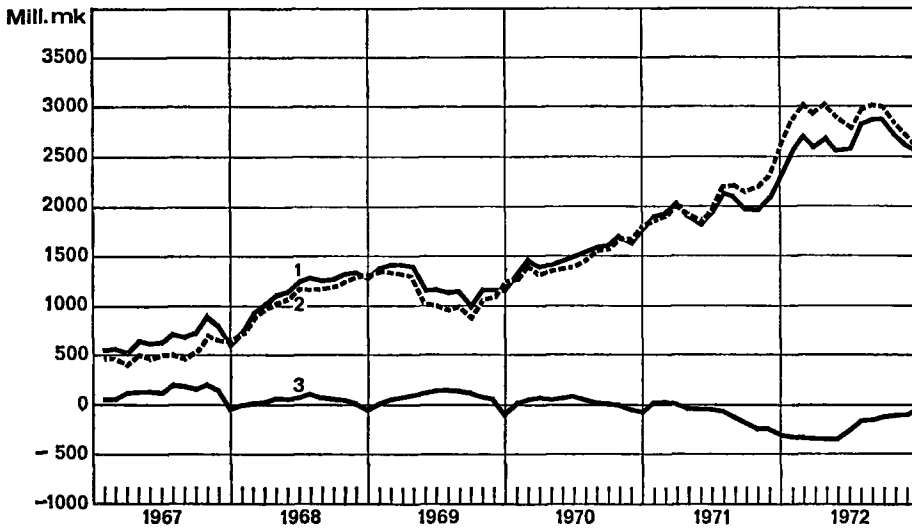
Recent exchange rate developments
and the Finnish mark

President Kekkonen's term of office
extended

FEBRUARY 1973

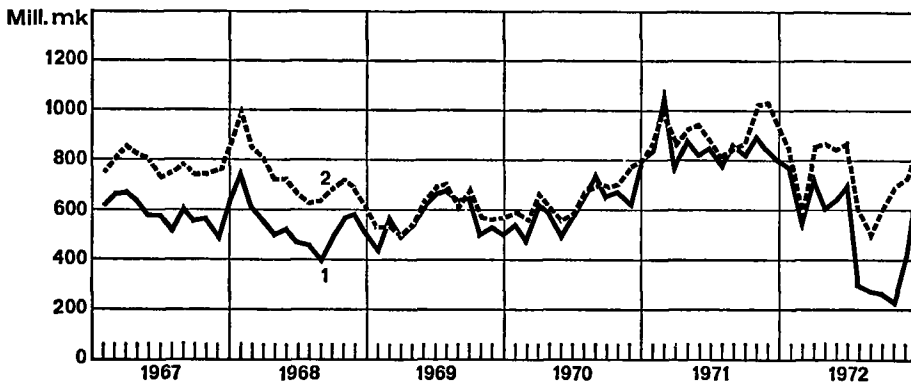
Vol. 47 No. 2

Bank of Finland foreign exchange reserve, 1967-1972



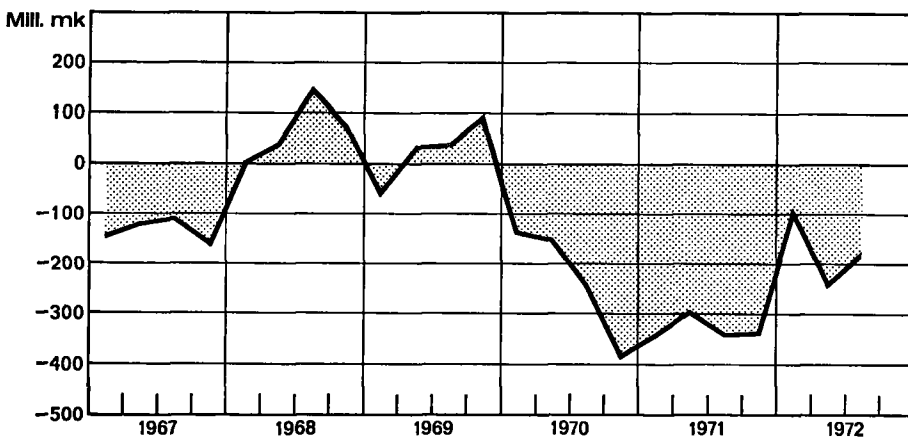
1. Total gold and foreign exchange
2. Gold and convertible currencies
3. Other currencies

Bank of Finland's position in regard to the banks, 1967-1972



1. Net claims on the banks
 2. Discounted and rediscounted bills
- Seasonally adjusted end-of-month figures

Balance of payments current account surplus/deficit, 1967-1972



Seasonally adjusted quarterly figures

THE REVISION OF THE FINNISH FOREIGN EXCHANGE REGULATIONS

At the end of last year, Finland's foreign exchange regulations were revised when two new laws were brought in to replace all existing legislation in this area. The Law on the Right to Deal in Foreign Exchange, which regulates professional trading in foreign currencies, and the Law on Foreign Exchange, which contains general provisions, came into force on January 1, 1973. More detailed stipulations were issued by the Council of State, and the Bank of Finland announced its decision on how the new statutes are to be applied. The legal documents relating to foreign exchange are included in the Bank's publication »Foreign Exchange Regulations», and a new edition of this book will appear soon.

The primary purpose behind the revision in the foreign exchange regulations was not to alter the degree of foreign exchange control, but rather to bring the legislation up to date and to render the management of affairs in this area easier. For this reason, the regulations governing the rights of residents to hold foreign exchange were amended, and the right of the authorized banks to sell foreign exchange without specific permission from the Bank of Finland was extended.

The Law on the Right to Deal in Foreign Exchange was enacted in order to clarify the duties and rights involved in professional foreign exchange trading. This new law also forms part of the basis for the observance of the international exchange rate obligations embodied in such international covenants as the Articles of the International Monetary Fund. Moreover, this law makes the control of foreign payments possible in cases where the general law does not apply.

The new Law on Foreign Exchange involves no far-reaching changes in rights. The only

substantive alteration is the replacement of the obligation to surrender with the obligation to repatriate. According to the regulations repealed at the close of last year, a resident of Finland was obliged to surrender the foreign exchange he received as a result of the sale of commodities, freight services, property and securities. This meant that a person under the obligation to surrender had to convert his foreign exchange earnings into Finnish marks. Present legislation requires residents to repatriate their foreign exchange. Now any person under the obligation to repatriate may choose either to convert his foreign exchange into Finnish marks or to hold it on a foreign exchange account in an authorized Finnish bank.

There are some important exemptions to the obligation to repatriate. Authorized banks are not subject to this requirement, and residents whose domestic holdings of foreign exchange do not exceed 3 000 marks in value are exempt from this regulation. Accordingly, a person who has returned from abroad may retain his unused foreign exchange as long as his total holdings do not exceed 3 000 marks. The Bank of Finland may grant a resident permission to hold foreign exchange abroad. Permission of this sort is intended primarily for exporters, ship-owners and others whose current business activities require that foreign exchange be held abroad.

According to the new regulations, non-residents may hold convertible, restricted and capital accounts. With minor exceptions, the stipulations concerning the crediting of these accounts remain unchanged, and restrictions on debiting these accounts have been abolished. However, the permission of the Bank of Finland is still needed before assets held on capital account can be transferred abroad. The new regulations

allow the granting of loans of up to 50 000 marks to non-residents, provided that the loan proceeds are used in Finland. One purpose of this latter provision is to simplify the management of the assets of persons who have emigrated.

All the regulations setting forth the purposes for which an authorized bank may sell foreign

exchange without specific permission from the Bank of Finland have been included in the same chapter. Through this and other changes designed to remove the anomalies arising from piecemeal revision, the new regulations should lay an improved foundation for smooth and simple foreign exchange transactions.

January 26, 1973

BANK OF FINLAND

Mill. mk

	1972		1973			
	Jan. 31	Dec. 29	Jan. 8	Jan. 15	Jan. 23	Jan. 31
Assets						
Gold and other foreign assets	3 087	2 912	2 941	3 000	2 927	2 847
Gold	205	205	205	205	205	205
Special drawing rights	282	283	283	283	283	283
IMF gold tranche	268	268	268	268	268	268
Foreign exchange	2 180	1 929	1 961	2 017	1 952	1 873
Foreign bills	115	110	108	111	103	102
Foreign bonds	37	117	116	116	116	116
Claims on domestic banks	737	758	670	489	766	631
Discounted bills	714	752	649	463	753	621
Rediscounted bills	1	1	1	1	1	1
Cheque accounts	22	5	20	25	12	9
Other lending	329	316	317	314	313	309
Inland bills discounted						
In foreign currency	—	—	—	—	—	—
In Finnish marks	117	44	44	41	42	40
Loans	212	272	273	273	271	269
Other assets	574	607	589	615	619	585
Finnish bonds	10	47	26	51	54	18
Finnish coin	20	25	27	29	30	33
Currency subscription to Finland's quota in the IMF	530	530	530	530	530	530
Other claims	14	5	6	5	5	4
Total	4 727	4 593	4 517	4 418	4 625	4 372
Liabilities						
Notes in circulation	1 369	1 730	1 606	1 554	1 512	1 497
Liabilities payable on demand	451	136	176	130	373	143
Foreign exchange accounts	312	78	70	70	72	25
Mark accounts of holders abroad	37	43	45	45	46	45
Cheque accounts						
Treasury	17	1	30	2	46	43
Post Office Bank	71	2	18	1	197	18
Private banks	—	—	—	—	—	—
Other	3	1	2	2	2	2
Other sight liabilities	11	11	11	10	10	10
Term liabilities	1 003	899	906	904	903	901
Foreign	—	—	—	—	—	—
Domestic	1 003	899	906	904	903	901
IMF mark accounts	530	530	530	530	530	530
Allocations of special drawing rights	258	258	258	258	258	258
Equalization accounts	391	286	285	285	290	282
Bank's own funds	725	754	756	757	759	761
Capital	600	600	600	600	600	600
Reserve fund	74	74	114	114	114	114
Profits undisposed	42	—	40	40	40	40
Earnings less expenses (Dec. 31, Net profit)	9	80	2	3	5	7
Total	4 727	4 593	4 517	4 418	4 625	4 372

