



# BANK OF FINLAND

*Monthly Bulletin*

Developments in the security markets

Price regulation in Finland 1968—1976

Finland's balance of payments

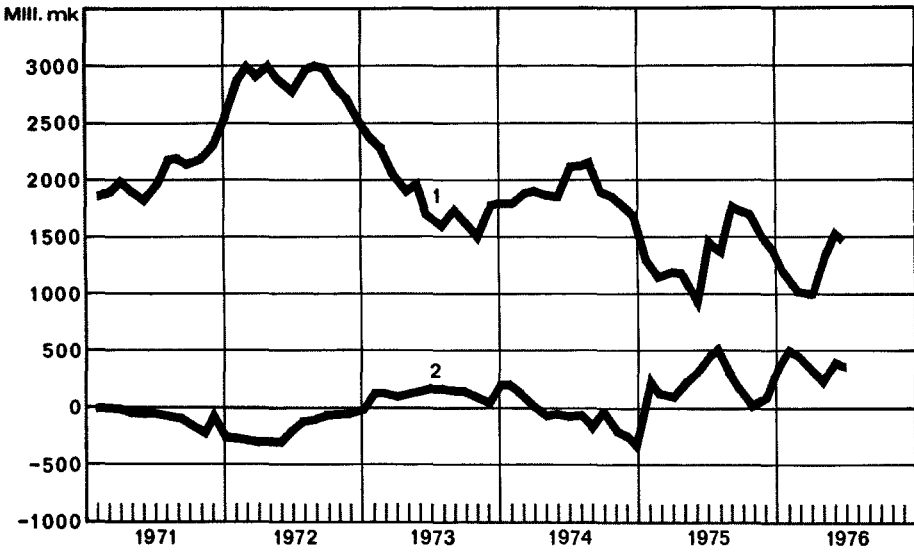
January-March 1976

Bank of Finland publication

**AUGUST 1976**

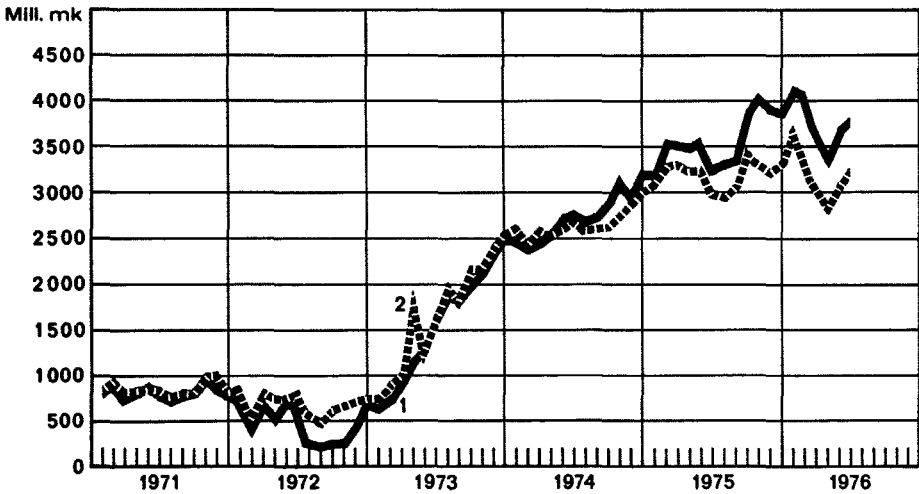
**Vol. 50 No. 8**

**BANK OF FINLAND'S CONVERTIBLE AND NON-CONVERTIBLE FOREIGN EXCHANGE RESERVES, 1971-1976**



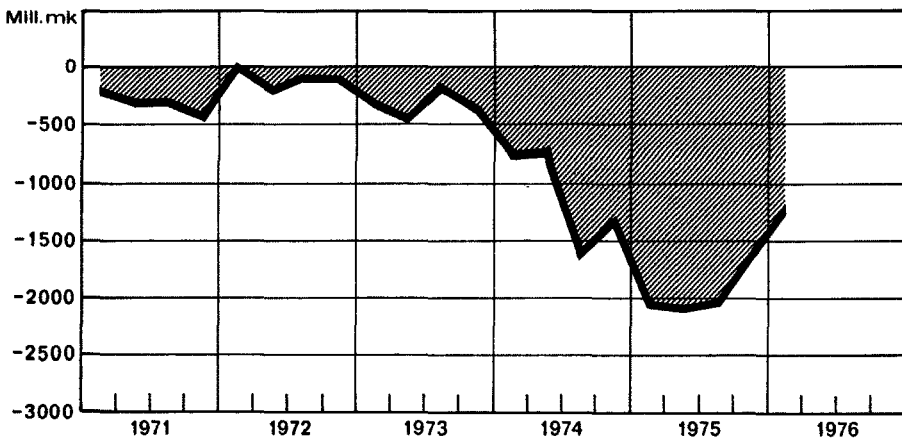
- 1. Gold and convertible currencies
- 2. Non-convertible currencies

**BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1971-1976**



- 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, 1971-1976**



Seasonally adjusted quarterly figures

## DEVELOPMENTS IN THE SECURITY MARKETS

Despite a clear slackening in the growth of Finnish corporate profits during 1975, the investment boom continued uninterrupted. The brisk activity was mainly based on the completion of projects which had been started in 1973—74, i.e. during the years of good profitability. The volume of the corporate sector's fixed investment grew by 13 per cent. The overall propensity to save in the economy fell, and heavy demand for credit by the corporate sector raised the share of foreign capital in its financing to an unprecedented level. The liquidity position of the corporate sector was affected not only by large investment relative to income formation but also by the imposition of an import deposit scheme.

During the current year corporate investment activity has declined clearly due to poor demand prospects, and this has been reflected in a lower demand for credit. However, efforts to keep production at a satisfactory level throughout the recession, largely for employment considerations, have increased the need for working capital in industry. This has kept the demand for outside finance high in relation to the availability of credit. Stringent monetary policy, carried out mainly to correct current account disequilibrium, means that a significant part of the demand for finance will continue to remain unsatisfied also in the current year. As far as raising funds from the share market is concerned, there will also be very little room for company issues, because the Central Government will be issuing considerably more bonds than in the early 1970s.

### SHARE AND BOND ISSUES

In 1975 share issues by Finnish companies quoted on the Helsinki Stock Exchange totalled 573 million marks, of which 365 million marks were new issues and the remainder bonus issues. The ratio of new issues to total issues diminished significantly, reflecting the fact

that companies experienced difficulties in raising funds from the share market. New issues by companies quoted on the stock exchange were nearly a third less than in the previous year. This development is probably characteristic of the company sector as a whole, although there are no figures available for share issues by non-quoted companies.

The bond market in Finland is quite small and the Central Government has traditionally issued the bulk of the bonds. However, during the first half of the present decade the Central Government ran a financial surplus and made relatively few bond issues. Consequently there was a fall in the stock of government bonds outstanding. Mortgage banks and industrial companies were hence in a position to increase their share in the market.

Last year the growth of tax revenue slowed down, and with a continuing rapid rise in its expenditure, the Central Government had to borrow more than in 1974. Sales of new government bonds intended for public subscription rose to 394 million marks, more than trebling the previous year's figure. At the same time sales of those bonds issued by mortgage banks which, like all government bonds, are tax-free when held by private persons, amounted to 200 million marks, a figure equal to that of 1974. Last year industrial companies sold 249 million marks and mortgage banks sold 325 million marks worth of taxable bonds to institutional investors, while the Central Government sold analogous bonds worth 74 million marks to institutional investors. Total sales of domestic bonds thus amounted to 1 242 million marks. The net growth in the stock of domestic bonds outstanding was 16 per cent.

Last year maturities were shortened, and interest rates were raised. The interest rates on government bonds intended for subscription by the public varied between 9 ½ per cent

and 9 <sup>3</sup>/<sub>4</sub> per cent. Interest rates on tax-free bonds issued by mortgage banks were somewhat higher, varying between 10 per cent and 10 <sup>1</sup>/<sub>4</sub> per cent. Because the demand for bonds has been relatively weak during the current year, the terms have been further improved.

## STOCK EXCHANGE

In 1975 there was no sign of a recovery in the secondary market for securities. This reflected the difficult economic situation, the tightness of the financial markets and the temporary 1 <sup>1</sup>/<sub>2</sub> per cent property tax on companies which was announced for 1976. Furthermore, share issues were quite large in relation to demand, and increased government bond issues decreased the demand for shares on the secondary market.

Annual turnover on the Helsinki Stock Exchange in 1975 was, at 208 million marks, virtually the same as in the previous year. An unwillingness to invest was evident: the turnover of shares decreased by 3 per cent, but the sales of subscription rights increased by 14 per cent. The share of the former was 69 per cent and the share of the latter 23 per cent of the total turnover of the Helsinki Stock Exchange.

The sale of bonds and debentures on the Helsinki Stock Exchange has traditionally been rather small in relation to the stock outstanding, and also to total stock exchange turnover. Last year's sales were 16 million marks, which was less than 0.3 per cent of the stock outstanding. The exchange of bonds and debentures decreased by 16 per cent from the previous year and made up only 8 per cent of the total turnover on the stock exchange.

