



BANK OF FINLAND

Monthly Bulletin

Recent reflationary measures

The amendment of the currency act

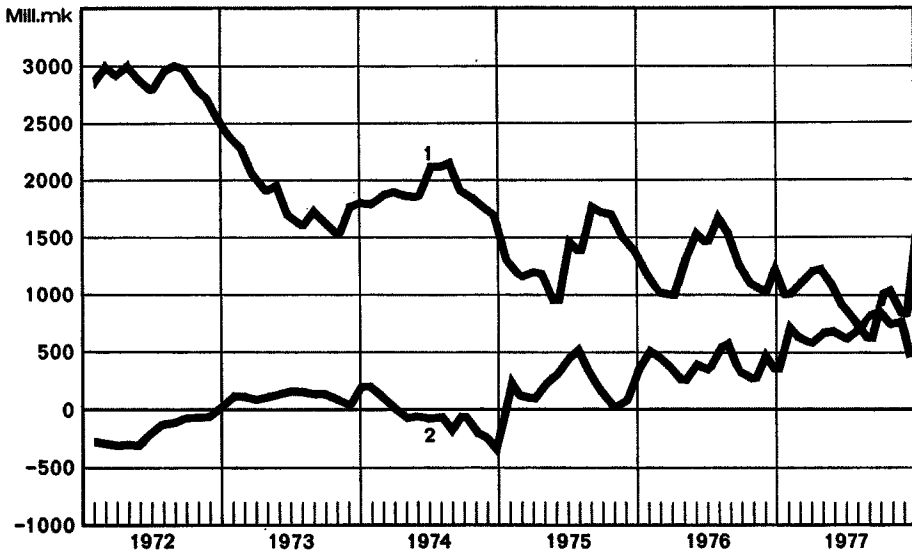
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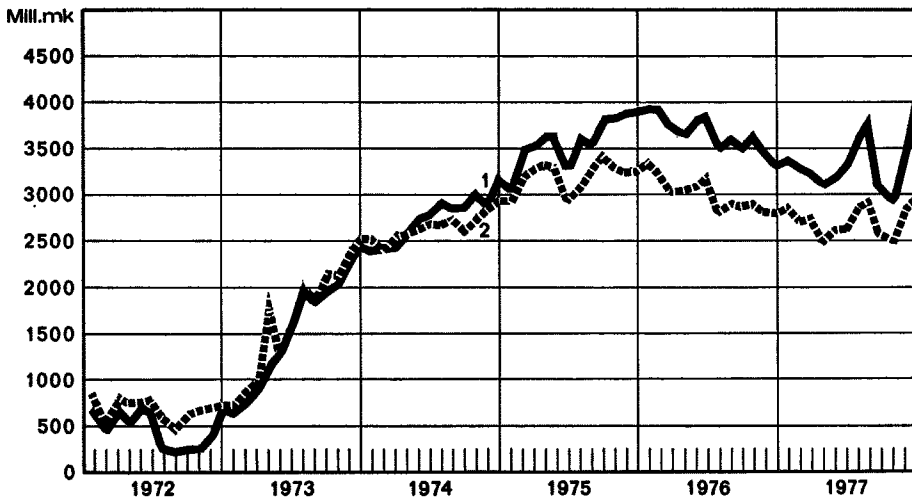
Vol. 52 No. 2

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



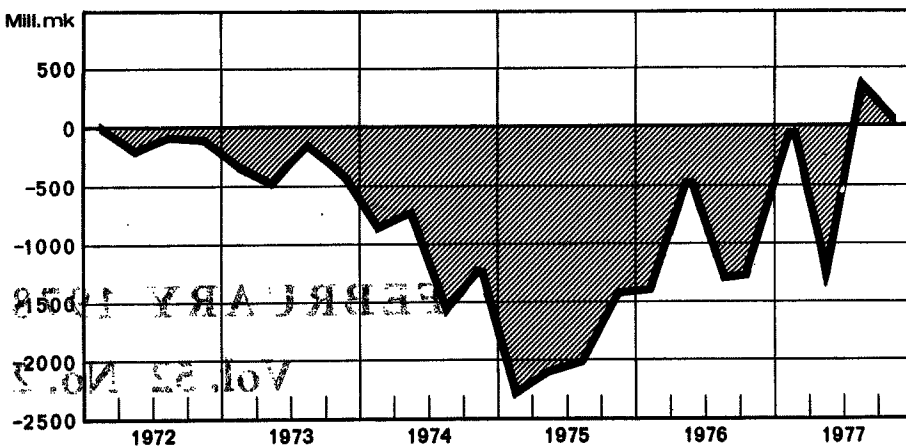
- 1. Gold and convertible currencies
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BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1972 - 1977



- 1. Net receivables from the domestic financial sector
 - 2. Discounted and rediscounted bills
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BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1972 - 1977



Seasonally adjusted quarterly figures

RECENT REFLATIONARY MEASURES

Since 1975 Finnish economic policy has been aimed at permanently eliminating the economy's imbalances; therefore, domestic demand has been strictly managed by fiscal and monetary measures. At first, restoration of the external balance and the checking of inflation were given priority in economic policy. This had become necessary because of the sharp increase in the country's net foreign debt, which amounted to 21 per cent of GDP in 1976. In recent years, the current account has, in fact, become more balanced: in 1975 the deficit was 8 per cent of GDP, in 1976 4 per cent and in 1977 less than one per cent.

Success in checking inflation has come more slowly, for the rate of inflation in Finland has been, until recently, higher than in the major competitor countries. During 1977 the consumer price index rose by 12 per cent, which was the same as the rise in the previous year. However, certain substantial — and partly exceptional — price increases contributed to the rise in 1977: increases in sales tax, other indirect taxes and public charges combined to raise the index by 2.2 per cent, and the devaluation of the mark in April and September made a similar contribution. However, for the last quarter of 1977 the year-on-year rise in the consumer price index, at an annual rate, was only 4 per cent.

Recently, because of a sharp increase in unemployment, economic policy has been more centred on the promotion of production and employment. The average rate of unemployment was 6 per cent in 1977 and it is expected to rise in the current year. However, the stringent financial position of the central government and the tight limits set on the country's external indebtedness have limited the scope of policies. At the same time, the improved balance of payments would seem to allow the implementation of certain reflationary

measures to boost production and, in particular, investment.

In December 1977 the Government added some supplementary measures to its reflationary programme. This programme is designed to stabilize the cost level and hence provide a basis for the revival of production and employment. It will be implemented partly through agreements to be concluded between various organizations and partly through revised legislation. The collective agreements now in force will be revised so that the wage and salary increases which would have been effective from the beginning of March will be postponed until September and the increases scheduled to be effective from the beginning of October will be postponed until February 1979. Moreover, the increases in agricultural target prices will be postponed. Industry and trade are to refrain from price increases until the end of August; substantial rises in import prices will be the main exceptions to this rule. However, the Government is authorized until the end of February 1979 to implement more severe price regulations. A complete rent-freeze will be in force until the end of August this year.

Corporations will only be allowed to distribute dividends in 1978 at a rate not greater than the rate in the past year. In 1978 the central government will not make any increases in indirect taxes or public charges, except for those which have already been agreed in connection with the 1978 Budget.

The employer's employment pension contribution was reduced by 2 percentage points for the current year. Similarly, the employee's social security contribution was reduced by 1.25 percentage points for the major part of the current year. In addition to what had been previously decided on an overall reduction — due to inflation — in the income tax scales,

some further concessions were granted to people in low-income brackets.

It is estimated that rises in import prices during 1978 will cause a 3 per cent rise in the consumer price index and increases in indirect taxes and public charges a 1.3 per cent rise. If the other tools in the reflationary programme are used efficiently, it may be possible to check other domestic inflationary pressures so that the increase in the consumer price index during 1978 would be only 5 per cent — less than half of what it was in 1977. It is estimated that the consumer prices in the OECD countries — weighted by Finland's export shares — will rise by 2 percentage points more.

It is forecast that, despite these measures, there will not be any significant growth in

production during the current year. The rise in productivity also seems likely to be rather small. The substantial deceleration in labour costs should, however, keep the rise in unit labour costs to only 3 per cent during 1978; this would be about half of what was estimated in the autumn before the drafting of the supplementary reflationary programme. This would suggest that Finland's price competitiveness will improve during the current year.