End of year and month	Gold and foreign accounts						Treasury		
	Gold and foreign exchange	Liabilities on foreign exchange and mark accounts	Foreign exchange reserve (1—2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3+4—5)	Claims on Treasury	Liabilities, Cheque account	Net claims on the Treasury (7—8)
	1	2	3	4	5	6	7	8	9
1966	556	61	495	81	101	475	10	40	— 30
1967	701	75	626	98	354	370	— 7	4	— 11
1968	1 353	62	1 291	125	34	1 382	—354	3	—357
1969	1 268	92	1 176	517	360	1 333	—196	4	—200
1970	1 844	106	1 738	639	518	1 859	—118	2	—120
1971	2 620	327	2 293	686	530	2 449	— 15	2	— 17
1972	2 685	121	2 564	757	530	2 791	— 2	1	— 3
1971									
Nov.	2 364	261	2 103	668	530	2 241	— 90	39	—129
Dec.	2 620	327	2 293	686	530	2 449	— 15	2	— 17
1972									
Jan.	2 935	349	2 586	682	530	2 738	— 15	17	— 32
Feb.	3 080	360	2 720	695	530	2 885	— 3	26	— 29
March	2 991	370	2 621	708	530	2 799	— 3	30	— 33
April	3 079	372	2 707	707	530	2 884	— 3	37	— 40
May	2 941	370	2 571	725	530	2 766	— 3	32	— 35
June	2 865	282	2 583	732	530	2 785	— 3	36	— 39
July	3 028	181	2 847	748	530	3 065	— 3	35	— 38
Aug.	3 073	175	2 898	743	530	3 111	— 3	43	— 46
Sept.	3 034	137	2 897	741	530	3 108	— 2	48	— 50
Oct.	2 881	134	2 747	742	530	2 959	— 2	43	— 45
Nov.	2 791	146	2 645	740	530	2 855	— 2	47	— 49
Dec.	2 685	121	2 564	757	530	2 791	— 2	1	— 3
1973									
Jan.	2 629	70	2 559	748	530	2 777	— 2	43	— 45

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1971			Net holdings, December 31, 1972			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Dec.	Jan.—Dec.
Gold	205	—	205	205	—	205	—	—
Special drawing rights	197	—	197	283	—	283	—	+ 86
IMF gold tranche	268	—	268	268	—	268	—	—
Convertible currencies	1 920	143	2 063	1 814	463	2 277	+ 81	+214
Other currencies	—297	— 3	—300	— 6	— 3	— 9	+ 95	+291
Total	2 293	140	2 433	2 564	460	3 024	+176	+591

BANK OF FINLAND

Mill. mk

End of year and month	Domestic banks						Other					Notes in circulation
	Dis-counted bills	Redis-counted bills	Cheque accounts ¹	Liabilities, Cheque accounts		Net claims on the banks (1+2+3-4-5)	Inland bills in Finnish marks	Other advances	Liabilities	Net claims on the rest of economy (7+8-9)		
				Private banks ²	Post Office Bank ²							
	1	2	3	4	5	6	7	8	9	10	11	
1966	—	915	—	14	17	884	180	85	72	193	1 106	
1967	—	868	—	155	35	678	197	383	56	524	1 052	
1968	—	618	107	163	16	546	186	195	43	338	1 160	
1969	—	550	87	93	12	532	192	269	25	436	1 298	
1970	827	9	3	1	4	834	137	246	528	-145	1 344	
1971	848	1	—	9	2	838	121	234	908	-553	1 479	
1972	752	1	5	—	2	756	44	277	909	-588	1 730	
1971												
Nov.	1 109	1	19	—	162	967	152	206	929	-571	1 396	
Dec.	848	1	—	9	2	838	121	234	908	-553	1 479	
1972												
Jan.	714	1	22	—	71	666	117	226	1 002	-659	1 369	
Feb.	522	1	18	—	101	440	116	238	977	-623	1 377	
March	786	1	—	5	48	734	89	242	1 110	-779	1 423	
April	807	1	5	—	207	606	85	249	1 087	-753	1 451	
May	796	1	6	—	74	729	79	254	1 067	-734	1 450	
June	860	1	—	6	154	701	67	261	1 096	-768	1 555	
July	616	1	19	—	347	289	63	256	1 072	-753	1 513	
Aug.	488	1	5	—	249	245	63	256	1 057	-738	1 474	
Sept.	661	1	15	—	388	289	63	248	977	-666	1 557	
Oct.	753	1	29	—	507	276	65	262	949	-622	1 507	
Nov.	787	1	17	—	312	493	57	265	937	-615	1 556	
Dec.	752	1	5	—	2	756	44	277	909	-588	1 730	
1973												
Jan.	621	1	9	—	18	613	40	273	911	-598	1 497	

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

SELLING RATES FOR FOREIGN EXCHANGE

Mk

January 31, 1973

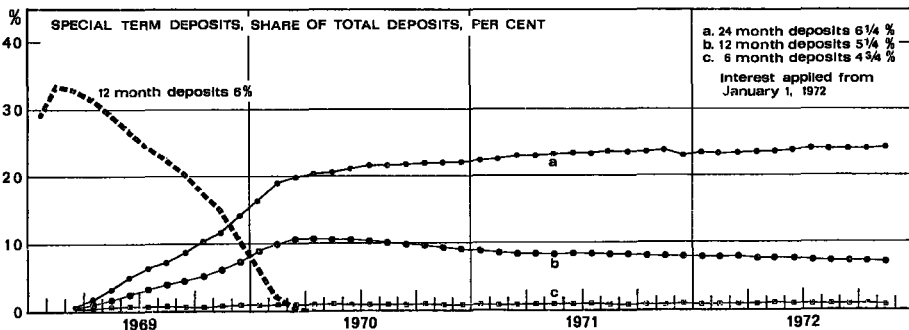
New York ¹	1 \$	4.170	Frankfurt o. M.	100 DM	132.20	Vienna	100 S	18.20
Montreal	1 \$	4.174	Amsterdam	100 Fl	131.25	Lisbon	100 Esc	15.66
London	1 £	9.920	Brussels ²	100 Fr		Reykjavik	100 Kr	4.28
Stockholm	100 Kr	88.65	Zurich	100 Fr	115.25	Madrid	100 Pta	6.60
Oslo	100 Kr	63.85	Paris ³	100 FF		Moscow ⁴	1 Rbl	4.960
Copenhagen	100 Kr	61.10	Rome	100 Lit	0.7170			

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.² 9.520 commercial rate; 9.520 financial rate.³ 83.10 commercial rate; 83.20 financial rate.⁴ 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	Commercial banks	Savings banks	Co-op. banks	Post Office Bank	Co-op. stores	All credit institutions	
	Commercial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1965	676.9	843.7	309.4	3 182.6	2 954.4	1 931.0	773.2	357.2	9 198.6	10 351.7
1966	639.8	849.4	318.0	3 660.9	3 329.9	2 202.1	863.6	380.7	10 437.3	11 604.7
1967	661.5	834.0	340.9	4 103.1	3 644.6	2 417.3	941.2	431.3	11 537.9	12 712.8
1968	856.2	1 087.6	428.4	4 597.8	3 966.4	2 683.1	1 027.2	465.0	12 739.8	14 255.8
1969	1 057.4	1 373.9	520.8	5 236.3	4 333.1	3 021.6	1 116.0	521.6	14 228.7	16 123.4
1970	1 142.7	1 507.7	603.3	6 098.7	4 846.9	3 458.4	1 287.6	574.2	16 265.8	18 376.8
1971*	1 343.2	1 732.7	754.4	6 961.4	5 447.0	3 876.2	1 491.4	642.3	18 418.3	20 905.4
1971*										
Sept.	1 195.8	1 553.2	637.4	6 361.7	5 119.9	3 676.7	1 371.0	608.3	17 137.6	19 328.2
Oct.	1 175.9	1 514.0	612.2	6 425.4	5 177.3	3 720.5	1 390.6	617.8	17 331.6	19 457.8
Nov.	1 322.4	1 663.1	624.3	6 534.2	5 252.3	3 774.1	1 418.9	619.4	17 598.9	19 886.3
Dec.	1 343.5	1 732.7	754.4	6 961.4	5 447.0	3 876.2	1 491.4	642.3	18 418.3	20 905.4
1972*										
Jan.	1 456.2	1 805.2	721.2	6 970.3	5 480.9	3 930.1	1 520.8	648.4	18 550.5	21 076.9
Feb.	1 456.3	1 820.1	772.5	7 021.9	5 540.5	4 008.4	1 548.9	658.5	18 778.2	21 370.8
March	1 421.2	1 767.8	782.6	7 052.8	5 572.5	4 040.8	1 566.2	663.4	18 895.7	21 446.1
April	1 374.8	1 714.7	798.0	7 112.5	5 611.9	4 080.0	1 577.5	670.2	19 052.1	21 564.8
May	1 497.3	1 882.8	763.6	7 206.3	5 662.4	4 133.3	1 586.1	674.5	19 262.6	21 909.0
June	1 542.5	1 927.3	850.0	7 236.5	5 675.7	4 106.5	1 599.3	674.5	19 292.5	22 069.8
July	1 655.1	2 046.3	779.9	7 341.4	5 728.4	4 150.2	1 619.5	677.1	19 516.6	22 342.8
Aug.	1 637.3	2 078.4	793.6	7 418.0	5 813.8	4 218.5	1 634.3	678.4	19 763.0	22 635.0
Sept.	1 568.9	2 009.4	852.1	7 491.7	5 882.5	4 270.0	1 669.2	695.4	20 008.8	22 870.3
Oct.	1 735.6	2 181.9	793.0	7 567.4	5 934.6	4 311.5	1 693.8	697.2	20 204.5	23 179.4
Nov.	1 689.1	2 140.7	797.0	7 658.3	6 018.3	4 396.2	1 727.8	700.9	20 501.5	23 439.2

