



BANK OF FINLAND

Monthly Bulletin

**Current consumer protection legislation
in Finland**

**Indirect taxes and social security
contributions in Finland**

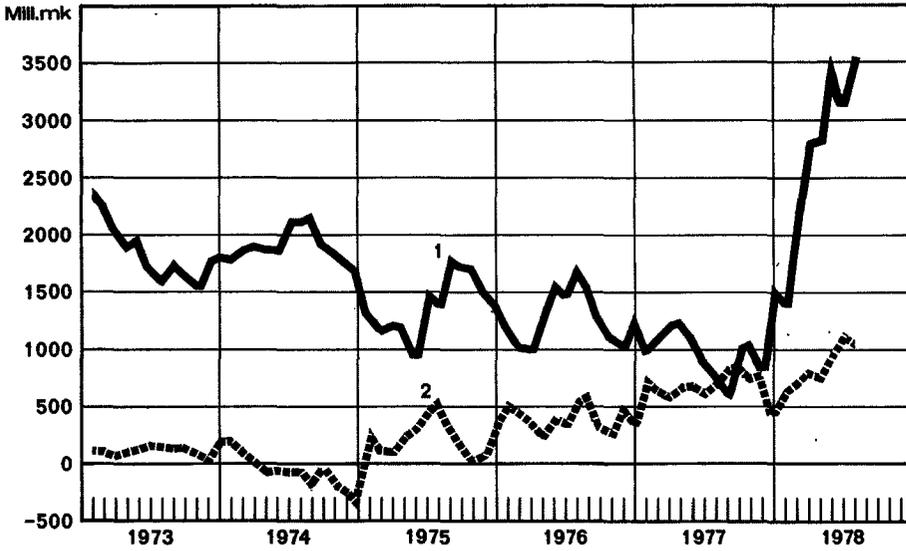
The Bank of Finland investment inquiry
of May—June 1978

Board of Management of the Bank of
Finland

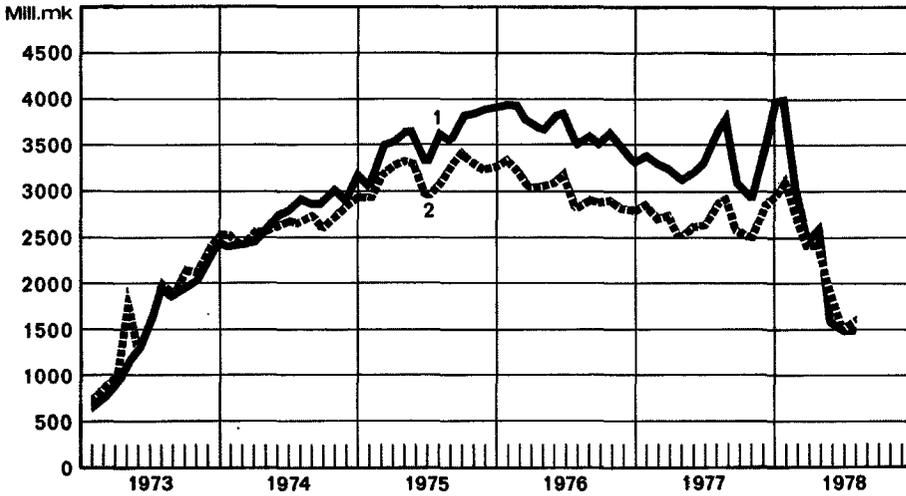
SEPTEMBER 1978

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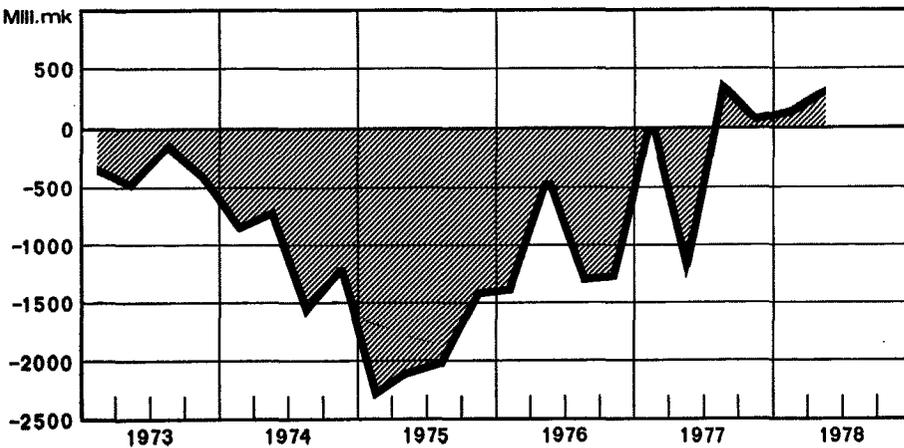
BANK OF FINLAND'S CONVERTIBLE AND TIED FOREIGN EXCHANGE RESERVES, 1973 - 1978



BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1973 - 1978



BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1973 - 1978



CURRENT CONSUMER PROTECTION LEGISLATION IN FINLAND

On 1st September, 1978, an extensive Consumer Protection Act came into force in Finland. The Act deals with the relationship between traders and consumers and includes regulations for marketing, contract terms and their alteration, the purchase of consumer goods, home and mail order sales. Its introduction has been accompanied by the appointment of a Consumer Ombudsman, the establishment of a Market Court for dealing with marketing questions, and a Consumer Complaint Board. The task of the latter is to mediate in individual conflicts between traders and consumers.

The new regulations for marketing, contract terms and their alteration, laid down in the Consumer Protection Act, apply to both consumer goods and services, where services include not only repairs, servicing, storage of goods and insurance, but also language courses, cultural events and sports events intended for the general public etc. However, the Act does not state when a consumer service could be considered defective nor what the consumer could demand in view of a defect.

The purpose of the marketing regulations is to ensure that the consumer has adequate and accurate information about a good or a service before a purchase is made. To this end, unfair trading and trading contrary to accepted practice may be prohibited. This means e.g. that a trader must be able to prove that what he states in his advertising is true. A marketing practice may also be banned either on the grounds that it takes advantage of consumers' aspirations through false pretences, or because of the distribution method used.

Displaying higher discounts than have actually been made is also explicitly forbidden in the Act. Furthermore, so-called combined offers and extras are not allowed unless there is an obvious connection between the goods or services in question. Such offers are thought

to make it difficult for the consumer to estimate the value of a good, and distract attention from the good itself. For the same reason, an upper limit on the value of prizes in competitions for the public may be stipulated.

A person involved in marketing may be forbidden to continue his practice insofar as it is found illegal. This ban may be applied not only to an importer, wholesaler or retailer who advertises a good or a service, but also to the advertising agency responsible, or to the periodical or television company that has carried an advertisement.

The Consumer Ombudsman is responsible for monitoring marketing practices. Individual consumers and others may refer to him when they notice misuse. In minor matters, the Ombudsman himself may ban the continuation of a marketing practice, but where more serious offences are concerned he should summon the trader to the Market Court. A ban is accompanied by a fine, which is payable if the ban is not observed. In very grave cases, legal proceedings may be instituted against a trader.

In addition, the Consumer Ombudsman may assist individual consumers involved in conflicts with traders in cases of general interest to consumers.

The Consumer Ombudsman also ensures that contract terms used by traders are reasonable and he may either order a trader to withdraw an unreasonable clause, or summon him to the Market Court, which may then ban its use. Further, he may undertake negotiations with the various trade associations to secure fair and uniform contract terms in the different lines of trade.

If the Market Court or the Consumer Ombudsman prohibits the use of a certain term in a contract, it does not automatically make similar

terms invalid in other contracts, of which they already form part. Nor does the term become inoperative until it has been modified, by a court or by the Consumer Complaint Board, as a result of a dispute between a trader and a consumer. The Consumer Protection Act offers extended possibilities to make alterations in cases where the application of an individual term would have unreasonable consequences.

The Consumer Protection Act specifies when a good may be considered defective and also when it should be delivered. These rules are imperative for the benefit of the buyer. However, the seller may by guarantee or other means give the buyer more extensive rights than those granted him by law.

A consumer good is defective firstly, if either the quantity or quality does not comply with previous agreement, and secondly, if its quality is inferior to that which consumers normally have the right to expect when buying similar goods. A good must satisfy reasonable requirements: if it does not meet normal expectations e.g. as to its utility and strength, the seller is obliged to inform the customer about this. Finally, a good is considered defective if it does not comply with the statements made when it was marketed.

Where a good is defective, the buyer may demand a replacement or a price reduction commensurate with the defect. If the defect is substantial, the buyer may cancel the purchase. However, the seller can avoid more serious consequences by repairing the defect at his own expense, without delay and without causing the buyer any essential inconvenience.

In cases where a good is sold 'as it is', the buyer still has some minimum rights, and a good may be considered defective if it does not accord with the given information or if the good is essentially inferior to what the buyer is given to believe by the price.

Action may be taken against guarantees issued by the seller or the manufacturer of a good. The use of the word 'guarantee' or an equivalent is

allowed only if the buyer is given an advantage which he does not have by law. The guarantee may not — as often has been the case prior to the Act — limit the seller's responsibility. Nor can the seller evade responsibility because someone else, e.g. the manufacturer or the importer, has issued a guarantee. If a defect is discovered during the guarantee period, it is considered to have its origin in the materials used or in production, unless the issuer of the guarantee can show that the defect is due to carelessness on the part of the buyer.

The seller must deliver goods as agreed, or if no specific time has been set, then within a reasonable period of time after the agreement being made. If the seller's delay is significant, the purchase may be cancelled by the buyer. The buyer is also entitled to compensation for the inconvenience caused him by the delay.

The Consumer Protection Act includes regulations for home and mail order sales. Where such sales are concerned, the buyer is often in a weaker position than usual as he is easily exposed to persuasion or pressure and may not always be able to inspect his purchase immediately. Therefore, the buyer has been granted a period of seven days during which he is entitled to withdraw from an agreement to buy. This right to cancel the contract is not dependent on the existence of a defect in the good. The buyer's wish to divest himself of the good is sufficient. The seven day period starts at the moment the buyer receives a separate certificate stating his legal rights, and after that period, the buyer can withdraw from the agreement only on the basis of the rules concerning defect and delay.