The proposed reflationary measures will partly check and partly postpone cost rises. However, if lasting results are to be achieved, it is necessary for the rate of inflation to be kept lower than in Finland's competitor countries.

January 23, 1978

	1977		1978				
	Jan. 31	Dec. 31	Jan. 6	Jan. 13	Jan. 23	Jan. 31	
Assets							
Gold and foreign exchange receivables	1 869	2 139	2 148	2 240	2 378	2 161	
Gold	127	133	133	133	133	133	
Special drawing rights	236	204	204	204	204	204	
Convertible currencies	711	1 265	1 248	1 215	1 338	1 155	
Tied currencies	795	537	563	688	703	669	
Other foreign receivables	1 636	1 959	1 965	1 946	1 964	1 983	
Foreign bills	399	488	485	467	485	503	
Foreign bonds	410	543	552	551	551	552	
Currency subscription to Finland's quota in the IMF	827	928	928	928	928	928	
Receivables from financial institutions	4 943	5 420	5 494	5 175	6 112	5 774	
Cheque accounts of the commercial banks	119	110	143	151	159	139	
Discounted bills	2 729	3 091	3 039	3 040	3 040	3 060	
Bonds	370	354	370	355	573	451	
Call money market advances	1 682	1 804	1 910	1 576	2 330	2 110	
Other financial institution receivables	43	61	32	53	10	14	
Receivables from the public sector	440	391	405	405	399	399	
Bonds	68	60	60	60	60	60	
Total coinage	280	304	316	317	317	318	
Other public sector receivables	92	27	29	28	22	21	
Receivables from corporations	1 308	1 416	1 422	1 423	1 412	1 439	
New export bills	168	194	200	206	206	197	
Financing of suppliers' credits	553	714	715	714	711	753	
Bonds	199	214	213	213	211	211	
Other corporate receivables	388	294	294	290	284	278	
Other assets	53	85	89	89	89	92	
	Total	10 249	11 410	11 523	11 278	12 354	11 848
Liabilities							
Foreign exchange liabilities	80	94	87	87	88	61	
Convertible accounts	53	53	47	46	48	40	
Tied accounts	27	41	40	41	40	21	
Other foreign liabilities	1 923	3 447	3 456	3 445	3 447	3 360	
IMF mark accounts	1 665	1 838	1 838	1 838	1 838	1 838	
Allocations of special drawing rights	258	300	300	300	300	300	
Term liabilities	—	1 309	1 318	1 307	1 309	1 222	
Notes and coins in circulation	2 758	3 167	3 079	3 084	3 015	2 990	
Notes	2 513	2 892	2 804	2 803	2 734	2 710	
Coins	245	275	275	281	281	280	
Deposit certificates in circulation	—	200	180	180	180	180	
Claims of financial institutions	1 675	1 194	1 372	1 126	2 295	1 901	
Cheque account of Postipankki	0	1	1	0	0	0	
Cheque accounts of the commercial banks	2	3	0	1	3	1	
Call money market deposits	1 668	850	1 026	756	1 911	1 528	
Capital import deposits	—	246	248	246	246	245	
Other financial institution claims	5	94	97	123	135	127	
Claims of the public sector	979	328	330	326	327	320	
Cheque accounts	1	2	2	0	1	1	
Counter-cyclical reserves	38	36	36	36	36	36	
Capital import deposits	847	287	289	287	287	280	
Other public sector claims	93	3	3	3	3	3	
Claims of corporations	244	242	245	246	242	239	
Investment deposits	53	35	35	35	35	33	
Capital import deposits	187	181	189	185	185	184	
Import levy deposits	3	19	19	18	19	19	
Other corporate claims	1	7	2	8	3	3	
Other liabilities	13	13	16	15	14	13	
Equalization accounts	629	671	699	706	680	714	
Capital accounts	1 948	2 054	2 059	2 063	2 066	2 070	
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400	
Reserve fund	436	436	545	545	545	545	
Undisposed profits	102	—	109	109	109	109	
Net earnings	10	218	5	9	12	16	
	Total	10 249	11 410	11 523	11 278	12 354	11 848

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											
Jan.	1 074	53	1 021	768	1 636	1 923	1 502	440	979	539	—
Feb.	1 180	49	1 131	654	1 637	1 923	1 499	426	873	447	—
March	1 292	60	1 232	608	1 692	1 923	1 609	433	739	306	180
April	1 324	65	1 259	697	1 733	1 923	1 766	407	512	105	180
May	1 152	39	1 113	714	1 851	2 030	1 648	377	581	204	180
June	965	48	917	652	1 855	2 030	1 394	362	430	68	180
July	855	56	799	722	1 874	2 030	1 365	364	389	25	180
Aug.	697	50	647	841	1 857	2 131	1 214	360	353	- 7	180
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

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Nov. 30, 1977			Change	
	Bank of Finland	Other	Total	Nov.	Jan.—Nov.
Gold	127	—	127	—	+ 6
Special drawing rights	176	—	176	- 15	- 60
IMF gold tranche	—	—	—	—	—
Convertible currencies	554	-2 462	-1 908	+723	-1 079
Total	857	-2 462	-1 605	+708	-1 133
Tied currencies	797	3	800	+ 21	+ 438

CURRENCY INDEX¹

1974 = 100

1977	
Nov.	110.6
Dec.	111.5
1978	
Jan.	111.1

¹See 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 com-mercial 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											
Jan.	2 729	119	2 095	2	0	1 673	3 268	1 308	244	1 064	2 758
Feb.	2 604	176	2 405	1	1	1 865	3 318	1 306	353	953	2 790
March	2 769	123	1 690	2	0	1 322	3 258	1 321	307	1 014	2 845
April.	2 460	152	1 480	3	1	1 061	3 027	1 398	272	1 126	2 924
May	2 749	110	1 193	2	0	832	3 218	1 437	263	1 174	2 932
June	2 768	128	1 305	5	0	768	3 428	1 459	230	1 229	3 154
July	2 773	116	1 320	5	0	797	3 407	1 498	232	1 266	3 157
Aug	2 779	85	1 463	1	1	846	3 479	1 439	260	1 179	3 022
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											
Jan.	3 060	139	2 575	1	0	1 900	3 873	1 439	239	1 200	2 990

SELLING RATES FOR FOREIGN EXCHANGE

Mk

Jan. 23, 1978

New York ¹	1 \$	4.027	Frankfurt o. M.	100 DM	190.40	Vienna	100 S	26.60
Montreal	1 \$	3.650	Amsterdam	100 FI	177.60	Lisbon	100 Esc	10.15
London	1 £	7.820	Brussels ²	100 Fr		Madrid	100 Pta	5.03
Stockholm	100 Kr	86.70	Zurich	100 Fr	201.00	Tokyo	100 Y	1.680
Oslo	100 Kr	78.50	Paris	100 FF	85.40	Reykjavik	100 Kr	1.90
Copenhagen	100 Kr	70.20	Rome	100 Lit	0.465	Moscow ³	1 Rbl	5.703

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin Budapest and Sofia.² 12.300 commercial rate; 12.300 financial rate.³ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

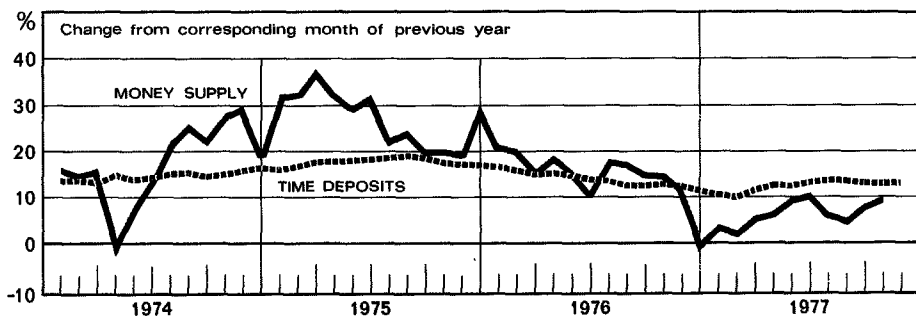
End of year or month	Demand deposits			Time deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Co-op. stores	All credit institutions	
	Commer- cial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1970	1 143	1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

1976*

Oct.	2 715	3 930	1 948	11 986	10 599	8 341	3 465	1 231	35 622	41 500
Nov.	2 933	4 170	1 913	12 031	10 769	8 477	3 480	1 248	36 005	42 088
Dec.	3 028	4 386	2 332	12 789	11 066	8 622	3 578	1 255	37 310	44 028