July 21, 1976

	1975		1976				
	July 31	Dec. 31	July 8	July 15	July 23	July 30	
<b>Assets</b>							
Gold and foreign exchange receivables	2 168	1 950	2 112	2 090	2 295	2 347	
Gold	121	121	121	121	121	121	
Special drawing rights	286	278	265	265	265	265	
IMF gold tranche	—	—	—	—	—	—	
Convertible currencies	1 077	1 089	1 233	1 234	1 402	1 414	
Tied currencies	684	462	493	470	507	547	
Other foreign receivables	1 288	1 274	1 473	1 495	1 490	1 483	
Foreign bills	297	272	298	313	296	288	
Foreign bonds	193	204	348	355	367	368	
Currency subscription to Finland's quota in the IMF	798	798	827	827	827	827	
Receivables from financial institutions	3 595	4 164	4 407	4 107	4 615	4 128	
Cheque accounts of the commercial banks	136	133	169	161	143	164	
Discounted bills	3 082	3 385	3 091	3 096	2 894	2 775	
Bonds	337	327	362	352	359	356	
Call money market advances	—	—	757	479	1 202	794	
Other financial institution receivables	40	319	28	19	17	39	
Receivables from the public sector	315	339	360	357	360	361	
Bonds	70	70	72	72	72	72	
Total coinage	243	256	272	272	272	272	
Other public sector receivables	2	13	16	13	16	17	
Receivables from corporations	821	933	1 224	1 230	1 260	1 284	
New export bills	119	128	138	140	141	143	
Financing of suppliers' credits	336	402	485	487	486	484	
Bonds	283	223	204	203	205	206	
Other corporate receivables	83	180	397	400	428	451	
Other assets	37	47	47	48	48	48	
	Total	8 224	8 707	9 623	9 327	10 068	9 651
<b>Liabilities</b>							
Foreign exchange liabilities	199	172	99	105	94	102	
Convertible accounts	60	78	52	59	57	62	
Tied accounts	139	94	47	46	37	40	
Other foreign liabilities	1 385	1 385	1 923	1 923	1 923	1 923	
IMF mark accounts	1 127	1 127	1 665	1 665	1 665	1 665	
Allocations of special drawing rights	258	258	258	258	258	258	
Notes and coins in circulation	2 544	2 855	2 932	2 906	2 875	2 895	
Notes	2 330	2 617	2 692	2 665	2 633	2 652	
Coins	214	238	240	241	242	243	
Deposit certificates in circulation	800	250	—	—	—	—	
Claims of financial institutions	123	29	618	366	1 214	796	
Cheque account of Postipankki	0	1	0	0	0	0	
Cheque accounts of the commercial banks	3	3	1	2	2	3	
Call money market deposits	—	—	615	363	1 210	790	
Other financial institution claims	120	25	2	1	2	3	
Claims of the public sector	718	1 301	1 329	1 339	1 253	1 227	
Cheque accounts	0	2	0	0	0	0	
Counter-cyclical reserves	300	155	55	55	55	55	
Import deposits	416	1 135	1 217	1 227	1 141	1 115	
Other public sector claims	2	9	57	57	57	57	
Claims of corporations	423	539	399	354	376	374	
Investment deposits	67	73	65	64	62	63	
Counter-cyclical withholdings	0	—	—	—	—	—	
Capital import deposits	344	450	321	280	303	302	
Import levy deposits	5	8	2	2	2	2	
Other corporate claims	7	8	11	8	9	7	
Other liabilities	12	15	14	15	13	13	
Equalization accounts	1 019	331	462	468	464	462	
Capital accounts	1 001	1 830	1 847	1 851	1 856	1 859	
Primary capital	600	1 400	1 400	1 400	1 400	1 400	
Reserve fund	237	237	334	334	334	334	
Undisposed profits	75	—	—	—	—	—	
Net earnings	89	193	113	117	122	125	
	Total	8 224	8 707	9 623	9 327	10 068	9 651

End of year and month	Foreign sector						Public sector			Deposit certificates in circulation	
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserve (1-2)	Non-convertible exchange reserve	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities		Net liabilities (9-8)
	1	2	3	4	5	6	7	8	9	10	11
1969	1 266	11	1 255	— 80	517	360	1 332	102	200	98	—
1970	1 812	11	1 801	— 63	639	606	1 771	119	121	2	203
1971	2 620	30	2 590	—297	686	704	2 275	148	140	— 8	400
1972	2 613	43	2 570	— 6	757	788	2 533	175	49	—126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250

## 1975

July	1 484	60	1 424	545	1 288	1 385	1 872	315	718	403	800
Aug.	1 879	60	1 819	327	1 266	1 385	2 027	322	871	549	700
Sept.	1 810	53	1 757	186	1 274	1 385	1 832	322	1 019	697	820
Oct.	1 778	50	1 728	61	1 315	1 385	1 719	324	1 189	865	740
Nov.	1 611	79	1 532	123	1 311	1 385	1 581	333	1 383	1 050	400
Dec.	1 448	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250

## 1976

Jan.	1 277	86	1 191	533	1 373	1 385	1 712	335	1 318	983	160
Feb.	1 113	82	1 031	482	1 390	1 385	1 518	334	1 380	1 046	—
March	1 184	157	1 027	378	1 442	1 413	1 434	338	1 465	1 127	—
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	—

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

## FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1975			Net holdings, April 30, 1976			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Apr.	Jan.-Apr.
Gold	121	—	121	121	—	121	—	—
Special drawing rights	278	—	278	272	—	272	—	—6
IMF gold tranche	—	—	—	—	—	—	—	—
Convertible currencies	1 011	—1 759	—748	952	—1 835	—883	—235	—135
Total	1 410	—1 759	—349	1 345	—1 835	—490	—235	—141
Non-convertible currencies	368	—1	367	281	— 10	271	—100	— 96

End of year and month	Domestic financial sector						Corporate sector				
	Dis-counted and re-dis-counted bills	Cheque account receiv-ables <sup>2</sup>	Other receiv-ables	Cheque account liabilities to the commer-cial banks <sup>3</sup>	Cheque account liabilities to Posti-pankki <sup>3</sup>	Other liabili-ties	Net receiv-ables (1+2+3-4-5-6)	Receiv-ables	Liabili-ties	Net receiv-ables (8-9)	Notes and coins in cir-culation
	1	2	3	4	5	6	7	8	9	10	11
1969	550	87	—	93	12	—	532	461	25	436	1 394
1970	836	3	—	1	4	—	834	383	324	59	1 455
1971	849	—	—	9	2	—	838	355	385	— 30	1 413
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

## 1975

July	3 082	136	377	3	0	120	3 472	821	423	398	2 544
Aug.	3 068	135	369	4	2	282	3 284	816	305	511	2 635
Sept.	3 565	196	424	2	1	274	3 908	827	401	426	2 620
Oct.	3 568	115	606	2	1	269	4 017	876	413	463	2 571
Nov.	3 519	172	622	2	1	2	4 308	888	530	358	2 678
Dec.	3 385	133	646	3	1	25	4 135	933	539	394	2 855

## 1976

Jan.	3 085	147	543	2	3	2	3 768	973	540	433	2 614
Feb.	3 035	196	1 408	5	0	709	3 925	1 031	548	483	2 677
March	3 035	202	1 421	1	1	843	3 813	1 098	427	671	2 544
April	3 053	193	1 098	1	0	683	3 660	1 126	523	603	2 676
May	3 235	176	1 004	2	0	551	3 862	1 175	488	687	2 775
June	3 358	196	1 111	1	0	685	3 979	1 215	413	802	2 969
July	2 775	164	1 189	3	0	793	3 332	1 284	374	910	2 895

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

<sup>2</sup> Including special index accounts.

<sup>3</sup> Including cash reserve accounts.

## SELLING RATES FOR FOREIGN EXCHANGE

Mk

July 21, 1976

New York <sup>1</sup>	1 \$	3.894	Frankfurt o. M.	100 DM	151.40	Vienna	100 S	21.30
Montreal	1 \$	3.996	Amsterdam	100 Fl	142.50	Lisbon	100 Esc	12.45
London	1 £	6.944	Brussels <sup>2</sup>	100 Fr		Madrid	100 Pta	5.74
Stockholm	100 Kr	87.10	Zurich	100 Fr	156.60	Tokyo	100 Y	1.326
Oslo	100 Kr	69.70	Paris	100 FF	79.60	Reykjavik	100 Kr	2.12
Copenhagen	100 Kr	63.10	Rome	100 Lit	0.466	Moscow <sup>3</sup>	1 Rbl	5.151

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

<sup>2</sup> 9.800 commercial rate; 9.650 financial rate.

<sup>3</sup> Clearing account: also Bucharest.