The Consumer Complaint Board can mediate in conflicts between consumers and traders. The Board comprises representatives of both consumers and traders, and an impartial chairman. It is divided into sections, each of which deals with complaints about certain kinds of goods and services. Recommendations on how a conflict should be resolved are issued, al-

(continued on page 27)

BANK OF FINLAND

Mill mk

	1977		1978			
	Aug. 31	Dec. 31	Aug. 8	Aug. 15	Aug. 23	Aug. 31
Assets						
Gold and foreign exchange receivables	1 579	2 139	4 709	4 787	5 113	5 272
Gold	127	133	133	133	133	133
Special drawing rights	191	204	149	149	149	149
IMF reserve tranche	—	—	—	—	—	246
Convertible currencies	379	1 265	3 219	3 351	3 729	3 709
Tied currencies	882	537	1 208	1 154	1 102	1 035
Other foreign receivables	1 857	1 959	2 643	2 626	2 640	2 407
Foreign bills	426	488	588	571	573	589
Foreign bonds	497	543	699	699	711	708
Mark subscription to Finland's quota in the IMF	934	928	1 356	1 356	1 356	1 110
Receivables from financial institutions	4 327	5 420	3 394	3 304	3 478	2 996
Cheque accounts of the commercial banks	85	110	77	102	95	80
Discounted bills	2 779	3 091	1 487	1 393	1 429	1 320
Bonds	467	354	340	340	337	339
Call money market advances	966	1 804	1 445	1 421	1 590	1 229
Other financial institution receivables	30	61	45	48	27	28
Receivables from the public sector	360	391	403	401	451	453
Government promissory notes	—	—	—	—	50	50
Bonds	63	60	71	68	70	75
Total coinage	297	304	326	327	327	327
Other public sector receivables	0	27	6	6	4	1
Receivables from corporations	1 439	1 416	1 296	1 277	1 281	1 288
New export bills	194	194	223	222	226	231
Financing of domestic deliveries	692	714	748	747	748	750
Bonds	178	214	200	202	202	202
Other corporate receivables	375	294	125	106	105	105
Other assets	76	85	61	62	61	62
Total	9 638	11 410	12 506	12 457	13 024	12 478
Liabilities						
Foreign exchange liabilities	91	94	63	64	58	59
Convertible accounts	50	53	49	49	42	43
Tied accounts	41	41	14	15	16	16
Other foreign liabilities	2 131	3 447	3 033	3 022	3 035	2 786
IMF mark accounts	1 772	1 838	2 320	2 320	2 320	2 074
Allocations of special drawing rights	258	300	301	301	301	301
Term liabilities	101	1 309	412	401	414	411
Notes and coins in circulation	3 022	3 167	3 452	3 464	3 400	3 414
Notes	2 760	2 892	3 152	3 164	3 100	3 115
Coins	262	275	300	300	300	299
Deposit certificates in circulation	180	200	760	859	859	859
Claims of financial institutions	848	1 194	2 026	2 003	2 537	2 103
Cheque account of Postipankki	1	1	0	2	0	0
Cheque accounts of the commercial banks	1	3	1	1	1	1
Call money market deposits	794	850	1 619	1 571	2 094	1 628
Capital import deposits	—	246	346	342	339	337
Other financial institution claims	52	94	60	87	103	137
Claims of the public sector	353	328	201	198	203	202
Cheque accounts	1	2	0	1	1	1
Counter-cyclical reserves	34	36	38	38	38	38
Capital import deposits	—	287	162	158	163	162
Other public sector claims	318	3	1	1	1	1
Claims of corporations	260	242	391	353	352	505
Deposits for investment and ship purchase	44	35	46	46	46	46
Capital import deposits	203	181	217	214	297	448
Import levy deposits	13	19	7	8	7	8
Other corporate claims	0	7	121	85	2	3
Other liabilities	14	13	15	14	13	12
Equalization accounts	811	671	518	433	519	489
Capital accounts	1 928	2 054	2 047	2 047	2 048	2 049
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	436	436	545	545	545	545
Net earnings	92	218	102	102	103	104
Total	9 638	11 410	12 506	12 457	13 024	12 478

End of year or month	Foreign sector							Public sector			Deposit certificates in circulation
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserves (1-2)	Tied exchange reserves	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1971	2 620	30	2 590	-297	686	704	2 275	148	140	- 8	400
1972	2 613	43	2 570	- 6	757	788	2 533	175	49	-126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	-388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1977	1 602	53	1 549	496	1 959	3 447	557	391	328	- 63	200
1977											
June	965	48	917	652	1 855	2 030	1 394	362	430	68	180
July	855	56	799	722	1 874	2 030	1 365	364	389	25	180
Aug.	697	50	647	841	1 857	2 131	1 214	360	353	- 7	180
Sept.	1 072	51	1 021	878	1 856	2 134	1 621	365	343	- 22	180
Oct.	1 121	47	1 074	771	1 893	2 134	1 604	363	286	- 77	180
Nov.	903	46	857	797	1 912	2 556	1 010	364	407	43	180
Dec.	1 602	53	1 549	496	1 959	3 447	557	391	328	-63	200
1978											
Jan.	1 492	40	1 452	648	1 983	3 360	723	399	320	-79	180
Feb.	2 236	36	2 200	730	2 093	3 393	1 630	401	297	-104	180
March	2 854	40	2 814	822	2 142	3 391	2 387	405	288	-117	0
April	2 890	51	2 839	785	2 187	3 408	2 403	382	289	-93	—
May	3 596	38	3 558	995	2 636	3 914	3 275	382	229	-153	—
June	3 284	98	3 186	1 149	2 641	3 046	3 930	393	222	-171	400
July	3 583	40	3 543	1 084	2 659	3 038	4 248	404	203	-201	760
Aug.	4 237	43	4 194	1 019	2 407	2 786	4 834	453	202	-251	859

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, July 31, 1978			Change	
	Bank of Finland	Other	Total	July	Jan.—July
Gold	133	—	133	—	—
Special drawing rights	167	—	167	—	37
IMF gold tranche	—	—	—	—	—
Convertible currencies	3 244	-2 365	879	+ 818	+2 452
Total	3 544	-2 365	1 179	+ 818	+2 415
Tied currencies	1 083	160	1 243	— 45	+ 601

CURRENCY INDEX¹

1974 = 100

1978	
April	117.2
May	117.5
June	118.5
July	118.5
August	118.5

¹ See page 19, CURRENCY

End of year or month	Domestic financial sector						Corporate sector			Notes and coins in circulation	
	Dis-counted and re-dis-counted bills	Cheque account receiv-ables	Other receiv-ables	Cheque account liabilities to the commer-cial banks	Cheque account liabilities to Posti-pankki	Other liabili-ties	Net receiv-ables (1+2+3-4-5-6)	Receiv-ables	Liabili-ties		Net receiv-ables (8-9)
	1	2	3	4	5	6	7	8	9	10	11
1971	849	—	—	9	2	—	838	355	385	— 30	1 413
1972	753	5	—	—	2	—	756	321	73	248	1 879
1973	2 556	61	—	—	2	—	2 615	372	259	113	2 082
1974	3 034	114	266	4	4	1	3 405	631	195	436	2 462
1975	3 385	133	646	3	1	25	4 135	933	539	394	2 855
1976	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885
1977	3 091	110	2 219	3	1	1 190	4 226	1 416	242	1 174	3 167

1977											
	1	2	3	4	5	6	7	8	9	10	11
June	2 768	128	1 305	5	0	768	3 428	1 459	230	1 229	3 154
July	2 773	116	1 320	5	0	797	3 407	1 498	232	1 266	3 157
Aug	2 779	85	1 463	1	1	846	3 479	1 439	260	1 179	3 022
Sept.	2 700	140	1 303	5	0	1 010	3 128	1 476	266	1 210	3 079
Oct.	2 722	122	1 691	1	0	1 376	3 158	1 467	305	1 162	3 072
Nov.	3 058	132	1 809	1	0	1 142	3 856	1 428	236	1 192	3 075
Dec.	3 091	110	2 219	3	1	1 190	4 226	1 416	242	1 174	3 167

1978											
	1	2	3	4	5	6	7	8	9	10	11
Jan.	3 060	139	2 575	1	0	1 900	3 873	1 439	239	1 200	2 990
Feb.	2 658	149	2 698	1	0	2 440	3 064	1 504	331	1 173	3 040
March	2 454	123	2 288	1	0	2 340	2 524	1 477	386	1 091	3 333
April	2 346	157	2 012	3	0	1 985	2 527	1 483	389	1 094	3 302
May	2 004	120	1 710	1	0	2 223	1 610	1 386	416	970	3 271
June	1 607	109	1 870	2	0	2 042	1 542	1 311	386	925	3 572
July	1 571	84	1 782	1	0	2 031	1 405	1 297	304	993	3 520
Aug.	1 320	80	1 596	1	0	2 102	893	1 288	505	783	3 414

SELLING RATES FOR FOREIGN EXCHANGE

Mk

August 22, 1978

New York ¹	1 \$	4.110	Frankfurt o. M.	100 DM	206.05	Vienna	100 S	28.60
Montreal	1 \$	3.605	Amsterdam	100 Fl	190.40	Lisbon	100 Esc	9.19
London	1 £	7.966	Brussels ²	100 Fr		Madrid	100 Pta	5.57
Stockholm	100 Kr	93.00	Zurich	100 Fr	249.70	Tokyo	100 Y	2.164
Oslo	100 Kr	78.35	Paris	100 FF	94.10	Reykjavik	100 Kr	1.64
Copenhagen	100 Kr	74.90	Rome	100 Lit	0.495	Moscow ³	1 Rbl	6.106

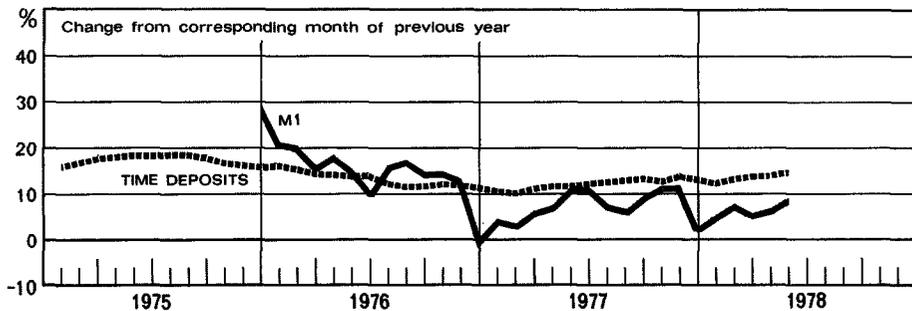
¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.² 13.180 commercial rate; 12.820 financial rate.³ Clearing account: also Bucharest.