1977*

Jan.	2 969	4 190	2 370	12 718	11 166	8 721	3 616	1 282	37 503	44 063
Feb.	2 827	4 103	2 495	12 719	11 273	8 821	3 673	1 296	37 782	44 380
March	2 911	4 265	2 346	12 783	11 362	8 885	3 737	1 307	38 074	44 685
April	2 923	4 234	2 382	12 988	11 443	9 183	3 758	1 324	38 696	45 312
May	3 163	4 536	2 221	13 108	11 597	9 081	3 787	1 331	38 904	45 661
June	3 199	4 617	2 219	13 222	11 826	9 219	3 822	1 337	39 426	46 262
July	2 928	4 342	2 115	13 339	11 995	9 327	3 894	1 348	39 903	46 360
Aug.	3 153	4 646	2 021	13 428	12 122	9 478	3 937	1 348	40 313	46 980
Sept.	2 961	4 422	2 043	13 355	12 116	9 477	3 938	1 345	40 231	46 696
Oct.	3 045	4 538	2 005	13 429	12 130	9 505	3 963	1 352	40 379	46 922
Nov.	3 137	4 651	2 000	13 543	12 343	9 698	3 990	1 340	40 914	47 565



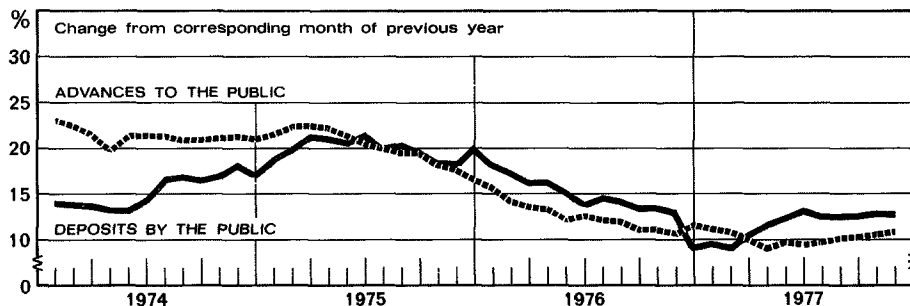
ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year or month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money supply
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1970	7 963	4 342	3 404	1 342	1 454	17 815	690	18 505	3 445
1971	9 234	4 795	3 834	1 747	1 799	20 640	769	21 409	4 025
1972	10 667	5 503	4 483	2 245	2 374	24 473	799	25 272	4 959
1973	13 365	6 497	5 302	3 399	2 696	30 286	973	31 259	6 115
1974	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283
1975	17 773	9 108	7 798	5 488	4 129	43 002	1 294	44 296	9 450
1976*	19 090	10 616	9 256	6 012	4 582	47 965	1 591	49 556	9 268

1976*									
Oct.	18 658	10 279	8 855	5 939	4 475	46 617	1 589	48 206	8 422
Nov.	18 791	10 418	9 000	6 046	4 494	47 168	1 581	48 749	8 565
Dec.	19 090	10 616	9 256	6 012	4 582	47 965	1 591	49 556	9 268

1977*									
Jan.	19 176	10 683	9 271	6 044	4 625	48 168	1 631	49 799	8 960
Feb.	19 204	10 762	9 276	6 071	4 619	48 281	1 651	49 932	9 001
March	19 208	10 804	9 279	6 095	4 589	48 330	1 645	49 975	9 076
April	19 296	10 888	9 296	6 078	4 642	48 624	1 576	50 200	9 177
May	19 332	11 057	9 404	6 197	4 673	49 091	1 572	50 663	9 319
June	19 514	11 145	9 539	6 196	4 760	49 490	1 664	51 154	9 572
July	19 563	11 265	9 671	6 153	4 796	49 846	1 602	51 448	9 231
Aug.	19 792	11 433	9 791	6 175	4 827	50 321	1 697	52 018	9 294
Sept.	20 026	11 644	9 962	6 237	4 840	51 020	1 689	52 709	9 198
Oct.	20 270	11 795	10 119	6 343	4 873	51 648	1 752	53 400	9 260
Nov.	20 532	12 006	10 277	6 409	4 915	52 362	1 777	54 139	..



STATE FINANCES

Mill. mk

Revenue	Jan.—Nov.		Expenditure	Jan.—Nov.	
	1976	1977		1976	1977
Income and wealth tax (net)	10 638	9 300	Wages, salaries, pension etc.	4 735	5 246
Gross receipts	(21 946)	(24 197)	Repair and maintenance	643	728
Refunds & local authorities	(11 308)	(14 897)	Other consumption expenditure	2 123	2 582
Other taxes on income and wealth	218	244	Total consumption expenditure	7 501	8 556
Employers child allowance payments	1 019	1 101	State aid to local authorities	5 410	6 350
Sales tax	5 736	7 299	State aid to industries	4 083	4 324
Customs duties and import charges and levies	758	828	of which: agric. price subsidies	(2 295)	(2 430)
Excise duties ¹	4 216	5 083	Child allowances	775	1 050
Excise duty on alcoholic beverages ¹	1 546	1 605	Share in national pensions and sickness insurance schemes	244	273
Excise duty on tobacco	771	769	Other transfer expenditure	3 088	3 680
Excise duty on liquid fuel	1 399	1 721	Total transfer expenditure	13 600	15 677
Other excise duties ¹	500	988	Machinery and equipment	1 015	1 196
Tax on autom. and motor-cycles	749	811	Construction of buildings	522	572
Stamp duties	566	667	Land and waterway construction	1 416	1 345
Special diesel etc. vehicles tax	70	118	Total real investment	2 953	3 113
Other taxes and similar revenue ¹	798	770	Interest on State debt	232	367
Total taxes	24 768	26 221	Net deficit of State enterprises	202	—63
Miscellaneous revenue	1 560	1 707	Other expenditure	42	47
Interest, dividends etc.	489	558	Total other expenditure	476	351
Redemptions of loans granted	366	292	Increase in inventories	63	52
Total revenue	27 183	28 778	Lending	2 645	2 721
Foreign borrowing	590	892	Other financial investment	550	582
Domestic borrowing	740	1 025	Total expenditure	27 788	31 052
Total borrowing	1 330	1 917	Redemption of foreign loans	132	108
Deficit (+) or surplus (—)	—358	+757	Redemption of domestic loans	235	292
Total	Total	28 155 31 452	Total redemptions	367	400

¹ New series.

State debt	1975	1976	1977			
	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.
Foreign debt	1 603	2 248	2 525	2 734	2 974	3 454
Loans	1 645	2 175	2 631	2 736	2 845	2 874
Compensatory obligations	1	1	1	1	1	1
Short-term credit	85	287	167	157	257	227
Cash debt (net)	—242	—643	—46	—192	—465	—462
Domestic debt	1 489	1 820	2 753	2 702	2 638	2 640
Total State debt	3 092	4 068	5 278	5 436	5 612	6 094
Total debt, mill \$	798	1 069	1 306	1 300	1 352	1 459

FOREIGN TRADE

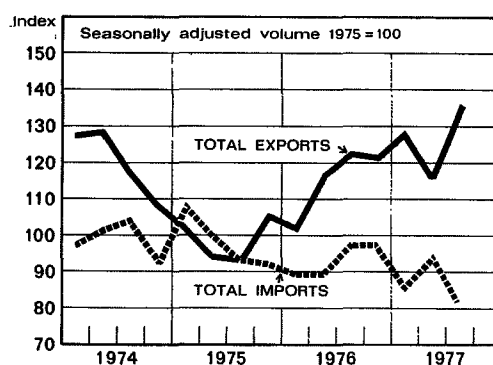
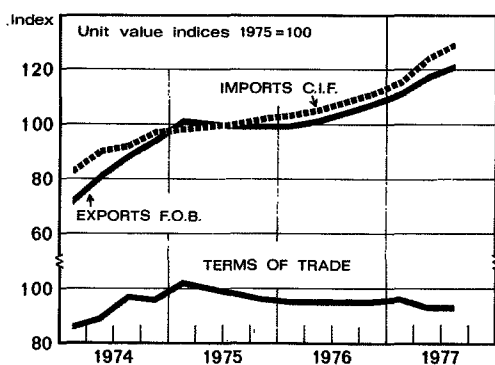
Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050
1976			
Sept.	2 119	2 632	- 513
Oct.	2 395	2 361	+ 34
Nov.	2 463	2 783	- 320
Dec.	2 610	3 305	- 695
1977*			
Jan.	2 469	2 389	+ 80
Feb.	1 917	1 992	-75
March	2 621	2 404	+ 217
April	2 084	2 169	- 85
May	2 233	2 421	- 188
June	2 541	3 120	- 579
July	2 833	2 443	+ 390
Aug.	2 240	2 397	-157
Sept.	2 901	2 848	+ 53
Oct.	2 991	2 588	+ 403
Nov.	2 960	2 891	+ 69
Jan.-Nov.			
1976	21 895	25 253	-3 358
1977*	27 790	27 662	+128

