



BANK OF FINLAND

Monthly Bulletin

Developments in the security market

Public finance in 1976

The inquiry into the financial
needs of Finnish firms

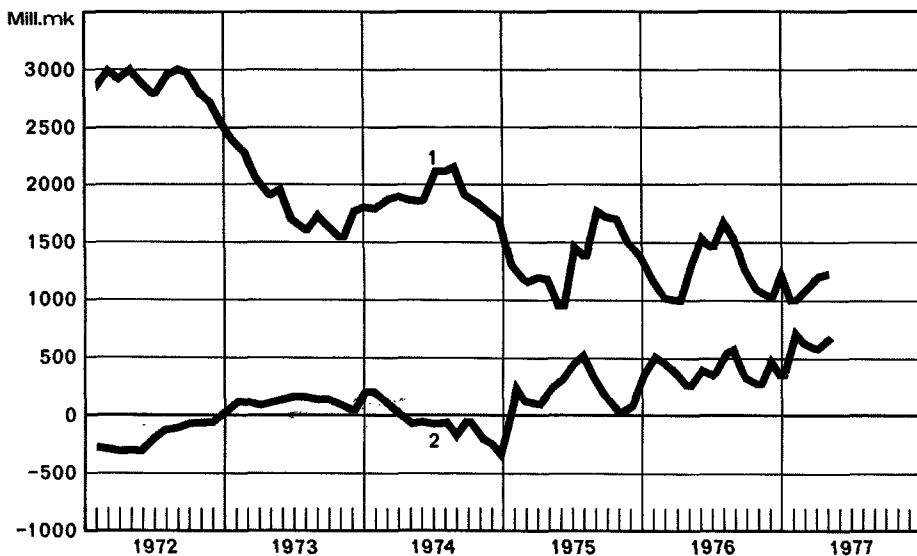
Finland joins the Inter-American
Development Bank

Change of Government

JUNE 1977

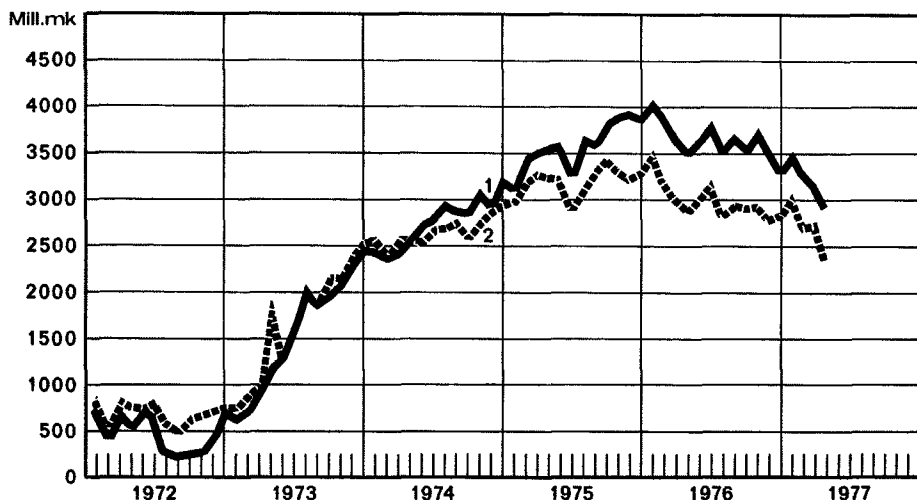
Vol. 51 No. 6

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



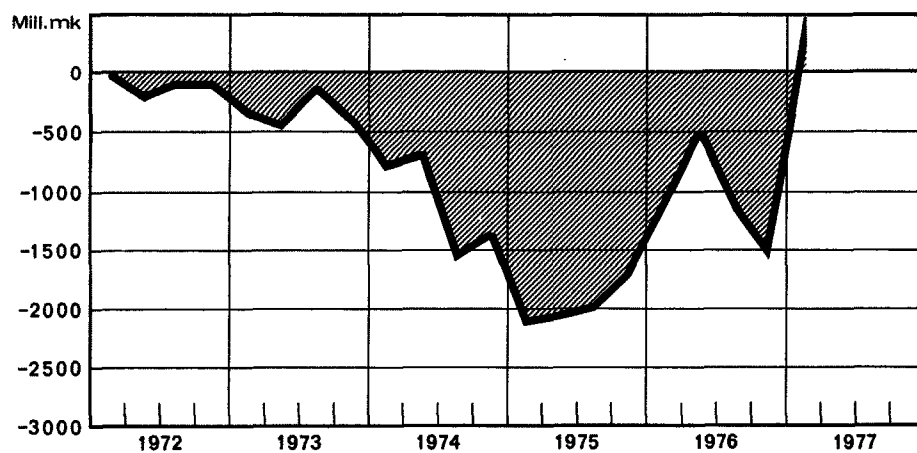
- 1. Gold and convertible currencies
- 2. Non-convertible currencies

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
- Seasonally adjusted end-of-month figures

BALANCE OF PAYMENTS CURRENT ACCOUNT SURPLUS / DEFICIT, 1972 - 1977



Seasonally adjusted quarterly figures

DEVELOPMENTS IN THE SECURITY MARKET

The year 1976 marked an end to the strong investment boom that had taken place in the Finnish corporate sector during the previous few years, and the volume of corporate gross fixed investment fell by more than 20 per cent. Companies' willingness to invest diminished along with deteriorations in profitability and a fall in the capacity utilization ratio. Restrictive capital import and monetary policies, which were directed against the pressures on prices and the foreign balance, also tended to discourage the commencement of new investment projects. Companies concentrated more on maintaining production levels, and the demand for working capital increased correspondingly. The need for funds was aggravated by the fall in the corporate sector net profit.

SHARE AND BOND ISSUES

In 1976 share issues by Finnish companies quoted on the Helsinki Stock Exchange totalled 532 million marks, of which 344 million marks were new issues and the remainder bonus issues. New issues were some six per cent down on the previous year. The fact that companies did not make greater resort to this source of finance clearly reflected the difficulty of making a successful issue in the prevailing market situation. Part of the uncertainty arose because of the relatively large amounts of government debt issued during the year.

Central government finances were quite tight for most of 1976. In order to support its financial position the government sold bonds worth 625 million marks to the general public and 164 million marks to institutional investors in the course of the year. This was about twice as much as during 1975.

Because the central government has priority in making bond issues in Finland, other borrowers' access to the bond market is inversely related to central government issuing activity.

Thus in 1976 sales of mortgage bank bonds intended for public subscription amounted to only 146 million marks. Institutional investors bought mortgage bank bonds worth 319 million marks, while industrial companies, for their part, were able to sell 147 million marks' worth of taxable bonds to institutional investors. All in all, the total sales of domestic bonds amounted to 1 401 million marks, exceeding the figure for the previous year by 11 per cent.

The attractiveness of bonds was improved in 1976 both by shortening maturities and by raising interest rates. The rates on bonds intended for subscription by the public ranged from 9% to 11 per cent.

STOCK EXCHANGE

The difficult and uncertain economic situation and the stringency in financial markets continued to cause downward pressure on prices in the secondary market for securities in 1976. Consequently, even though the number of securities traded did not change significantly from the previous year, the annual turnover of the Helsinki Stock Exchange was down by 17 per cent. In particular, the turnover of bank shares and of subscription rights fell from the previous year. On the other hand, trade in existing bonds improved somewhat, stimulated by the new bond issues.

Shares made up slightly less than 80 per cent of the total turnover of the Helsinki Stock Exchange, while subscription rights made up less than 10 per cent. The corresponding figures for 1975 were 69 per cent and 23 per cent. The share of bonds rose from 8 per cent in 1975 to some 11 per cent in 1976. As these figures indicate, the secondary trade in bonds has been, and still is, very modest in Finland. Stock exchange bond transactions during 1976 amounted to only 0.3 per cent of the total stock of bonds outstanding.

CURRENT DEVELOPMENTS

In the current year the growth of corporate income is likely to pick up due to increased export earnings. However, there is not expected to be any strong rise in company investment activity as there still exists plenty of unused capacity, especially in the export sector. Furthermore, demand prospects for the coming years are still rather uncertain. Companies will probably prefer to improve their financial position by building up their liquidity and by lowering their indebtedness ratios.

So far this year share issuing activity by Finnish companies has been rather slight. On the other hand both the central government and the mortgage banks have made relatively large bond issues. These issues seem to have en-

hanced investors' interest in bonds in the secondary market, too, despite the general slackness in the other sectors of the market.

This spring the Finnish Government has introduced an Investment Trust Bill which will, if passed, provide legal basis for the establishment and operation of investment trust and, thereby, for organized securities saving. The aim of the Bill is to provide more investment opportunities for securities savers, particularly small savers, and to promote their legal security. It will also encourage improvements in the capital structure of corporations, particularly by increasing the share of equity capital through share issues. Investment trusts are to be joint stock companies operating under public control.