# DEPOSITS BY THE PUBLIC

Mill. mk

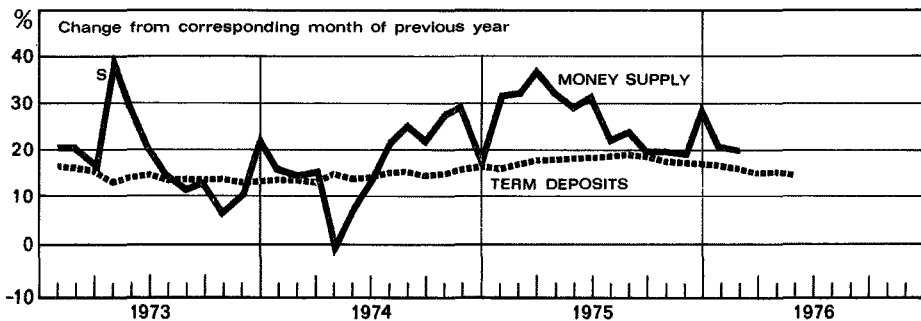
End of year and month	Sight deposits			Term deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Co-op. stores	All credit institutions	
	Commercial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1969	1 057	1 374	521	5 236	4 333	3 022	1 116	522	14 229	16 124
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	6 961	5 446	3 877	1 491	642	18 418	20 906
1972	1 851	2 371	979	8 096	6 232	4 500	1 806	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

## 1975

May	2 609	3 509	1 644	10 744	8 713	6 773	2 778	975	29 983	35 136
June	2 822	3 809	1 640	10 851	8 826	6 796	2 833	985	30 291	35 740
July	2 721	3 662	1 462	10 921	8 974	6 946	2 863	1 005	30 709	35 833
Aug.	2 566	3 533	1 669	11 046	9 155	7 091	2 920	1 021	31 233	36 435
Sept.	2 546	3 531	1 582	10 959	9 203	7 177	2 929	1 056	31 324	36 437
Oct.	2 686	3 653	1 417	11 011	9 225	7 206	2 939	1 058	31 439	36 509
Nov.	2 659	3 642	1 652	11 234	9 326	7 280	2 985	1 057	31 882	37 176
Dec.	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260

## 1976\*

Jan.	3 268	4 301	2 038	11 872	9 891	7 685	3 229	1 117	33 794	40 133
Feb.	2 854	4 176	2 258	11 930	10 021	7 777	3 262	1 132	34 122	40 556
March	3 004	4 332	2 032	11 837	10 031	7 752	3 224	1 139	33 983	40 347
April	3 038	4 121	2 155	11 894	10 082	7 820	3 270	1 148	34 214	40 490
May	2 841	4 017	2 048	11 972	10 174	7 870	3 292	1 162	34 470	40 535





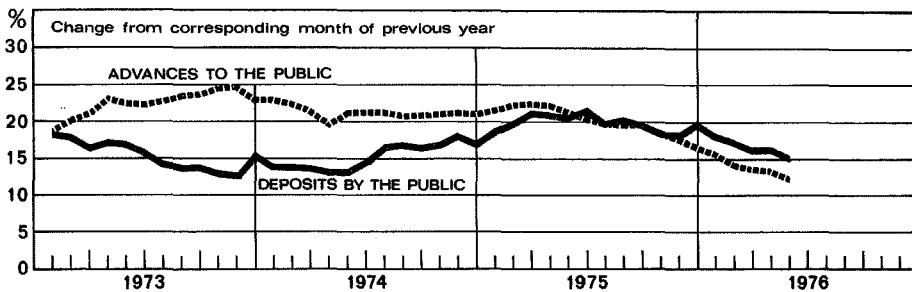
ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1969	6 892	3 803	2 922	1 040	1 290	15 354	593	15 947	3 126
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	7 799	5 488	4 129	43 003	1 294	44 297	9 450

1975									
May	17 148	8 219	6 944	4 968	3 637	39 640	1 276	40 916	7 335
June	17 303	8 312	7 019	4 983	3 660	39 951	1 326	41 277	7 801
July	17 291	8 419	7 125	5 054	3 704	40 339	1 254	41 593	7 331
Aug.	17 307	8 582	7 249	5 063	3 776	40 674	1 303	41 977	7 517
Sept.	17 734	8 749	7 450	5 104	3 815	41 456	1 396	42 852	7 391
Oct.	17 811	8 785	7 542	5 275	3 900	41 907	1 406	43 313	7 321
Nov.	17 852	8 997	7 673	5 420	4 046	42 585	1 403	43 988	7 643
Dec.	17 773	9 108	7 799	5 488	4 129	43 003	1 294	44 297	9 450

1976*									
Jan.	17 769	9 279	7 900	5 551	4 223	43 456	1 266	44 722	8 621
Feb.	17 868	9 311	7 937	5 605	4 230	43 633	1 318	44 951	8 771
March	17 902	9 448	8 009	5 688	4 249	43 912	1 384	45 296	..
April	18 049	9 576	8 079	5 950	4 267	..	..	45 921	..
May	18 138	9 647	8 178	5 694	4 388	..	..	46 045	..



## STATE FINANCES

Mill. mk

Revenue	Jan.—May		Expenditure	Jan.—May	
	1975	1976		1975	1976
Income and property tax (net)	3 877	4 711	Wages, salaries, pensions etc.	1 648	2 049
Gross receipts	(7 884)	(9 722)	Repair and maintenance	199	241
Refunds & local authorities	(—4 007)	(—5 011)	Other consumption expenditure	817	940
Other taxes on income and property	81	101	<b>Total consumption expenditure</b>	<b>2 664</b>	<b>3 230</b>
Employers' child allowance payments	287	366	State aid to local authorities	1 950	2 376
Sales tax	2 244	2 455	State aid to industries	1 723	1 698
Revenue from Alcohol Monopoly	471	612	of which: agric. price subsidies	(755)	(944)
Customs duties & import charge	228	232	Child allowances	243	352
Counter-cyclical tax	—	—	Share in national pensions and health insurance	91	107
Excise duty on tobacco	217	284	Other transfer expenditure	1 132	1 394
»  »  on liquid fuel	441	521	<b>Total transfer expenditure</b>	<b>5 139</b>	<b>5 927</b>
Other excise duties	188	261	Machinery and equipment	367	438
Tax on autom. and motor cycles	325	295	House construction	189	199
Stamp duties	197	245	Land and waterway construction	543	643
Special diesel etc. vehicles tax	23	29	<b>Total real investment</b>	<b>1 099</b>	<b>1 280</b>
Other taxes and similar revenue <sup>1</sup>	201	283	Interest on State debt	87	97
<b>Total taxes</b>	<b>8 780</b>	<b>10 395</b>	Index compensations	18	20
Miscellaneous revenue	892	740	Net deficit of State enterprises	92	86
Interest, dividends etc.	208	146	Other expenditure	12	15
Sales and depreciation of property	7	3	<b>Total other expenditure</b>	<b>209</b>	<b>218</b>
Redemptions of loans granted	80	163	Increase in inventories	110	—42
<b>Total revenue</b>	<b>9 967</b>	<b>11 447</b>	Lending	725	887
Foreign borrowing	17	167	Other financial investment	94	270
Domestic borrowing	244	383	<b>Total expenditure</b>	<b>10 040</b>	<b>11 770</b>
<b>Total borrowing</b>	<b>261</b>	<b>550</b>	Redemption of foreign loans	39	43
<b>Deficit (+) or surplus (—)</b>	<b>(+93)</b>	<b>(—5)</b>	Redemption of domestic loans	242	179
			<b>Total redemptions</b>	<b>281</b>	<b>222</b>
			<b>Total</b>	<b>10 321</b>	<b>11 992</b>

<sup>1</sup> Including supplementary turnover tax and import-equalization tax from June 1971.

State debt	1973		1974		1975		1976	
	Dec.	Dec.	Dec.	Dec.	April	May	June	
<b>Foreign debt</b>	1 395	1 152	1 603	1 603	1 617	1 752	1 725	
Loans	1 758	1 528	1 645	1 645	1 738	1 835	1 851	
Compensatory obligations	1	1	1	1	1	1	1	
Short-term credit	39	37	85	85	44	44	..	
Cash debt (net)	—468	—571	—242	—242	—406	—429	..	
<b>Domestic debt</b>	1 330	995	1 489	1 489	1 377	1 451	..	
<b>Total State debt</b>	<b>2 725</b>	<b>2 147</b>	<b>3 092</b>	<b>3 092</b>	<b>2 994</b>	<b>3 203</b>	<b>..</b>	
<b>Total debt, mill \$</b>	<b>710</b>	<b>590</b>	<b>798</b>	<b>798</b>	<b>776</b>	<b>826</b>	<b>..</b>	

# FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1970	9 687	11 071	-1 384
1971	9 897	11 734	-1 837
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975*	20 247	28 002	-7 755

1975\*

June	1 380	2 046	- 666
July	1 651	2 263	- 612
Aug.	1 135	2 167	-1 032
Sept.	1 710	2 236	- 526
Oct.	1 840	2 458	- 618
Nov.	1 672	2 247	- 575
Dec.	2 371	2 547	- 176

1976\*

Jan.	1 563	2 131	-568
Feb.	1 478	2 000	-522
March	1 967	2 250	-283
April	1 452	1 844	-392
May	2 177	1 956	+221

Jan.-May

1975*	8 488	12 039	-3 551
1976*	8 637	10 181	-1 544

Indices of exports and  
imports 1969 = 100

Period	Indices of exports and imports 1969 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1970	107	121	108	108	100
1971	103	119	115	116	99
1972	118	124	123	125	98
1973	127	141	138	139	99
1974	126	151	196	200	98
1975	105	151	232	218	106

1973

Apr.-June	115	133	133	136	98
July-Sept.	122	136	145	142	102
Oct.-Dec.	140	149	151	151	100