Indices of exports and
imports 1975 = 100

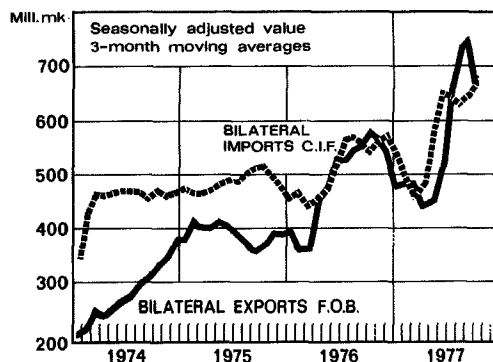
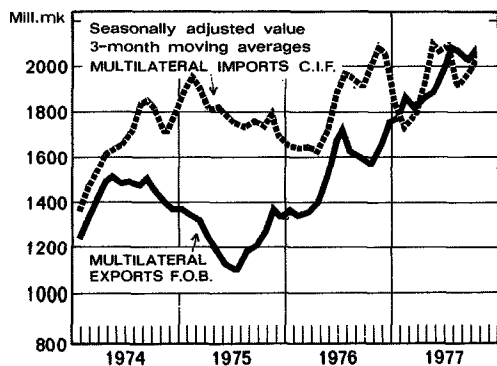
Period	Indices of exports and imports 1975 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1972	113	82	53	57	93
1973	121	93	60	64	94
1974	121	100	85	92	92
1975	100	100	100	100	100
1976	117	96	103	107	97
1974					
Oct.-Dec.	119	101	96	98	98
1975					
Jan.-March	100	107	102	99	103
Apr.-June	92	95	101	100	100
July-Sept.	89	94	100	101	99
Oct.-Dec.	116	100	100	103	97
1976					
Jan.-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	124	83	112	116	97
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f. o. b.					Imports, c. i. f.				
	Agri- cultural and other primary products	Wood industry products	Paper industry products	Metal, en- gineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1976										
Sept.	47	276	665	554	577	1 564	166	515	386	1
Oct.	71	255	741	749	579	1 448	177	380	346	10
Nov.	66	273	724	826	574	1 849	157	371	397	9
Dec.	161	311	741	797	600	2 145	144	583	422	11
1977*										
Jan.	204	286	655	748	576	1 384	144	546	308	7
Feb.	45	232	625	476	539	1 297	102	271	320	2
March	181	261	802	692	685	1 488	85	381	448	2
April	54	246	630	600	554	1 277	107	373	405	7
May	106	350	681	435	661	1 451	148	370	441	11
June	90	366	750	770	565	1 984	202	565	353	16
July	87	352	701	1 045	648	1 609	178	319	316	21
Aug	48	340	674	605	573	1 591	165	275	356	10
Sept.	44	337	795	943	782	1 789	284	372	399	4
Oct.	41	321	753	1 106	770	1 655	222	321	389	1
Nov.	44	417	896	802	801	1 729	198	511	453	0
Jan.-Nov.										
1976	643	2 581	7 119	6 094	5 458	15 683	1 437	4 386	3 681	66
1977*	944	3 508	7 962	8 222	7 154	17 254	1 835	4 304	4 188	81



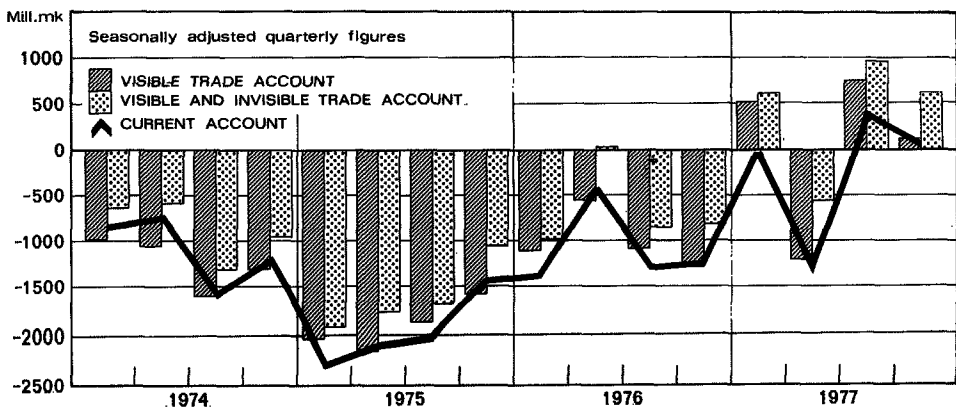
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—November				January—November			
	1976*		1977*		1976*		1977*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	64.2	14 048	64.0	17 774	64.8	16 350	62.7	17 357
Austria	0.7	150	0.9	241	1.5	372	1.2	338
Belgium and Luxembourg	1.7	367	2.0	549	1.8	460	1.7	479
Denmark	3.9	843	3.5	982	3.1	780	2.9	794
France	3.5	784	3.4	955	2.8	704	2.8	767
Federal Republic of Germany	9.6	2 110	10.6	2 946	16.5	4 159	15.3	4 239
Italy	1.6	344	1.1	316	1.9	482	1.8	500
Netherlands	3.0	665	3.5	965	3.1	774	3.4	939
Norway	3.5	756	4.9	1 370	3.1	775	3.4	947
Portugal	0.3	66	0.3	78	0.3	78	0.4	96
Spain	1.0	217	0.9	239	1.2	304	1.1	301
Sweden	17.9	3 909	16.8	4 659	17.8	4 510	16.0	4 435
Switzerland	1.6	352	1.9	519	3.3	831	3.3	907
United Kingdom	14.6	3 200	12.2	3 387	8.1	2 056	9.1	2 530
Other	1.3	285	2.0	568	0.3	65	0.3	85
OECD countries outside Europe	4.8	1 062	6.2	1 729	9.4	2 382	8.7	2 399
Canada	0.6	135	0.6	155	0.4	105	0.5	125
Japan	0.6	141	0.8	222	1.6	411	1.9	517
United States	2.6	575	4.1	1 141	7.3	1 854	6.3	1 746
Other	1.0	211	0.7	211	0.1	12	0.0	11
CMEA countries	23.4	5 114	21.6	5 993	21.5	5 440	23.1	6 391
Czechoslovakia	0.6	123	0.4	103	0.5	125	0.4	123
German Democratic Republic	0.8	177	0.8	235	0.5	121	0.6	157
Poland	1.1	246	0.7	189	1.7	441	2.2	622
Soviet Union	20.1	4 388	18.9	5 245	18.0	4 547	19.1	5 276
Other	0.8	180	0.8	221	0.8	206	0.8	213
Latin America	2.0	440	2.2	614	1.9	469	2.1	582
Argentina	0.2	45	0.2	61	0.1	14	0.1	15
Brazil	0.5	116	0.5	129	0.4	92	0.2	47
Colombia	0.1	21	0.1	24	0.5	132	0.9	269
Other	1.2	258	1.4	400	0.9	231	0.9	251
Other	5.6	1 231	6.0	1 680	2.4	612	3.4	933
GRAND TOTAL	100.0	21 895	100.0	27 790	100.0	25 253	100.0	27 662
of which								
EFTA countries	24.0	5 262	24.8	6 900	26.1	6 594	24.4	6 762
EEC countries	38.5	8 427	36.9	10 250	37.4	9 443	37.2	10 278
OECD countries	69.0	15 110	70.2	19 503	74.2	18 732	71.4	19 756