May 24, 1977

	1976		1977			
	May 31	Dec. 31	May 6	May 13	May 23	May 31
Assets						
Gold and foreign exchange receivables	2 114	1 801	1 771	1 732	1 722	1 898
Gold	121	121	127	127	127	127
Special drawing rights	271	236	206	206	206	206
Convertible currencies	1 235	1 004	749	764	726	819
Tied currencies	487	440	689	635	663	746
Other foreign receivables	1 465	1 660	1 748	1 863	1 857	1 851
Foreign bills	297	436	427	435	429	424
Foreign bonds	342	397	494	494	494	493
Currency subscription to Finland's quota in the IMF	826	827	827	934	934	934
Receivables from financial institutions	4 415	4 674	4 143	3 978	4 548	4 052
Cheque accounts of the commercial banks	176	174	160	165	164	110
Discounted bills	3 235	2 920	2 653	2 733	2 718	2 749
Bonds	426	332	349	359	387	378
Call money market advances	540	1 204	941	688	1 255	789
Other financial institution receivables	38	44	40	33	24	26
Receivables from the public sector	352	447	407	405	374	377
Bonds	74	67	73	68	68	68
Total coinage	270	279	289	290	291	291
Other public sector receivables	8	101	45	47	15	18
Receivables from corporations	1 175	1 400	1 411	1 413	1 420	1 437
New export bills	129	165	181	181	182	183
Financing of suppliers' credits	473	554	624	628	630	642
Bonds	208	198	188	188	188	188
Other corporate receivables	365	483	418	416	420	424
Other assets	47	53	72	64	71	72
Total	9 568	10 035	9 552	9 455	9 992	9 687
Liabilities						
Foreign exchange liabilities	99	101	87	87	80	71
Convertible accounts	46	50	56	55	46	39
Tied accounts	53	51	31	32	34	32
Other foreign liabilities	1 922	1 923	1 923	2 030	2 030	2 030
IMF mark accounts	1 664	1 665	1 665	1 772	1 772	1 772
Allocations of special drawing rights	258	258	258	258	258	258
Notes and coins in circulation	2 775	2 885	2 890	2 912	2 923	2 932
Notes	2 539	2 635	2 637	2 659	2 670	2 678
Coins	236	250	253	253	253	254
Deposit certificates in circulation	—	—	180	180	180	180
Claims of financial institutions	553	1 143	924	524	1 111	834
Cheque account of Postipankki	0	2	0	0	1	0
Cheque accounts of the commercial banks	2	2	1	1	2	2
Call money market deposits	549	1 137	912	517	1 094	574
Other financial institution claims	2	2	11	6	14	258
Claims of the public sector	1 360	1 133	487	649	592	581
Cheque accounts	0	2	1	0	0	0
Counter-cyclical reserves	55	59	34	34	34	34
Import deposits	1 266	973	307	279	218	209
Other public sector claims	39	99	145	336	340	338
Claims of corporations	488	308	269	272	268	263
Investment deposits	67	58	54	54	51	51
Capital import deposits	415	242	202	202	202	202
Import levy deposits	2	6	12	15	14	9
Other corporate claims	4	2	1	1	1	1
Other liabilities	13	13	16	19	13	14
Equalization accounts	433	592	793	795	806	790
Capital accounts	1 925	1 937	1 983	1 987	1 989	1 992
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	334	334	436	436	436	436
Undisposed profits	97	—	102	102	102	102
Net earnings	94	203	45	49	51	54
Total	9 568	10 035	9 552	9 455	9 992	9 687

End of year and month	Foreign sector						Public sector				Deposit certificates in circulation
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserve (1-2)	Non-convertible exchange reserve	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	
1970	1 812	11	1 801	— 63	639	606	1 771	119	121	2	203
1971	2 620	30	2 590	—297	686	704	2 275	148	140	— 8	400
1972	2 613	43	2 570	— 6	757	788	2 533	175	49	—126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1976											
April	1 393	47	1 346	281	1 449	1 413	1 663	341	1 390	1 049	—
May	1 627	46	1 581	434	1 465	1 922	1 558	352	1 360	1 008	—
June	1 546	48	1 498	392	1 456	1 923	1 423	350	1 320	970	—
July	1 800	62	1 738	507	1 483	1 923	1 805	361	1 227	866	—
Aug.	1 670	123	1 547	620	1 503	1 923	1 747	388	1 263	875	—
Sept.	1 414	142	1 272	355	1 533	1 923	1 237	415	1 188	773	—
Oct.	1 257	134	1 123	304	1 560	1 923	1 064	421	1 130	709	—
Nov.	1 197	123	1 074	529	1 595	1 923	1 275	432	1 215	783	—
Dec.	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1977											
Jan.	1 074	53	1 021	768	1 636	1 923	1 502	440	979	539	—
Feb.	1 180	49	1 131	654	1 637	1 923	1 499	426	873	447	—
March	1 292	60	1 232	608	1 692	1 923	1 609	433	739	306	180
April	1 324	65	1 259	697	1 733	1 923	1 766	407	512	105	180
May	1 152	39	1 113	714	1 851	2 030	1 648	377	581	204	180

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

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1976			Net holdings, April 30, 1977			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	April	Jan.—Apr.
	Gold	121	—	121	127	—	127	—
Special drawing rights	236	—	236	221	—	221	—	—15
IMF gold tranche	—	—	—	—	—	—	—	—
Convertible currencies	954	—1 783	—829	910	—3 013	—2 103	—419	—1 274
Total	1 311	—1 783	—472	1 258	—3 013	—1 755	—419	—1 283
Non-convertible currencies	389	—27	362	697	— 27	670	+ 84	+ 308

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

1976

April	3 053	193	1 098	1	0	843	3 660	1 126	523	603	2 676
May	3 235	176	1 004	2	0	683	3 862	1 175	488	687	2 775
June	3 358	196	1 111	1	0	551	3 979	1 215	413	802	2 969
July	2 775	164	1 189	3	0	685	3 332	1 284	374	910	2 895
Aug.	2 749	169	926	3	0	793	3 310	1 297	301	996	2 858
Sept.	3 031	185	1 153	2	0	531	3 584	1 342	189	1 153	2 840
Oct.	3 148	164	1 566	3	0	783	3 870	1 356	297	1 059	2 882
Nov.	3 036	178	1 401	5	1	1 005	3 824	1 315	352	963	2 839
Dec.	2 920	174	1 580	2	2	785	3 531	1 400	308	1 092	2 885

1 139

1977

Jan.	2 729	119	2 095	2	0		3 268	1 308	244	1 064	2 758
Feb.	2 604	176	2 405	1	1	1 673	3 318	1 306	353	953	2 790
March	2 769	123	1 690	2	0	1 865	3 258	1 321	307	1 014	2 845
April.	2 460	152	1 480	3	1	1 322	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

¹ The balance sheet of the Bank of Finland was revised in Dec. 1974. See explanations on page 18.² Including special index accounts.³ Including cash reserve accounts.

SELLING RATES FOR FOREIGN EXCHANGE

Mk

May 23, 1977

New York ¹	1 \$	4.088	Frankfurt o. M.	100 DM	173.80	Vienna	100 S	24.40
Montreal	1 \$	3.890	Amsterdam	100 Fl	166.60	Lisbon	100 Esc	10.60
London	1 £	7.025	Brussels ²	100 Fr		Madrid	100 Pta	5.95
Stockholm	100 Kr	93.80	Zurich	100 Fr	162.40	Tokyo	100 Y	1.480
Oslo	100 Kr	77.50	Paris	100 FF	82.50	Reykjavik	100 Kr	2.12
Copenhagen	100 Kr	68.20	Rome	100 Lit	0.464	Moscow ³	1 Rbl	5.491

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.² 11.350 commercial rate; 11.350 financial rate.³ Clearing account: also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

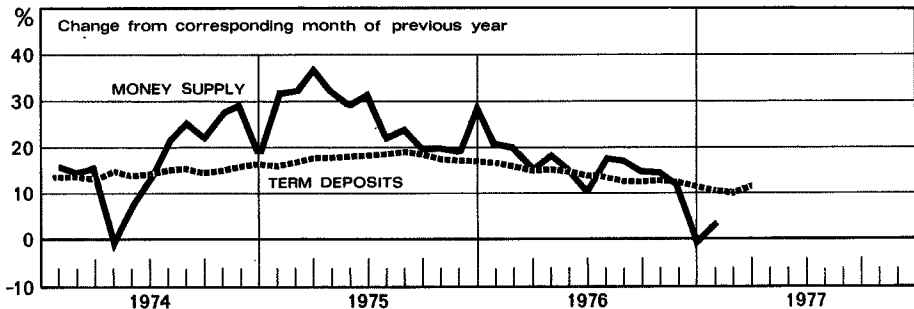
End of year and month	Sight deposits			Term deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Co-op. stores	All credit institutions	
	Commercial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1970	1 143	1 508	603	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*

April	3 040	4 120	2 155	11 894	10 080	7 819	3 270	1 148	34 211	40 486
May	2 843	4 021	2 048	11 972	10 174	7 870	3 292	1 161	34 469	40 538
June	3 004	4 222	1 865	11 963	10 279	7 971	3 332	1 167	34 712	40 799
July	2 985	4 176	1 951	11 966	10 389	8 064	3 390	1 184	34 993	41 120
Aug.	3 102	4 375	1 968	11 988	10 531	8 216	3 423	1 194	35 352	41 695
Sept.	2 856	4 094	1 935	11 896	10 545	8 286	3 426	1 213	35 366	41 395
Oct.	2 715	3 930	1 948	11 986	10 599	8 341	3 465	1 231	35 622	41 500
Nov.	2 933	4 170	1 913	12 031	10 769	8 477	3 480	1 248	36 005	42 088
Dec.	3 028	4 386	2 332	12 789	11 066	8 622	3 578	1 255	37 310	44 028

1977*

Jan.	2 969	4 190	2 370	12 718	11 166	8 721	3 616	1 282	37 503	44 063
Feb.	2 827	4 103	2 495	12 719	11 273	8 821	3 673	1 296	37 782	44 380
March	2 911	4 265	2 346	12 783	11 362	8 885	3 737	1 307	38 074	44 685
April	2 923	4 234	2 382	12 988	11 443	9 183	3 758	1 324	38 696	45 312