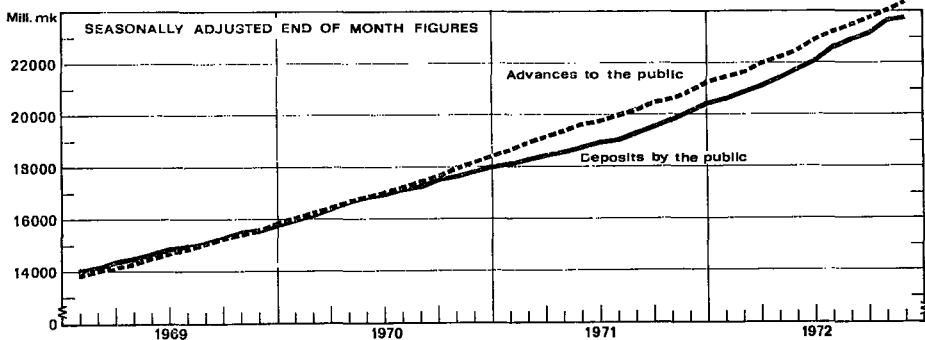


ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Co-op. banks	Post Office Bank ¹	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1965	4 597.4	2 609.2	2 030.6	707.4	899.4	10 420.4	423.6	10 844.0	2 074
1966	5 205.4	2 951.4	2 261.0	779.6	908.8	11 618.1	488.1	12 106.2	2 181
1967	5 558.9	3 247.7	2 424.3	864.9	1 026.9	12 583.8	538.9	13 122.7	2 146
1968	5 865.5	3 448.4	2 600.5	927.9	1 053.0	13 392.0	503.3	13 895.3	2 642
1969	6 892.2	3 802.8	2 922.1	1 039.8	1 290.4	15 354.4	592.9	15 947.3	3 126
1970	7 963.5	4 342.1	3 403.8	1 341.9	1 454.0	17 814.9	690.4	18 505.3	3 445
1971*	9 233.7	4 796.2	3 836.0	1 746.6	1 799.1	20 643.2	768.4	21 411.6	4 025
1971*									
Sept.	8 811.6	4 655.6	3 686.1	1 742.1	1 657.0	19 747.3	805.1	20 552.4	3 415
Oct.	8 956.0	4 712.2	3 739.1	1 755.6	1 662.5	20 026.2	799.2	20 825.4	3 495
Nov.	9 071.0	4 770.5	3 793.6	1 737.0	1 760.3	20 352.2	780.2	21 132.4	3 606
Dec.	9 233.7	4 796.2	3 836.0	1 746.6	1 799.1	20 643.2	768.4	21 411.6	4 025
1972*									
Jan.	9 262.7	4 851.8	3 884.0	1 782.7	1 808.1	20 838.9	750.4	21 589.3	3 821
Feb.	9 283.7	4 874.0	3 895.8	1 813.6	1 795.0	20 903.2	758.9	21 662.1	3 930
March	9 417.3	4 912.2	3 941.0	1 838.6	1 831.1	21 144.3	795.9	21 940.2	3 950
April	9 583.6	4 954.0	3 976.1	1 879.5	1 869.7	21 432.3	830.6	22 262.9	3 964
May	9 671.5	5 011.3	4 034.2	1 918.8	1 908.3	21 725.5	818.6	22 544.1	4 018
June	9 887.3	5 052.3	4 074.7	1 943.4	1 975.1	22 074.8	858.0	22 932.8	4 275
July	9 867.9	5 101.2	4 124.7	1 963.3	2 086.5	22 332.1	811.5	23 143.6	4 247
Aug.	9 865.5	5 167.3	4 187.4	2 022.3	2 103.7	22 540.1	806.1	23 346.2	4 268
Sept.	10 038.7	5 253.3	4 269.7	2 095.4	2 135.6	22 957.3	835.4	23 792.7	4 408
Oct.	10 214.8	5 335.2	4 357.3	2 087.0	2 171.6	23 370.8	795.1	24 165.9	4 422
Nov.	10 386.3	5 429.3	4 417.6	2 107.8	2 229.2	23 758.6	811.6	24 570.2	4 418

¹ New series.



FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1966	4 816.9	5 524.4	-707.5
1967	5 231.2	5 794.4	-563.2
1968	6 874.2	6 710.9	+163.3
1969	8 344.7	8 504.8	-160.1
1970	9 686.7	11 071.4	-1 384.7
1971*	9 897.2	11 734.4	-1 837.2

1972*

Jan.	872.3	957.5	- 85.2
Feb.	963.2	958.1	+ 5.1
March	1 049.9	1 032.5	+ 17.4
April	856.9	1 092.7	-235.8
May	891.6	1 080.3	-188.7
June	1 122.7	1 116.2	+ 6.5
July	993.4	1 100.1	-106.7
Aug.	832.1	998.8	-166.7
Sept.	1 171.3	1 092.4	+ 78.9
Oct.	1 018.5	1 214.7	-196.2
Nov.	1 135.4	1 256.9	-121.5

Jan.-Nov.

1971*	8 879.5	10 275.6	-1 396.1
1972*	10 907.3	11 900.2	- 992.9

Indices of exports and imports 1962 = 100

Period	Indices of exports and imports 1962 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1966	122	135	112	104	108
1967	129	135	115	110	105
1968	143	129	136	132	103
1969	167	160	141	135	104
1970	176	192	156	147	106
1971	171	190	164	157	104

1970

Apr.-June	178	189	156	146	107
July-Sept.	182	186	154	147	105
Oct.-Dec.	193	228	157	151	104

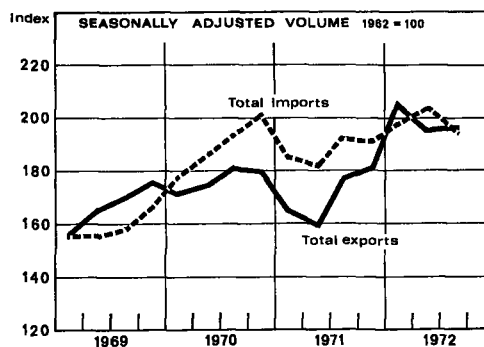
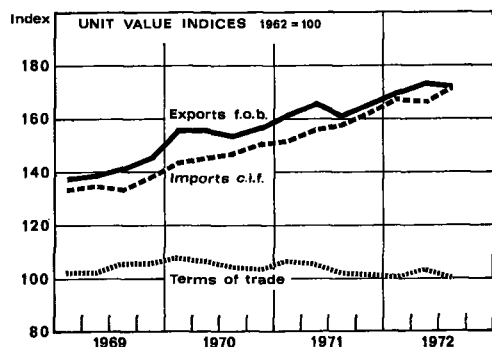
1971

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

1972¹

Jan.-Mar.	192	179	170	168	101
Apr.-June	187	200	174	167	104
July-Sept.	197	189	173	172	101

¹ The 1972 figures have been calculated by converting the final 1971 Fisher index with the percentage change in the 1972-1971 Laspeyres index.



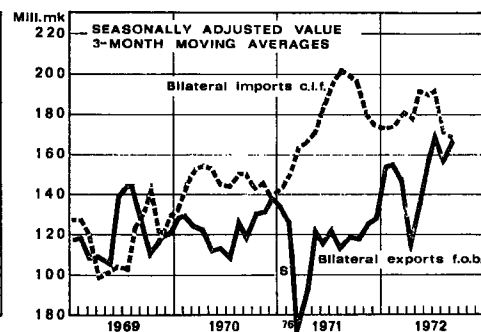
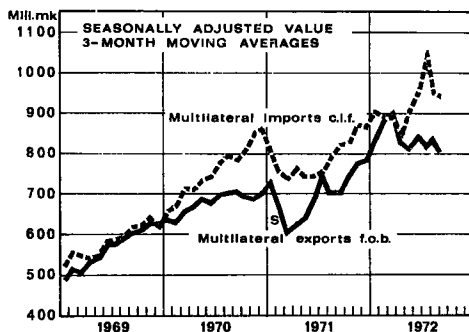
FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.						Imports, c.i.f.			
	Agricultural products	Round and hewn timber	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods	
									Investment goods	Consumer goods
1966	264.0	59.0	863.5	2 297.0	877.2	456.2	2 450.5	589.8	1 448.5	1 035.6
1967	261.4	54.3	865.7	2 384.5	1 080.6	584.7	2 545.9	668.2	1 462.8	1 117.5
1968	327.1	55.5	1 157.7	2 994.0	1 566.4	773.5	3 023.1	874.0	1 524.2	1 289.6
1969	360.2	71.9	1 400.4	3 373.9	2 011.8	1 126.5	3 692.9	948.6	2 229.4	1 633.9
1970	426.3	88.0	1 544.0	3 789.4	2 437.2	1 401.8	4 918.2	1 243.4	2 905.5	2 004.3
1971*	546.8	88.5	1 653.3	3 720.7	2 323.0	1 564.9	4 638.6	1 556.5	3 428.4	2 110.9
1972*										
Jan.	72.8	3.2	132.7	320.7	226.5	116.4	360.9	136.7	294.3	165.6
Feb.	38.5	3.9	115.4	341.4	312.4	151.6	387.3	83.9	290.9	196.0
March	88.3	0.7	114.3	377.9	287.4	181.3	437.0	75.7	279.7	240.1
April	32.6	3.4	118.5	309.8	235.5	157.1	395.6	104.7	364.7	227.7
May	64.6	3.5	127.7	268.7	273.9	153.2	419.3	125.2	318.3	217.5
June	47.5	5.3	153.3	371.2	375.4	170.0	463.3	156.7	290.8	205.4
July	46.1	8.9	172.8	363.4	267.0	135.2	399.7	188.0	312.8	199.6
Aug.	30.4	4.5	144.8	318.9	172.4	161.1	412.8	144.3	240.6	201.1
Sept.	55.2	6.6	199.5	420.0	247.9	242.1	451.5	143.0	269.1	228.8
Oct.	45.2	4.5	169.8	343.3	256.6	199.1	480.0	166.0	309.3	259.4
Nov.	41.2	8.1	189.1	379.5	309.9	207.6	508.3	162.0	312.6	274.0

Jan.-Nov.