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
1974r	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976	24 372	28 472	-4 100	+1 193	+ 22	+245	-2 640	-1 749	-118	-4 507
1974										
Oct.-Dec.	5 753	6 879	-1 126	+204	- 1	+89	- 834	-291	-29	-1 154
1975										
Jan.-March	5 143	7 368	-2 225	+292	- 43	- 44	-2 020	-316	-57	-2 393
Apr.-June	4 695	6 688	-1 993	+221	+ 13	- 2	-1 761	-379	-15	-2 155
July-Sept.	4 482	6 649	-2 167	+237	+142	+ 57	-1 731	-308	- 6	-2 045
Oct.-Dec.	5 861	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	6 981	6 765	+ 216	+310	- 80	+ 75	+ 521	-506	-46	- 31
Apr.-June	6 820	7 692	- 872	+243	+ 10	+ 34	- 585	-726	-11	-1 322
July-Sept.	7 932	7 663	+ 269	+368	+117	+194	+ 948	-531	-29	+ 388

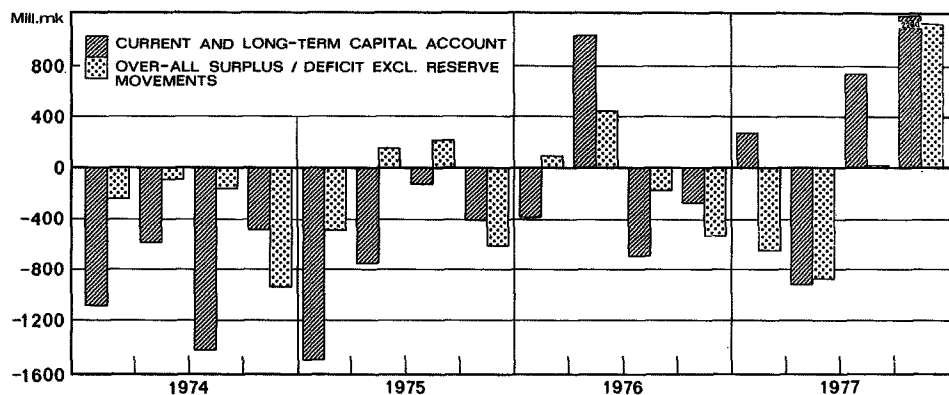


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+ 736
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+638	+1 449	+ 8	- 747	-444	+1 191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+138	-1 288	+1 327	- 128	+ 78	+ 50
+942	-274	- 24	+ 15	+659	- 495	-209	-157	- 86	-947	+498	+449
+1 206	-310	- 24	+ 11	+ 883	-1 510	+310	+758	- 35	-477	- 32	+509
+1 870	-433	- 48	+ 9	+1 398	-757	-140	+758	+296	+157	-668	+511
+2 121	-287	- 3	+ 57	+1 888	-157	+131	- 34	+265	+205	+ 91	-296
+1 532	-415	-139	- 15	+ 963	-418	+337	- 33	-518	-632	+165	+467
+1 404	-374	+ 5	+ 11	+1 046	- 389	-628	+119	+996	+ 98	+373	-471
+2 096	-394	- 95	- 7	+1 600	+1 056	-158	+120	-560	+458	-485	+ 27
+1 239	-568	- 11	- 25	+ 635	- 696	+565	-764	+722	-173	+263	- 90
+1 391	-449	- 90	+ 69	+ 921	- 276	+359	-763	+169	-511	- 73	+584
+1 022	-550	-127	- 24	+ 321	+ 290	-802	+149	-270	-633	-140	+773
+1 273	-857	+ 36	- 36	+ 416	- 906	-320	+149	+218	-859	+358	+501
+1 252	-647	-157	- 85	+ 363	+ 751	+217	-1 517	+554	+ 5	-319	+314

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

Jan.	669	692	584	653	770	665	710	629	672	165	149	169
Feb.	676	698	588	658	781	672	718	635	677	166	149	171
March	682	706	591	660	777	687	727	645	680	167	149	172
April	686	708	601	665	790	688	730	646	686	168	149	173
May	688	709	607	666	795	690	727	648	691	169	150	174
June	692	714	610	667	802	698	725	659	694	172	158	176
July	697	719	613	671	807	704	736	661	697	173	158	176
Aug.	696	718	610	667	806	706	727	663	700	175	158	180
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

Period	Cost of living Oct. 1951 = 100	Con-sumer prices Oct.—Dec. 1957 = 100	Consumer prices 1972 = 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

Jan.	476	374	185	196	174	173	174	210	174	185	179	198
Feb.	482	378	187	200	174	176	175	210	176	187	180	201
March	489	384	190	207	174	179	175	214	177	190	182	202
April	493	387	192	209	174	180	175	215	179	193	183	203
May	500	392	194	212	174	182	181	218	180	196	184	205
June	506	397	197	219	174	182	181	222	181	197	184	209
July	510	400	198	222	174	177	181	222	182	199	190	211
Aug.	518	407	201	226	174	179	190	223	183	202	191	213
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

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*	701	483	454	384	387	375	452	372	478	431
1976										
Jan.-March	584	416	410	352	347	347	396	337	417	382
Apr.-June	594	449	427	363	364	356	422	347	448	404
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	695	457	441	372	375	364	429	357	454	412
Apr.-June	694	487	454	385	389	378	454	373	482	434
July-Sept.	704	491	460	388	391	379	463	376	491	441
Oct.-Dec.	707	498	463	393	394	380	464	381	490	442

PRODUCTION

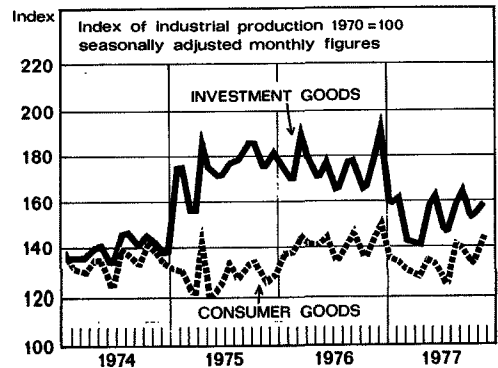
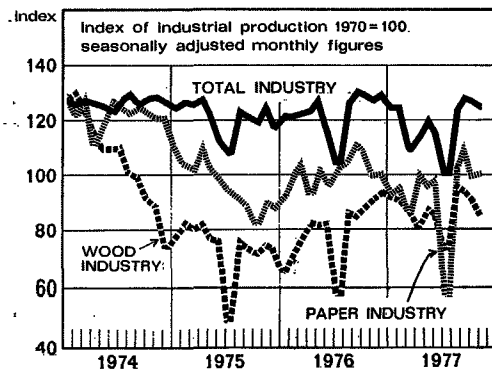
Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1975	161	192	100	83	175	104	158	188	166	168	169
1976*	163	195	101	79	156	103	160	191	173	176	174
1977*	162	191	96	83	157	101	160	186	181	182	178
1976*											
Jan.-March	157	202	62	84	123	102	149	182	171	174	172
Apr.-June	161	195	97	91	137	106	157	187	172	175	174
July-Sept.	160	167	178	56	169	101	161	186	173	176	174
Oct.-Dec.	172	216	67	86	196	102	171	207	177	179	177
1977*											
Jan.-March	158	200	61	99	128	100	152	175	179	180	177
Apr.-June	159	190	81	94	139	103	157	184	180	180	177
July-Sept.	159	167	166	54	170	101	162	180	181	182	178
Oct.-Dec.	171	209	76	83	190	102	171	204	185	184	180

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	179	108	143	110	82	99	148	119	150	124
1976*											
Aug.	123	167	107	143	113	75	109	135	118	140	127
Sept.	136	186	119	156	119	88	114	168	144	162	132
Oct.	135	185	119	151	118	88	119	140	140	159	130
Nov.	137	198	120	153	121	104	107	168	138	167	129
Déc.	133	188	116	149	106	90	96	177	125	161	130
1977*											
Jan.	130	178	116	140	97	86	96	182	128	153	126
Feb.	126	171	112	138	92	88	100	164	117	149	125
March	125	160	112	140	101	101	94	147	115	146	111
April	115	151	102	127	98	92	90	136	96	136	115
May	130	180	114	147	114	114	102	133	127	158	121
June	118	176	101	137	104	95	79	106	123	154	116
July	64	62	58	77	94	41	58	77	61	51	102
Aug.	125	154	111	144	115	88	108	137	121	139	124
Sept.	135	179	120	150	113	97	115	147	132	159	129
Oct.	134	176	120	149	122	91	110	141	128	156	128
Nov.	136	180	120	154	126	96	109	151	123	162	126