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

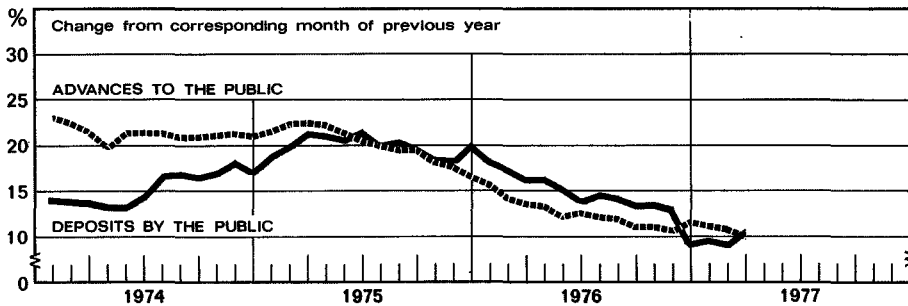
End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1970	7 963	4 342	3 404	1 342	1 454	17 815	690	18 505	3 445
1971	9 234	4 795	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*

April	18 049	9 576	8 079	5 691	4 258	44 192	1 461	45 653	8 607
May	18 138	9 647	8 178	5 697	4 378	44 605	1 433	46 038	8 488
June	18 396	9 728	8 279	5 779	4 409	45 121	1 470	46 591	8 652
July	18 212	9 831	8 376	5 844	4 479	45 365	1 377	46 742	8 665
Aug.	18 309	9 965	8 505	5 885	4 507	45 652	1 519	47 171	8 830
Sept.	18 453	10 148	8 683	5 937	4 470	46 092	1 599	47 691	8 504
Oct.	18 658	10 279	8 855	5 939	4 475	46 617	1 589	48 206	8 422
Nov.	18 791	10 418	9 000	6 046	4 494	47 168	1 581	48 749	8 565
Dec.	19 090	10 616	9 256	6 012	4 582	47 965	1 591	49 556	9 268

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	..
March	19 208	10 804	9 279	6 095	4 589	48 330	1 645	49 975	..
April	19 296	10 888	9 296	6 078	4 642	50 200	..



STATE FINANCES

Mill. mk

Revenue	Jan.—March.		Expenditure	Jan.—March.	
	1976	1977		1976	1977
Income and property tax (net)	3 124	2 664	Wages, salaries, pensions etc.	1 179	1 320
Gross receipts	(5 991)	(7 392)	Repair and maintenance	132	154
Refunds & local authorities	(—2 867)	(—4 728)	Other consumption expenditure	519	673
Other taxes on income and property	56	66	Total consumption expenditure	1 830	2 147
Employers' child allowance payments	164	205	State aid to local authorities	1 450	1 880
Sales tax	1 462	1 567	State aid to industries	943	999
Revenue from Alcohol Monopoly	324	314	of which: agric. price subsidies	(590)	(592)
Customs duties & import charge	148	139	Child allowances	197	257
Counter-cyclical tax	—	—	Share in national pensions and health insurance	64	72
Excise duty on tobacco	187	198	Other transfer expenditure	772	974
» » on liquid fuel	270	372	Total transfer expenditure	3 426	4 182
Other excise duties	142	325	Machinery and equipment	248	292
Tax on autom. and motor cycles	158	156	House construction	107	126
Stamp duties	145	166	Land and waterway construction	349	332
Special diesel etc. vehicles tax	16	15	Total real investment	704	750
Other taxes and similar revenue ¹	156	182	Interest on State debt	75	102
Total taxes	6 352	6 369	Index compensations	19	17
Miscellaneous revenue	515	512	Net deficit of State enterprises	10	21
Interest, dividends etc.	54	75	Other expenditure	7	10
Sales and depreciation of property	1	2	Total other expenditure	111	150
Redemptions of loans granted	116	38	Increase in inventories	—16	— 2
Total revenue	7 038	6 996	Lending	553	742
Foreign borrowing	—	—	Other financial investment	125	121
Domestic borrowing	249	304	Total expenditure	6 733	8 090
Total borrowing	249	304	Redemption of foreign loans	29	28
Deficit (+) or surplus (—)	(—369)	(+984)	Redemption of domestic loans	156	166
			Total redemptions	185	194
			Total	6 918	8 284

¹ Including supplementary turnover tax and import-equalization tax from June 1971.

State debt	1975	1976	1977			
	Dec.	Dec.	Jan.	Feb.	March	April
Foreign debt	1 603	2 248	2 247	2 240	2 229	2 377
Loans	1 645	2 175	2 197	2 238	2 289	2 314
Compensatory obligations	1	1	1	1	1	1
Short-term credit	85	287	286	291	296	..
Cash debt (net)	—242	—643	—431	—471	—351	..
Domestic debt	1 489	1 820	2 053	2 059	2 235	..
Total State debt	3 092	4 068	4 300	4 299	4 464	..
Total debt, mill \$	798	1 069	1 129	1 122	1 171	..

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1971	9 897	11 734	-1 837
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976*	24 505	28 560	-4 055

1976*

Feb.	1 478	1 949	- 471
March	1 967	2 249	- 282
April	1 452	1 851	- 399
May	2 212	1 956	+ 256
June	2 232	2 441	- 209
July	2 256	2 543	- 287
Aug.	1 758	2 357	- 599
Sept.	2 119	2 632	- 513
Oct.	2 394	2 361	+ 33
Nov.	2 463	2 783	+ 320
Dec.	2 610	3 307	- 697

1977*

Jan.	2 469	2 383	+ 86
Feb.	1 917	1 981	-64
March	2 621	2 395	+ 226

Jan.-Mar.

1976*	5 009	6 329	-1 320
1977*	7 007	6 759	+ 248

Indices of exports and
imports 1969 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
1972	118	124	123	125	98
1973	127	141	138	139	99
1974	126	151	196	200	98
1975	105	151	232	218	106
1976*	126	148	234	228	103

1974

July-Sept.	119	158	206	204	101
Oct.-Dec.	125	152	221	213	104

1975

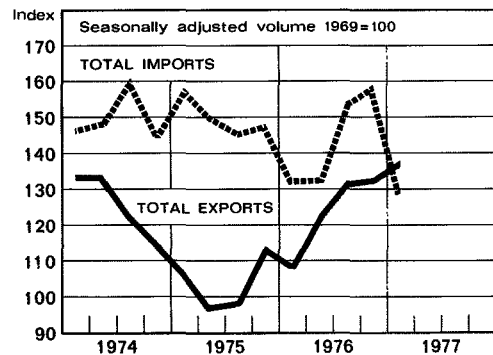
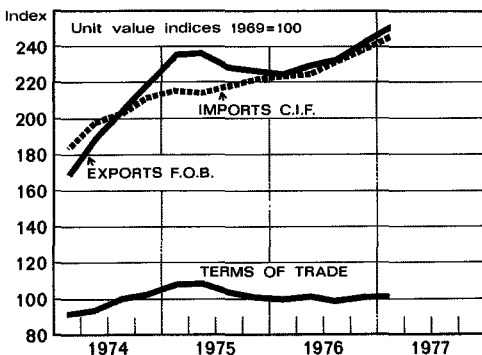
Jan.-Mar.	104	160	237	217	109
Apr.-June	95	146	238	216	110
July-Sept.	94	143	230	220	105
Oct.-Dec.	124	153	228	223	102

1976*

Jan.-Mar.	106	134	226	224	101
Apr.-June	122	130	231	226	102
July-Sept.	125	152	234	233	100
Oct.-Dec.	147	165	244	240	102

1977*

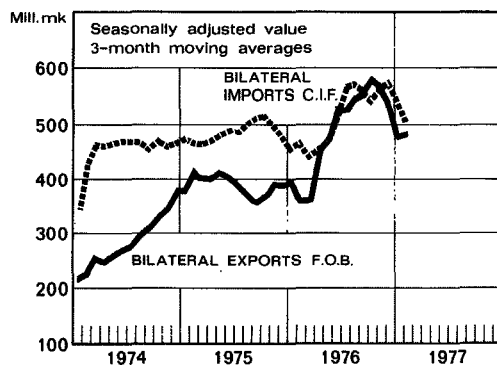
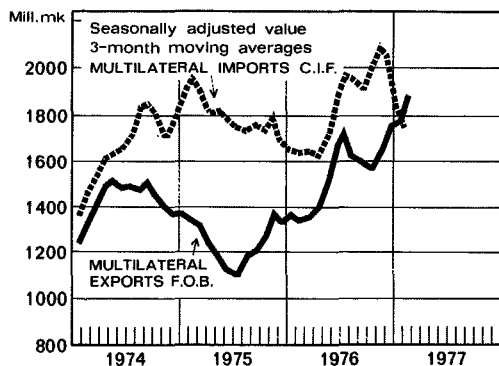
Jan.-Mar.	133	129	253	247	102
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FOREIGN TRADE BY MAIN GROUPS

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	
1971	313	1 643	3 797	1 764	2 380	7 037	570	2 333	1 746	48
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	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	4 972	4 102	77
1976*										
Feb.	14	196	592	287	389	1 211	114	327	291	6
March	125	214	780	338	510	1 339	91	461	353	5
April	19	140	397	475	421	1 034	66	433	318	0
May	78	158	601	837	538	1 236	106	291	316	7
June	38	302	804	529	559	1 604	100	390	347	0
July	29	320	693	739	475	1 725	164	342	307	5
Aug.	42	257	645	324	490	1 483	163	381	308	22
Sept.	47	276	665	554	577	1 564	166	515	386	1
Oct.	71	255	741	749	578	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	586	421	11
1977*										
Jan.	204	286	655	748	576	1 378	144	546	308	7
Feb.	45	232	625	476	539	1 285	102	272	320	2
March	181	261	802	692	685	1 479	85	381	448	2
Jan.-Mar.										
1976*	253	600	1 849	1 061	1 246	3 740	338	1 283	956	12
1977*	430	779	2 082	1 916	1 800	4 142	331	1 199	1 076	11



FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January - March				January - March			
	1976*		1977*		1976*		1977*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	68.4	3 424	68.4	4 796	68.2	4 317	68.5	4 632
Austria	0.7	35	0.7	51	1.7	106	1.5	103
Belgium-Luxembourg	1.7	84	1.6	112	1.9	120	1.9	126
Denmark	3.9	197	4.1	285	3.1	193	3.2	215
France	4.4	220	3.5	249	3.0	189	3.1	209
Federal Republic of Germany	10.4	523	11.3	795	16.2	1 027	17.0	1 146
Italy	1.9	95	1.5	105	2.3	147	2.2	150
Netherlands	3.2	161	3.8	264	3.1	198	3.3	226
Norway	4.4	218	5.4	376	4.0	255	2.3	156
Portugal	0.5	26	0.2	17	0.3	21	0.4	28
Spain	1.1	53	1.0	67	1.0	64	1.8	121
Sweden	16.9	847	18.5	1 295	19.3	1 219	18.8	1 270
Switzerland	2.2	108	2.2	152	3.3	211	3.9	264
United Kingdom	15.8	792	11.9	837	8.7	549	8.8	595
Other	1.3	65	2.7	191	0.3	18	0.3	23
OECD countries outside Europe	5.6	283	6.8	475	7.0	440	6.3	426
Canada	0.6	32	0.7	47	0.4	24	0.4	27
Japan	1.0	50	0.6	40	1.4	90	1.9	126
United States	3.3	165	4.9	345	5.2	325	4.0	271
Other	0.7	36	0.6	43	0.0	1	0.0	2
CMEA countries	17.9	895	17.7	1 240	20.1	1 273	20.2	1 362
Czechoslovakia	0.7	32	0.4	26	0.6	39	0.5	31
Democratic Republic of Germany	0.7	36	0.9	60	0.5	33	0.5	34
Poland	1.3	64	0.8	55	1.4	87	1.8	124
Soviet Union	14.5	727	14.8	1 041	16.5	1 046	16.7	1 125
Other	0.7	36	0.8	58	1.1	68	0.7	48
Latin America	2.4	122	1.4	101	2.1	135	2.7	185
Argentina	0.3	15	0.2	16	0.0	0	0.0	1
Brazil	0.5	25	0.5	31	0.8	52	0.3	22
Colombia	0.1	5	0.0	3	0.8	53	1.6	106
Other	1.5	77	0.7	51	0.5	30	0.8	56
Other	5.7	285	5.7	395	2.6	164	2.3	154
GRAND TOTAL	100.0	5 009	100.0	7 007	100.0	6 329	100.0	6 759
of which								
EFTA countries	24.7	1 238	27.1	1 898	28.8	1 823	27.1	1 831
EEC countries	42.0	2 101	38.3	2 685	38.4	2 429	39.6	2 676
OECD countries	74.0	3 707	75.2	5 271	75.2	4 757	74.8	5 058

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport. net	Travel net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
1974 r	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976*	24 419	28 529	-4 110	+1 186	+ 8	+348	-2 568	-1 741	-91	-4 400

1974

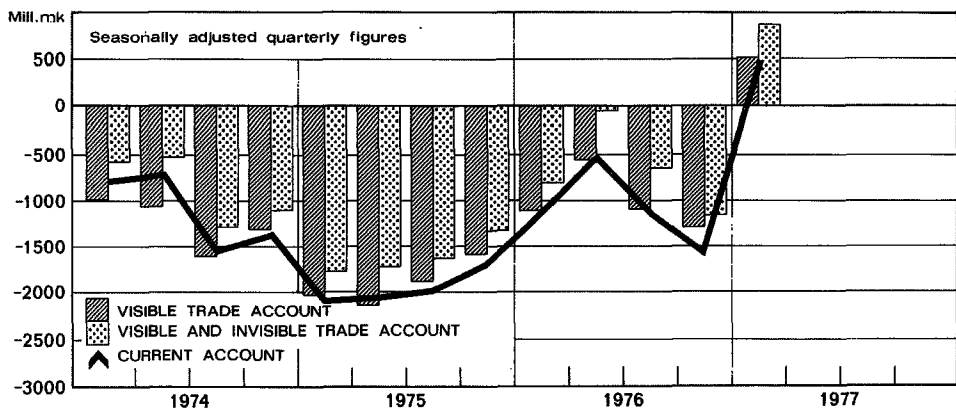
Jan.-March	4 589	5 683	-1 094	+338	+ 10	+ 5	- 741	-233	-25	- 999
Apr.-June	5 159	6 198	-1 039	+282	+ 74	+47	- 636	-239	-11	- 886
July-Sept.	5 104	6 838	-1 734	+251	+243	-36	-1 276	-243	- 4	-1 523
Oct.-Dec.	5 753	6 879	-1 126	+204	- 1	+89	- 834	-291	-29	-1 154

1975

Jan.-March	5 143	7 368	-2 225	+292	- 43	- 44	-2 020	-316	-57	-2 393
Apr.-June	4 695	6 688	-1 993	+221	+ 13	- 2	-1 761	-379	-15	-2 155
July-Sept.	4 482	6 649	-2 167	+237	+142	+ 57	-1 731	-308	- 6	-2 045
Oct.-Dec.	5 861	7 234	-1 373	+234	- 7	+206	- 940	-411	-30	-1 381

1976*

Jan.-March	4 989	6 357	-1 368	+276	- 53	+ 51	-1 094	-349	-24	-1 467
Apr.-June	5 833	6 241	- 408	+295	- 5	+ 15	- 103	-484	-37	- 624
July-Sept.	6 113	7 481	-1 368	+322	+112	+115	- 819	-436	-17	-1 272
Oct.-Dec.	7 484	8 450	- 966	+293	- 46	+167	- 552	-472	-13	-1 037

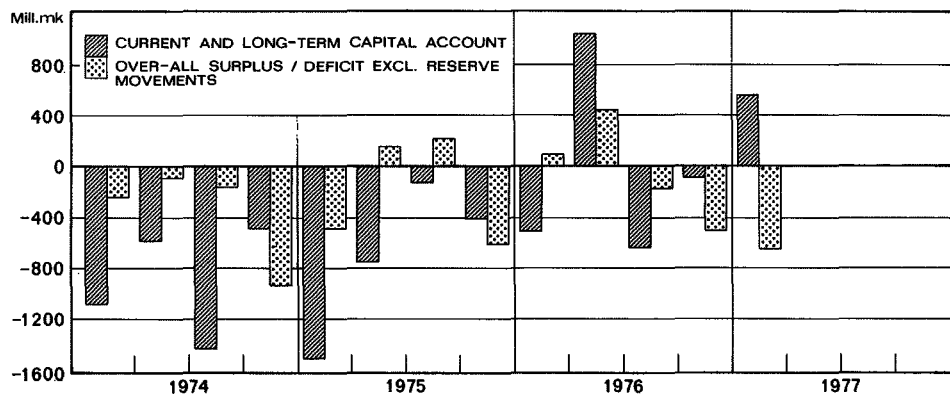


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous 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	+ 56	+4 210	- 190	+292	-1 288	+1 058	- 128	+ 78	+ 50
+481	-522	- 24	-26	- 91	-1 090	+288	+124	+409	-269	+138	+131
+758	-362	-114	+13	+295	- 591	+349	+ 58	+ 88	- 96	- 99	+195
+549	-379	- 61	-25	+ 84	-1 439	+502	+312	+462	-163	+202	- 39
+942	-274	- 24	+15	+659	- 495	-209	-157	- 86	-947	+498	+449
+1 206	-310	- 24	+11	+ 883	-1 510	+310	+758	- 35	-477	- 32	+509
+1 870	-433	- 48	+ 9	+1 398	-757	-140	+758	+296	+157	-668	+511
+2 121	-287	- 3	+57	+1 888	-157	+131	- 34	+265	+205	+ 91	-296
+1 532	-415	-139	-15	+ 963	-418	+337	- 33	-518	-632	+165	+467
+1 404	-374	+ 2	-79	+ 953	- 514	-579	+119	+1072	+ 98	+373	-471
+2 096	-394	-115	+83	+1 670	+1 046	-158	+119	- 549	+458	-485	+ 27
+1 239	-568	- 20	-25	+ 626	- 646	+520	-764	+ 717	-173	+263	- 90
+1 391	-449	- 58	+77	+ 961	- 76	+509	-762	- 182	-511	- 73	+584

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			
1975	562	575	513	570	637	532	629	536	539	139	131	142
1976	626	646	548	614	707	621	679	594	614	152	142	154
1976												
July	628	648	554	610	706	633	686	596	615	151	146	153
Aug.	641	662	560	627	709	642	697	611	627	154	146	155
Sept.	648	670	565	640	721	640	700	623	633	157	146	160
Oct.	650	671	567	642	726	640	699	624	637	158	146	161
Nov.	656	678	570	646	727	651	706	627	645	159	146	163
Dec.	659	681	573	647	738	654	710	627	649	160	146	164
1977												
Jan.	669	692	584	653	770	665	710	629	672	165	149	169
Feb.	676	698	588	658	781	672	718	635	677	166	149	171
March.	682	706	591	660	777	687	727	645	680	167	149	172
April	686	708	601	665	790	688	730	646	686	168	149	173
Period	Consumer prices 1972 = 100											
	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.—Dec. 1957 = 100	Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1975	392	308	153	157	135	150	162	184	150	145	144	156
1976	449	352	174	182	164	166	171	200	164	174	162	185
1976												
July	450	353	175	185	168	161	171	202	162	175	161	186
Aug.	456	358	177	191	168	163	171	202	165	176	161	187
Sept.	460	361	179	193	169	168	171	202	166	177	162	190
Oct.	465	365	181	192	168	173	174	208	167	178	167	194
Nov.	468	367	182	194	168	173	174	209	170	180	169	194
Dec.	469	368	182	195	168	173	174	209	170	181	171	195
1977												
Jan.	476	374	185	196	174	173	174	210	174	185	179	198
Feb.	482	378	187	200	174	176	175	210	176	187	180	201
March.	489	384	190	207	174	179	175	214	177	190	182	202
April	493	387	192	209	174	180	175	215	179	193	183	203