1974

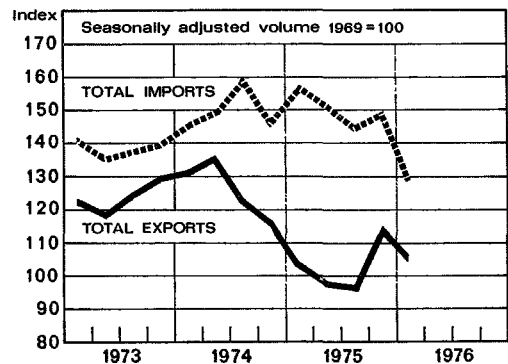
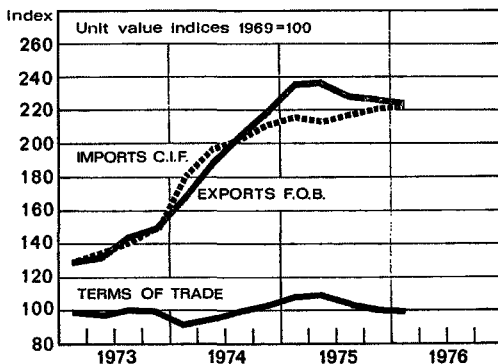
Jan.-Mar.	131	146	169	184	92
Apr.-June	131	147	190	199	95
July-Sept.	119	158	206	204	101
Oct.-Dec.	125	152	221	213	104

1975

Jan.-Mar.	104	160	237	217	109
Apr.-June	95	146	238	216	110
July-Sept.	94	143	230	219	105
Oct.-Dec.	124	153	228	223	102

1976\*

Jan.-Mar.	106	134	226	224	101
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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	
1970	286	1 536	3 883	1 828	2 154	6 891	422	1 949	1 750	59
1971	313	1 643	3 797	1 764	2 380	7 037	570	2 333	1 746	48
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	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

## 1975\*

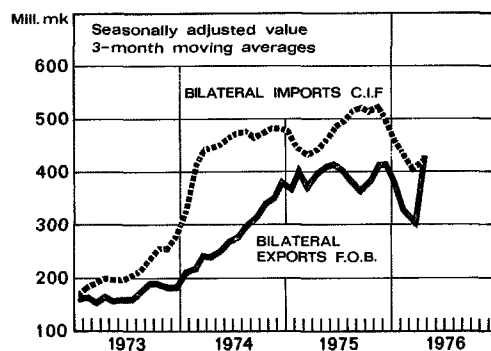
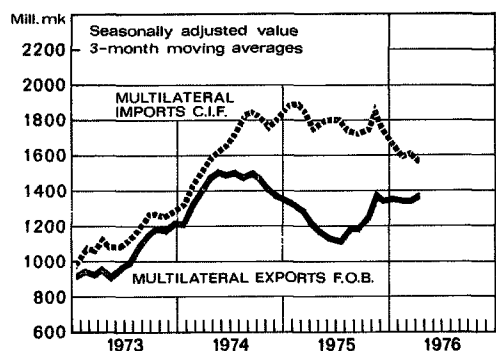
June	11	154	491	399	325	1 300	147	329	265	5
July	28	194	534	560	335	1 391	126	421	299	26
Aug.	18	139	451	226	301	1 279	170	433	276	9
Sept.	44	202	585	442	437	1 384	137	363	344	8
Oct.	25	199	570	505	541	1 554	154	412	337	1
Nov.	17	213	579	395	468	1 361	170	426	289	1
Dec.	82	234	659	877	519	1 513	140	565	323	6

## 1976\*

Jan.	114	190	477	436	346	1 191	133	494	312	1
Feb.	14	196	592	287	389	1 262	114	327	291	6
March	125	214	780	338	510	1 340	91	461	353	5
April	19	140	397	475	421	1 027	66	433	318	0
May	78	158	601	837	503	1 236	106	291	316	7

## Jan.-May

1975*	224	842	3 356	1 953	2 113	7 277	626	2 273	1 856	7
1976*	350	898	2 847	2 373	2 169	6 056	510	2 006	1 590	19



## FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—May				January—May			
	1975*		1976*		1975*		1976*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
<b>OECD countries in Europe</b>	63.8	5 417	65.2	5 635	67.9	8 179	68.2	6 941
Austria	0.8	66	0.7	57	1.3	160	1.5	155
Belgium-Luxembourg	1.4	118	1.5	128	2.0	242	1.9	191
Denmark	3.5	299	3.8	326	3.4	415	3.1	313
France	3.7	314	3.8	327	3.2	386	2.9	292
Federal Republic of Germany	9.5	806	9.7	841	16.4	1 972	16.4	1 672
Italy	1.4	120	1.7	151	2.0	244	2.2	221
Netherlands	2.6	221	2.9	254	3.0	368	3.0	308
Norway	4.5	378	4.0	344	3.2	380	3.7	371
Portugal	0.2	21	0.4	37	0.6	72	0.3	33
Spain	1.0	85	0.9	81	1.1	135	1.1	113
Sweden	17.4	1 478	18.6	1 605	19.2	2 310	20.0	2 037
Switzerland	1.6	140	1.9	160	3.3	394	3.5	359
United Kingdom	14.6	1 238	14.2	1 227	9.0	1 081	8.3	847
Other	1.6	133	1.1	97	0.2	20	0.3	29
<b>OECD countries outside Europe</b>	5.1	434	5.0	429	9.9	1 191	7.2	736
Canada	0.5	42	0.7	59	0.3	37	0.4	39
Japan	0.4	38	0.7	64	1.8	211	1.6	165
United States	3.7	311	3.0	257	7.8	940	5.2	530
Other	0.5	43	0.6	49	0.0	3	0.0	2
<b>CMEA countries</b>	22.2	1 885	21.9	1 893	18.6	2 239	20.6	2 095
Czechoslovakia	0.5	43	0.6	50	0.4	44	0.6	56
Democratic Republic of Germany	0.7	60	0.6	55	0.8	100	0.4	44
Poland	1.1	98	1.3	108	2.0	242	1.4	140
Soviet Union	19.0	1 610	18.7	1 615	14.5	1 746	17.4	1 769
Other	0.9	74	0.7	65	0.9	107	0.8	86
<b>Latin America</b>	2.6	221	2.0	170	1.4	168	1.8	186
Argentina	1.3	107	0.3	26	0.1	7	0.1	8
Brazil	0.7	57	0.5	43	0.3	40	0.6	65
Colombia	0.0	6	0.1	6	0.6	69	0.6	59
Other	0.6	51	1.1	95	0.4	52	0.5	54
<b>Other</b>	6.3	531	5.9	510	2.2	262	2.2	223
<b>GRAND TOTAL</b>	100.0	8 488	100.0	8 637	100.0	12 039	100.0	10 181
of which								
<b>EFTA countries</b>	24.7	2 096	25.6	2 212	27.6	3 323	29.1	2 967
<b>EEC countries</b>	37.4	3 176	38.2	3 299	39.1	4 713	37.9	3 855
<b>OECD countries</b>	68.9	5 851	70.2	6 064	77.8	9 370	75.4	7 677

# 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
1973 <sup>r</sup>	14 525	16 560	-2 035	+ 996	+340	+ 29	- 670	- 753	-57	-1 480
1974 <sup>r</sup>	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
1975 <sup>*</sup>	20 183	27 879	-7 696	+ 962	+101	+257	-6 376	-1 414	-83	-7 873

## Jan.-March

1973 <sup>r</sup>	3 282	3 868	- 586	+ 260	- 5	+ 28	- 303	- 139	-14	- 456
1974 <sup>r</sup>	4 589	5 683	-1 094	+ 338	+ 10	+ 5	- 741	- 233	-25	- 999
1975 <sup>*</sup>	5 127	7 356	-2 229	+ 261	- 43	- 34	-2 045	- 316	-51	-2 412
1976 <sup>*</sup>	4 989	6 357	-1 368	+ 276	- 53	+ 51	-1 094	- 349	-24	-1 467

## Apr.-June

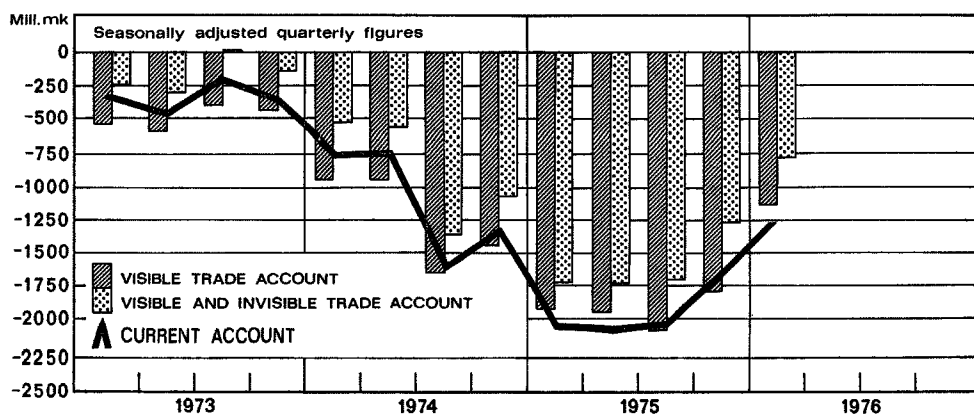
1973 <sup>r</sup>	3 182	3 843	- 661	+ 218	+ 48	+ 16	- 379	- 190	-22	- 591
1974 <sup>r</sup>	5 159	6 198	-1 039	+ 282	+ 74	+ 47	- 636	- 239	-11	- 886
1975 <sup>*</sup>	4 696	6 683	-1 987	+ 243	+ 13	+ 7	-1 724	- 383	-15	-2 122