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	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1974	3 483	2 268	2 229	39	1.7	34 457	114	114
1975	3 513	2 272	2 221	51	2.2	29 133	122	127
1976*	3 530	2 244	2 158	86	3.8	27 305	123	127
1976*								
Nov.	3 534	2 183	2 099	84	3.8	2 787	119	132
Dec.	3 535	2 186	2 085	101	4.6	3 126	160	158
1977*								
Jan.	3 524	2 181	2 053	128	5.9	2 455	93	95
Feb.	3 528	2 163	2 032	131	6.1	2 934	95	109
March	3 527	2 161	2 030	131	6.1	3 564	109	127
April	3 524	2 152	2 016	136	6.2	3 227	111	123
May	3 523	2 186	2 054	132	6.1	2 856	115	128
June	3 531	2 402	2 266	136	5.7	1 870	117	119
July	3 524	2 410	2 264	146	6.1	685	115	104
Aug.	3 524	2 304	2 165	139	6.0	1 240	118	127
Sept.	3 524	2 198	2 078	120	5.5	1 824	116	133
Oct.	3 524	2 194	2 070	124	5.7	2 090	111	125
Nov.	3 524	2 172	2 028	144	6.6	2 355

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											
1974	53.23	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975	51.42	19.65	3.79	21.62	3.39	47.85	20.59	2.80	18.68	3.64	52.45
1976*	46.90	19.95	3.93	15.81	3.83	40.95	17.60	3.12	15.32	2.58	52.48
1976*											
Apr.-June	14.00	7.39	1.80	2.96	0.55	10.09	3.87	0.39	4.63	0.73	51.73
July-Sept.	12.42	5.43	0.71	4.44	0.97	9.61	3.87	1.05	3.22	0.71	55.22
Oct.-Dec.	11.96	4.09	0.69	5.12	1.45	12.85	6.16	1.15	3.94	0.80	52.48
1977*											
Jan.-March	6.73	2.92	0.66	1.91	0.83	9.08	3.50	0.45	4.33	0.54	48.54
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	10.23	3.78	0.92	3.87	0.93	54.31

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. From the beginning of 1974 the figures include deposits by and advances to other credit institutions.

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

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

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

STATE FINANCES

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

FOREIGN TRADE

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

BALANCE OF PAYMENTS

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

PRICE INDICES

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

WAGES — PRODUCTION

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

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

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

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

SYMBOLS USED

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

Parliament, comprising 200 members, is elected by universal suffrage for a period of 4 years. The number of seats of the different parties in Parliament elected in 1975 is as follows: Social Democrats 54, People's Democrats 40, Centre Party 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 communications 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 (1976, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 407 (6 %), forestry and fishing 4 950 (5 %), manufacturing 31 509 (31 %), construction 9 233 (9 %), transport and communication 10 849 (11 %), commerce, banking and insurance 13 585 (14 %), public administration 5 264 (5 %), ownership of dwellings 3 639 (4 %), services 15 581 (15 %), total 101 017. Index of real domestic product 162 (1964 = 100).

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

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

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

MERCHANT FLEET (Dec. 31, 1977): Passenger vessels 120 (197 921 gross reg. tons), tankers 52 (1 169 465 gross reg. tons), dry cargo vessels 208 (897 952 gross reg. tons), other vessels 66 (9 267 gross reg. tons), total 446 (2 274 605 gross reg. tons).

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

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

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). 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 112.0 and 107.1.

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

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

RATES OF INTEREST (Oct. 17, 1977). 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 8 ½ %. The range of rates for other credits granted by the Bank of Finland is between 6 ½ % and 9 ½ %. Other credit institutions time deposits 4 ¼ %; 6 month deposits 5 ¼ %; 12 month deposits 6 ½ %; 24 month deposits 7 ½ %; 36 month deposits 8 ¼ % + savings premium; 36 month deposits 8 ¼ % + tax concession. The highest lending rate 11 ½ %.

THE AMENDMENT OF THE CURRENCY ACT

by Ilkka Puro, M.Pol.Sc., Head of Office

Foreign Exchange Policy Department
Bank of Finland

INTRODUCTION

In § 2 of the Currency Act of 1962 the par value of the Finnish mark was expressed in terms of gold. Due to changes in the international monetary system, the Currency Act was amended on November 1, 1977. The par value was replaced by a new concept, the external value of the mark, which is expressed as a currency index number reflecting the average change in the exchange rates for the currencies most important in Finland's foreign trade. The developments that led to the amendment in the Currency Act and the contents of the reform are reviewed in this article.

DEVELOPMENTS WITHIN THE INTERNATIONAL MONETARY SYSTEM

The par value concept used in the Currency Act of 1962, referred to the value that, for nearly 25 years, formed the basis for the quotation of exchange rates in the postwar international monetary system. This par value system, confirmed in the Articles of the International Monetary Fund, was based on the free convertibility of dollars into gold, at a fixed rate, between foreign exchange authorities. From October 12, 1967, Finland had applied a par value of 0.211590 grammes of fine gold, which was equivalent to a rate of 4.20 marks to the dollar.

The functioning of the par value system was, however, hampered in the late sixties by increasing disturbances in the international foreign exchange markets. As a result of turmoil in the markets, the United States Government suspended the convertibility of the dollar into

gold on August 15, 1971. Thus the linkage with gold was eliminated and the par value of the mark referred to in the Currency Act lost its relevance as a determinant of foreign exchange rates.

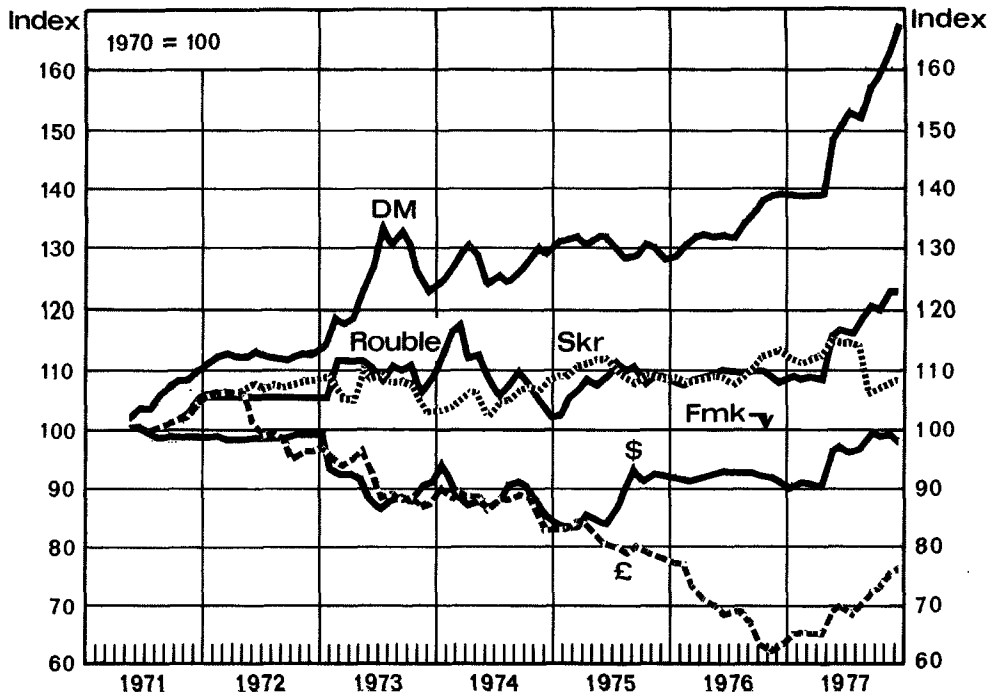
Foreign currencies floated without a fixed reference point until December 1971 when a temporary central rate system was introduced by the International Monetary Fund. The central rate, usually expressed in dollars, replaced the par value as the basic point in determining the fluctuation limits for spot rates. In Finland a central rate of 4.10 marks to the dollar was adopted on December 20, 1971. At the same time, exchange rate margins were widened from the maximum of 1 per cent under the par value system to a maximum of 2 ¼ per cent on either side of the central rate.

Volatility of the international foreign exchange markets continued. On February 12, 1973 a devaluation of the dollar was announced, and a new central rate of 3.90 marks to the dollar was adopted in Finland on February 15. Finally, in March 1973, the developments in the markets resulted in freely floating exchange rates for the major currencies. This forced the Bank of Finland, in June 1973, to abandon the fluctuation limit it had confirmed for the rate against the dollar.