WAGES

Index of salary and wage earnings 1964 = 100

Period	By industries			By institutional sectors			All salary earners	All wage earners	All employees	
	Wage earners in			Employees in services	State employees	Municipal employees				Employees in private sector
	Agriculture	Industry	Construction							
1975	508	383	389	313	312	307	362	300	384	347
1976*	597	441	427	360	361	353	417	346	441	399
1975										
July-Sept.	514	390	395	319	322	311	374	308	396	358
Oct.-Dec.	559	399	405	335	334	332	380	318	404	366
1976*										
Jan.-March	584	416	411	351	349	347	396	337	417	382
Apr.-June	591	448	427	362	364	355	422	348	448	404
July-Sept.	600	447	434	362	365	355	425	349	451	406
Oct.-Dec.	608	453	437	363	365	356	427	351	453	408
1977*										
Jan.-March	626	456	441	370	376	364	431	356	459	414

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*	160	189	99	83	170	105	158	188	166	168	169
1976*	162	194	107	79	148	103	160	188	173	174	173
1975*											
July-Sept.	157	164	180	48	178	103	155	184	166	168	170
Oct.-Dec.	162	200	81	64	180	103	158	198	170	170	171
1976*											
Jan.-March	155	198	63	84	115	103	147	182	171	172	171
Apr.-June	162	193	104	91	148	106	158	185	172	173	172
July-Sept.	161	170	185	55	160	101	163	185	173	175	172
Oct.-Dec.	170	216	75	86	167	103	171	201	177	177	176
1977*											
Jan.-March	160	202	61	108	117	101	156	180	179	176	174

PRODUCTION

Index of industrial production 1970 = 100

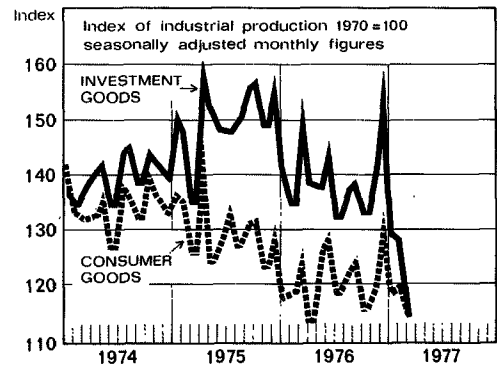
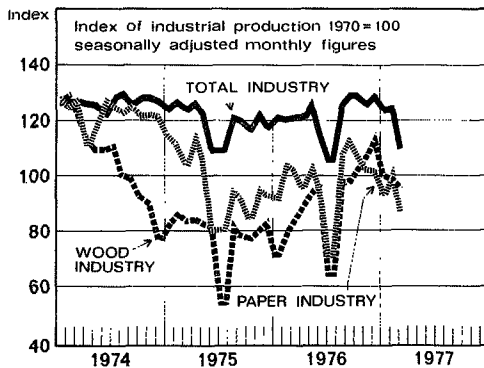
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	141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

1976*

Feb.	124	143	121	122	108	82	109	132	104	140	119
March	138	168	135	135	107	104	115	134	115	165	120
April	123	155	119	119	103	107	84	133	99	150	123
May	133	152	130	132	128	115	115	130	120	150	126
June	118	150	110	127	132	103	74	91	120	147	121
July	68	57	68	74	114	37	71	74	61	56	100
Aug.	123	133	120	126	124	85	113	116	118	133	123
Sept.	135	151	133	135	129	101	116	136	139	155	131
Oct.	136	151	135	132	126	102	121	119	133	153	128
Nov.	137	160	135	133	129	117	109	106	133	159	126
Dec.	132	152	130	130	112	104	97	143	120	154	129

1977*

Jan.	129	144	129	120	104	97	98	150	124	146	125
Feb.	125	138	126	119	98	101	102	136	108	143	125
March	124	127	125	120	108	116	96	123	110	138	110



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Un-employed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1974	3 483	2 268	2 229	39	1.7	34 457	114	114
1975	3 513	2 272	2 221	51	2.2	29 133	118	119
1976*	3 530	2 244	2 158	86	3.8	27 305	110	120
1976*								
April	3 529	2 195	2 105	90	4.1	3 217	110	113
May	3 531	2 224	2 151	73	3.3	2 735	111	116
June	3 533	2 396	2 320	76	3.2	1 821	114	124
July ¹	3 532	2 416	2 317	99	4.1	1 047	114	106
Aug.	3 531	2 352	2 253	99	4.2	1 155	106	121
Sept.	3 533	2 215	2 144	71	3.2	1 839	109	133
Oct.	3 532	2 183	2 111	72	3.3	2 293	111	125
Nov.	3 534	2 183	2 099	84	3.8	2 787	102	125
Dec.	3 535	2 186	2 085	101	4.6	3 126	143	147
1977*								
Jan.	3 524	2 181	2 053	128	5.9	2 455	84	91
Feb.	3 528	2 163	2 032	131	6.1	2 934	87	103
March	3 527	2 161	2 030	131	6.1	3 564

¹ Revised figures since July 1976.

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Buildings-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1974	53.23	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975	51.42	19.65	3.79	21.62	3.39	47.85	20.59	2.80	18.68	3.64	52.45
1976*	46.90	19.95	3.93	15.81	3.83	40.95	17.60	3.12	15.32	2.58	52.48
1975											
July-Sept.	12.21	4.84	0.79	4.72	1.13	11.97	4.70	0.92	4.17	1.27	56.38
Oct.-Dec.	10.71	4.04	0.59	4.52	1.00	14.15	6.08	1.06	5.65	0.73	52.45
1976*											
Jan.-March	8.52	3.04	0.73	3.29	0.86	8.04	3.55	0.52	3.25	0.42	49.19
Apr.-June	14.00	7.39	1.80	2.81	0.55	9.59	3.60	0.35	4.45	0.78	51.30
July-Sept.	12.42	5.43	0.71	4.44	0.97	8.89	3.59	0.97	2.95	0.67	54.82
Oct.-Dec.	11.96	4.09	0.69	5.12	1.45	12.85	6.16	1.15	3.94	0.80	52.48

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

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

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

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

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

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

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

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

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

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

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

DEPOSITS BY THE PUBLIC —

ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

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

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

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

STATE FINANCES

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

FOREIGN TRADE

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

BALANCE OF PAYMENTS

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

PRICE INDICES

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

WAGES — PRODUCTION

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

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

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

Page 17. *Labour* figures supplied by the Central Statistical Office.

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

SYMBOLS USED

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

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

INTERNATIONAL ORGANIZATIONS

Finland became a member of BIS 1930, IMF 1948, IBRD 1948, GATT 1950, UN 1955, IFC 1956, IDA 1960, EFTA 1961, ADB 1966, OECD 1969, and IDB 1977.

LAND

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

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

POPULATION

NUMBER OF INHABITANTS (1975): 4.7 million. Sweden 8.2, Switzerland 6.4, Denmark 5.1 and Norway 4.0 million.

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

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

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

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

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

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

TRADE AND TRANSPORT

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

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

FOREST RESOURCES (1975): The growing stock comprised of 1 513 million m³ (solid volume with bark), of which 44 % was pine and 38 % spruce, the remaining 18 % being broad-leaved trees, chiefly birch. Of the growing stock, 656 million m³ was up to the standard required for logs, 55 % of these being pine. The annual growth was 57.5 million m³ and the total removal, calculated on the basis of roundwood consumption, was 40.1 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 (March 31, 1977): Passenger vessels 118 (173 985 gross reg. tons), tankers 56 (1 188 156 gross reg. tons), dry cargo vessels 207 (813 795 gross reg. tons), other vessels 61 (9 343 gross reg. tons), total 442 (2 185 279 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 Conqair Metropolitans. Companies have scheduled traffic outside of Finland to 32 airports and to 20 domestic airports.

FINANCE AND BANKING

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

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

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

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

PUBLIC FINANCE IN 1976

by Erkki J. Tassia, M.Pol.Sc.

Economics Department of the Ministry of Finance

THE STATE BUDGET

In the summer of 1975, when the budget for 1976 was under preparation, it seemed obvious that the prolonged severe recession in the market economies and the resultant sharp decline in Finnish exports to them were going to result in an economic out-turn for 1975 even weaker than had been forecast at the beginning of the year. Output growth had stopped, unemployment was increasing and the equilibrium in state finances was very shaky. The economic forecasts prepared in the summer of 1975 suggested that demand would not recover until 1976 (for economic developments in 1976, see Bulletin 5/1977, back article). In addition, the running down of large stocks of finished products was expected to delay the recovery of production and the consequent improvements in the employment situation. The pursuit of economic policy was made highly problematic by the necessity to reduce the current account deficit and to curb inflation and, on the other hand, the need to promote employment.