## July-Sept.

1973 <sup>r</sup>	3 656	4 084	- 428	+ 271	+240	+ 10	+ 93	- 173	- 9	- 89
1974 <sup>r</sup>	5 104	6 838	-1 734	+ 251	+243	- 36	-1 276	- 243	- 4	-1 523
1975 <sup>*</sup>	4 482	6 645	-2 163	+ 262	+142	+ 70	-1 689	- 309	- 8	-2 006

## Oct.-Dec.

1973 <sup>r</sup>	4 405	4 765	- 360	+ 247	+ 57	- 25	- 81	- 251	-12	- 344
1974 <sup>r</sup>	5 753	6 879	-1 126	+ 204	- 1	+ 89	- 834	- 291	-29	-1 154
1975 <sup>*</sup>	5 878	7 195	-1 317	+ 196	- 11	+214	- 918	- 406	- 9	-1 333

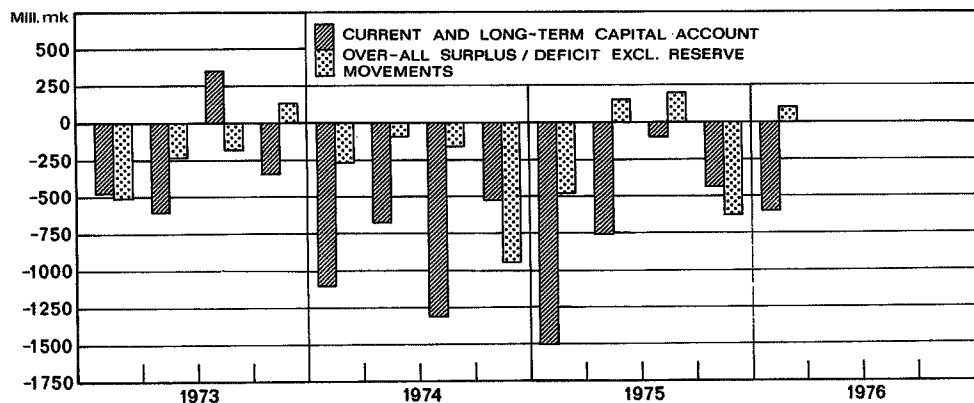


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net <sup>1</sup>	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+1 858	-1 366	+ 34	-114	+ 412	-1 068	-246	- 8	+ 538	- 784	+491	+293
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+736
+6 729	-1 445	-214	+ 52	+5 122	-2 751	+796	+1 413	-205	- 747	-444	+1 191
+ 364	- 396	+ 35	- 24	- 21	- 477	+ 21	- 98	+ 47	- 507	+353	+154
+ 481	- 522	- 24	- 26	- 91	-1 090	+288	+ 124	+409	- 269	+138	+131
+1 242	- 338	- 6	+ 5	+ 903	-1 509	+309	+ 758	- 35	- 477	- 32	+509
+1 404	- 374	+ 2	- 79	+ 953	- 514	-579	+ 806	+385	+ 98	+373	-471
+ 309	- 265	- 48	- 9	- 13	- 604	+ 95	+ 191	+ 91	- 227	+301	- 74
+ 758	- 362	-114	+ 13	+ 295	- 591	+349	+ 58	+ 88	- 96	- 99	+195
+1 834	- 418	- 67	+ 14	+1 363	- 759	-139	+ 758	+297	+ 157	-668	+511
+ 774	- 370	+ 59	- 15	+ 448	+ 359	-403	-322	+180	- 186	+ 66	+120
+ 549	- 379	- 61	- 25	+ 84	-1 439	+502	+ 312	+462	- 163	+202	- 39
+2 121	- 274	+ 3	+ 55	+1 905	- 101	+135	- 52	+223	+ 205	+ 91	-296
+ 411	- 335	- 12	- 66	- 2	- 346	+ 41	+ 221	+220	+ 136	-229	+ 93
+ 942	- 274	- 24	+ 15	+ 659	- 495	-209	-157	- 86	- 947	+498	+449
+1 532	- 415	-144	- 22	+ 951	- 382	+491	- 51	-690	- 632	+165	+467

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

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

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



# PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes-tic goods	Im-ported goods	Pro-ducer goods	Machinery & transoport equipm.	Con-sumer goods	Raw materials and com-modities	Simply pro-cessed goods	More etab-orately processed goods			
1974	495	498	482	523	536	448	555	495	459	233	231	230
1975	562	575	513	570	637	532	629	536	539	259	264	246
1975												
Sept.	568	582	516	567	664	545	629	540	550	264	272	247
Oct.	573	588	517	568	671	556	629	541	562	265	272	248
Nov.	577	592	518	570	676	560	631	543	566	265	272	250
Dec.	578	595	514	574	677	559	632	546	567	266	272	251
1976												
Jan.	591	610	517	582	688	578	644	555	583	270	273	260
Feb.	599	617	531	587	691	591	647	565	593	271	273	261
March	605	624	532	589	691	604	656	572	597	272	273	261
April	610	630	535	597	696	606	669	575	598	275	273	268
May	610	629	537	598	696	604	666	576	598	282	292	268
June	611	629	539	599	698	605	669	576	599	282	292	269
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	Traffic	Education and recreation	Other goods and services
1974	333	261	129	130	109	128	144	161	129	128	118	127
1975	392	308	153	157	135	150	162	184	150	145	144	156
1975												
Sept.	405	318	157	165	137	154	165	185	153	148	150	161
Oct.	411	323	160	166	148	158	166	187	155	148	151	166
Nov.	415	326	161	168	149	159	166	188	156	152	152	168
Dec.	418	328	162	169	149	160	166	188	157	154	152	169
1976												
Jan.	426	335	166	167	161	163	168	189	159	166	154	172
Feb.	432	339	168	167	161	163	168	191	160	169	156	181
March	436	343	170	174	161	163	169	191	161	170	157	182
April	440	345	171	176	161	164	169	192	161	171	160	182
May	441	346	171	176	161	164	169	201	161	172	160	182
June	442	347	172	176	161	164	171	201	161	172	161	182



# 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							
1974	395	317	325	256	252	250	298	248	314	285
1975*	506	384	389	310	312	302	363	300	383	347
1974										
Jan.-March	353	284	292	230	226	226	265	223	278	254
Apr.-June	379	316	319	260	252	253	301	251	315	287
July-Sept.	401	327	336	262	259	256	310	255	327	295
Oct.-Dec.	454	342	354	273	271	267	322	263	340	306
1975*										
Jan.-March	464	354	361	278	280	272	330	269	350	315
Apr.-June	479	391	395	313	315	304	371	304	392	354
July-Sept.	511	390	395	317	322	306	375	308	395	357
Oct.-Dec.	556	400	404	331	334	327	381	319	403	366
1976*										
Jan. March	571	417	416	350	346	346	399	334	422	383

# PRODUCTION

## Volume indices of production 1964 = 100

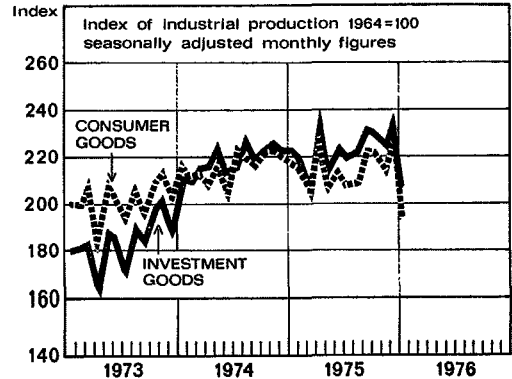
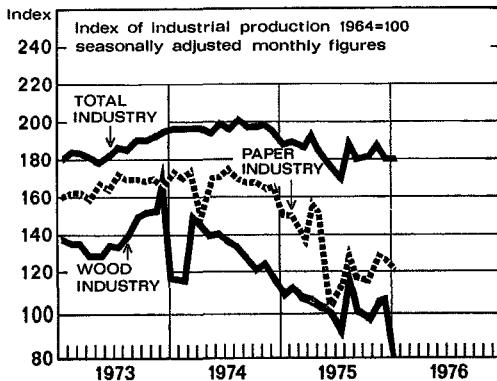
Period	Gross domestic product	Industrial production	Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1973	154	187	90	96	162	105	155	171	150	151	157
1974	161	200	90	96	168	102	164	179	158	161	165
1975	161	195	92	83	171	105	160	187	166	166	169
1974											
Jyly-Sept.	160	179	165	62	176	100	166	176	157	161	164
Oct.-Dec.	166	212	63	87	199	100	167	197	162	163	167
1975*											
Jan.-March	161	206	51	119	162	104	159	180	164	165	168
Apr.-June	160	197	74	100	161	108	164	182	165	165	170
July-Sept.	158	168	171	48	178	104	157	185	165	167	169
Oct.-Dec.	164	207	73	64	185	105	160	201	170	169	171
1976*											
Jan.-March	158	202	53	90	149	108	154	182	172	170	172

# PRODUCTION<sup>1</sup>

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	
1971	101	103	102	102	104	103	100	116	105	100	102
1972	114	116	114	111	111	109	112	142	115	118	113
1973	122	121	123	119	111	123	120	154	127	127	121
1974	129	143	128	126	114	121	122	160	144	147	128
1975*	121	147	117	127	112	92	96	154	125	147	120
1975*											
Jan.	135	164	132	128	110	81	118	181	141	161	124
Feb.	128	155	126	123	104	86	108	162	129	156	126
March	125	147	123	121	100	81	105	168	128	151	124
April	138	171	131	142	118	98	106	169	140	172	126
1976*											
Jan.	123	152	119	122	108	68	94	145	103	148	118
Feb.	123	145	120	120	105	80	105	150	107	142	120
March	138	171	134	137	103	103	111	154	118	168	120
April	124	156	118	124	103	106	81	152	101	152	123

<sup>1</sup> See explanation on page 18.