EXCHANGE RATE POLICIES IN FINLAND

Due to the changing environment in the international exchange markets, it was found necessary to establish new ways to measure

CHART 1. MOVEMENTS OF THE MOST IMPORTANT CURRENCIES AGAINST THE FMK



the international value of the mark. In the early seventies, a method of expressing the average value of the mark in terms of an index number, reflecting the average change in the exchange rates of Finland's main trading partners, was brought into use at the Bank of Finland for observing the development of foreign exchange markets. Because of the obvious instability of the international monetary system and the work on revising the Articles of Agreement of the International Monetary Fund, an amendment of the Currency Act of 1962 was, at that time, not thought possible.

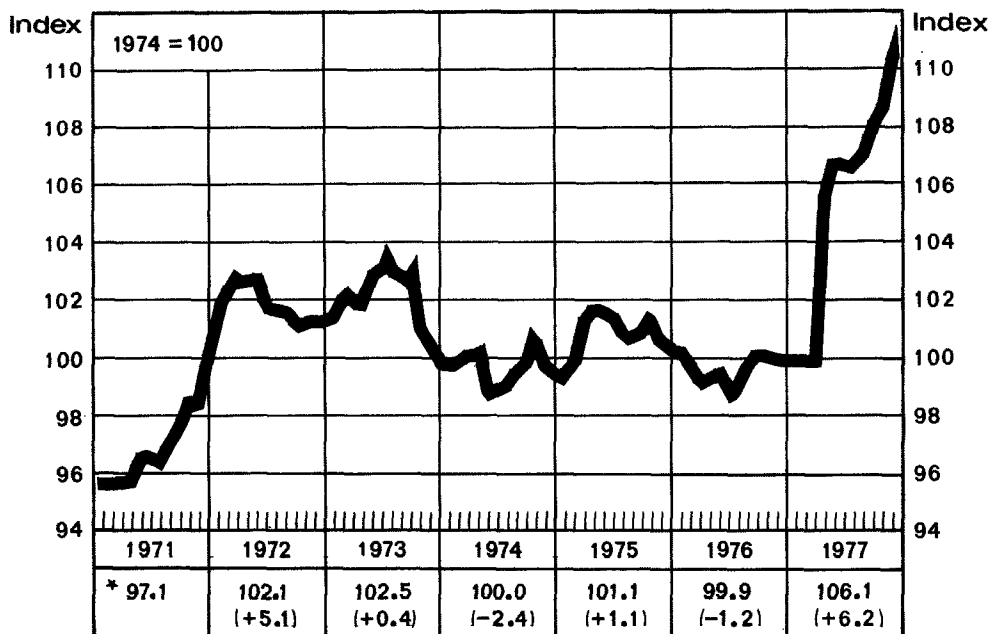
As the volatility of the international exchange markets appeared to be decreasing in 1972 Finland aimed at applying a policy to neutralize the effect sudden exchange rate movements would have on the economy. This was attained by a policy of keeping the mark as stable as possible in effective terms. Although exchange rates against particular currencies have changed considerably (Chart 1.), the Finnish mark was, in effective terms, among the most stable of the currencies of the industrialized

world until early 1977 (Chart 2.). Neutral exchange rate policy has been possible because the Bank of Finland plays a major role on Finnish foreign exchange markets and supervises foreign capital movements. The limited use of the Finnish mark in international transactions also supports a policy of stable exchange rates.

At the beginning of April, 1977, it was announced that the Swedish crown would be devalued by 6 per cent and the other Scandinavian currencies by 3 per cent. On the proposal of the Bank of Finland, the Cabinet decided to depreciate the external value of the mark by 5.7 per cent, effective from April 5, 1977. There was a further small devaluation of the mark by 3 per cent on September 1, 1977, following the devaluations of the Scandinavian currencies by even larger percentages than in April.

The two devaluations of the mark in 1977 were designed to prevent a further decline in the competitiveness of Finnish industry as a

CHART 2. BANK OF FINLAND CURRENCY INDEX (1974=100)¹



*Yearly average of index. In brackets the change from previous year, per cent.

¹ Indices for 1971—73 reconstructed afterwards.

result of the devaluations of the Scandinavian currencies. Only limited measures in the field of exchange rate policy were thought appropriate as a major target in economic policy was to stabilize the cost and price levels in Finland.

THE REVISION OF THE ARTICLES OF AGREEMENT OF THE IMF

In the summer of 1972, an initiative was taken to revise the Articles of Agreement of the International Monetary Fund. In April 1976 this work had proceeded so far that the Board of Governors of the Fund approved the proposal for the amendment of the Articles of Agreement to be submitted to the member countries for ratification. By the end of 1977, most of the major member countries as well as Finland had ratified the Articles. The amended agreement will enter into force three months after the Fund announces that three-fifths of the members, having four-fifths of the total voting power, have ratified the proposed amendment.

According to the amended Articles, each member shall, in particular:

- i) endeavour to direct its economic and financial policies towards the objective of fostering orderly economic growth with reasonable price stability;
- ii) seek to promote stability by fostering orderly underlying economic and financial conditions;
- iii) avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members; and
- iv) follow exchange policies compatible with these undertakings.

These obligations are supplemented by a regulation under which the Fund oversees the international monetary system in order to ensure its effective operation.

After the amendment of the Articles of Agreement has entered into force, each member

will notify the Fund of the exchange arrangements it intends to apply. The prevailing foreign exchange arrangements are generally accepted in the revised Articles of Agreement. Hence it is possible to apply floating exchange rates. In order to adopt the domestic situation to the prevailing international monetary practice, it was considered appropriate to amend the Currency Act in Finland and make official the method of calculating the external value of the mark by a currency index.

THE NEW LEGISLATION

A proposal for the amendment of § 2 of the Currency Act was submitted to Parliament in the late spring of 1977. The amendment of the Currency Act was passed on October 28, 1977 and came into force on November 1, 1977.

The external value of the Finnish mark is defined and the proceedings relating to these matters are outlined in the amended Currency Act. The regulations for the application of the Act are defined in a Cabinet Decision which came into force on November 1, 1977.

THE AMENDED CURRENCY ACT

According to the amended Act, the value of the mark is no longer expressed in terms of a par value linked with gold, but in terms of a new concept — the external value of the mark. In the Act it is stated that the external value of the mark is expressed in terms of a currency index number reflecting the average change in the exchange rates of the currencies most important in Finland's foreign trade.

The Act stipulates that the Cabinet confirms the basis for calculating the index number and also sets the fluctuation limits for the index number. Both decisions are made on the proposal of the Bank of Finland. The Bank Supervisors of Parliament decide on the passing of this proposal. The Cabinet may either approve the proposal of the Bank of Finland in an

unrevised form or reject it. The decision-making process in the amended Act is, in practice, the same as in the Act of 1962.

It is the responsibility of the Bank of Finland to ensure that the currency index number remains within the permitted range of fluctuation. However, if a severe disturbance occurs in the foreign exchange markets, the Bank of Finland is entitled to temporarily deviate from the fluctuation range of the index. Such measures must be submitted, as soon as possible, for consideration by the Cabinet.

THE CABINET DECISION ON THE CURRENCY ACT

The Cabinet Decision specifies the method of calculating the currency index, the fluctuation limits of the index number and the publishing of the index number.

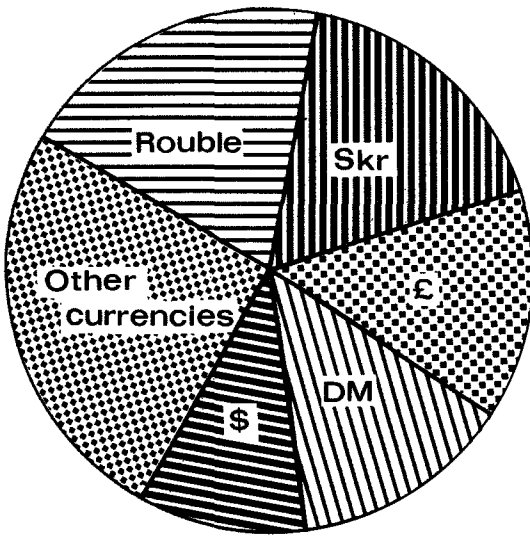
In calculating the currency index, the currencies regarded as important from the point of view of Finland's foreign trade are the currencies of those countries which, in each of the last three calendar years, have accounted for not less than 1 per cent of the total value of Finnish commodity trade. This practice ensures that structural changes in Finland's foreign trade are adequately reflected in the currency index, while temporary changes in the trade structure are prevented from affecting the index.