DEPOSITS BY THE PUBLIC¹

Mill. mk

End of year and month	Demand deposits				Time deposits					Total (4+9)
	Commercial banks	Savings banks & Co-op. banks	Posti-pankki	All deposit banks	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	All deposit banks	
	1	2	3	4	5	6	7	8	9	
1974	2 723	913	1 638	5 274	10 811	8 279	6 299	2 646	28 035	33 309
1975	3 472	1 181	2 309	6 962	12 176	9 743	7 530	3 200	32 649	39 611
1976	3 071	1 357	2 336	6 764	13 282	11 051	8 610	3 665	36 608	43 372
1977	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1977										
Jan.	3 013	1 205	2 382	6 600	13 324	11 162	8 718	3 692	36 896	43 496
Feb.	2 816	1 262	2 504	6 582	13 306	11 267	8 815	3 741	37 129	43 711
March	2 973	1 342	2 353	6 668	13 371	11 353	8 880	3 825	37 429	44 097
April	3 013	1 299	2 388	6 700	13 557	11 428	9 007	3 825	37 817	44 517
May	3 287	1 359	2 253	6 899	13 598	11 594	9 074	3 850	38 116	45 015
June	3 267	1 406	2 231	6 904	13 740	11 815	9 211	3 909	38 675	45 579
July	3 031	1 407	2 131	6 569	13 828	11 995	9 330	3 954	39 107	45 676
Aug.	3 271	1 486	2 049	6 806	13 960	12 120	9 474	3 989	39 543	46 349
Sept.	3 042	1 431	2 053	6 526	13 966	12 101	9 471	3 978	39 516	46 042
Oct.	3 147	1 495	2 027	6 669	14 167	12 152	9 491	4 012	39 822	46 491
Nov.	3 342	1 508	2 027	6 877	14 382	12 350	9 697	4 066	40 495	47 372
Dec.	2 948	1 506	2 212	6 666	14 999	12 671	9 846	4 177	41 693	48 359
1978										
Jan.	3 096	1 351	2 330	6 777	14 890	12 747	9 903	4 203	41 743	48 520
Feb.	3 106	1 468	2 478	7 052	15 191	12 901	9 996	4 243	42 331	49 383
March	2 922	1 420	2 340	6 682	15 350	13 058	10 107	4 363	42 878	49 560
April	3 068	1 414	2 415	6 897	15 596	13 190	10 225	4 368	43 379	50 276
May	3 550	1 541	2 304	7 395	15 975	13 287	10 277	4 393	43 932	51 327

¹ New series. See explanations on page 18.



ADVANCES TO THE PUBLIC¹ — MONEY SUPPLY¹

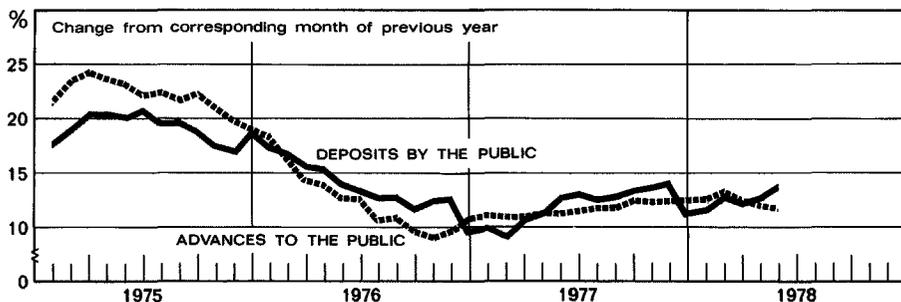
Mill. mk

End of year and month	Advances granted by				Types of advances			Money Supply		
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency	Total (1 to 4) (5 to 7)	M ₁	M ₁ +Quasi-Money
	1	2	3	4	5	6	7	8	9	10
1974	17 462	7 715	6 457	4 653	33 261	1 136	1 890	36 287	7 549	35 943
1975	20 799	9 108	7 797	5 597	38 285	1 281	3 735	43 301	9 772	43 165
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581

1977										
End of year and month	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency	Total (1 to 4) (5 to 7)	M ₁	M ₁ +Quasi-Money
Jan.	22 376	10 683	9 271	6 152	42 796	1 597	4 089	48 482	9 382	47 443
Feb.	22 535	10 761	9 276	6 178	42 914	1 631	4 205	48 750	9 398	47 255
March	22 703	10 801	9 279	6 293	42 941	1 621	4 514	49 076	9 496	47 693
April	23 175	10 885	9 313	6 242	43 243	1 551	4 821	49 615	9 620	48 164
May	23 240	11 055	9 405	6 337	43 679	1 545	4 813	50 037	9 786	48 845
June	23 469	11 154	9 544	6 352	43 929	1 639	4 951	50 519	9 996	49 380
July	23 475	11 263	9 668	6 312	44 229	1 575	4 914	50 718	9 651	49 509
Aug.	23 598	11 430	9 791	6 351	44 670	1 660	4 840	51 170	9 818	50 103
Sept.	24 063	11 640	9 962	6 476	45 328	1 659	5 154	52 141	9 670	50 258
Oct.	24 149	11 823	10 120	6 598	45 946	1 717	5 027	52 690	9 732	50 614
Nov.	24 440	12 004	10 283	6 676	46 592	1 723	5 088	53 403	9 933	51 436
Dec.	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581

1978										
End of year and month	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency	Total (1 to 4) (5 to 7)	M ₁	M ₁ +Quasi-Money
Jan.	24 843	12 421	10 575	6 852	47 794	1 763	5 134	54 691	9 875	52 716
Feb.	25 472	12 509	10 636	6 731	47 977	1 787	5 584	55 348	10 137	53 709
March	25 599	12 553	10 650	6 500	47 817	1 732	5 753	55 302	10 058	54 272
April	25 820	12 661	10 743	6 488	48 095	1 641	5 976	55 712	10 272	54 990
May	25 841	12 816	10 878	6 537	48 575	1 655	5 842	56 072	10 694	55 978

¹ New series. See explanations on page 18.



STATE FINANCES

Mill. mk

Revenue	Jan.—June		Expenditure	Jan.—June	
	1977	1978		1977	1978
Income and wealth tax (net)	4 536	3 621	Wages, salaries, pensions etc.	2 736	2 963
Gross receipts	(13 331)	(13 383)	Repair and maintenance	361	384
Refunds & local authorities	(-8 795)	(-9 762)	Other consumption expenditure	1 338	1 608
Other taxes on income and wealth	140	163	Total consumption expenditure	4 435	4 955
Employers' child allowance payments	509	424	State aid to local authorities	3 348	3 914
Sales tax	3 583	4 398	State aid to industries	2 252	2 326
Customs duties and import charges and levies	426	429	of which: agric. price subsidies	(1 257)	(1 283)
Excise duties ¹	2 485	2 936	Child allowances	515	567
Excise duty on alcoholic beverages ¹	784	905	Share in national pensions and sickness insurance schemes	146	158
Excise duty on tobacco	375	371	Other transfer expenditure	1 997	2 276
Excise duty on liquid fuel	826	1 095	Total transfer expenditure	8 258	9 241
Other excise duties ¹	500	565	Machinery and equipment	598	661
Tax on autom. and motor-cycles	367	407	Construction of buildings	299	346
Stamp duties	350	400	Land and waterway construction	714	743
Special diesel etc. vehicles tax	62	77	Total real investment	1 611	1 750
Other taxes and similar revenue ¹	443	382	Interest on State debt	248	303
Total taxes	12 901	13 237	Net deficit of State enterprises	29	-79
Miscellaneous revenue	882	1 101	Other expenditure	23	24
Interest, dividends etc.	368	331	Total other expenditure	300	248
Redemptions of loans granted	149	254	Increase in inventories	47	-106
Total revenue	14 300	14 923	Lending	1 411	1 094
Foreign borrowing	152	1 369	Other financial investment	292	289
Domestic borrowing	488	1 070	Total expenditure	16 354	17 471
Total borrowing	640	2 439	Redemption of foreign loans	63	124
Deficit (+) or surplus (-)	(+1 713)	(+565)	Redemption of domestic loans	236	332
			Total redemptions	299	456
	Total	16 653	Total	16 653	17 927

¹ New series.

State debt	1975	1976	1977	1978		
	Dec.	Dec.	Dec.	April	May	June
Foreign debt	1 603	2 248	3 679	4 473	4 534	5 146
Loans	1 645	2 175	2 963	3 328	3 588	3 624
Compensatory obligations	1	1	1	1	1	2
Short-term credit	85	287	175	115	408	408
Cash debt (net)	-242	-643	-669	-276	-515	-392
Domestic debt	1 489	1 820	2 470	3 168	3 482	3 642
Total State debt	3 092	4 068	6 149	7 641	8 016	8 788
Total debt, mill \$	798	1 069	1 493	1 824	1 873	2 053

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050
1977	30 931	30 708	+223

1977			
May	2 233	2 421	-188
June	2 541	3 119	-578
July	2 833	2 442	+391
Aug.	2 240	2 398	-158
Sept.	2 901	2 849	+ 52
Oct.	2 991	2 583	+408
Nov.	2 960	2 891	+ 69
Dec.	3 141	3 050	+91

1978*			
Jan.	2 511	2 631	-120
Feb.	2 524	2 188	+336
March	2 750	2 565	+185
April	2 894	2 426	+468
May	2 942	2 935	+7
June	2 823	2 668	+155