1971*	472.3	81.9	1 484.7	3 361.1	2 068.2	1 411.3	4 036.9	1 381.1	2 997.3	1 860.3
1972*	562.4	52.6	1 637.9	3 814.8	2 964.9	1 874.7	4 715.7	1 486.2	3 283.1	2 415.2



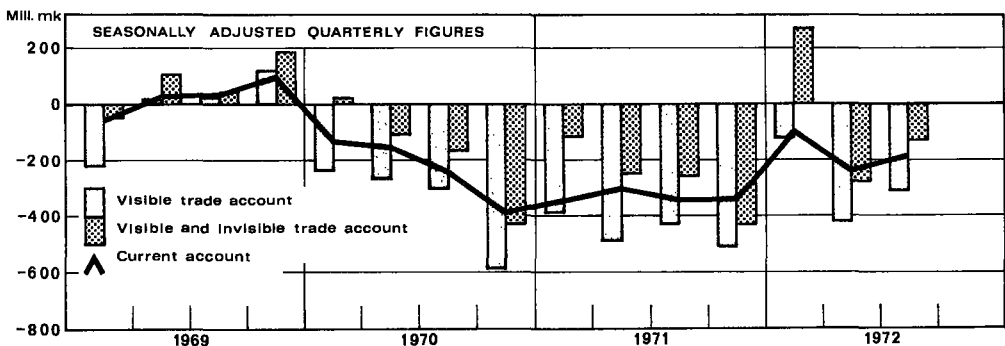
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January — November				January — November			
	1971*		1972*		1971*		1972*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	72.5	6 440.6	72.2	7 877.7	72.9	7 491.0	74.3	8 846.2
Austria	0.9	84.7	0.9	103.1	1.5	149.8	1.5	180.0
Belgium-Luxembourg	1.8	164.0	1.9	213.5	1.6	168.6	1.8	218.6
Denmark	4.0	352.2	3.9	421.0	3.4	355.3	3.2	376.0
France	3.8	336.4	3.9	425.5	3.1	317.9	3.6	422.5
Federal Republic of Germany	10.4	920.7	10.2	1 112.6	16.6	1 708.7	17.8	2 122.1
Italy	2.1	186.6	1.5	159.3	1.9	196.5	1.9	229.3
Netherlands	4.4	387.1	3.6	388.5	3.5	358.4	3.7	438.3
Norway	3.9	346.5	4.3	474.2	2.7	274.3	2.9	345.8
Portugal	0.2	21.2	0.3	30.7	0.6	57.1	0.8	89.7
Spain	0.9	81.5	1.0	112.2	0.8	80.4	0.5	64.1
Sweden	16.4	1 453.3	18.0	1 962.9	18.1	1 861.3	18.9	2 250.5
Switzerland	2.2	194.9	2.0	213.5	3.6	369.5	3.4	402.9
United Kingdom	19.2	1 706.1	18.4	2 005.1	15.3	1 569.3	14.0	1 669.6
Other	2.3	205.4	2.3	255.6	0.2	23.9	0.3	36.8
OECD countries outside Europe	5.9	522.9	5.9	650.2	6.7	685.4	6.7	795.0
Canada	0.7	66.4	0.7	78.0	0.3	28.2	0.3	31.8
Japan	0.2	15.1	0.4	47.2	2.1	212.7	1.9	232.7
United States	5.0	441.4	4.8	525.0	4.3	444.5	4.5	530.5
Eastern Bloc	14.0	1 239.2	15.2	1 662.3	18.4	1 891.5	15.5	1 847.4
Czechoslovakia	0.6	56.8	0.5	52.3	0.5	50.7	0.5	56.5
Democratic Republic of Germany	0.6	54.4	0.5	51.1	0.6	62.2	0.6	71.8
People's Republic of China	0.5	44.1	0.6	67.8	0.4	44.4	0.3	35.8
Poland	1.0	86.4	0.9	100.9	2.0	209.9	1.4	166.7
Soviet Union	10.4	919.2	11.9	1 301.1	14.2	1 456.2	11.7	1 395.5
Other	0.9	78.3	0.8	89.1	0.7	68.1	1.0	121.1
Latin America	2.4	214.4	2.1	221.2	0.8	87.5	1.6	187.5
Argentina	0.6	57.5	0.4	43.9	0.1	9.5	0.1	11.4
Brazil	0.7	59.3	0.7	75.3	0.1	7.2	0.5	58.1
Colombia	0.2	19.1	0.2	19.3	0.1	12.9	0.5	55.7
Other	0.9	78.5	0.8	82.7	0.5	57.9	0.5	62.3
Other	5.2	462.4	4.6	495.9	1.2	120.2	1.9	224.1
GRAND TOTAL	100.0	8 879.5	100.0	10 907.3	100.0	10 275.6	100.0	11 900.2
of which								
EFTA countries	47.0	4 173.1	47.9	5 227.2	45.0	4 628.4	44.8	5 330.1
EEC countries	22.5	1 994.7	21.1	2 299.3	26.8	2 750.2	28.8	3 430.9
OECD countries	78.4	6 963.5	78.1	8 527.9	97.6	8 176.4	81.0	9 636.7

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
1969	8 296	8 528	-232	+579	+ 4	-13	+338	-323	+72	+ 87
1970	9 634	11 099	-1 465	+716	+142	+17	-590	-397	-18	-1 005
1971	9 845	11 762	-1 917	+660	+247	+66	-944	-477	- 1	-1 422
Jan.-Mar										
1969	1 696	1 944	-248	+128	- 20	-11	-151	- 57	+80	-128
1970 ^f	2 074	2 309	-235	+192	- 9	- 3	- 55	- 86	-11	-152
1971	2 168	2 536	-368	+198	- 13	+19	-164	-135	- 1	-300
1972*	2 870	2 960	- 90	+217	+ 3	+ 1	+131	-142	-22	- 33
Apr.-June										
1969	2 002	2 008	- 6	+140	- 17	- 6	+111	- 84	- 7	+ 20
1970 ^f	2 429	2 721	-292	+180	+ 10	+ 0	-102	- 96	+ 1	-197
1971	2 291	2 777	-486	+175	+ 47	+21	-243	-118	- 1	-362
1972*	2 856	3 298	-442	+162	+ 57	+46	-177	-155	- 8	-340
July-Sept.										
1969	2 168	2 022	+146	+116	+ 38	-14	+286	- 80	+ 1	+207
1970 ^f	2 469	2 690	-221	+180	+109	- 4	+ 64	-110	- 1	- 47
1971	2 502	2 883	-381	+178	+166	+16	- 21	-120	- 4	-145
1972*	2 978	3 195	-217	+170	+191	+19	+163	-140	+20	+ 43
Oct.-Dec.										
1969	2 430	2 554	-124	+195	+ 3	+18	+ 92	-102	- 2	- 12
1970 ^f	2 662	3 379	-717	+164	+ 32	+24	-497	-105	- 7	-609
1971	2 884	3 566	-682	+109	+ 47	+10	-516	-104	+ 5	-615

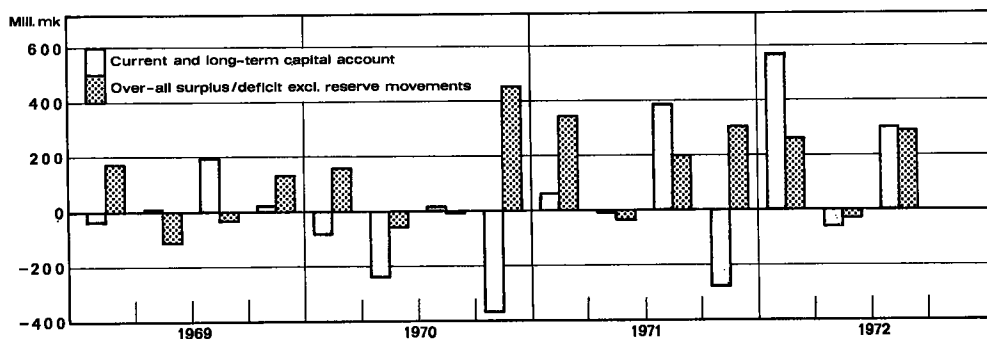


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and pre-payments, net	Short-term export credits and pre-payments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+1 055	-723	-180	- 51	+101	+188	+284	-311	- 6	+155	+115	-270
+1 479	-694	-253	-202	+330	-675	+751	+237	+232 ²	+545	-563	+ 18
+2 730	-855	-208	- 85	+1 582	+160	+387	+197	+ 62 ²	+806	-555	-251
+ 311	-201	- 8	-15	+ 87	- 41	+112	+147	- 46	+172	-135	- 37
+ 278	-158	- 51	+ 1	+ 70	- 82	- 9	+225	+ 23	+157	-240	+ 83
+ 610	-228	- 5	-18	+359	+ 59	+ 20	+329	- 66	+342	-314	- 28
+ 968	-273	-115	+17	+597	+564	-152	- 27	-124 ²	+261	-327	+ 66
+ 279	-155	- 98	-39	- 13	+ 7	- 23	- 92	- 6	-114	+252	-138
+ 220	-191	- 69	- 4	- 44	-241	+142	+ 42	- 4	- 61	- 86	+147
+ 595	-200	- 11	-29	+355	- 7	-157	+144	- 17	- 37	+ 99	- 62
+ 655	-180	-192	- 5	+278	- 62	+ 92	+ 25	- 84	- 29	+ 37	- 8
+ 146	-146	- 17	+ 6	- 11	+196	+ 34	-284	+ 19	- 35	+151	-116
+ 359	-175	- 60	-58	+ 66	+ 19	+ 87	+ 5	-119	- 8	-116	+124
+ 868	-252	- 89	+ 5	+532	+387	- 40	+ 21	-169	+199	- 35	-164
+ 628	-327	- 41	- 3	+257	+300	+265	-124	-153	+288	-314	+ 26
+ 319	-221	- 57	- 3	+ 38	+ 26	+161	- 82	+ 27	+132	-153	+ 21
+ 622	-170	- 73	-141	+238	-371	+531	- 35	+332	+457	-121	-336
+ 657	-175	-103	- 43	+336	-279	+564	-297	+314	+302	-305	+ 3

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

¹ Including Direct investment, net.