On the whole, the main aim of the budget was to hold down the growth of state expenditure. Increases were, however, made in appropriations directly promoting employment, such as loans for housing and corporate investment and grants to firms to prevent lay-offs. In order to avoid large increases in the income tax burden and to curb the upward momentum of nominal incomes, it was deemed necessary to revise the structure of state revenue. The introduction of separate taxation for married couples had been ratified previously in the summer of 1975; it was estimated that this would result in total income tax revenue in 1976 being 1 200 million marks lower than would otherwise have been the case. The tax scales revision bill presented in the autumn of 1975 involved a further 600 million marks in tax concessions. In

order to ensure revenue sufficient for the financing of state expenditure, it was proposed that the reductions in direct taxes should be offset by increases in indirect taxes.

The non-party government which had prepared the budget resigned at the end of November 1975. It was replaced by a majority centre-left government consisting of representatives of five parties. The new government revised some aspects of the budget proposal, in particular by cancelling the suggested increase in the sales tax and by increasing employment appropriations. The ensuing need for finance was met by increasing certain excise duties and stamp duties, and by imposing a temporary car licence fee. Changes made in the income tax proposals implied, in turn, that the actual tax reduction was 250 million marks less than had been proposed originally.

It was estimated that the overall result of the various changes in tax schedules would be state revenue 1 100 million marks higher than if the 1975 tax schedules had been maintained unchanged. In addition, revisions were made in certain state charges; as a result of rises in costs, railway, postal and telegraph tariffs were increased by 24 per cent.

The main aim of the budget for 1976 was to curb the growth of public demand. In March 1975 a target had been set that the growth of state consumption expenditure should be limited to two per cent in 1976, and that the volume of investment in public administration would be kept unchanged. The budget included several proposals for cutting back on previously-approved development plans for various sectors. After the change of government, a number of alterations were made to the expenditure side of the budget: appropriations to promote employment were increased, and an earlier

decision to postpone for one year the extension of the comprehensive school system to southern Finland was rescinded.

Both the ordinary budget and the supplementary budgets approved in the course of the year contained several measures designed to promote employment: attempts were made to improve the vocational training course system and to increase the mobility of labour, so as to encourage better regional and sectoral balance between labour supply and demand. Substantial appropriations were proposed for residential construction; the deterioration in the employment situation resulting from a decline in privately-financed residential construction was alleviated by maintaining state-financed residential construction activity at a high level. Similarly, there were increases in state grants, loans and interest subsidies to the corporate sector.

An increase over the 1975 level of one third was proposed for state subsidies to municipalities and municipal federations. The increases in state subsidies to municipalities were caused particularly by a restructuring of the state contribution payment schedule and by additional local expenditure resulting from the reform of the school system and the national health service. Under an agreement between the Central Government and the central municipal organizations, municipalities were not charged with any new duties which would increase their expenditure. In order to secure reasonable improvements in the incomes of the economically active population, substantial increases were proposed in the budget for child allowances, for certain other social expenditure, and for state grants to private schools.

The non-party government's budget proposal amounted to 29 009 million marks, exceeding the ordinary budget for 1975 by 33 per cent. It was, however, noted that the ordinary budget for 1975 had been based on inadequate estimates of price and wage rises; a part of the 33 per cent increase was thus simply a consequence of the underestimation of the 1975 base level. After the changes made by the new gov-

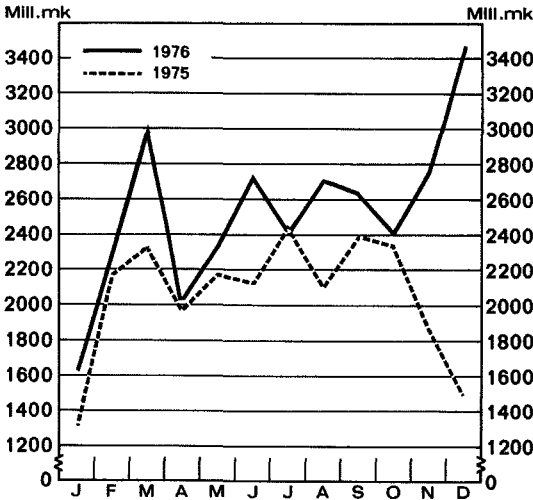
ernment and after passage through Parliament, the budget provided for expenditure amounting to 29 250 million marks. In the course of the year, the Government presented three supplementary budgets, which together increased the ordinary budget expenditure estimate by about 10 per cent. The deterioration in the employment situation and the problems of agricultural surplus production required additional measures, the financing of which absorbed two-fifths of the supplementary budget appropriations. One fifth went in extra state subsidies to municipalities for the national health service and comprehensive school schemes. Final budgeted expenditure for 1976 amounted to 32 308 million marks, 16 per cent more than in 1975.

Although revenue developments, too, exceeded the estimates given in the ordinary budget, the expenditure increases in the supplementary budgets necessitated a re-calculation of the income side as well. In January 1976 the Government announced an intensified Employment Programme, for which financing had to be found in the first supplementary budget. Those with high incomes were required to make exceptional supra-tax loans to the government, and a once-and-for-all wealth tax surcharge was imposed on the highest wealth brackets. Wholesalers saw their imported goods sales tax exemption removed, and increases were made in certain state charges. It was estimated that these revisions increased state revenue by 375 million marks. At the same time, in order to secure the State's liquidity position and to restore financial balance, it was proposed that the repayment of excess income tax prepayments should be deferred until March 1977.

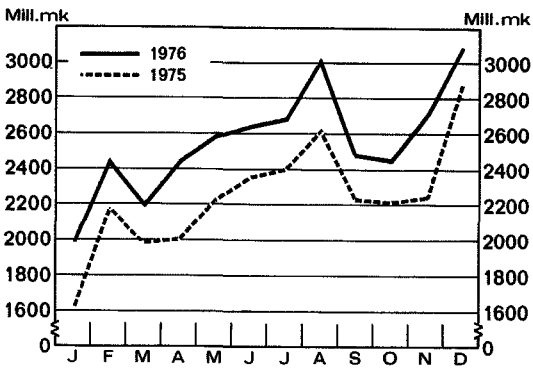
The second supplementary budget was approved in June 1976. Additional funds were earmarked for marketing agricultural produce and curbing surplus production, and for employment support measures. In order to obtain the necessary finance, some excise duties were increased, excise duty was extended to cover electricity, fodder mixtures and fertilizers, and certain agricultural charges were introduced. It was estimated that these measures would

MONTHLY STATE CASH REVENUE AND EXPENDITURE AND THEIR CUMULATIVE DIFFERENCE IN 1975 AND 1976

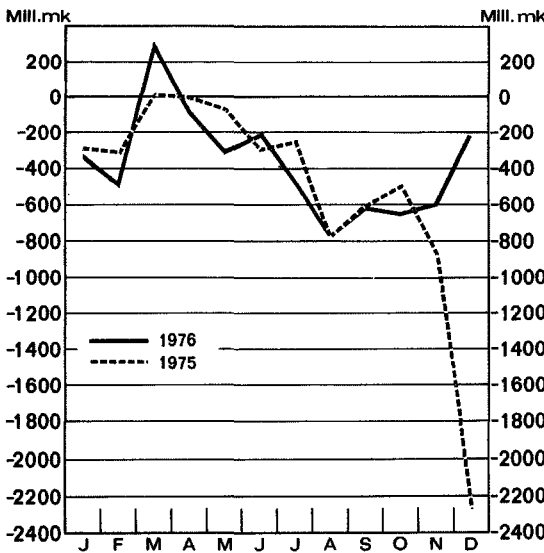
Revenue (excluding borrowing)



Expenditure (excluding redemption)



**Cumulative Difference
(revenue minus expenditure)**



increase state revenue in 1976 by some 200 million marks. The third supplementary budget, approved at the end of 1976, mainly consisted of increases in current expenditure and state subsidies which had already taken place in the course of the year. The expenditure increase under this supplementary budget was covered mainly by a revenue accrual larger than had previously been estimated.

In order to restrain cost and price pressures, the ordinary budget for 1976 kept certain food-stuffs exempt from sales tax and both light and heavy fuels exempt from excise duty until the end of 1976. Price control was more severe than in 1975. On the basis of the incomes policy agreement, a temporary Price and Rent Control Act was passed in February 1976; it was in force until the agreement period ended on January 31, 1977. Under this Act, a five-month price freeze was in effect until the end of June, after which an extensive commodity-by-commodity price control system was introduced. The rent freeze was in force throughout the agreement period. It is estimated that revisions in indirect taxes and state charges caused an increase of 3.0 per cent in the consumer price index and the agricultural incomes agreement an increase of 1.2 per cent. From December 1975 to December 1976 the consumer price index rose by 12.3 per cent, a rate one third less than for the previous twelve-month period.

STATE ACCOUNTS

The Central Government's liquidity position had weakened substantially in 1975. Although the rapid rate of inflation during 1976 did enlarge the tax base, concessions granted in income tax and certain indirect taxes held back the growth of revenue. Despite a clear deceleration in the growth of state expenditure, it became necessary because of liquidity considerations to make temporary revisions in a number of tax rates, to defer the repayment of excess income tax prepayments, and to increase net borrowing. As in the previous year, March was the only month when the cumulative difference

TABLE 1. STATE CASH REVENUE AND EXPENDITURE

Revenue	Million marks	
	1975	1976
Total taxes on income and wealth	7 977	11 716
Sales taxes	6 127	6 667
Customs duties and import charges	635	621
Excise duties	2 531	3 447
Other taxes and similar revenue	4 347	5 437
Other revenue	2 825	2 298
Redemptions of loans granted	337	397
Total revenue	24 779	30 583
Borrowing	988	1 587
Total	25 767	32 170
Expenditure		
Consumption expenditure	7 097	8 311
Transfer expenditure	12 805	14 876
Real investment	3 144	3 459
Interest on State debt and index compensations	270	292
Other expenditure	777	340
Lending	2 369	2 966
Other financial investment	589	560
Total expenditure	27 051	30 804
Redemptions	496	484
Deficit (—), Surplus (+)	—1 780	+882
Total	25 767	32 170

between revenue and expenditure was positive, 305 million marks. Expenditure for the whole year, however, exceeded revenue by no more than 221 million marks, as against 2 271 million marks one year earlier. The very favourable out-turn during the second half of 1976 was a result of the transfer to March 1977 of the need to repay excess income tax payments amounting to 1 200 million marks, plus certain other special measures (see Chart 3).