Jan.-June			
1977	13 865	14 497	- 632
1978*	16 444	15 413	+1 031

Indices of exports and imports 1975 = 100

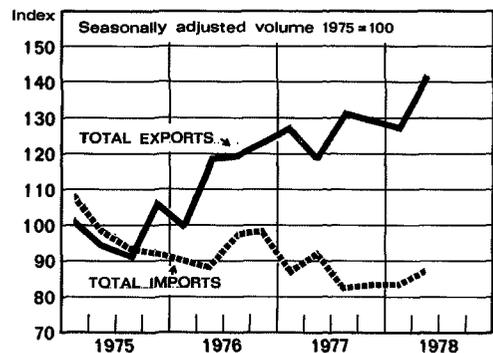
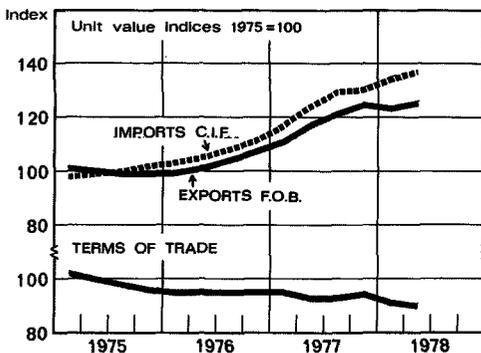
Period	Indices of exports and imports 1975 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1973	121	93	60	64	94
1974	121	100	85	92	92
1975	100	100	100	100	100
1976	117	96	103	107	97
1977	129	88	119	124	96

1975					
Oct.-Dec.	116	100	100	103	97

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

1977					
Jan.-March	123	83	112	117	96
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94
Oct.-Dec.	143	93	125	131	95

1978*					
Jan.-March	124	78	124	135	92
Apr.-June	136	83	126	138	91



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	
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83

1977*

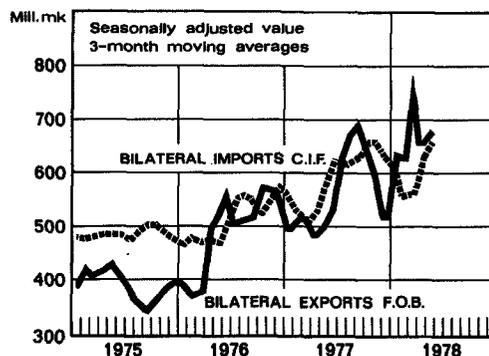
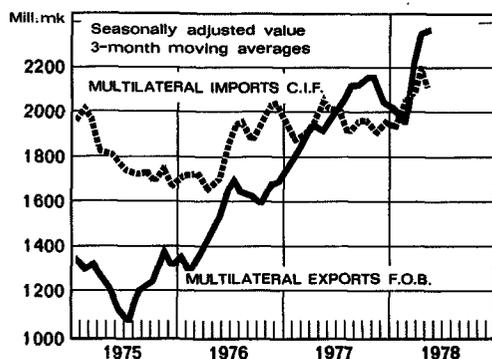
May	106	350	681	435	661	1 451	148	370	441	11
June	91	367	750	770	563	1 984	202	564	353	16
July	87	352	701	1 045	648	1 609	178	318	316	21
Aug.	48	339	674	605	574	1 590	166	276	356	10
Sept.	44	337	794	943	783	1 792	284	371	399	3
Oct.	41	321	753	1 106	770	1 650	222	321	389	1
Nov.	44	417	896	802	801	1 729	198	511	453	0
Dec.	143	346	836	963	853	1 876	230	526	415	3

1978*

Jan.	160	322	721	656	652	1 567	193	493	376	2
Feb.	34	266	821	727	676	1 395	124	327	340	2
March	153	322	901	646	828	1 564	89	475	436	1
April	19	348	907	799	821	1 445	123	402	455	1
May	113	431	850	729	819	1 823	199	412	501	0
June	40	414	873	810	686	1 737	196	376	357	2

Jan.-June

1977	680	1 741	4 143	3 720	3 581	8 882	788	2 507	2 275	45
1978*	519	2 103	5 073	4 267	4 482	9 531	924	2 485	2 465	8



FOREIGN TRADE BY COUNTRIES¹

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—June				January—June			
	1977*		1978*		1977*		1978*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	65.7	9 109	62.7	10 309	60.1	8 708	60.4	9 307
Austria	0.8	116	0.7	115	1.5	218	1.4	214
Belgium and Luxembourg	1.7	240	2.0	330	2.0	288	1.9	286
Denmark	4.1	570	4.1	666	2.6	383	2.7	417
France	3.6	503	4.0	658	2.9	416	3.3	513
Federal Republic of Germany	10.9	1 506	10.5	1 728	14.6	2 117	13.8	2 129
Italy	1.4	196	1.7	279	2.3	326	2.4	369
Netherlands	3.8	525	3.8	632	2.7	394	2.9	442
Norway	4.8	659	4.9	798	3.3	472	2.9	441
Portugal	0.3	43	0.2	34	0.4	62	0.3	53
Spain	1.0	137	0.8	129	1.9	270	1.0	149
Sweden	17.0	2 353	14.3	2 356	14.5	2 103	15.3	2 362
Switzerland	1.7	240	1.8	293	2.0	296	2.1	330
United Kingdom	12.5	1 734	12.5	2 055	9.0	1 306	9.9	1 519
Other	2.1	287	1.4	236	0.4	57	0.5	83
OECD countries outside Europe	6.5	908	6.9	1 129	8.5	1 229	8.4	1 297
Canada	0.7	95	0.6	92	0.3	39	0.4	58
Japan	0.6	94	0.9	147	2.9	425	2.8	438
United States	4.4	608	4.4	724	5.1	734	4.9	762
Other	0.8	111	1.0	166	0.2	31	0.3	39
CMEA countries	19.4	2 683	20.6	3 388	20.7	3 000	21.6	3 326
Czechoslovakia	0.5	64	0.5	76	0.4	65	0.5	74
German Democratic Republic	1.2	164	0.7	125	0.6	84	0.6	94
Poland	0.9	122	0.7	116	1.8	256	2.2	337
Soviet Union	16.0	2 214	17.6	2 892	17.3	2 510	17.4	2 680
Other	0.8	119	1.1	179	0.6	85	0.9	141
Latin America	2.0	276	2.9	474	4.5	659	4.0	614
Argentina	0.2	28	0.2	32	0.3	40	0.3	45
Brazil	0.5	65	0.5	78	0.7	98	0.7	104
Colombia	0.1	10	0.1	18	1.5	222	1.4	214
Other	1.2	173	2.1	346	2.0	299	1.6	251
Other	6.4	889	6.9	1 144	6.2	901	5.6	869
GRAND TOTAL	100.0	13 865	100.0	16 444	100.0	14 497	100.0	15 413
of which								
EFTA countries	27.4	3 428	22.0	3 622	21.9	3 173	22.3	3 431
EEC countries	38.6	5 366	39.3	6 470	36.2	5 250	37.0	5 704
OECD countries	72.3	10 019	69.6	11 438	68.5	9 937	68.8	10 604

¹ New series. See explanations on page 18.

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport, net	Travel, net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976	24 372	28 472	-4 100	+1 193	+ 22	+245	-2 640	-1 749	-118	-4 507
1977*	30 766	30 625	+ 141	+1 388	- 3	+411	+1 937	-2 434	-147	- 644

1975

July-Sept.	4 482	6 649	-2 167	+237	+142	+ 57	-1 731	-308	- 6	-2 045
Oct.-Dec.	5 961	7 234	-1 373	+234	- 7	+206	- 940	-411	-30	-1 381

1976

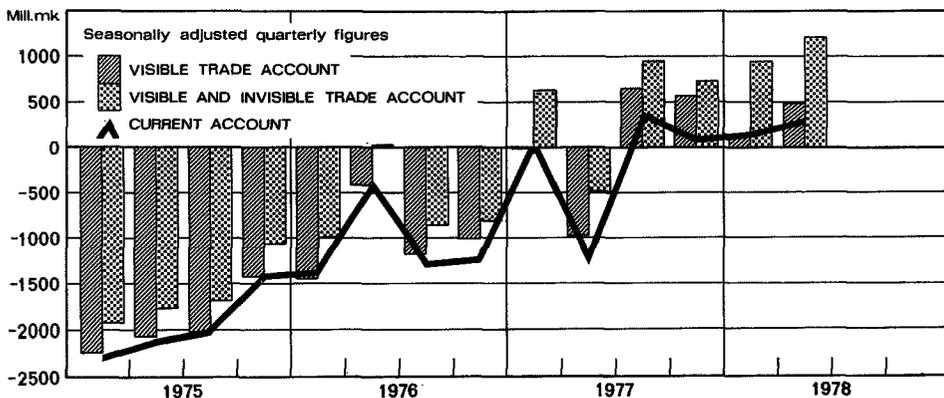
Jan.-March	4 987	6 307	-1 320	+252	- 50	+ 65	-1 053	-347	-35	-1 435
Apr.-June	5 864	6 224	- 360	+252	+ 49	+ 26	- 33	-485	-26	- 544
July-Sept.	6 098	7 515	-1 417	+365	+ 62	+110	- 880	-434	-17	-1 331
Oct.-Dec.	7 423	8 426	-1 003	+324	- 39	+ 44	- 674	-483	-40	-1 197

1977*

Jan-March	6 977	6 765	+ 212	+ 330	- 80	+ 82	+ 544	- 506	-46	- 8
Apr.-June	6 817	7 689	- 872	+ 298	+ 10	+ 49	- 515	- 726	-12	-1 253
July-Sept.	7 931	7 671	+ 260	+ 376	+118	+180	+ 934	- 532	-30	+ 372
Oct.-Dec.	9 041	8 500	+ 541	+ 384	- 51	+100	+ 974	- 670	-59	+ 245

1978*

Jan.-March	7 752	7 359	+ 393	+ 368	- 66	+165	+ 860	- 613	-63	+ 184
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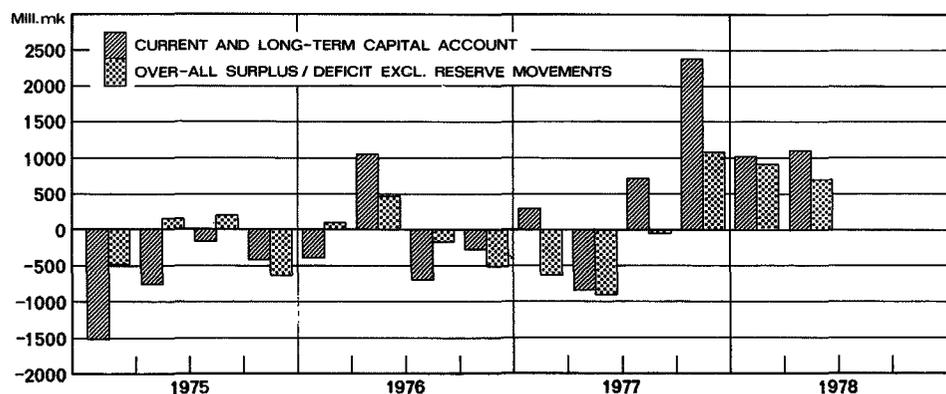