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



PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domestic goods	Imported goods	Producer goods	Machinery & transport equipm.	Consumer goods	Raw materials and commodities	Simply processed goods	More elaborately processed goods			
1970	297	300	286	299	317	290	329	290	283	138	146	126
1971	312	315	302	309	361	304	346	295	303	149	162	134
1972	338	342	325	330	400	334	370	318	332	161	182	141
1972												
March	330	334	317	321	394	326	360	309	326	154	170	137
April	334	337	321	324	395	330	364	313	329	157	174	140
May	335	338	322	326	397	329	365	313	330	162	187	140
June	335	338	322	325	400	331	366	313	331	162	187	140
July	339	343	325	329	401	337	373	318	333	163	187	142
Aug.	340	344	325	329	401	338	372	319	334	164	187	142
Sept.	343	347	328	334	402	340	375	324	337	164	187	144
Oct.	346	350	334	339	406	341	379	328	339	165	187	144
Nov.	352	356	335	347	406	344	393	333	340	165	187	145
Dec.	356	361	339	351	408	350	396	338	344	166	187	147

Period	Cost of living Oct. 1951 = 100	Consumer prices Oct.-Dec. 1957 = 100	Consumer prices 1967 = 100									
			Total	Food	Beverages and tobacco	Clothing and footwear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1970	223	175	115	116	115	109	115	121	115	113	113	115
1971	237	186	122	121	119	112	125	141	119	125	119	125
1972	254	199	131	133	125	118	131	147	126	135	128	135
1972												
March	247	194	127	127	120	116	126	147	122	133	127	131
April	251	197	129	131	126	117	128	148	123	133	127	133
May	253	199	130	131	126	117	131	147	125	134	129	135
June	254	199	131	132	126	118	131	148	126	134	129	135
July	256	201	132	134	126	118	132	146	126	138	129	137
Aug.	257	202	133	135	126	119	132	146	127	137	129	138
Sept.	259	203	133	137	126	121	132	146	128	137	129	138
Oct.	260	204	134	137	126	121	134	146	128	138	129	139
Nov.	262	205	135	138	126	122	134	147	129	138	130	140
Dec.	262	206	135	139	127	122	135	149	130	139	130	140

WAGES

Index of salary and wage earnings 1964 = 100

Period	By industries			By institutional sectors			All salary earners	All wage earners	All employees	
	Wage earners in			Employees in services	State employees	Municipal employees				Employees in private sector
	Agriculture	Manufacturing	Construction							
1969	162	154	149	155	151	158	150	149	153	151
1970	181	170	170	164	161	165	164	157	169	164
1971	210	195	195	180	176	178	188	171	195	185

1971

Jan.-Mar.	200	184	182	176	173	174	180	169	185	178
Apr.-June	209	193	193	177	175	175	187	169	195	183
July-Sept.	210	199	200	180	178	178	192	171	200	188
Oct.-Dec.	219	205	207	185	181	184	196	177	204	192

1972*

Jan.-Mar.	236	207	206	186	182	185	197	176	205	193
Apr.-June	251	225	217	196	192	194	213	188	223	207
July-Sept.	252	227	220	198	195	197	215	189	225	209

PRODUCTION

Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	House construction	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1969	123	138	97	102	123	104	124	123	123	123	127
1970	132	154	96	111	141	98	132	132	129	128	134
1971*	135	158	96	105	138	97	134	139	135	134	140
1972*	142	170	94	96	146	104	142	150	142	139	148

1971*

Oct.-Dec.	139	173	67	90	171	97	136	148	139	136	142
-----------	-----	-----	----	----	-----	----	-----	-----	-----	-----	-----

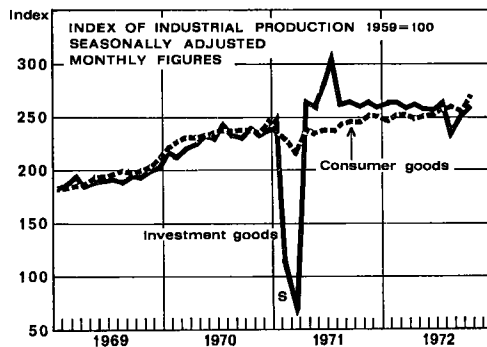
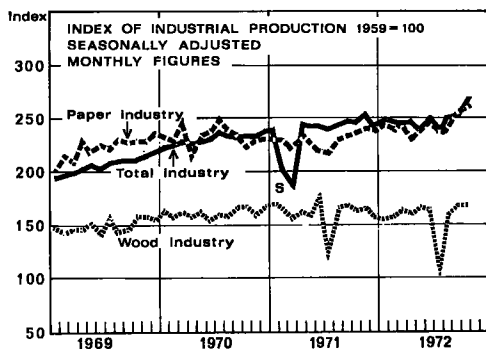
1972*

Jan.-Mar.	140	179	61	134	104	101	132	144	141	138	146
Apr.-June	141	189	84	110	135	104	145	147	141	138	147
July-Sept.	141	153	167	51	168	107	146	147	142	139	147
Oct.-Dec.	145	180	65	90	176	103	145	161	145	141	150

PRODUCTION

Index of industrial production 1959 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1968	182	175	191	164	163	132	202	253	240	177	181
1969	207	194	214	196	173	151	223	285	281	199	207
1970	232	230	223	235	182	164	234	336	341	233	232
1971*	238	235	229	241	192	164	231	363	360	231	238
1971*											
Sept.	256	283	244	258	192	170	241	374	378	278	248
Oct.	264	288	256	257	229	173	250	375	394	282	248
Nov.	269	289	260	264	234	166	251	389	370	283	256
Dec.	251	274	242	250	188	159	223	375	305	272	245
1972*											
Jan.	257	286	246	249	171	164	256	418	308	277	249
Feb.	258	280	245	257	175	171	245	402	321	273	248
March	277	295	261	280	190	188	262	423	372	287	245
April	254	270	236	265	183	180	218	386	349	267	248
May	259	271	242	271	213	191	231	394	350	270	250
June	244	247	226	262	207	164	220	371	340	250	251
July	180	144	178	178	183	91	235	238	325	139	240
Aug.	254	233	234	283	217	138	247	325	421	236	251
Sept.	262	267	249	265	195	168	261	369	425	266	254
Oct.	290	292	279	286	256	182	278	443	441	289	271
Nov.	292	284	281	292	244	172	278	450	433	287	278



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Total labour force, 1 000 persons	Employed 1 000 persons	Unemployed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1968 = 100	Wholesalers' volume index 1968 = 100	Indicator of traffic activity 1964 = 100
1968	2 188	2 100	88	4.0	31 859	100	100	106
1969	2 189	2 127	62	2.8	35 338	108	117	118
1970	2 194	2 153	41	1.9	39 267	114	130	125
1971*	2 199	2 150	49	2.2	36 238	118	137	122
1971*								
Oct.	2 179	2 138	41	1.9	2 274	120	142	128
Nov.	2 177	2 131	47	2.2	2 616	117	144	123
Dec.	2 175	2 122	53	2.4	3 233	156	155	121
1972*								
Jan.	2 134	2 063	71	3.3	3 009	110	126	121
Feb.	2 128	2 055	73	3.4	3 927	110	137	116
March	2 126	2 053	73	3.4	4 658	119	152	125
April	2 142	2 078	64	3.0	3 774	114	143	125
May	2 192	2 141	51	2.3	2 842	123	152	130
June	2 355	2 303	52	2.2	1 854	133	149	144
July	2 359	2 305	54	2.3	768	126	132	127
Aug.	2 276	2 225	51	2.2	1 185	129	159	136
Sept.	2 198	2 153	45	2.0	1 637	130	157	137
Oct.	2 194	2 148	46	2.1	2 092	134	164	143
Nov.	2 191	2 142	49	2.2	2 367

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1969	38.95	15.38	3.88	15.29	2.12	32.03	12.85	3.15	10.95	3.32	36.40
1970	41.42	17.96	3.72	15.56	23.6	38.55	16.41	4.29	12.59	3.35	36.56
1971*	42.63	19.54	3.10	15.18	26.0	37.00	15.67	3.12	13.71	2.91	37.64
1971*											
July-Sept.	12.90	6.66	0.61	4.18	0.89	9.08	3.78	1.07	2.70	0.85	41.76
Oct.-Dec.	9.62	4.48	0.38	3.49	0.80	12.67	5.35	1.12	5.03	0.76	37.64
1972*											
Jan.-Mar.	7.31	2.73	0.55	3.20	0.48	7.75	3.16	0.33	3.34	0.73	34.34
Apr.-June	13.52	6.22	1.55	3.91	0.85	8.02	4.08	0.35	2.56	0.65	39.33
July-Sept.	13.44	6.11	0.55	4.89	1.17	9.90	4.49	0.83	3.18	0.75	40.93

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

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

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

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

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

STATE FINANCES

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

FOREIGN TRADE

Pages 9—11. Figures supplied by the Board of Customs. *Indices* (p. 9): The indices are calculated according to the Laspeyres formula. At the end of the year the arithmetic mean of the Laspeyres indices corresponds to the annual level of the Fisher index formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries* (p. 11): imports by countries of purchase, exports by countries of sale.

BALANCE OF PAYMENTS

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

PRICE INDICES

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

WAGES — PRODUCTION

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

Page 16. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the international nomenclature (ISIC). The seasonally adjusted series is calculated by the Bank of Finland Institute for Economic Research on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: investment goods weight 14.3, other producer goods weight 57.0 and consumer goods weight 28.7. Special manufacturing indices: food industry ISIC no. 20, weight 11.2, wood industry no. 25, weight 6.6, paper industry no. 27, weight 13.1, chemical industry no. 31, weight 5.2, non-metallic mineral industry no. 33, weight 3.6 and metal industry nos. 34—38, weight 23.5

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

Page 17. *Labour* figures supplied by the Central Statistical Office. *Commercial timber fellings* compiled by the Ministry of Labour. *Retailers' and Wholesalers' volume indices* supplied by the Central Statistical Office. *Indicator of traffic activity* calculated by the Bank of Finland Institute for Economic Research. Figures are weighted averages of the sea, air, railway and road traffic. *Construction of buildings* figures calculated by the Central Statistical Office.

SYMBOLS USED

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. The President for the current period, March 1, 1968, to March 1, 1978, is Urho Kekkonen.

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

INTERNATIONAL ORGANIZATIONS

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

LAND

THE AREA is 337 000 square kilometres (Great Britain's area is 245 000 sq. km and Italy's area 301 000 sq. km). Of the total, inland waters form 9.4 %. Of the land area (1970) 2.7 mill. ha (9.6 %) are cultivated and 19.1 mill. ha (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 (1971): 4.6 million. Sweden 8.1, Switzerland 6.3, Denmark 5.0 and Norway 3.9 million.

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

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

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

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

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

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

TRADE AND TRANSPORT

NATIONAL INCOME (1971, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 2 857 (7 %),

forestry and fishing 2 922 (7 %), manufacturing 12 695 (30 %), construction 4 066 (10 %), transport and communication 4 084 (10 %), commerce, banking and insurance 5 225 (12 %), public administration 1 931 (5 %), ownership of dwellings 2 326 (5 %), services 6 103 (14 %), total 42 209. Index of real domestic product 135 (1964 = 100).