Total state revenue (excluding borrowing) was 23 per cent more than in 1975 (Table 1). Total yield from direct taxes (income and wealth taxes, local tax, church tax, and sickness insurance and basic pensions contributions) increased by 24 per cent from the previous year, and this was after being restrained by the granting of some tax concessions. While the yield of those taxes received by the other tax authorities (municipalities, parishes, and the Social Insurance Institution) grew by only 9 per cent, because of the postponement of excess tax repayments, the net accrual of the

central government income and wealth taxes increased by 47 per cent.

Since nominal domestic demand increased noticeably more slowly than in the previous year, the total accrual of sales tax grew by only 9 per cent. Numerous revisions made in the excise duty base produced a total accrual up by 36 per cent. On the other hand, the total yield from customs duties declined by 13 per cent, as a result of tariff reductions made in accordance with international agreements.

Partly because prices and wages rose more slowly and projected expenditure was cut down by 600 million marks, but partly also because of the exceptionally high 1975 level of comparison, actual state expenditure (excluding debt redemption) increased by only 14 per cent and totalled 30 804 million marks in 1976. The growth of state expenditure was accelerated by various consumption expenditure items, particularly pensions, which increased by one quarter. Of the various transfer payments, state subsidies to municipalities and the household sector also increased by one quarter. On the other hand, subsidies to industry remained almost the same as in the previous year.

In accordance with the line assumed in employment policy, the Government increased its lending for residential construction purposes and, through the Investment Fund of Finland, for industrial investments by more than one quarter. Other financial placements, mainly share capital subscriptions to state-owned companies, declined slightly. Of the money held in the Governmental Counter-Cyclical Fund, 100 million marks was used in 1976 and, at the end of the year, unused funds totalled 59 million marks (including interest accrued). In 1975 500 million marks had been transferred to the newly-established Investment Fund of Finland, and foreign loans with a total value of 356 million marks had been drawn on its behalf; however, only a small amount of funds had been used during 1975. In 1976 the Fund used a total of 605 million marks of the funds available to it for the purposes of industrial and energy investment.

STATE BORROWING

Because of extremely rapid growth in state expenditure the Central Government's liquidity position had weakened substantially in 1975, and it had become necessary to cover the financial deficit mainly by using liquid state funds held by the banking sector. In order to improve the liquidity position, new long-term loans were drawn to a total amount of 1 587 million marks, three fifths more than in the previous year. Of this amount, foreign loans accounted for 803 million marks, 526 million marks of which was drawn for the Investment Fund of Finland. Domestic borrowing increased by three quarters and amounted to 784 million marks. Of this, 625 million marks was in the form of loans intended for public subscription, with a loan period of three to eight years, while the others were sold mainly to insurance companies and labour pension funds. Since the Government's borrowing had been insignificant in earlier years, redemptions of domestic loans declined by 24 per cent.

The state's net long-term domestic borrowing amounted to 517 million marks and net foreign borrowing to 587 million marks. Because of changes in exchange rates, foreign debt grew slightly more than net borrowing. At the end of 1976, the state's total long-term debt, of which less than half was foreign debt amounted to 4 710 million marks. This was 15 per cent of annual state revenue and, despite having increased since the year before, was still a low

ratio by international standards. Taking into account export levy funds held in blocked state accounts, plus cash, postal giro and cheque account funds, the state's net debt amounted to 4 068 million marks, 1 000 million marks more than one year earlier.

Because of net borrowing which had more than doubled and the postponement into the next financial year of the repayment of excess income tax prepayments, state revenue (including borrowing) was 882 million marks more than expenditure (including redemption). Despite this surplus, a certain amount of short-term credit was drawn, primarily to secure the liquidity position for the beginning of 1977. The surplus accrued was used to repay the short-term loan of 289 million marks drawn on Postipankki at the end of 1975 and to augment by about 400 million marks the reduced short-term financial reserves held there.

TABLE 2. SHORT-TERM FINANCING

	Million marks	
	1975	1976
Net change in prepayments received and made etc.	+1 253	—660
Private funds (decr. —)	+ 151	—100
Short-term credit (incr. +)	+ 48	+278
Current account loan from Postipankki (decr. —)	+ 289	—289
Export levy and counter-cyclical tax accounts at the Bank of Finland (decr. +)	+ 6	+ 0
Cash, postal giro and cheque accounts (incr. —)	+ 33	—111
Deficit (+), Surplus (—)	+1 780	—882

ITEMS

The inquiry into the financial needs of Finnish firms. According to the Bank of Finland's October 1976 inquiry into the financial needs of Finnish enterprises, public corporations and special credit institutions, the total demand for long-term foreign loan capital is estimated to be about 6 800 million marks in 1977 and about 4 800 million marks in 1978 (see the Chart). It is estimated that in 1977 47 per cent of the long-term foreign loan capital imported will go to the manufacturing sector, 24 per cent to the energy sector and 16 per cent to the banking sector.

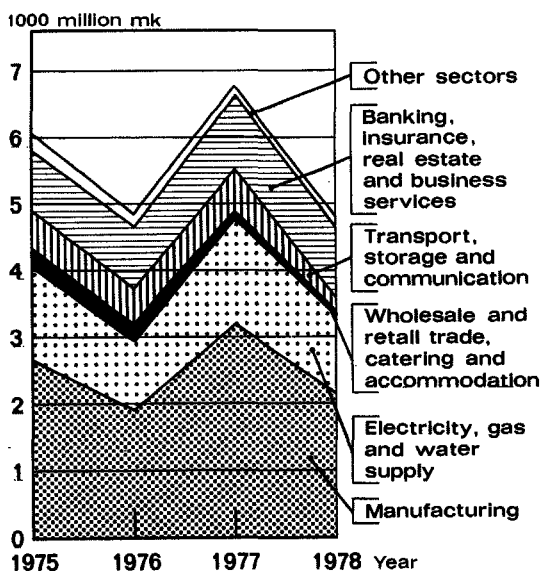
A total of 76 enterprises, public corporations and special credit institutions participated in the inquiry. These firms accounted for 64 per cent of total drawings of long-term foreign loans in 1976. The estimate of future demand for imports of long-term foreign loan capital has been based on the assumption that the ratio between the drawings made by firms included in the sample and those made by firms excluded will remain the same as in 1976. Im-

ports of foreign loan capital by the Central Government and the Bank of Finland have not been taken into account in this estimate of total demand.

The enterprises and public corporations included in the sample are proposing to cover 55 per cent of their investment projects in 1977 by using imports of long-term foreign capital. The share will be particularly large in the metal industry, and for purchases of transport equipment.

About 96 per cent of all expansion investment by enterprises and public corporations in 1977 is expected to be financed by importing long-term foreign loan capital. Of the firms' total use of finances (including investment, changes in operating capital, amortizations of loans and suppliers' credit, and the payment of taxes, interest expenses and dividends) imports of long-term loan capital are estimated to cover 23 per cent in 1977. It is estimated that 30 per cent of total lending by the special credit institutions included in the sample will be covered by imports of long-term foreign loan capital in 1977.

TOTAL DRAWINGS OF LONG-TERM FOREIGN CAPITAL IN 1975-1976 AND ESTIMATED DRAWINGS IN 1977-1978, 1 000 MILLION MARKS (excluding drawings by the Central Government and the Bank of Finland)



Finland joins the Inter-American Development Bank. On May 31, 1977 an act was passed by Parliament concerning Finland's joining the Inter-American Development Bank (IDB).

The Inter-American Development Bank is an international development financing institution which was established in 1959. Its purpose is to foster economic and social development in Latin America by granting and guaranteeing loans and by giving technical assistance. The membership of the Bank originally consisted of 19 Latin American countries and the United States, and four more Latin American countries and Canada subsequently joined. In order to enlarge the Bank's capital resources, steps were taken in 1976 to expand the number of members. In 1976 and 1977 membership increased

to include the following industrialized non-borrowing countries: Austria, Belgium, Denmark, France, Federal Republic of Germany, Israel, Japan, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and Yugoslavia. Italy has expressed its intention to join the Bank in the near future and in Norway preparations for membership are under way.

Finland has already had close connections with the Bank: under a credit agreement signed in 1968 between Finnish Export Credit Ltd and the Bank, it became possible for Finland to gain contracts connected with projects financed by the Bank. This agreement expired on July 30, 1976, and on January 7, 1977, Finland applied for admission to membership of the Bank.