# 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
1973	3 442	2 215	2 164	51	2.3	35 123	110	111
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
1975*								
March	3 507	2 191	2 144	47	2.1	4 535	114	121
April	3 509	2 199	2 151	48	2.2	3 799	124	128
May	3 511	2 238	2 199	40	1.8	2 646	119	121
June	3 513	2 445	2 400	45	1.8	2 381	116	108
July	3 514	2 448	2 400	48	2.0	934	120	107
Aug.	3 516	2 326	2 278	48	2.1	1 026	117	115
Sept.	3 517	2 257	2 208	49	2.2	1 272	119	128
Oct.	3 519	2 258	2 206	52	2.3	1 700	124	130
Nov.	3 520	2 250	2 189	61	2.7	1 884	104	117
Dec.	3 521	2 244	2 172	72	3.2	2 028	143	126
1976*								
Jan.	3 523	2 198	2 107	91	4.1	1 684	..	..
Feb.	3 525	2 190	2 100	90	4.1	2 332	..	..
March	3 527	2 187	2 102	85	3.9	3 269	..	..
April	3 529	2 195	2 105	90	4.1	3 217	..	..

## 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											
1973	54.96	24.68	3.82	20.66	2.81	40.20	18.81	2.91	13.63	2.82	51.42
1974	53.23	22.35	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	47.59	20.49	2.76	18.34	3.93	53.73
1974											
Oct.-Dec.	11.73	4.58	0.40	5.21	0.81	15.83	7.31	1.05	5.89	1.01	52.84
1975*											
Jan.-March	12.59	3.31	0.75	5.95	0.75	11.21	4.51	0.45	4.89	1.07	48.79
Apr.-June	15.90	7.46	1.67	5.00	0.51	10.06	4.95	0.33	3.60	0.75	54.13
July-Sept.	12.21	4.84	0.79	4.72	1.13	10.95	4.45	0.85	3.73	1.29	54.64
Oct.-Dec.	10.71	4.04	0.59	4.36	1.00	13.86	5.97	1.02	5.50	0.77	53.73

# 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 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.

The volume index has been revised as from the beginning of 1975. Annual figures are published according to the old basis. Monthly figures are based on new indicators.

## 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 39, Conservatives 35, Swedish Party 10, Liberal Party 9, Christian League 9, Finnish Farmers Party 2, Finnish People's Unification Party 1 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 and OECD 1969.

## LAND

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

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

## POPULATION

NUMBER OF INHABITANTS (1974): 4.7 million. Sweden 8.2, Switzerland 6.5, Denmark 5.1 and Norway 4.0 million.

DENSITY OF POPULATION (1974): In South Finland 45.8, in East and Central Finland 16.9, in North Finland 3.6 and in the whole country an average of 15.4 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1974): 58 % of the population inhabit the rural areas, 42 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 504 280 inhabitants, Tampere (Tammerfors) 165 668, Turku (Åbo) 163 336.

EMPLOYMENT (1974): Agriculture and forestry 16 %, industry and construction 38 %, commerce 16 %, transport and communications 7 %, services 25 %.

LANGUAGE (1973): Finnish speaking 93.3 %, Swedish speaking 6.5 %, others 0.2 %.

EDUCATION (1975): 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 (1974): births 13.3 ‰, deaths 9.6 ‰, change + 4.1 ‰, net immigration 0.3 ‰. Deaths in France 10.4 ‰ and Great Britain 11.9 ‰.

## TRADE AND TRANSPORT

NATIONAL INCOME (1974, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 3 806 (5 %), forestry and fishing 5 154 (7 %), manufacturing 22 370 (31 %),

construction 7 525 (11 %), transport and communication 6 991 (10 %), commerce, banking and insurance 9 683 (13 %), public administration 3 357 (5 %), ownership of dwellings 3 058 (4 %), services 10 268 (14 %), total 72 212. Index of real domestic product 159 (1964 = 100).

FOREST RESOURCES (1974): The growing stock comprised of 1 511 million m<sup>3</sup> (solid volume with bark), of which 44 % was pine and 38 % spruce, the remaining 18 % being broad-leaved trees, chiefly birch. Of the growing stock, 606 million m<sup>3</sup> was up to the standard required for logs, 59 % of these being pine. The annual growth was 56.9 million m<sup>3</sup> and the total removal, calculated on the basis of roundwood consumption, was 52.9 million m<sup>3</sup>.

AGRICULTURE (1973): Cultivated land 2.7 million hectares. Number of holdings 268 000, of which 176 000 are of more than 5 ha. Measure of self-sufficiency in bread cereals 114 % in the crop year 1973/74.

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

STATE RAILWAYS (Jan. 1, 1976): Length 5 919 km.

MERCHANT FLEET (June 30, 1976): Steamers 24 (13 300 gross reg. tons), motor vessels 358 (919 200 gross reg. tons) tankers 58 (1 135 400 gross reg. tons). Total 440 (2 067 900 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1975): Passenger cars 996 300, lorries and vans 128 400, buses 8 600, others 6 600. Total 1 139 900.

FINNISH AIRLINES (Feb. 10, 1976): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6, 10 Super Caravelles, 9 DC-9s, 3 DC-9-51s, 2 DC-10-30 and 5 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 27 airports and to 20 domestic airports.

## FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). Since Oct. 12, 1967, the par value of the mark is 0.21159 grams of fine gold per mark (equivalent to 4.20 marks per one SDR). On Feb. 15, 1973 a central rate of 3.80 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, 1975). There are two big and five small commercial banks with in all 864 offices, 283 savings banks 384 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 (Jan. 1, 1975). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 9 ¼ %. The range of rates for other credits granted by the Bank of Finland is between 7 ½ and 10 ½ %. Other credit institutions: term deposits 5 ¾ %; 6 month deposits 6 ½ %; 12 month deposits 6 ¾ %; 24 month deposits 7 ¾ %; 36 month deposits 9 % + savings premium; 36 month deposits 8 ¼ % + tax concession and sight deposits 1 ½ %; highest lending rate 12 ¼ %.

# PRICE REGULATION IN FINLAND 1968—1976

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On the whole, prices in Finland have shown a tendency to rise slightly faster than the international average, although the period 1969—1971, when prices were affected by the stabilization policy pursued after the 1967 devaluation was one important exception to this (Chart 1). This inflationary bias in the Finnish economy is commonly attributed to the great dependence on foreign trade and the insufficiently diversified structure of production and exports. Together, these two factors imply that the full impact of foreign inflation is soon felt in Finland. Furthermore, differences in productivity between different industrial sectors, and wage and agricultural incomes policies with full-compensation ideas underlying them have all tended to magnify the effects of external inflationary shocks. In addition to external cost increases, upward pressure on prices has also been increased by periods of excess demand, which demand management policy has not succeeded in eliminating. The demand for Finland's major export products — processed wood products and a number of metal manufactures — is cyclically very sensitive, involving great fluctuations in earnings in export industries and in forestry. During upswings, profitability increases in the export sector tend to be greater than average, producing wage drift and, consequently differences in wages between industrial sectors. This is particularly marked in a situation of excess demand for skilled labour, as was seen in 1973 and 1974. The pursuit of a so-called unitary wage policy has implied that wage developments in the closed sector have followed those in the export sector with a time lag of not more than one year. The linking of agricultural incomes to overall wage development has, in turn, led to increases in prices of agricultural produce. Variations in export de-

mand have thus been reflected fairly rapidly as rises in the cost level of the closed sector and — as a result of lower productivity there — as an acceleration in domestic price inflation.

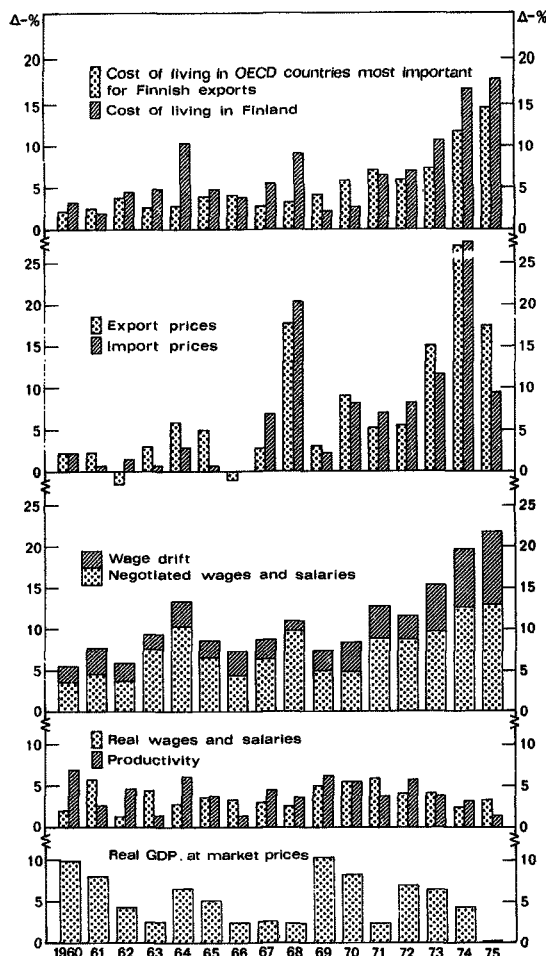
The fact that Finnish imports are dominated by producer goods also contributes to the rapid reflection of external price pushes in domestic cost developments; raw materials, fuel, and investment goods account for as much as 80 per cent imports. In recent years, of course, the sharp rise in the prices of these commodities has been one of the major inflationary factors.