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+ 638	+1 449	+ 8	- 747	-444	+1 191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+ 138	-1 288	+1 327	- 128	+ 78	+ 50
+6 454	-2 745	-241	-229	+3 239	+2 595	-1 547	- 470	-1 067	- 489	-170	+ 659
+2 121	-287	- 3	+ 57	+1 888	- 157	+ 131	- 34	+ 265	+ 205	+ 91	- 296
+1 532	-415	-139	- 15	+ 963	- 418	+ 337	- 33	- 518	- 632	+165	+ 467
+1 404	-374	+ 5	+ 11	+1 046	- 389	- 628	+ 119	+ 996	+ 98	+373	- 471
+2 096	-394	- 95	- 7	+1 600	+1 056	- 158	+ 120	- 560	+ 458	-485	+ 27
+1 239	-568	- 11	- 25	+ 635	- 696	+ 565	- 764	+ 722	- 173	+263	- 90
+1 391	-449	- 90	+ 69	+ 921	- 276	+ 359	- 763	+ 169	- 511	- 73	+ 584
+1 022	-550	-127	- 24	+ 321	+ 313	- 799	+ 149	- 268	- 605	-140	+ 745
+1 273	-857	+ 35	- 37	+ 414	- 839	- 333	+ 149	+ 117	- 906	+358	+ 548
+1 252	-647	-156	- 89	+ 360	+ 732	+ 227	- 384	- 630	- 55	-319	+ 374
+2 907	-691	+ 7	- 79	+2 144	+2 389	- 642	- 384	- 286	+1 077	- 69	-1 008
+1 876	-854	-170	- 14	+ 838	+1 022	-568	+ 671	-201	+ 924	-1 556	+ 632

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 1973 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machinery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1976	626	646	548	614	707	621	679	594	614	152	142	154
1977	692	713	610	667	804	695	728	654	695	171	154	176
1977												
Sept.	701	722	621	673	826	705	730	665	707	175	158	180
Oct.	703	722	631	675	829	709	735	665	710	175	157	180
Nov.	705	723	632	677	830	709	737	665	711	176	157	181
Dec.	705	724	634	677	833	710	735	666	713	176	157	182
1978												
Jan.	706	725	637	675	845	713	730	667	719	177	155	183
Feb.	711	730	639	679	853	719	736	665	727	177	155	183
March	716	731	658	683	869	719	736	670	733	178	155	184
April	717	733	658	683	869	725	740	669	736	178	156	185
May	721	734	669	687	877	726	737	675	741	180	160	185
June	721	734	674	687	884	725	737	673	743	180	160	185
July	730	742	685	691	902	739	752	677	752	180	160	186
Consumer prices 1972 = 100												
Period	Cost of living Oct. 1951 = 100	Con-sumer prices Oct.—Dec. 1957 = 100										
			Total	Food	Bever-ages and tobacco	Clothing and foot-wear	Rent	Heating and lighting	Furniture, household equip. and operation	Trans- port	Education and recreation	Other goods and services
1976	449	352	174	182	164	166	171	200	164	174	162	185
1977	506	397	196	216	174	181	183	221	181	197	188	209
1977												
Sept.	520	408	202	225	174	184	190	223	184	202	193	215
Oct.	522	410	203	225	174	185	190	229	185	203	194	216
Nov.	524	412	204	226	174	187	192	230	186	203	195	217
Dec.	525	412	204	225	174	186	192	233	187	205	196	217
1978												
Jan.	526	412	204	222	174	183	192	234	188	209	198	218
Feb.	532	417	207	223	190	187	192	235	188	212	198	222
March	533	419	207	224	190	190	192	235	189	212	198	223
April	536	420	208	224	190	192	192	236	190	213	200	223
May	544	427	211	224	204	193	195	235	190	218	201	229
June	544	427	211	224	204	193	195	235	190	218	201	230
July	545	428	212	225	204	187	195	236	190	219	201	234

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							
1976	599	442	428	361	360	353	416	346	441	399
1977*	670	484	456	385	387	375	453	373	479	432
1976										
July-Sept.	602	448	434	364	364	355	425	349	451	406
Oct.-Dec.	639	456	440	364	364	356	426	350	451	407
1977*										
Jan.-March	653	457	440	372	374	364	428	357	453	411
Apr.-June	665	488	454	385	390	378	456	374	484	436
July-Sept.	670	493	463	388	390	379	461	377	488	439
Oct.-Dec.	706	499	468	397	394	380	468	384	492	445
1978*										
Jan.-March	709	500	469	397	395	380	470	385	494	446
Apr.-June	711	509	472	402	399	384	478	390	502	453

PRODUCTION¹

Volume indices of production 1975 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce	Public sector services	Others
1976*										
Jan.-March	95	105	71	89	73	102	90	91	106	99
Apr.-June	100	103	89	109	70	103	99	100	105	102
July-Sept.	100	89	192	65	92	93	100	100	106	98
Oct.-Dec.	108	110	75	122	107	98	114	110	108	104
1977*										
Jan.-March	97	106	71	110	78	96	92	83	111	101
Apr.-June	100	103	87	112	74	95	98	94	110	103
July-Sept.	99	90	152	63	94	90	105	95	111	100
Oct.-Dec.	108	110	74	109	105	93	117	99	113	105
1978*										
Jan.-March	99	106	71	115	74	93	97	83	114	103

¹ New series.

PRODUCTION

Index of industrial production 1970 = 100

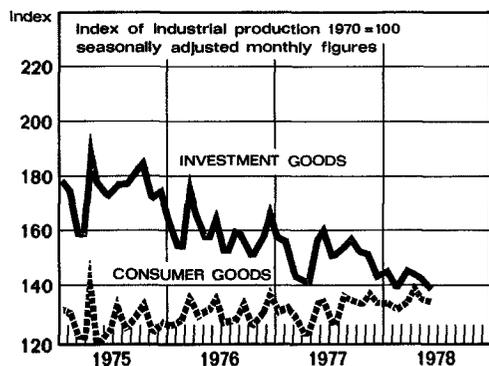
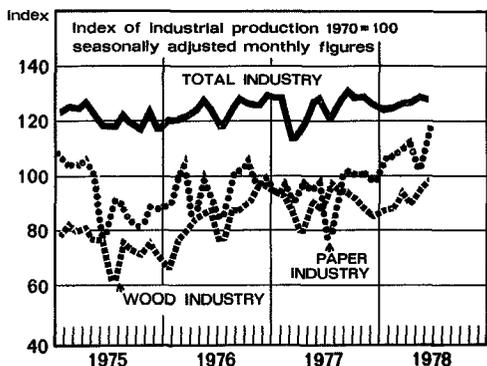
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	141	127
1975	122	178	110	130	113	76	95	143	128	150	122
1976	125	162	116	132	110	85	99	153	121	150	125
1977*	127	153	119	133	108	91	98	152	119	151	127

1977*

March	130	154	124	136	103	103	96	161	119	155	115
April	120	146	113	124	99	94	92	150	99	145	120
May	136	172	126	143	115	116	104	148	132	167	128
June	123	165	112	135	106	97	81	121	126	161	130
July	66	61	64	74	95	42	59	82	63	56	122
Aug.	129	146	122	140	115	90	111	151	125	146	128
Sept.	140	171	132	146	114	100	117	162	137	167	132
Oct.	139	168	132	145	123	94	113	154	133	165	130
Nov.	142	173	133	149	127	99	112	166	127	172	130
Dec.	129	149	122	135	111	84	94	164	108	152	127

1978*

Jan.	136	159	130	139	103	88	111	175	122	158	126
Feb.	128	147	123	134	94	87	113	164	118	145	126
March	136	156	130	141	104	104	107	183	121	156	127
April	134	147	129	140	106	114	115	179	128	149	128
May	140	159	134	146	119	126	112	165	127	161	130
June	124	145	116	136	113	109	97	126	129	145	129



LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Un- employed 1 000 persons	Unemploy- ment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Whole- sellers' volume index 1972 = 100
1975	3 513	2 272	2 221	51	2.2	29 133	122	127
1976*	3 547	2 254	2 163	91	4.0	27 305	123	127
1977*	3 561	2 248	2 111	137	6.1	27 814	113	120
1977*								
July	3 562	2 436	2 288	148	6.1	685	117	101
Aug.	3 563	2 329	2 188	141	6.0	1 240	119	127
Sept.	3 565	2 222	2 100	122	5.5	1 824	117	130
Oct.	3 567	2 218	2 092	126	5.7	2 090	113	123
Nov.	3 567	2 195	2 050	145	6.6	2 355	111	125
Dec.	3 570	2 210	2 051	159	7.2	2 714	139	133
1978*								
Jan.	3 572	2 199	2 007	192	8.7	2 625	94	102
Feb.	3 571	2 187	2 001	186	8.5	3 076	92	110
March	3 572	2 195	2 007	188	8.5	3 641	105	123
April	3 576	2 172	2 004	168	7.7	3 443	107	120
May	3 575	2 228	2 073	155	7.0	2 436	112	124
June	3 576	2 420	2 241	179	7.4

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building- works under con- struction
	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1974	53.23	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975	51.42	19.65	3.79	21.62	3.39	47.85	20.59	2.80	18.68	3.64	52.45
1976	46.89	19.95	3.93	15.81	3.84	41.25	17.74	3.16	15.40	2.59	51.85
1977*	41.62	18.82	4.23	11.90	3.72	43.12	17.89	3.01	16.57	3.28	48.38
1976											
Oct.-Dec.	11.96	4.09	0.69	5.12	1.45	13.15	6.29	1.19	4.02	0.81	51.85
1977*											
Jan.-March	6.73	2.92	0.66	1.91	0.83	9.43	3.59	0.47	4.51	0.57	47.95
Apr.-June	13.22	7.00	1.71	2.69	0.80	8.76	4.16	0.38	2.76	0.99	51.52
July-Sept.	11.20	4.67	1.06	3.70	0.91	10.92	4.04	1.05	4.02	0.99	52.69
Oct.—Dec.	10.47	4.23	0.80	3.60	1.18	14.01	6.10	1.11	5.28	0.73	48.38
1978*											
Jan.-March	10.21	3.72	1.02	4.06	0.92	8.36	3.81	0.66	2.80	0.75	45.37

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 + Term liabilities.