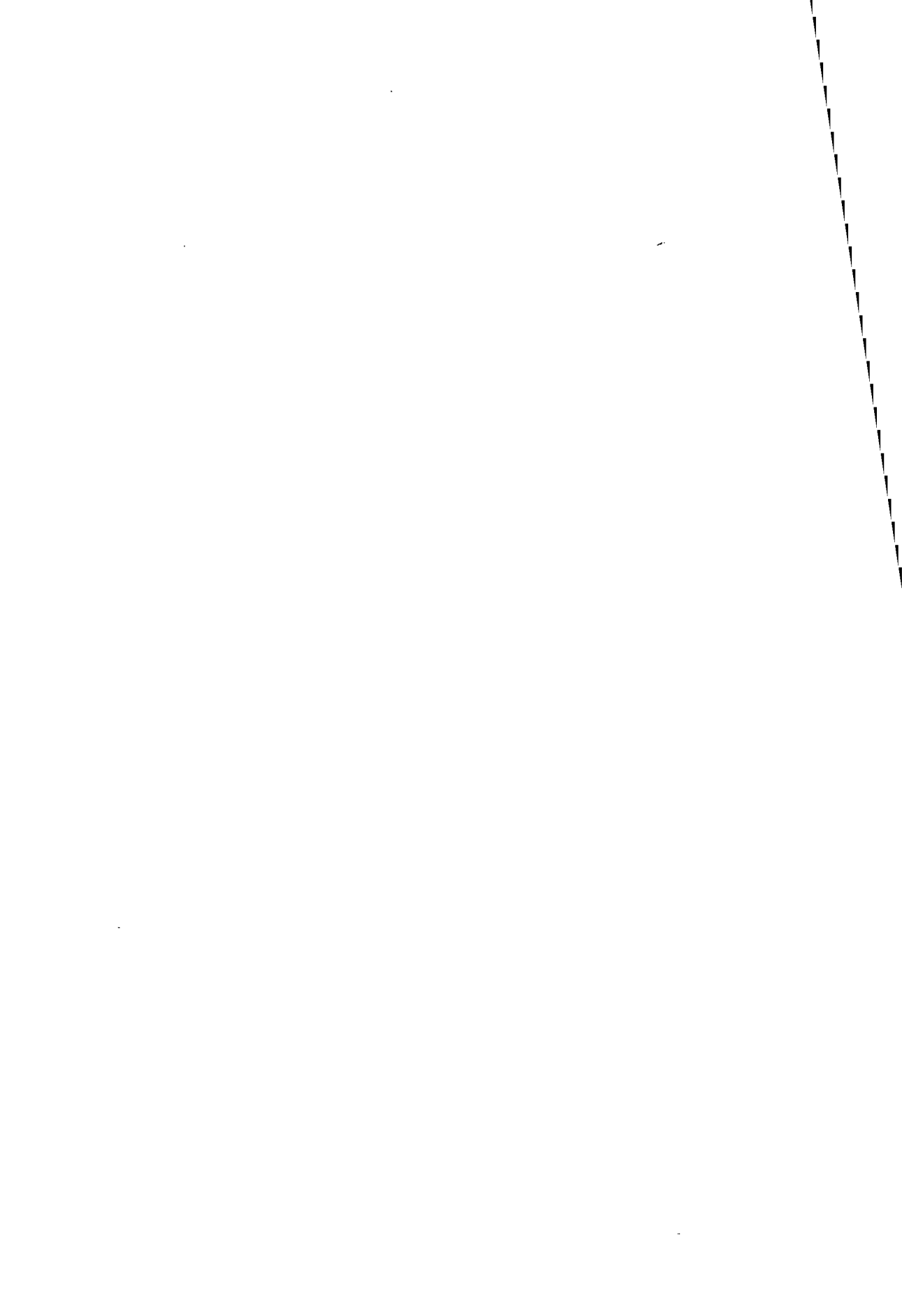
Finland will be represented on the Bank's supreme authority, the Board of Governors, by a Governor and an Alternate Governor. On the Board of Executive Directors, to which the day-to-day operations are entrusted, the extra-regional countries will be represented by two members. The Latin American countries are represented by 11 members and the United States and Canada by one each.

The authorized capital of the Bank is divided into capital stock and concessional funds. Finland's subscription to the capital stock will be \$ 5.1 million out of which \$ 0.8 million will be paid-up capital and \$ 4.2 million callable. Finland's contribution to the concessional funds will be \$ 5.1 million, all of which will be paid

up according to an agreed schedule. The total capital paid up will thus be \$ 5.9 million, about 24 million marks.

The total Authorized resources of the Bank at the beginning of 1977 were about \$ 18 000 million, of which \$ 11 900 million was capital stock and \$ 5 800 million concessional funds. More than half of the Bank's loans have been made from the concessional funds on soft term conditions, the rate of interest generally varying from 1 to 4 per cent and the loan period from 20 to 40 years. The Bank's loans, a total by the end of 1976 of over \$ 10 000 million, were used by a broad range of sectors, the largest being agriculture, industry and economic and social infrastructure.

Change of Government. The term of office of Mr. Miettunen's minority government, which had lasted about seven and a half months, ended on May 15, when the President of the Republic appointed a majority government in which the Centre Party holds five seats, the Social Democrats four, the People's Democrats three, and the Swedish and Liberal Parties one seat each. In addition there is one minister with no party commitment. The Prime Minister is Mr. Kalevi Sorsa (Soc. Dem.), and the Deputy Prime Minister and Minister of Agriculture and Forestry is Mr. Johannes Virolainen (Centre Party). The Minister of Foreign Affairs is Mr. Paavo Väyrynen (Centre Party), the Minister of Trade and Industry is Mr. Eero Rantala (Soc. Dem.) and the Minister of Finance is Mr. Paul Paavela (Soc. Dem.).



BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

Ahti Karjalainen

*Absent as a Member
of Government*

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

Ele Alenius

Directors

Jouko J. Voutilainen

Markku Puntila

Seppo Lindblom

Eino Helenius

Pentti Koivikko

Kari Nars

Senior officials

Pertti Kukkonen

Director, ADP-planning

Reino Airikkala

Monetary Policy

Pekka Tukiainen

*Domestic Financial
Operations*

Kari Pekonen

Foreign Exchange Policy

Raine Panula

Foreign Exchange

Raili Nuortila

Eastern Trade

Antti Lehtinen

Capital Transfers

J. Ojala

Foreign Exchange Control

Kari Puumanen

Economics Dept.

Heikki Koskenkylä

Research Dept.

Heikki T. Hämäläinen

Administration and Legal Affairs

Antti Saarlo

Foreign Correspondence

Eino Suomela

Internal Audit

K. Eirola

Automatic Data Processing

Pauli Kanerva

*Personnel Administration and
General Affairs*

Stig G Björklund

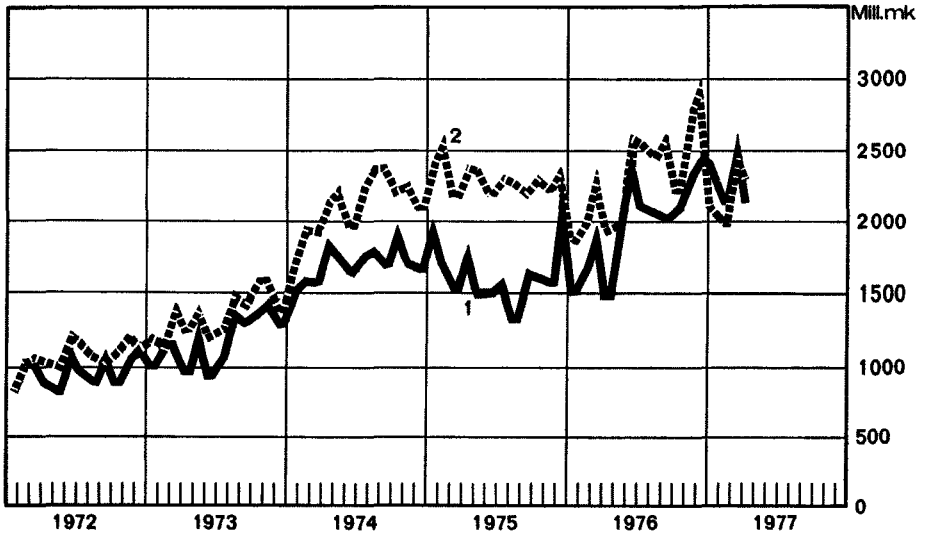
Banking Services

Antti Luukka

Cash

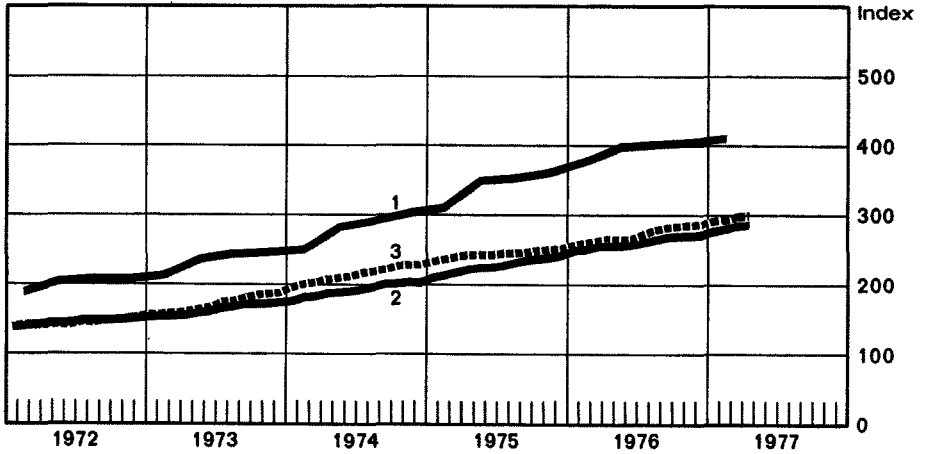
FOREIGN TRADE, 1972 - 1977

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



PRICES AND WAGES, 1972 - 1977

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



PRODUCTION, 1972 - 1977

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