The pursuit of counter-inflationary policies is often hampered by the existence of mutually inconsistent economic policy targets. In principle, demand management policy is the most important and was, in the 1960s, the most used instrument for curbing price rises. However, after the 1967 devaluation, the main emphasis was shifted from demand management to incomes policy, thereby increasing the importance of price control as well. A series of comprehensive incomes policy agreements started in 1968, when the hitherto fairly widespread use of index linkages was abolished. In order to secure the growth of real earnings, the employee organizations required then — as in subsequent incomes negotiations — that prices be regulated. In fact, most of the comprehensive incomes policy agreements have involved some degree of price regulation.

When assessing the success of counter-inflationary economic policies one should remember that Finnish economic policy has been clearly growth-orientated, and priority has generally been given to a high rate of employment. Accordingly, the growth of output has,

# CHART 1. CHANGES IN PRICES, WAGES, PRODUCTIVITY AND PRODUCTION, 1960—1975

## PRICE CONTROL LEGISLATION



Cost of living in OECD countries most important for Finnish exports: Individual national figures, weighted by the country's share of Finnish exports (Great Britain .35, Sweden .26, Federal Republic of Germany .19, USA .12, France .08).

until recent years, been very rapid by international standards. However, as the rate of inflation has been continuously very rapid and balance-of-payments difficulties have increased, a more active stance has recently been assumed in demand management policy, and a more critical view has been taken of the feasibility and efficiency of incomes policy and price regulation as methods of curbing inflation. When trying to assess the effects of price regulation one should also take into account the sharp variations which have taken place in cost and demand factors during the period under review. The role of these factors in price developments is so dominant that it is very difficult to distinguish the particular impact of price regulation.

The exercise of price control in Finland has been based on Special Economic Powers Acts<sup>1</sup> giving the Council of State and the National Board of Trade and Consumer Interests some degree of control over price determination in industry, in trade and other services.<sup>2</sup> The price control measures of the 1960s were based on the 1957 Special Economic Powers Act which, originally enacted for the period until the end of 1958 was subsequently extended, a year at a time, until 1968. Under this Act and the related Council of State decision, not all costs could be fully used as the basis for pricing, and furthermore, the definitions incorporated were so broad that they left the authorities some scope for discretion.

As mentioned before, the role of price control became more important when, in March 1968, the Government and the labour market organizations concluded the Stabilization Agreement in order to ensure balanced development of the Finnish economy in post-devaluation conditions. At the same time, the first comprehensive incomes policy agreement was concluded and a new Special Economic Powers Act (Stabilization Act 207/68) was passed for the period March 1968—December 1969. Thereafter, until the end of March 1974 Special Economic Powers Acts were passed every year in connection with the comprehensive incomes policy agreements. The 1968 Special Economic Powers Act provided for the establishment of a Prices and Incomes Board (subsequently the Prices Board). It was a price-controlling body appointed by the Council of State and operating according to its directives,

<sup>1</sup> Special Economic Powers Acts are treated in Parliament in the same way as Constitutional Laws: their passing and immediate enforcement require a majority of five-sixths of the votes cast.

<sup>2</sup> Agricultural target prices are fixed on the basis of the Agricultural Price Acts. Between 1968 and 1974, and in 1976, domestic rents have been subject to the Special Economic Powers Acts, while they were excluded from the 1957 Special Economic Powers Act and the 1974 permanent price control legislation. A permanent control system, based on the revised Domestic Rent Act, was introduced in 1974. In addition, particular authorities exercise direct control over the prices of such commodities as drugs alcohol, tobacco, etc, and over several fees and charges. As a rule, about 20 per cent of the commodity prices and charges included in the consumer price index are under the control of authorities other than the National Board of Trade and Consumer Interests.

with an equal number of representatives from the employee and the employer organizations and an impartial chairman. It also had members representing industry, trade, agricultural producers, and consumers. The Board was invested with quite extensive powers when making decisions on price increases; it operated until the spring of 1974, although in the later period it was less wide-ranging.

In the spring of 1974, a Permanent Act on Price Control was passed which came into force on April 1, 1974. Initially the Act will be in force for four years, but its validity can be extended by a decision of the Council of State. The Act and the related Statute on Price Control define the forms and methods of regulation. The Act invests the Council of State with a limited right to stipulate the commodities to which a price confirmation procedure is to be applied; this procedure is based on a fullcost principle. At the same time there was introduced a price-freeze Act<sup>1</sup>, designed to be applied in exceptional conditions, when any external factor, like a change in foreign exchange rates or a rise in international prices, or any central government measure, like a monetary reform or a revision in indirect taxation, would be likely to involve substantial disturbances in domestic price and cost developments. In such a case the Council of State has an unlimited right to designate the commodities to which a price confirmation procedure can be applied. It is worth pointing out that in neither of the above-mentioned cases is the Government authorized to freeze prices on a fixed level, only to prevent price increases from exceeding those based on real cost increases. After the enforcement of the Acts on April 1, 1974, the coverage of price control was determined by the Council of State, on the basis of the Acts on Price Freeze, until February 12, 1976.

In connection with the comprehensive incomes policy agreement, a decision was made at the beginning of this year to intensify price regulation by means of a five-month price freeze followed by strict price controls. A tem-

porary Special Economic Powers Act (128/1976) authorizing the implementation of these measures was passed and it will be in force during the agreement period, i.e. until the end of January 1977. The Act made it possible to forbid all price increases during the period of price freeze and after that to forsake, to some extent, the full-cost principle with regard to increases in wage and capital expenditure. When the agreement period comes to an end in February 1977, price control procedure will revert to the forms of the permanent price control acts.

## THE CONTENTS OF THE 1974 PERMANENT ACT ON PRICE CONTROL

Under the Permanent Act on Price Control, which came into force in April 1974, there are four different forms of price regulation procedure: investigation; notification; negotiation; and price confirmation.

Unlike the earlier periods of price control, the present Act clearly emphasizes more the moderate forms of regulation, although it does contain provisions for a gradual introduction of stricter measures. The Council of State stipulates the commodities to which the price confirmation procedure be applied, while the National Board of Trade and Consumer Interests decides upon the commodities to which the other procedures of price control shall be applied.

Under the present Act, price investigation make up one form of price regulation. The National Board of Trade and Consumer Interests is invested with the right and obligation to carry out investigations into the determination of prices of commodities or commodity groups. The Board is authorized, whenever it deems it necessary, to release the results of its investigations, although only in such a way that no harm is caused to the entrepreneurs concerned.

For the commodities subject to the notification procedure, the entrepreneur shall notify the

<sup>1</sup> Act on Price-Equalization and Price Freeze in Certain Cases (155/74), Chapter 2, Sections 10—20.



National Board of Trade and Consumer Interests of all price changes; the Board is obliged to release, from time to time and to the extent it deems it necessary, price comparisons and summaries concerning prices of commodities subject to the notification obligation.

In the case of the negotiation procedure, the Board may start negotiations with an organization representing the industry concerned or with entrepreneurs producing the commodity concerned, whenever it appears that the price of a commodity subject to the notification obligation is exceeding its actual production costs. If unanimity is not reached in negotiations, the Council of State may stipulate, for not more than 12 months at a time, that a maximum permissible price shall be confirmed for the commodity. The negotiation procedure is thus limited to commodities subject to the notification procedure, and as a result of the negotiations, the commodity may be transferred to the price confirmation category for a fixed term.

The Council of State may rule that the price confirmation procedure shall be permanently applied to any commodity which is subsidized from state funds or the pricing of which is directly and substantially regulated by indirect duties or charges. As described above, other commodities may also be placed in this category by the Council of State in those cases where the negotiation procedure has not led to a satisfactory result. When the Act on Price Freeze is being applied, the Council of State may, even without prior negotiation, decide that any commodity should be placed in the price confirmation category. The release of commodities from this procedure may also be authorized by the National Board of Trade and Consumer Interests.

The Act on Price Control lays down that the basis for price confirmation will be the actual production costs of the commodity as manufactured by a well-managed enterprise. At the same time, special care shall be taken not to endanger, because of a price confirmation measure, the operating conditions of the enter-

price or industry concerned. The Statute (235/1974) related to the Act on Price Control includes detailed provisions as to the grounds upon which a price confirmation shall be made. Pricing is thus primarily based on the full-cost principle, i.e. it is permissible to shift cost increases directly into prices.

The Statute on Price Control defines the pricing grounds separately for industry, trade, and the rest of the service sector. In the following, the pricing grounds for industry are presented; on the whole, similar general principles of pricing are followed in the other sectors.