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

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

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

STATE RAILWAYS (Jan. 1, 1972): Length 5 874 km.

MERCHANT FLEET (Dec. 31, 1972): Steamers 37 (40 723 gross reg. tons), motor vessels 397 (823 374 gross reg. tons), tankers 59 (748 351 gross reg. tons), sailing vessels with auxiliary engines 3 (499 gross reg. tons). Total 496 (1 612 947 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1971): Passenger cars 753 000, lorries and vans 113 600, buses 8 200, others 5 200. Total 880 000.

FINNISH AIRLINES (May 1972): Finnair and Kar-Air have in use 3 DC-8-62s, 2 DC-6s, 8 Super Caravelles 8 DC-9s and 7 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 24 airports and to 17 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 0.21169 grams of fine gold per mark (equivalent to 4.20 marks per U.S. dollar). Since Dec. 20, 1971 a temporary central rate of 4.10 marks to one U.S. dollar has been applied.

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1971). There are two big and five small commercial banks with in all 833 offices, 306 savings banks, 424 co-operative banks, six mortgage banks, and Post Office Bank. The co-operative stores accept deposits from their members. The National Pension Institute and fifty-nine private insurance companies also grant credits.

RATES OF INTEREST (Jan. 1, 1972). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 7 3/4 %. The range of rates for other credits granted by the Bank of Finland is between 6 and 9 %. Other credit institutions: term deposits 4 1/4 %, 6 month deposits 4 3/4 %, 12 month deposits 5 1/4 %, 24 month deposits 6 1/4 %; highest lending rate 11 %.

RECENT EXCHANGE RATE DEVELOPMENTS AND THE FINNISH MARK

by Kari Nars, Lic. Pol. Sc., Head of Department
and Ralph Jaari, M. Pol. Sc.

Foreign Exchange Policy Department
Bank of Finland

SCOPE AND BACKGROUND

The international monetary disturbances of the past two years have brought exchange rate developments into the limelight. These developments are particularly important for Finland because the country is highly dependent on foreign trade (for example exports amounted to a quarter of GDP in 1972). Finland is thus sensitive both to cyclical changes in demand abroad and to changes in the exchange and trade climate. This article describes changes in the international value of the Finnish mark in 1971—1972. Even though exchange rate changes in Finland mainly reflected trends in the international exchange markets, an attempt is made to review some of the domestic factors that influenced the direction of these changes.

The multilateral agreement concluded in Washington on December 18, 1971 provided only a stop-gap solution to the underlying problems, and the floating of the pound in June, 1972 as well as the pressures on certain other currencies are evidence of the strains which remain. Although no rapid alleviation of the disquiet in exchange markets can be foreseen, the work on monetary reform and increased monetary co-operation may gradually reduce the likelihood of future international monetary disturbances.

EXCHANGE RATE MEASURES IMPLEMENTED IN 1971—1972

The underlying instability in international exchange markets came to the surface in early May, 1971, when the Federal Republic of Germany and the Netherlands ceased to hold the exchange rate quotations for their currencies within the limits set by the IMF. At the same time Switzerland and Austria revalued their currencies by 7 and 5 per cent respectively. Following these measures, the Bank of Finland had to stop applying the officially posted fluctuation limits for the D-mark and the Dutch guilder on May 10.

The situation became acute only after the U.S. Government decided to suspend the convertibility of the dollar into gold on August 15, 1971. Foreign exchange markets in Finland as elsewhere had to be closed for about a week. Finland, together with the other Nordic countries, informed the IMF on August 23, 1971 that it no longer undertook to apply the minimum buying rate for the U.S. dollar.

On December 18 the leading members of the Fund and Switzerland concluded the Smithsonian agreement on the realignment of exchange rates. In the context of the negotiations, a Temporary Regime Decision was issued by the Executive Board of the Fund. It authorized

a member which temporarily ceased to maintain rates based on a par value to communicate to the Fund a central rate for its currency.

On the basis of this decision, Finland together with all the Scandinavian countries and most other Western European countries established a central rate. This rate, which was adopted on December 20, is 4.10 marks per U.S. dollar, involved a 2.4 per cent appreciation of the mark against the previous par rate of 4.20 marks per dollar. According to the temporary regime decision, countries could set the central rate in terms of gold, units of SDR's or in another member's currency. The central rate would temporarily replace the par value as the basis for determining the daily fluctuation limits for spot exchange rates. At the same time the exchange rate margins were widened so that daily spot rates could vary up to 2 1/4 per cent on either side of the central rate, that is, between 4.008 and 4.192 marks per dollar.

Although it was envisioned that the central rate system would be provisional, it has already lasted for more than a year. Most Fund members maintaining central rates undoubtedly feel that it would be premature to abandon the present system in the current uncertainty on exchange markets and with monetary reform underway.

Even before the Smithsonian agreement the uncertainty in international exchange markets induced the Bank of Finland to improve facilities for forward exchange cover. The Bank started to participate in the forward exchange market by quoting daily rates for forward exchange transactions with the banks.

EXCHANGE RATE DEVELOPMENTS IN FINLAND

The U.S. dollar which depreciated strongly in 1971 has traditionally been important in Finland's exchange transactions and has been

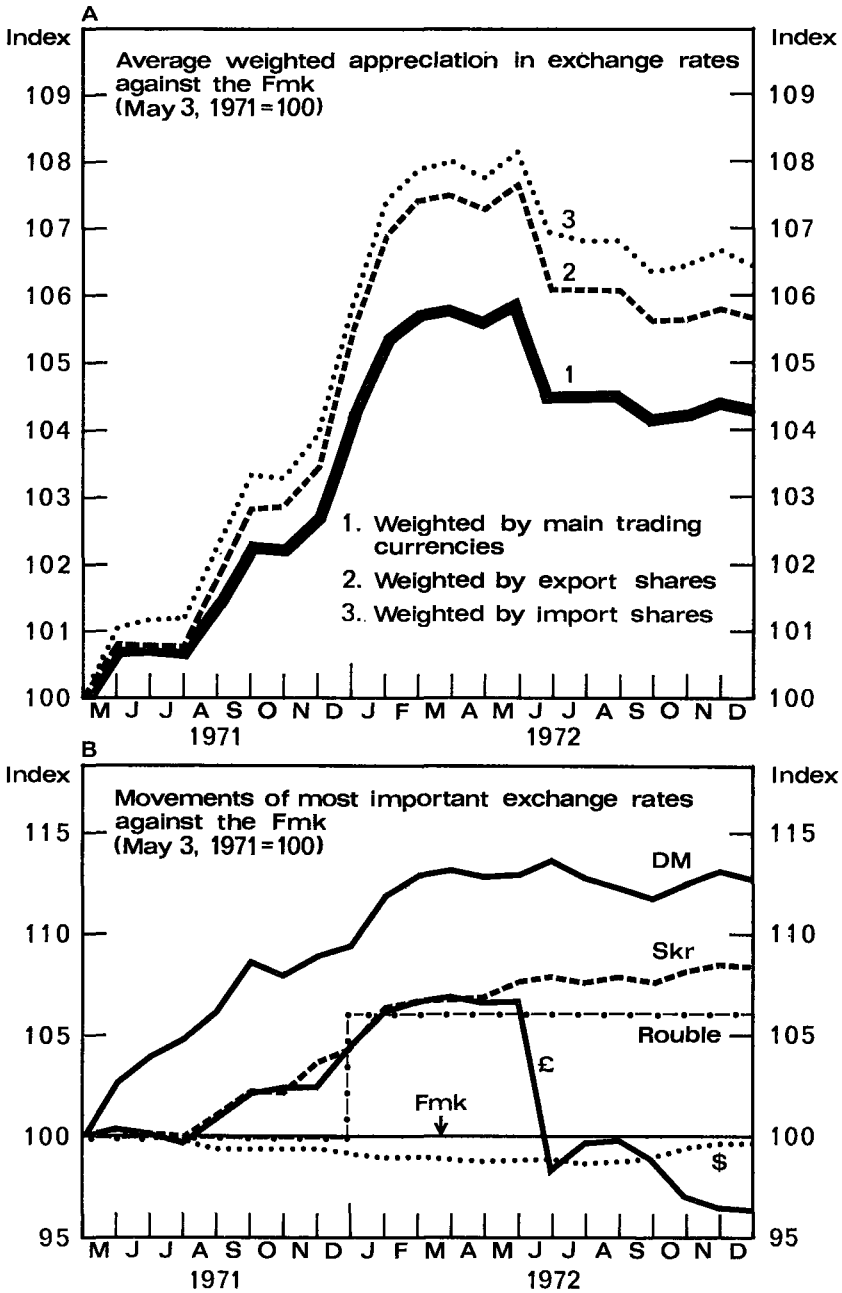
used as the Bank of Finland's intervention currency. The dollar has also constituted the major part of the country's foreign exchange reserves.

The pound sterling, the Swedish krona and the German mark have also been of critical importance. These currencies and the dollar accounted for 70 per cent of Finland's total visible payments and receipts in 1971. In trade with socialist countries, the Soviet rouble has held a dominant position, accounting for 12 per cent of Finland's visible exchange transactions in 1971.

Chart 1 describes exchange rate developments from the Finnish point of view since May, 1971. Part A indicates the weighted value of the mark against other currencies. Since the change in value varies according to the weighting method, the average increase has been calculated using three different sets of weights: Finland's main trading currencies (i.e. the currencies used in foreign exchange transactions), export shares and import shares. For each set of weights, an index has been constructed with May 3, 1971 serving as the base. The widening gap between the indices is largely a result of the fact that, in spite of the relatively small share of the United States in Finland's foreign trade, about a fifth of Finland's visible trade is denominated in the weakening dollar. Thus, the depreciation of the dollar tended to moderate the rise in the currency weighted index more than in the other two indices. The difference between the import and export indices is mainly explained by the fact that imports from West Germany, a country with a sharply strengthening currency, greatly exceed exports to that country. Part B of Chart 1 describes the individual development of Finland's main trading currencies against the Finnmark.

As a result of the floating of the D-mark and the Dutch guilder, the exchange rate index weighted by Finland's main trading currencies (subsequently referred to as the T-Index) rose to nearly 101 in August.