As a result of applying these criteria, 16 countries¹ are included in the calculations of the currency index. The share of these countries in Finland's foreign trade in 1974—76 averaged 86 per cent (Chart 3.). With such a wide coverage, the index well reflects the changes in the rates of currencies which are important to Finland.

The ratio between the current exchange rate and the base period rate is determined for

¹ The countries are Austria, Belgium, Denmark, France, Federal Republic of Germany, Great Britain, Iran, Italy, Japan, the Netherlands, Norway, Poland, Soviet Union, Sweden, Switzerland and the United States.

CHART 3. DISTRIBUTION OF WEIGHTS IN THE BANK OF FINLAND CURRENCY INDEX



each currency included in the index. These ratios are weighted together by the countries' shares in Finland's foreign trade. The weights are calculated as arithmetic averages of the shares for the base period and the last four full quarters for which official foreign trade statistics have been released. The system of moving weights ensures that the weights are up to date.

The year 1974 is fixed as the base period for the currency index. The base period's weighted average exchange rates for the currencies of the countries included in the index equals 100. The Cabinet decided that the upper limit of the range of fluctuation for the currency index number is 112.0 and the lower limit 107.1. The fluctuation limits of the currency index are thus 2.25 per cent on each side of the theoretical

arithmetic mean. The fluctuation range is similar to the one applied between the Finnish mark and the dollar under the central rate system. Changes in the external value of the mark within the fluctuation limits are of minor economic significance.

The Bank of Finland calculates the currency index number daily. Monthly averages of the index numbers are published in, for example, the Bank of Finland Monthly Bulletin. The average for January 1978, was 111.1.

THE SIGNIFICANCE OF THE AMENDMENT

The amendment of the Currency Act is largely a technical matter. Foreign currencies are quoted and traded in Finland in exactly the same way as before the amendment. Also, an index similar to the one described in the Act was used by the Bank of Finland in unofficial calculations before the amendment was made. Experience showed that index to be very useful. That experience and the revision of the Articles of the International Monetary Fund contributed to the decision to amend the Act.

The amended Currency Act takes account of floating exchange rates as the prevailing practice in the world monetary system. Although many countries have experience with currency indices, Finland was among the first countries to incorporate the use of an index into legislation. The new legislation provides an up-to-date framework for reviewing developments in the foreign exchange markets and the external value of the Finnish mark.

ITEMS

Elections for the Electoral College, which chooses the President of the Republic, were held on January 15th and 16th. Of the 3 860 000 people eligible to vote, 70.3 per cent voted compared with 70.2 per cent in 1968 and 81.5 per cent in 1962. If the Finns living abroad, (about 316 000) are included, the turn-out was 64.6 per cent. According to the figures of the returns, the percentage of votes and the number of seats were divided as follows:

	Per cent	Seats
Kekkonen's election association:		
Social Democrats	23.3	74
Centre Party	19.5	64
People's Democrats	18.3	56
Conservatives	14.7	45
Swedish Party	3.6	13
Liberal Party	2.9	8

Westerholm's election association:

Christian League	8.8	24
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Vennamo's election association:

Finnish Farmers' Party	4.7	10
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Salonen's election association:

Finnish People's Constitutional Party	3.4	6
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Haikala's election association:

Finnish People's Unification Party	0.8	—
Total	100.0	300

The Presidential election will take place on February 15th.

Publications of the Bank of Finland. The eighth publication in the series Studies on Finland's Economic Growth has appeared: Pertti Kohi, Maa- ja vesirakennustoiminta Suomessa 1900—1960 (Land and Waterway Construction in Finland, 1900—1960), in Finnish with a summary and statistical tables in English, 1977, 56 pp. ISBN 951-686-039-7, ISSN 0355-6050.

Also the ninth publication in the same series has appeared: Eero Heikkonen, Talorakennusinvestoinnit ja talorakennuskanta Suomessa 1900—1970 (Building Investment and Building Stock in Finland, 1900—1970), in Finnish with a summary and statistical tables in English, 1977, 43 pp. ISBN 951-686-042-7, ISSN 0355-6050.

In series A, the following publication has appeared: A 45 Simo Lahtinen, Tuotanto, työ ja energia Suomen teollisuudessa vuosina 1900—1975 (Production, Labour and Energy in Finnish Industry in 1900—1975), 1977, 78 pp. ISBN 951-686-040-0, ISSN 0355-6034.

Five articles which appeared in the Bank of Finland Monthly Bulletin in 1977 have been published under the title »Finnish Industry». The subjects covered in the articles are: Finnish industry as a whole; forest industries; metal and engineering industry; consumer goods industries; chemical industries and the building materials industry. ISBN 951-686-044-3.

BANK OF FINLAND

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Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

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Automatic Data Processing

Pauli Kanerva

*Personnel Administration and
General Affairs*

Stig G Björklund

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Antti Luukka

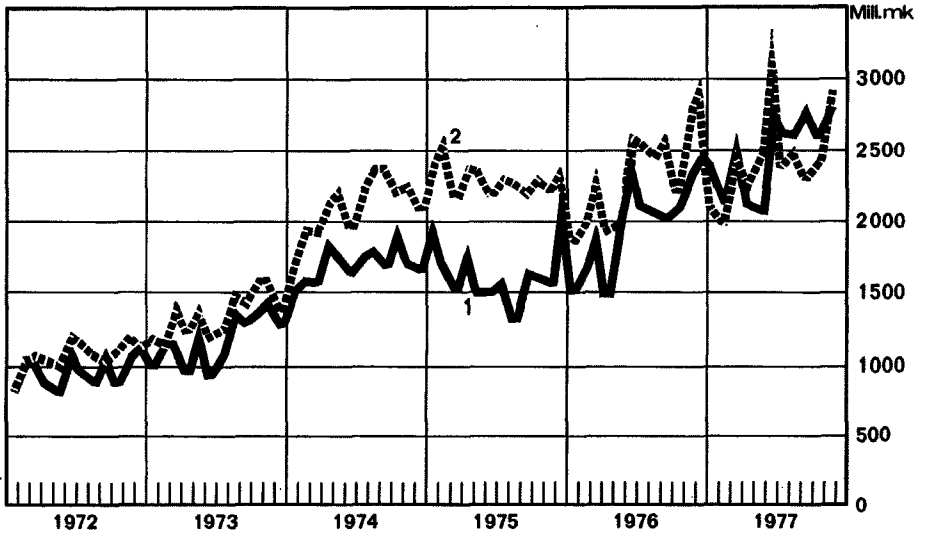
Cash

Urpo Levo

International legal affairs

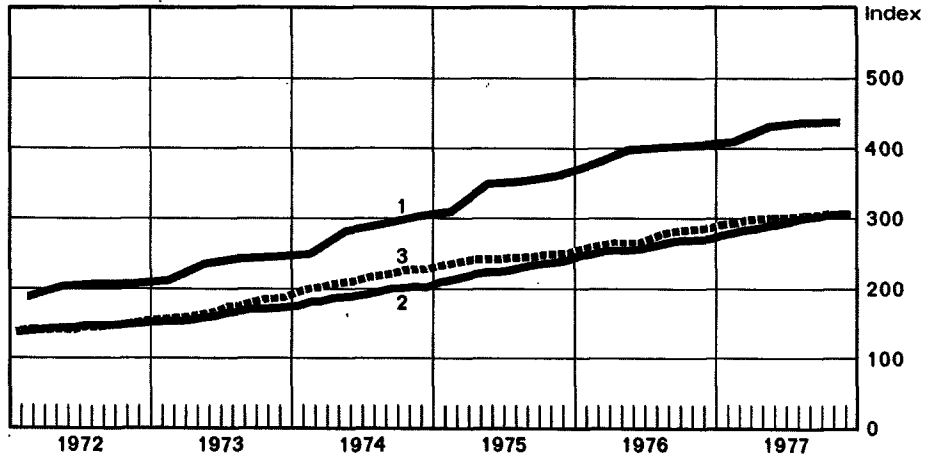
FOREIGN TRADE, 1972 - 1977

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



PRICES AND WAGES, 1972 - 1977

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



PRODUCTION, 1972 - 1977

- 1. Total index of industrial production 1964 = 100, seasonally adjusted monthly figures
- 2. Volume index of gross domestic product 1964 = 100, seasonally adjusted quarterly figures