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

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

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

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

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

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

DEPOSITS BY THE PUBLIC —

ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

Page 6. *Deposits by the public*. The central government and the financial institutions are mainly excluded from the public.

From 1974 deposits include domestic deposits denominated in foreign currency.

Page 7. *Advances to the public*. The central government and the financial institutions are not included in the public.

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

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

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

STATE FINANCES

Page 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): from January 1978 imports by countries of origin exports by countries of consumption.

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

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1975 is as follows: Social Democrats 54, People's Democrats 40, Centre Party 41, Conservatives 34, Swedish Party 10, Liberal Party 8, Christian League 9, Finnish Farmers Party 2 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, OECD 1969, and IDB 1977.

LAND

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

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

POPULATION

NUMBER OF INHABITANTS (1976): 4.7 million. Sweden 8.2, Switzerland 6.4, Denmark 5.1 and Norway 4.0 million.

DENSITY OF POPULATION (1976): In South Finland 46.2, in East and Central Finland 13.9, in North Finland 4.0 and in the whole country an average of 15.5 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1976): 41 % of the population inhabit the rural areas, 59 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 493 324 inhabitants. Tampere (Tammerfors) 166 179, Turku (Åbo) 164 520.

EMPLOYMENT (1976): Agriculture and forestry 14 %, industry and construction 35 %, commerce 15 %, transport and communication 8 % services 28 %.

LANGUAGE (1975): Finnish speaking 93.3 %, Swedish speaking 6.4 %, others 0.3 %.

EDUCATION (1977): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640) and 14 colleges of university standard.

CHANGE OF POPULATION (1976): births 14.0 ‰, deaths 9.4 ‰, change + 2.7 ‰, net emigration 2.0 ‰. Deaths in France 10.5 ‰ and Great Britain 12.2 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1977, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 308 (6 %), forestry and fishing 5 345 (5 %), manufacturing 33 593 (30 %), construction 9 979 (9 %), transport and communication 11 604 (11 %), commerce, banking and insurance 14 903 (14 %), public administration 5 956 (5 %), ownership of dwellings 4 030 (4 %), services 17 543 (16 %), total 109 261. Index of real domestic product 163 (1964 = 100).

FOREST RESOURCES (1976): The growing stock comprised of 1 520 million m³ (solid volume with bark) of which 45 % was pine and 37 % spruce, the remaining 18 % being broad-leaved trees, chiefly birch. Of the growing stock, 637 million m³ was up to the standard required for logs, 56 % of these being pine. The annual growth was 57.4 million m³ and the total removal, calculated on the basis of roundwood consumption, was 42.4 million m³.

AGRICULTURE (1976): Cultivated land 2.3 million hectares. Number of holdings 242 700 of which 164 600 are of more than 5 ha. Measure of self-sufficiency in bread cereals 150 % in the crop year 1976/77.

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

STATE RAILWAYS (Jan. 1, 1978): Length 6 063 km.

MERCHANT FLEET (June 30, 1978): Passenger vessels 119 (189 448 gross reg. tons), tankers 51 (1 165 653 gross reg. tons), dry cargo vessels 211 (966 744 gross reg. tons), other vessels 74 (9 848 gross reg. tons), total 455 (2 331 693 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1977): Passenger cars 1 075 400, lorries and vans 136 200, buses 8 800, others 7 200, total 1 227 600.

FINNISH AIRLINES (Aug. 1, 1978): Finnair and Kar-Air have in use 4 DC-8, 1 DC-6-ST, 8 Super Caravelles, 9 DC-9s, 6 DC-9-51s, 2 DC-10-30 and 4 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 30 airports and to 20 domestic airports.

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The permissible range of fluctuation is 2.25 per cent on either side of the arithmetic mean. The fluctuation limits are 121.7 and 116.4.

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1977). There are two big and five small commercial banks with in all 858 offices, 280 savings banks 376 co-operative banks, six mortgage banks. Posti-pankki and three development credit institutions. The co-operative stores accept deposits from their members. The Social Insurance Institution and fifty-eight private insurance companies also grant credits.

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

INDIRECT TAXES AND SOCIAL SECURITY CONTRIBUTIONS IN FINLAND

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This is the third in a series of articles describing the Finnish tax system. The first article (Bulletin 1/1978) outlined recent developments in the ratio of taxes to GDP, in the structure of taxation, and in the tax policies pursued. The second article (Bulletin 7/1978) described the major forms of taxation, namely those on incomes, profits and wealth, and now in the present article, other aspects of the tax system are examined.

The diversity of the tax policy objectives and the implementation of differential rates and modes of taxation have involved an increase in the number of different taxes. At present, the Finnish central government budget contains more than 30 different tax headings. In addition, the municipalities collect six different types of tax plus the Social Insurance Institution social security contributions. However, taxes other than income taxes are of importance only in central government finance and the finance of the Social Insurance Institution.

TAXES ON GOODS AND SERVICES

THE GENERAL STRUCTURE

Besides income and profit taxes, taxes payable on goods and services constitute another major category of tax. Changes in the general structure of taxation have reduced their relative importance, and whereas in 1965 taxes payable on goods and services accounted for almost half of the public sector's total tax revenue, in recent years, this figure has fallen to just over a third.

Table 1 shows the breakdown of taxes on goods and services in 1973—1976, according to the major categories of the tax classification adopted in the OECD Revenue Statistics. Long-term structural changes in the levy of taxes on goods

and services have meant that the importance of sales taxes and excise duties has increased relative to that of customs duties. Sales taxes and excise duties account for almost 90 per cent of revenue from this category, the former alone yielding about 50 per cent.

SALES TAXES

The Finnish sales tax is not a pure sales tax nor a value-added tax but something between these two forms. In principle, this tax is levied on all sales, on the leasing and import of goods, on the manufacture of goods and on associated services. However, although the incidence of the sales tax is, ostensibly, quite wide, significant sectors of production are not affected by it. For example, the provision of services is exempt from sales tax. Moreover, in order to mitigate the price effects of the tax and reduce the extent of tax liability, production of some goods has also been exempted.

For example, water, steam, electricity, gas, buildings and other permanent structures do not constitute goods, as defined in the Sales Tax Act. Furthermore, various kinds of fuel, newspapers and periodicals, airplanes and ships are also exempt from sales tax under the same act.

TABLE 1. TAXES PAID ON GOODS AND SERVICES IN 1973—1976, MILL. MK

	1973	1974	1975	1976
Sales taxes	4 743	5 772	6 547	7 118
Excise duties	3 369	3 702	4 698	6 001
Profits of fiscal monopolies	255	229	260	352
Customs duties	569	680	786	678
Taxes paid on specific services	217	231	282	328
Other taxes	93	95	228	233
Total	9 246	10 709	12 801	14 710

In addition to exempted goods and those outside the sales tax system, certain essential goods have been defined as only partly taxable. Hence the sales tax is not levied on primary foodstuffs but only on the processing and resale of foodstuffs, and similarly with fertilizers, fodder, and goods sold in chemist's shops. For all these, the share of the original producer is exempt from tax. These provisions are designed to mitigate the impact of sales tax on the prices of certain essential consumer goods. In the case of some basic foodstuffs, attempts have, in fact, been made to extend exemption to the processing and distribution stages, and eliminate the sales tax altogether. Tax exemption for primary production has been implemented by granting a so-called primary production allowance to food manufacturers or to the trade sector. For certain basic foodstuffs, this allowance is granted at a rate of one time and a half, so that the impact of the sales tax imposed at later stages of production is reduced.

The taxpayers were previously classified as wholesalers or retailers according to the nature of their business. The former category, comprising both manufacturing industries and wholesalers, did not, as a rule, need to pay tax on their mutual transactions nor on imported goods. The tax was payable only when the goods were transferred from the wholesale stage to the retail stage or to the consumer. On the other hand, retailers always paid tax on their sales and imports of goods. In order to accelerate the accrual of taxes and to intensify the control of the operation of the tax system, the tax exemption of imports was removed in 1976 and subsequently in 1978, the tax exemption of domestic transactions granted to wholesalers.

As a result, the sales tax is nowadays paid at every stage of exchange of goods. The taxation is based on a so-called taxation value of sales, which is the total value of taxable goods sold less the total value of taxable goods either bought from other taxpayers, or imported. However, only goods bought or imported for sales purposes are deductible. Thus, certain auxiliary materials, tools, machinery or equipment which

are not regarded as goods acquired for sales purposes, and also goods exempted or not subject to the sales tax system are not deductible.

However, since the permitted deductions are limited, the sales tax included in the prices of certain inputs is compounded in the production process, so that the prices of final products contain, in addition to the visible sales tax, a so-called hidden sales tax. It is important to note that investment costs are amongst those not deductible, for purposes of tax assessment.

The multiple incidence of sales tax tends to weaken the international competitiveness of Finnish firms, because the hidden taxes on inputs cannot be eliminated from exported goods. Import-competing industries are in a similar position, at least with regard to imports from countries which have introduced a value-added tax. At the end of the last decade, of the retail price of domestic final goods, 11 per cent was due to the visible sales tax and an estimated average of 4.5 per cent was due to hidden tax. The hidden sales tax accounted for 3.5 per cent in the case of export goods, 6.4 per cent in the case of investment goods and 4.2 per cent in the case of consumer goods.

The present sales tax system has operated since 1964, although since then exemptions of certain products and other forms of product differentiation have been implemented. In 1974 for example, all kinds of fuel were exempted from sales tax and the same year also saw the introduction of the above-mentioned reliefs in the taxation of certain basic foodstuffs.

Only one tax rate is used at any one time in the present system, the necessary differentiation of taxation by category of goods being implemented by means of the above-mentioned measures. Originally the tax rate was 10 per cent but in 1967 it was increased to 11 per cent, and a further increase to 14 per cent was introduced at the beginning of 1977. These percentage figures refer to the share of tax in the post-tax price.

A tax is also collected on certain insurance premiums, which is effectively a sales tax imposed on insurance services. Insurance premium tax is collected on all insurance premiums other than personal insurance, credit insurance and reinsurance premiums and on certain insurance premiums linked with foreign transport. The tax is paid on the basis of the insurance premiums accrued or paid abroad, at the same rate as the sales tax, thus currently 14 per cent of the insurance premium including the tax.