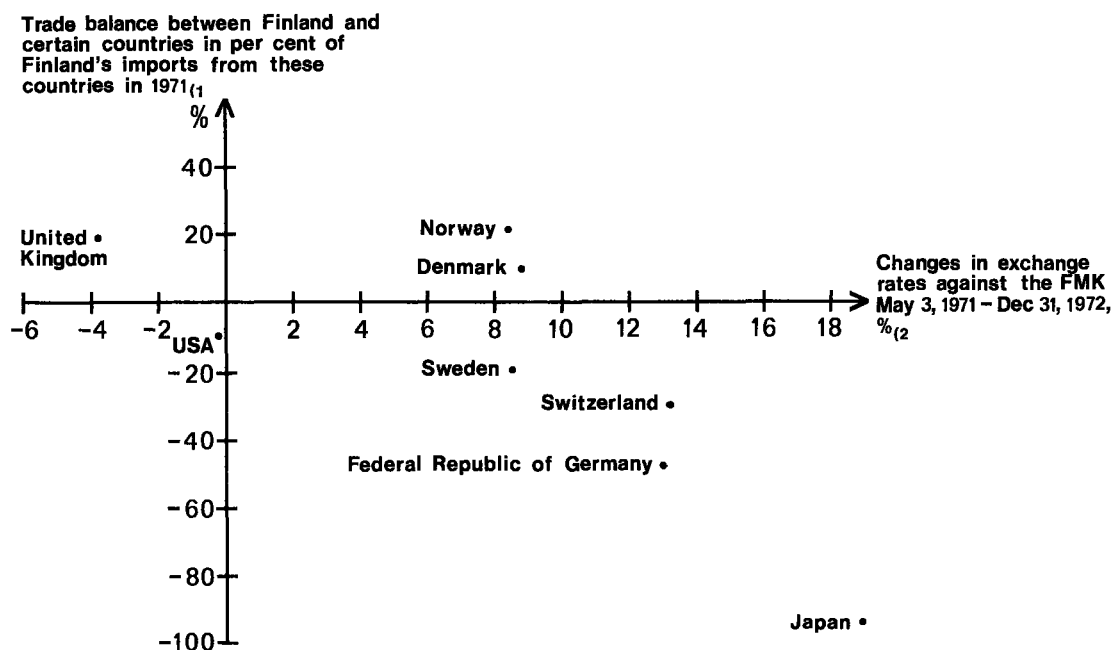
CHART 1. EXCHANGE RATE DEVELOPMENTS SINCE MAY, 1971



After the decision of the U.S. Government on August 15 to suspend the convertibility of the dollar into gold, the major currencies started to strengthen against the dollar beyond the one per cent intervention margin. However, the Finnish mark appreciated more slowly against the dollar (see Part B of Chart 1), and therefore the T-Index rose to 101.5 by the beginning of September and to 102.3 by the beginning of November.

During the first two weeks of December, the strengthening of the D-mark, the pound and the Swedish krona as well as certain other currencies against the dollar gained momentum. As the dollar rate against the mark remained practically unchanged, the T-Index rose to 104 by mid-December. The index remained at this level when Finland adopted the new central rate of 4.10 mark per dollar on December 20.

CHART 2. TRADE BALANCE AND EXCHANGE RATE CHANGES BETWEEN FINLAND AND CERTAIN COUNTRIES



¹ Trade account surplus (+), deficit (-)

² Positive sign indicates appreciation of the currency against Fmk, negative sign depreciation

Since the dollar rate of the rouble rose by 8.5 per cent after the Smithsonian agreement, an adjustment in the rate of the rouble against the mark was required. Thus, on December 28, the mark depreciated by six per cent against the rouble. The average value of the mark was at its lowest point in early March, 1972, when the T-Index temporarily exceeded 106. During the spring the index stabilized somewhat below this level.

The decision of the British Government on June 23 to allow the pound to float heavily influenced the T-Index because about one fifth of Finland's visible trade is denominated in sterling. By the beginning of July the pound had weakened by six per cent against the mark and the T-Index had fallen to 104.6. This level was maintained until September when the pound again began to depreciate. As a result of the further weakening of the pound, the T-Index fell to about 104. Thus, at the end of 1972, the average value of the mark was al-

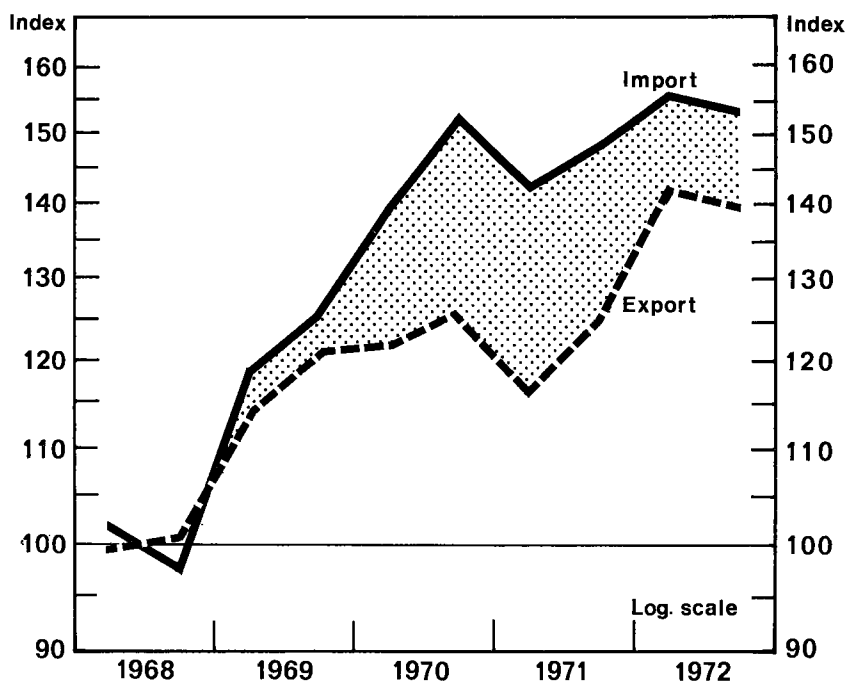
most the same as it was immediately after the introduction of the central rate.

An interesting feature of the exchange rate changes is illustrated in Chart 2. The vertical axis measures the trade balance between Finland and a number of countries in per cent of Finland's imports from these countries in 1971, and the horizontal axis indicates changes in the exchange rates of the currencies of these countries against the mark. The currencies of countries with which Finland had the largest relative trade deficits in 1971 (in particular Japan, the Federal Republic of Germany and Sweden) have appreciated most against the mark.

FACTORS CONDITIONING EXCHANGE RATE DEVELOPMENTS

A major feature of the Finnish economy has been the need to diversify the structure of

CHART 3. FINLAND'S EXPORT AND IMPORT VOLUME IN 1968—1972.
SEASONALLY ADJUSTED SEMI-ANNUAL FIGURES, WHOLE YEAR 1968=100



production. The fairly rapid progress in this area is illustrated by the fact that the share of the wood processing industry in total exports fell from two thirds in 1960 to only about half in 1972. This is largely a result of the increasing importance of metal industry, textile and clothing exports.

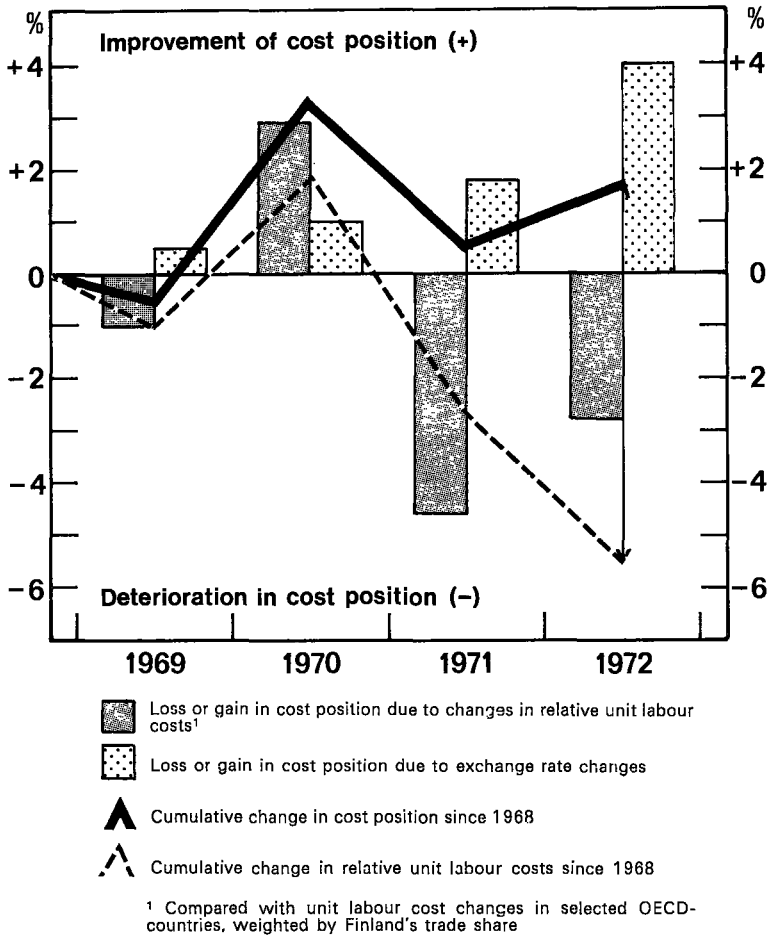
The period of structural transformation has, however, been characterized by considerable current account deficits. Although domestic saving has been high, it has not fully covered the needs of domestic investment, and Finland has had to depend on external resources, primarily in the form of long-term loans. The gross import of long-term capital in 1970—72 was some 5 000 million marks which corresponds to about 13 per cent of gross capital formation during this period.

In the period preceding the outbreak of the monetary crisis, production in Finland rose very slowly. The volume of gross domestic product

grew by only two per cent in 1971 and unemployment was increasing. Furthermore, Finland faced growing current account deficits. The deficit in 1970 amounted to 1 000 million marks or eight per cent of current payments. In 1971 it rose to about 1 400 million marks or 10 per cent of current payments. The growing current account deficit was caused by the unfavourable development of exports at a time when import demand remained high.

The deterioration in Finland's foreign trade position since 1968 is shown in Chart 3 which pictures export and import volume. Finland's weak export performance, particularly in the first half of 1971, was partly generated by exceptional factors such as the metal industry strike and a temporary increase in the trade deficit with the USSR. In the latter half of 1971 and the first half of 1972, Finland's export volume rose considerably and the gap between import and export performance was narrowed.