An import-equalization tax, which has been collected since 1971, constitutes the third component of the sales tax system. This tax is designed to restore balance between the competitive positions of imported and domestically produced goods. The import-equalization tax is levied on imports of goods competing with Finnish production, i.e. products that are also manufactured in Finland. About 50 per cent of Finnish imports are liable to this tax, which forms the same kind of a burden on imported goods as the above-mentioned hidden sales tax does on domestic goods. The rate of the import-equalization tax varies according to the category of goods, and is equal to the estimated hidden sales tax included in the prices of domestically produced goods in the same categories. The rate of the tax varies between 1.2 and 6.0 per cent of the taxable value of an imported good, the average rate being 2.2 per cent.

Table 2 shows total revenue from the sales tax, the insurance premium tax and the import-equalization tax in 1973—1976. The sales tax proper has clearly played the major role, accounting for about one sixth of the public sector's total tax revenue and one quarter of the central government's budget finance.

TABLE 2. REVENUE FROM THE VARIOUS SALES TAXES IN 1973—1976, MILL. MK

	1973	1974	1975	1976
Sales tax	4 471	5 412	6 127	6 667
Insurance premium tax	102	129	153	180
Import-equalization tax	170	230	266	270
Total	4 743	5 771	6 546	7 117

TABLE 3. REVENUE FROM THE VARIOUS EXCISE DUTIES IN 1973—1976, MILL. MK

	1973	1974	1975	1976
Excise duty on tobacco	537	627	648	855
Excise duty on beer	242	263	333	382
Excise duty on fuel	824	1 009	1 219	1 601
Tax on automobiles and motor-cycles	636	519	764	896
Excise duty on alcoholic beverages	807	985	1 222	1 373
Other excise duties	323	299	512	894
Total	3 369	3 702	4 698	6 001

EXCISE DUTIES

In recent years, excise duties have accounted for about 12 to 13 per cent of the public sector's total tax revenue. Table 3 shows the total revenue from major excise duties in 1973—1976. In Finland, as in most other countries, the collection of excise duties centres on a few categories of goods for which the demand is generally fairly inelastic. This ensures the fiscal outcome of the collection of excise duties, which can be quite high on particular goods. The imposition of heavy excise duty has also been justified on the grounds that consumption of certain goods should be discouraged, for example, for public health reasons.

In the major excise duties, the rate of duty is determined according to tax schedules linked either to the quantity or to the value of goods. Both these schedules are applied in the determination of the excise duty on beer, while excise duty on tobacco is proportionate to the value of the good, and the excise duty on fuel is quantity-based.

The tax on automobiles and motor-cycles is determined according to the taxation value of the vehicle. This tax is collected on passenger cars and motor-cycles. The rate of the tax is progressive, so that the tax as a proportion of the value of the vehicle increases sharply as the value of the vehicle increases.

The excise duty on alcoholic beverages is a percentage of the total value of the sales of alcoholic beverages other than beer by the

state-owned company which has the monopoly of selling alcoholic beverages. In fact, the profits of this company are transferred almost entirely to the central government budget, and the item is shown in Table 1 under the heading 'Profits of fiscal monopolies'. The revenue from the alcohol monopoly accounts for more than one tenth of total revenue from taxes on goods and services, and it is regulated by the pricing of alcoholic beverages.

The category 'Other excise duties' includes a large number of various taxes. The excise duty on confectionary (revenue 82 mill. mk in 1976), the excise duty on soft drinks (68 mill. mk), the excise duty on certain foodstuffs (295 mill. mk) and the electricity tax (76 mill. mk) are the most important of these duties. The latter has been collected only since 1976.

Excise duties also include certain charges collected on production or import of goods, the aim being to control and regulate developments in the volume of output in certain industrial sectors. Attempts have been made to solve the problem of surplus agricultural production by imposing charges which affect the profitability of certain products. The charge on butter for price subsidy and the marketing charges on milk and wheat, introduced at the beginning of the 1970s, are examples. The price subsidy charge on butter is also aimed at influencing income distribution between agricultural producers. Similarly the excise duty on margarine is designed to affect the relative prices of butter and margarine, and excise duties on fodder and fertilizers are designed to regulate agricultural input prices. One special excise duty which should also be mentioned is the buffer stock duty on liquid fuel, which has been used to raise funds for financing the establishment of buffer stocks.

OTHER TAXES ON GOODS AND SERVICES

In the breakdown of taxes on goods and services presented in Table 1, 'Customs duties' and 'Taxes on specific services' are shown as separate categories, in addition to 'Sales taxes' and 'Excise duties'. The importance of customs

duties has declined, representing only about 4 to 6 per cent of all the taxes on goods and services in 1973—1976. On the other hand, it should be noted that the difference between customs duties and excise duties is somewhat vague.

'Taxes paid on specific services' consist almost entirely of the central government's revenue from lotteries and slot-machines. These are not licence fees but rather shares of earnings from the activities of publicly controlled corporations, which have to pay a certain percentage of their gross earnings to the central government budget. These funds have been earmarked for the financing and the promotion of sports and physical education, science and arts, and for other social purposes.

The category 'Other taxes on goods and services' comprises certain licence fees, i.e. motor-vehicle tax, dog tax and licence fees on hunting and fishing. The motor-vehicle tax is collected on diesel-driven vehicles, but an additional temporary car licence fee was imposed on all passenger cars in private use during 1976 only. In 1975 this category also included a temporary tax, namely a counter-cyclical withholding collected in the wood-processing industries.

SOCIAL SECURITY CONTRIBUTIONS

In the tax classification adopted in the OECD Revenue Statistics, social security contributions include only those paid by the employers. In Finland, however, social security contributions are also made by the insured, but — due to the mode of payment — these should rather be dealt with as part of the household sector's income taxes than as social security contributions. Income-related insurance contributions are imposed on every individual who has had to pay local income tax, and these are collected with other income taxes.

The employers' social security contributions comprise three separate contributions. The employers' child allowance contributions are transferred to the central government budget, while

TABLE 4. EMPLOYERS' SOCIAL SECURITY CONTRIBUTIONS IN 1973—1976; ANNUAL AVERAGES AS A PERCENTAGE OF THE WAGE BILL

	1973	1974	1975	1976
Child allowance contributions	1.75	1.75	1.88	2.25
National pension contributions	4.34	4.45	4.76	4.82
Sickness insurance contributions	1.87	2.00	2.00	2.00
Total	7.96	8.20	8.64	9.07

the Social Insurance Institution collects the employers' national pension and sickness insurance contributions. Revenue from all these contributions is already allocated to social security expenditure. However, in the case of the employers' child allowance contributions, these effectively form a general labour-force tax, since the funds used to finance them are subject to separate legislation.

The employers' social security contributions are determined by wages and salaries paid. Because there are no ceilings or similar restrictions, the rate of the contribution also indicates, in all cases, the total burden borne by the employer relative to the wage bill. Table 4 shows the average rates of the employers' social security contributions in 1973—1976. As expenditure on social security has been steadily increasing, there has been continuous pressure to increase contribution rates.

The rate of the employers' child allowance and sickness insurance contributions is the same for all employers. However, in the case of national pension contributions, a system of differentiated rates has been applied since 1973, rates of contribution corresponding with a threefold classification of employers. This differentiation was introduced so that the financial burden of the increase in expenditure due to the 1973 pension reform would fall differently on different kinds of enterprises. It was felt that the employers' social security contributions were a particular burden on labour-intensive enterprises, i.e. enterprises in which the labour-capital ratio is high. National pension contributions are determined on the basis of the ratio

of an enterprise's fixed capital depreciation allowance over its total wage bill. If this ratio is more than 0.3, the enterprise is subject to the highest contribution rate. If this ratio is between 0.1 and 0.3, then the medium rate applies, while other enterprises pay the basic rate. The differentiation is applied only to taxpayers engaged in business activities. All other employers pay their national pension contributions at the basic rate.

Although rising social security payments have made it necessary to increase employers' contributions, the differential rates have remained unchanged since 1973. Since the higher rates have applied only to a small proportion of firms, the impact of differentiation has not been great, increasing total revenue from the employers' social security contributions by only some 2 to 3 per cent. Employers paying their social security contributions at the basic rate account for about two thirds of the economy's total wage bill.

Table 5 shows total revenue from the employers' social security contributions in 1973—1976, which have accounted for 10 to 11 per cent of the public sector's total tax revenue.

When comparing the role of the employers' social security contributions as a labour cost, for example, with the corresponding burdens in other countries, it should be noted that a substantial part of the social security system in Finland has been implemented by the private sector. The wage-earners' employment pension scheme, the self-employed persons' pension scheme, the employers' compulsory accident insurance and unemployment insurance are operated by private insurance institutions. Com-

TABLE 5. EMPLOYERS' SOCIAL SECURITY CONTRIBUTIONS IN 1973—1976, MILL. MK

	1973	1974	1975	1976
Child allowance contributions	527	678	911	1 234
National pension contributions	1 363	1 614	2 129	2 723
Sickness insurance contributions	571	704	928	1 129
Total	2 461	2 996	3 968	5 086

pulsory contributions are collected to finance these schemes, but as these are not the public sector's revenues, they cannot be regarded as taxes. The contributions to this compulsory private social security system are collected only from the employers.

In 1973 the employers' contributions to private insurance institutions accounted for about 8.2 per cent of their wage bill, and by 1976 this had risen to about 11.4 per cent. Relative to the wage bill, these contributions were thus a heavier burden on the employers than those collected by the public sector. The social security contributions paid to the private sector and those collected by the public sector together account for 16.1 per cent of the employers' total wage bill in 1973 and for about 20.5 per cent in 1976.

In 1973—1976 total revenue from the compulsory contributions paid to private institutions represented about 80 to 85 per cent of the total revenue from the social security contributions collected by the public sector. As these contributions are generally paid only by enterprises, the accrual from them is smaller than that from the public sector's social security contributions. For example, the public sector participates as an employer only to a very limited extent to the financing of the social security schemes operated by private institutions.

OTHER TAXES

In addition to income and wealth taxes and the taxes dealt with above in this article, there remains the gift and inheritance tax and the stamp duty. The fiscal importance of these has always been fairly small. In recent years, total revenue from gift and inheritance taxes has accounted for only about 0.2 per cent of total tax revenue and that from stamp duties less than 1.5 per cent.

Gift and inheritance taxes are collected on a progressive scale. The present tax scale has operated since the late 1950s, so that the rate of taxation has, in certain cases, been fairly heavy, due to inflation. The tax is collected on

shares of inheritance with a taxable value of 2 000 marks or more. In the case of the closest relatives, the maximum rate is 11 per cent, while for most distant relatives and others, the maximum rate is 55 per cent.

The stamp duty comprises a large number of different taxes, many being charges on public services, rather than taxes as such. The most important types of stamp duty are those collected on certain financial transactions and capital transfers, stamp duties on licences for the use of certain goods or the pursuit of certain activities, and stamp duties on entrance-fees for entertainments. There are no statistics available indicating the importance of the various types of these taxes.

CONCLUSION

As the number of different taxes on goods and services and social security contributions is so great, there are heavy pressures to revise the system. In fact, the schedules for many of these taxes have been annually revised, partly because they have provided a means whereby additional public finance can be raised. The earmarking of social security contributions has also meant that the extension and development of social security schemes have led to a tightening of the schedules. The introduction of a value-added in place of the current sales tax is one of the more comprehensive plans for the development of taxation policy, and a committee proposal for this reform was completed in the late 1960s. However, changes in the prevailing taxation structure would induce changes in income distribution and hence it has not been possible to implement it totally and only a few minor steps have been taken in this direction. In recent discussions the need for a change in the differentiation of social security contributions has been emphasised so that the relative tax liability of labour-intensive and capital-intensive firms would fall in favour of the labour-intensive enterprises. To this end, efforts have been made to replace the present wage bill with a totally new payment basis, but as yet, no decisions have been made in this respect.

ITEMS

The Bank of Finland investment inquiry of May-June 1978.

Industrial investment in 1977. According to the investment inquiry conducted by the Bank of Finland in the spring of 1978, the volume of industrial fixed investment declined by 23 per cent in 1977. The result accords quite accurately with the information obtained from the investment inquiry conducted in the autumn of 1977. The decline in investment was particularly sharp in the metal industry and in the energy sector. Industrial investment activity slowed down partly due to the low level of capacity utilization, and partly to the weak profitability and poor financial position of industrial enterprises.

Planned investment for 1978. According to the inquiry, industry's propensity to invest has not increased appreciably since last autumn. With the persistently low level of capacity utilization, expansive investment has been dis-

couraged. However, a great deal of the increase in earnings due to reflationary measures and growth in export demand will apparently be used to improve enterprises' financial positions.

The volume of industrial investment planned for this year is 20 per cent less than the investment undertaken in 1977. If the plans are fully implemented, industrial investment in 1978 will be the lowest since the 1950s. The inquiry suggests that the decline in investment this year will be particularly sharp in the forest industries and in the energy sector. The metal industry's investment will also continue to decline this year. On the other hand, the volume of investment of other manufacturing industries is expected to increase noticeably. Much of the growth in investment seems to be concentrated in the chemical industries and industries producing non-durable goods. Investment in machinery and equipment is expected to decline more than building investment, especially in the forest industries where the decline may be substantial.

TABLE 1. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1977, AND PLANNED CHANGES FOR 1978 AND 1979¹, BY INDUSTRIAL SECTOR, PER CENT

	1977	1978	1979 ¹
Forest industries	- 7	-50	- 2
Metal industry	-45	- 8	-21
Other manufacturing	-17	20	-12
Total manufacturing	-22	-19	-12
Electricity, gas and water	-27	-25	-21

TABLE 2. ANNUAL CHANGES IN THE VOLUME OF INDUSTRIAL FIXED INVESTMENT IN 1977, AND PLANNED CHANGES FOR 1978 AND 1979,¹ PER CENT

	1977	1978	1979 ¹
Building investment	-35	-14	-20
Investment in machinery and equipment	-17	-23	-12
Total manufacturing	-23	-21	-14

¹ See footnote.

Planned investment for 1979. The uncertainty about future demand and profitability also affects investment plans for next year. Planned investment in both the metal industry and the energy sector is 20 per cent less than forecast. However, investment in forest industries is now stabilised, the volume of planned investment for 1978 and 1979 being the same.

As regards 1979, there is reason to believe that investment plans made this far in advance may change, depending on cyclical developments.¹ Despite the currently low volume of industrial investment, an increase may occur next year if there is an improvement in enterprises' demand and profitability prospects. It is still difficult to estimate how the enterprises' investment plans will be affected by the current easing of financial

¹ For forecast purposes, information on planned investment is usually revised by means of realised investment functions derived from earlier inquiries. Evidence suggests that, when economic activity picks up, future investment tends to be underestimated.

markets. Nevertheless, investment next year is expected to remain distinctly below the average for the 1960s and 1970s.

Capacity utilization in 1978 and 1979. The industrial enterprises' estimates of their capacity utilization in 1978 and 1979, revealed in the inquiry, offer some explanation of the low propensity to invest. An average of 79 per cent of enterprises' productive capacity will be utilized this year, whereas the capacity utilization was 90 per cent in 1974. However, the level of utilization is expected to rise to 80 per cent during the second half of this year. The forest industries, which had the lowest capacity utilization level last year, and other manufacturing industries will account for most of the increase. On the other hand, the metal industry's capacity utilization level may continue to fall this year.

A majority of the enterprises returning their questionnaires forecast that their capacity utilization level will rise next year. Half of the enterprises expect the level to rise during the first half of next year and 40 per cent assume that it will rise during the second half relative to capacity utilization for the corresponding periods this year. The forest industry enterprises are obviously the most optimistic, 70 per cent of these expecting their capacity utilization to rise at the beginning of next year.

Board of Management of the Bank of Finland. On June 29, 1978, the President of the Republic appointed Mr. Harri Holkeri, M.P., M.Pol.Sc., to the Board of Management of the Bank of Finland as from September 1, 1978.

(continued from page 2)

though these recommendations cannot be enforced. If a trader does not comply with the Board's recommendations, the Consumers Ombudsman may appear on the consumer's behalf against the trader in court.

Consumers are assisted by the advisory services provided by the local authorities. The aim is to achieve a gradual development of advisory services including consumer information and guidance on a wide range of goods and services, the consumer's legal position and the procedure if a conflict arises between him and

a trader. The services will include a conciliatory procedure for consumers and traders.

The basis for consumer protection in Finland is laid down in the Consumer Protection Act. New legislation on consumer credits, product liability, insurance policies and consumer services is planned and will further improve consumer protection in this country. Laws are also being prepared for the protection of certain categories of people whose position is comparable with that of consumers, such as small manufacturers and the self-employed who need to be protected in their relationship with large companies.

August 22, 1978

BANK OF FINLAND

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Rolf Kullberg Ele Alenius

Harri Holkeri

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Information and Publications *Administration and Legal Affairs*

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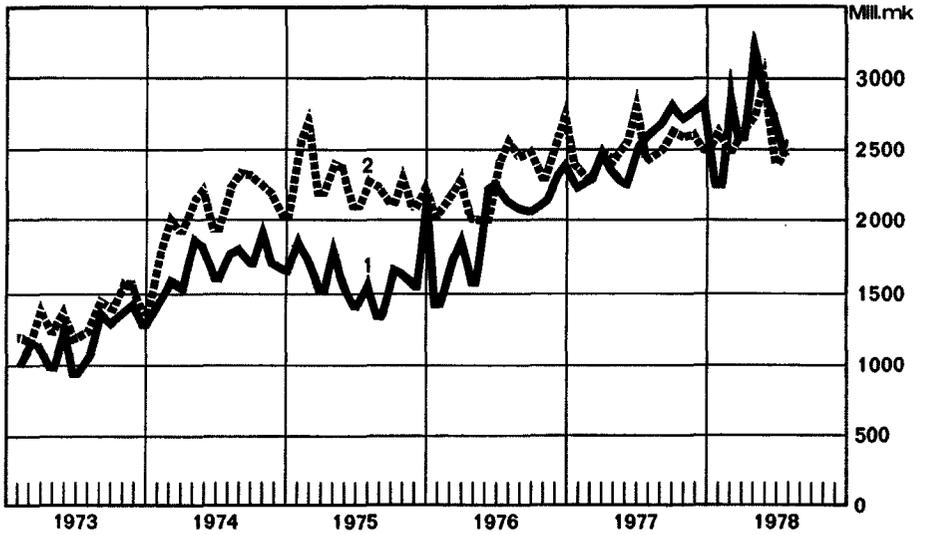
K. Eirola Pauli Kanerva
Automatic Data Processing *Personnel Administration and General Affairs*

Stig G Björklund Antti Luukka
Banking Services *Cash*

U. Levo
International legal affairs

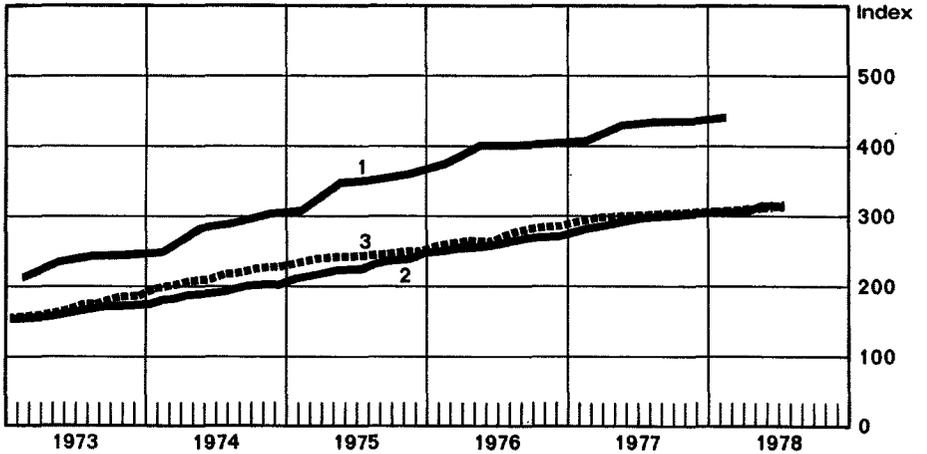
FOREIGN TRADE, 1973 - 1978

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



PRICES AND WAGES, 1973 - 1978

- 1. Index of salary and wage earnings 1964 = 100, quarterly figures
- 2. Cost of living index 1964 = 100, monthly figures
- 3. Wholesale price index 1964 = 100, monthly figures



PRODUCTION, 1973 - 1978

- 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