CHART 4. INTERNATIONAL COST POSITION OF FINNISH MANUFACTURING SINCE 1968



Finland's great reliance on foreign trade makes the economy sensitive to changes in its international cost position. One way to analyze cost developments is to compare the production costs of Finnish manufacturing with similar costs in Finland's main trading partners. Since labour costs constitute the major component of manufacturing expenditure, unit labour costs are used as a rough indicator of relative cost developments.

nominal wages caused a considerable deterioration in Finland's relative unit labour cost position.

Cost developments during the period 1968—1972 can be divided into two parts. In the years 1968—1970 stabilization policies were effective; Finland's cost position was strengthened and export performance was fairly good. In 1971—1972 the low rise in productivity together with the relatively large increase in

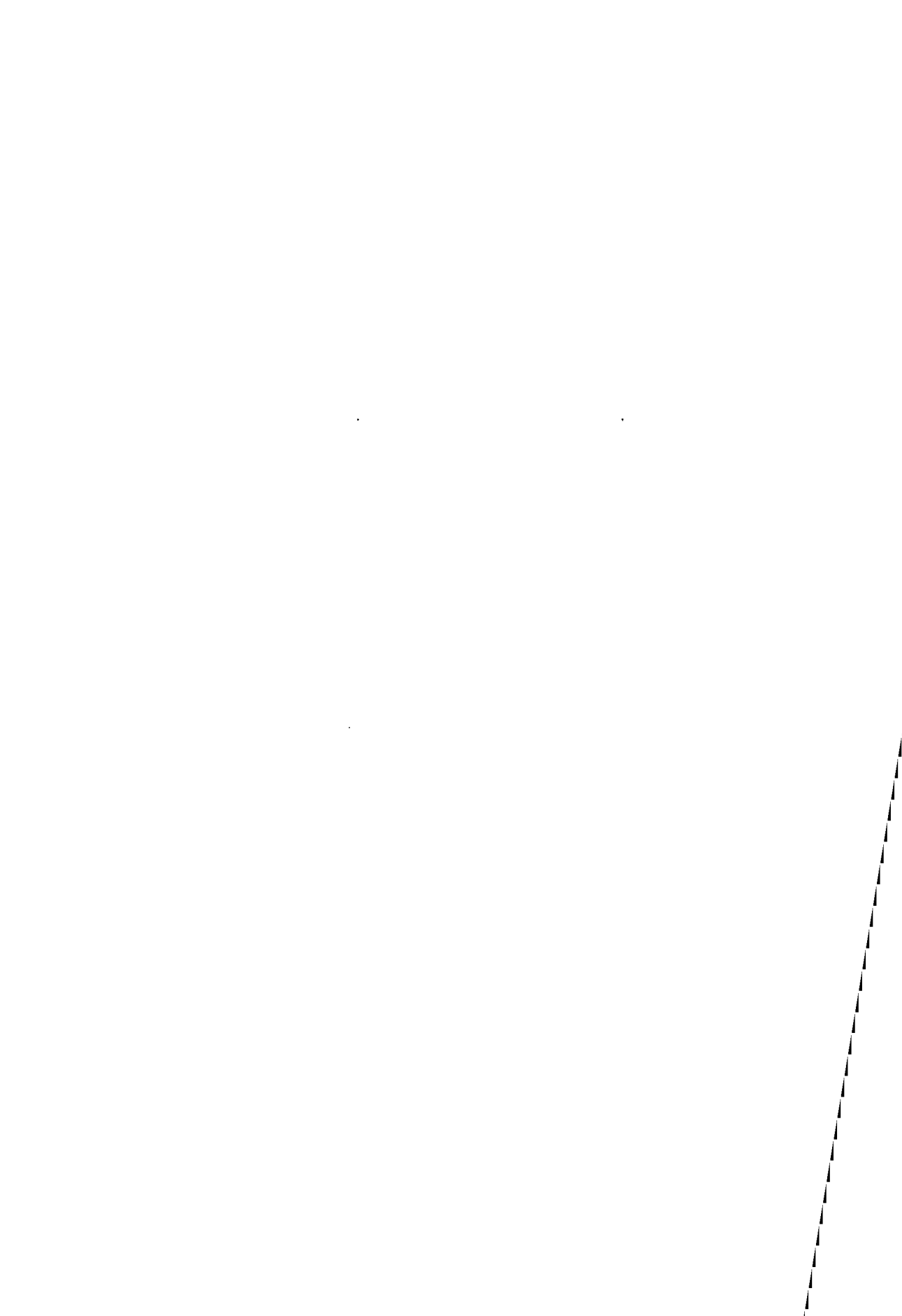
Chart 4 shows the development of Finland's international cost position since 1968. The shaded columns indicate gains or losses in Finland's external cost position due to relative increases or decreases in domestic unit labour costs compared with those of Finland's most important OECD trading partners. In 1971, for example, the weighted average increase in unit labour costs in the OECD countries important for Finnish trade was 6.6 per cent while the increase in Finland was 11.2 per cent. Consequently the deterioration in the Finnish cost position resulting from changes in relative labour costs was 4.6 percentage points.

The dotted columns indicate an improvement or a deterioration in Finland's cost position resulting from exchange rate changes. In 1971, for example, the weighted average level of exchange rates (the T-index) was 1.8 per cent higher than in the previous year. Thus in 1971 the net effect of the deterioration of 4.6 per cent in Finland's relative unit labour cost position and the rise of 1.8 per cent in exchange rates was a fall of 2.8 percentage points in Finland's cost position.

The cumulative change in Finland's total cost position is indicated by the bold line, whereas the cumulative change in relative unit labour costs,

disregarding exchange rate developments, is shown by the broken line. It can be seen that the adverse trend in Finland's cost position resulting from relative unit labour cost developments, was mitigated through exchange rate changes.

The foreign exchange measures in Finland during the period under review have been of a defensive nature and mainly due to international exchange rate developments. As a result of these measures, a deterioration in the relative cost position of Finnish industry has been averted, and at the same time, the balance of payments, production and employment have been supported.



ITEMS

President Kekkonen's term of office extended. Through a law passed by Parliament on January 11, 1973, the term of office of President Urho Kekkonen was extended until March 1, 1978. President Kekkonen's current term started March 1, 1968.

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

A. Simonen

Deputy Governor

Ahti Karjalainen

*Absent as a Member
of Government*

Heikki Valvanne

Jaakko Lassila

Päiviö Hetemäki

Timo Helelä

ad int.

Directors

Jouko J. Voutilainen

Timo Helelä

Jorma Aranko

Pertti Tammivuori

Markku Puntila

Senior officials

Pertti Kukkonen

Director, ADP-planning

Pauli Kanerva

Administration

K. Ignatius

Personnel

Antti Lehtinen

*Domestic financial
operations*

Helge Lindström

Credits and securities

Kalle Koski

Capital transfers

Kari Nars

Foreign exchange policy

Raili Nuortila

Eastern trade

J. Ojala

Foreign exchange contro

Kari Puumanen

Economics dept., ad int.

Henri J. Vartiainen

Research dept.

Stig Törnroth

Cash

K. Eirola

Automatic Data Processing

A. Nenonen

Foreign correspondence

Väinö Heiskanen

Banking services

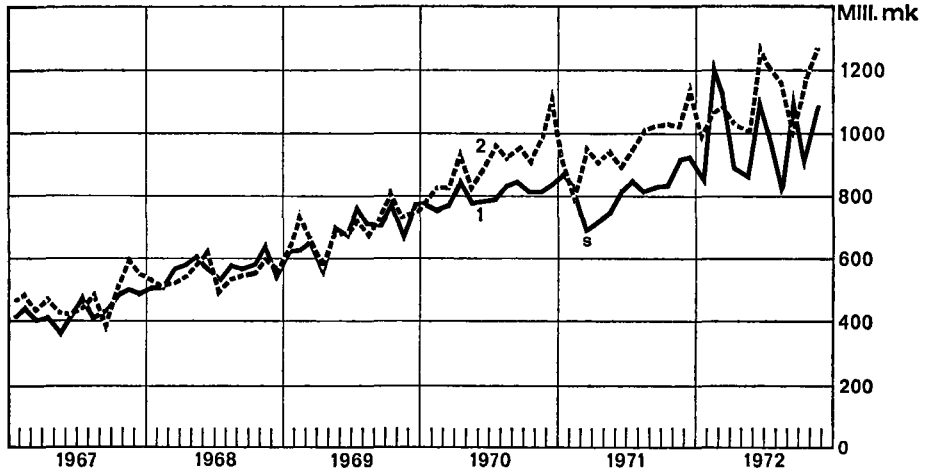
Eino Suomela

Internal Audit

Foreign trade, 1967 - 1972

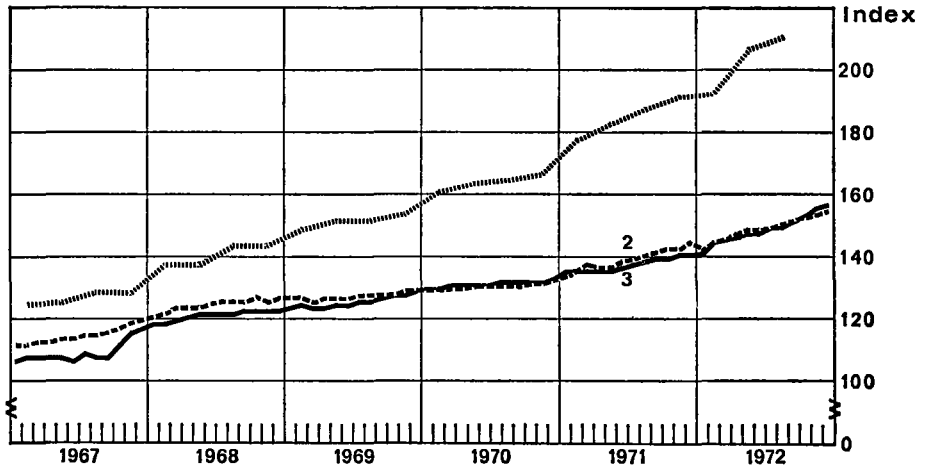
1. Exports f.o.b.
2. Imports c.i.f.

Seasonally adjusted monthly figures



Prices and wages, 1967 - 1972

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, 1967 - 1972

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