The following cost categories are used as the bases for the pricing of industrial products:

Variable expenses:

- Materials and supplies
- Wages
- Other variable expenses

Fixed expenses:

- Salaries
- Fixed separate expenses
- Depreciation on fixed assets and on other long-term expenses
- Interest expenses
- Other fixed expenses

Operating margin:

- Direct taxes
- Entrepreneurial risk
- Part of depreciation and interest expenses

Direct sales deductions:

- Sales taxes
- Discounts
- Freight costs

In the pricing procedure, raw material, component and labour costs are taken into account to their full extent. Depreciation of fixed assets which are directly or indirectly needed in the manufacture and marketing of the commodity is calculated from the purchase price according to a flat-depreciation method. The rate of depreciation shall correspond to the actual wearingout of fixed assets. The depreciation item included in the operating margin is the difference between depreciation calculated

on the basis of fire insurance value and that calculated on the basis of the purchase value.

As interest expenses included in fixed expenses, the Statute allows that part of interest expenses calculated on the fire insurance value of undepreciated fixed assets and inventories and on the difference between accounts receivable and accounts payable which corresponds to the share of liabilities in the total of the company's equity and liabilities. The rest of interest expenses, corresponding to the share of equity, are included in the operating margin. The maximum rate of interest allowed is the current basic rate applied by the Bank of Finland on the commercial banks' central bank credit, increased by 2.5 percentage points. The entrepreneurial risk included in the operating margin is calculated as a reasonable percentage of production costs; for example, the allowance for entrepreneurial risk applied last year varied between 0.5 and 1.5 per cent of costs.

## THE DEGREE OF PRICE REGULATION

The degree of price regulation depends both on the bases applied for the price confirmation procedure and on the number of commodities subject to price regulation in general. It is further affected by the amount of power that the various interest groups have in the bodies which implement the controls. These factors have varied considerably over the years, and it is difficult to make any precise evaluation of the degree of regulation. However, roughly speaking, the period 1968—1976 can be divided into the following four stages:

- I Period of stabilization and fairly strict price control from the second quarter of 1968 until the end of 1970.
- II Up to May 1972, a gradual relaxation of the price controls related to the stabilization policy.
- III Period of moderate price regulation until January 1976.
- IV Price freeze from February 1976 until the end of June 1976, followed by quite strict price control until the end of January 1977.

To offset the abolition of index linkages, price control was intensified under the 1968 Stabilization Agreement. The aim of the comprehensive incomes policy agreements was that wage increases should not exceed the average growth of labour productivity, and until the end of 1970, the Prices and Wages Board did not generally approve wage increases as bases for price increases. Moreover, rises in indirect costs were not, as a rule accepted as bases for price increases, because expenses incurred by investment, for example, were believed to reduce total unit costs in the long run. With the coming into force of the 1968 Special Economic Powers Act, the coverage of price control was the maximum possible, after May 1969 it still covered nearly 75 per cent of the items in the consumer price index<sup>1</sup>.

At the beginning of 1971, control was further relaxed, when a number of commodities were excluded from the price confirmation requirement on the basis of a Decision by the Council of State. There were more changes in May 1972 and in May 1973, whereafter about 38 per cent of the commodities included in the consumer price index were left subject to the price confirmation requirement. In 1971 two notable changes took place in the pricing bases: Rises in labour costs exceeding the growth of productivity and, rises in indirect costs were, to an increasing extent, accepted as bases for price increases.

The permanent price control legislation, which came into force at the beginning of April 1974, involved substantial revisions in price confirmation practices; however, the bases for price increases were not much altered but, rather, made more precise. After the enforcement of these acts, the coverage of price regulation was decided upon on the basis of the Act on Price Freeze and, in the beginning, as much as 80 per cent of all commodities included in the consumer price index were subject to the price confirmation requirement for five months. From September 1974 to January 1976, the commodities subject to this requirement accounted for 32 to 41 per cent of those

<sup>1</sup> See note 2 on page 21.

included in the consumer price index. However, the fact that price confirmation procedure was based on the full-cost principle implied that the impact of regulation centred mainly on curbing demand-induced price increases. In the case of operating margin, the full-cost principle was waived in 1975: on the basis of an Amendment to the Statute on Price Control, effective from the beginning of March 1975 to the end of January 1976, it was not permissible to increase prices due to a change in operating margin if the price had been increased for that reason during the preceding nine months. Under the permanent price control legislation, regulation is carried out by the National Board of Trade and Consumer Interests without any direct participation by interest groups.

The intensification of price regulation agreed upon in connection with comprehensive incomes policy agreements in January 1976 included a price freeze and subsequent fairly strict price regulation. During the period of price freeze, from February to the end of June, the prices were frozen on a level prevailing on January 21, 1976. Exceptions to this general rule could be made only in the case of agricultural produce, the target prices of which were increased from the beginning of March on the basis of the Agreement on Agricultural Incomes. In addition, price increases necessary to guarantee employment in marginal enterprises could be implemented on the approval of the Council of State. Moreover, during the price freeze a number of such price increases have been implemented, permission for which had already been granted before the enforcement of the freeze.

After the end of the price freeze at the beginning of July, rather strict price regulation will be exercised until the end of the present agreement period, January 31, 1977. The controls, the coverage of which is over 42 per cent are designed to prevent rises in labour and capital costs from being fully reflected in prices. Increases in nominal wages based on the comprehensive incomes policy agreement will be accepted as a basis for a price increase in so

far as they exceed the average growth of productivity in that particular sector. In addition, the amount of wage drift acceptable as bases for price increases may not exceed one third of rises in negotiated wages. Operating margins have been frozen on the levels prevailing on January 21, 1976, and a change in tax rates is the only acceptable reason for deviating from this principle. Rises in other costs will still be taken into account to their full extent. For the regulation period in the current year, a controlling body was set up similar to that operating in the period after the Stabilization Agreement: the Enlarged Session of the National Board of Trade and Consumer Interests with representatives from both the Board and the labour market organizations.

## THE IMPACT OF PRICE REGULATION

Price control is generally regarded as an exceptional measure, which the authorities should use for intervening in the economy's price determination only when an occasional and vigorous external push is leading to a rapid rise in prices; the basic reasons for inflation cannot be affected by it. Nevertheless, in almost all Western countries price control seems to belong to the set of instruments used generally and regularly for curbing inflation. In recent years this has been naturally affected by the increased susceptibility to inflation of the Western countries. In addition, due to greater international economic integration, inflationary pushes shift over more and more rapidly and directly from one country to another.

In the short run, price regulation often tends to postpone price increases, without involving a permanent deceleration of inflation. The efficiency of price regulation is easily reduced by the fact that entrepreneurs learn to prepare themselves for regulation periods, by increasing their prices adequately beforehand.

Price regulation is regarded as an exceptional measure, particularly because it is feared that a long-lasting regulation might have undesirable

effects on resource allocation. On the whole, price regulation is focussed on certain key sectors affecting the cost of living. Regulation may damage the profitability and growth prospects of these sectors, thus increasing pressures to import. However, in some sectors regulation may have the opposite effect, leading to improved efficiency.

Price regulation plays an important role as a factor in suppressing inflationary expectations, particularly when cost pressures are decreasing but inflationary expectations are still strong. Even price regulation based on full-cost principles tends to check inflation at times when demand pressures tempt entrepreneurs to impose price increases exceeding the actual rise in production costs.

During the period of strict price control following the devaluation of 1967, the rate of price rises was exceptionally slow in Finland, and the acceleration of international inflation was not reflected here. The arrival of cost pressures was then hampered by the rapid rise in productivity typical during such an upswing. In addition, attempts were made, by means of comprehensive incomes policy agreements, to keep wage increases within the limits of the average growth of labour productivity.

Moreover, an important role was no doubt also played by price control, in particular the fact that rises in wages and indirect costs were not

generally accepted as bases for price increases. In fact, the period of stabilization was a good example of well-timed and well-employed price control. On the other hand, the extensive dismantling of price control which started in 1971, when external cost pressures were once again strengthening, was obviously unfortunately timed.

The price freeze implemented in February this year was designed particularly to suppress price expectations after the weakening of actual cost pressures. The exceptions to the price freeze and the fact that certain earlier price increases were not reflected in the consumer price index until during the freeze period, have produced a slightly blurred picture of its impact. Accordingly, the reduction in the rate of inflation was a little less rapid than had originally been expected.

So far this year, a fall in the rate of price increases from the level of 17 to 18 per cent, prevailing here in the last couple of years, has been obvious. This has been primarily affected by three factors: a deceleration of international inflation; the conclusion of a moderate incomes policy agreement at the beginning of this year; and the central bank's pursuit of very stringent monetary policy. However, the price freeze and price control, by restraining price expectations, have contributed vitally to bringing domestic price rises closer to the average international rate of inflation.

# ITEMS

**Finland's balance of payments January-March 1976.** According to the Bank of Finland's preliminary figures, the current account deficit amounted to 1 467 million marks in January-March 1976. The deficit was thus 945 million marks less than in the same period last year, but some 100 million marks greater than in the last quarter of 1975. Nearly two-thirds of the deficit was covered by the inflow of long-term foreign capital and, with an ample supply of short-term capital imports, the nation's foreign exchange reserves increased by almost 100 million marks.

The deficit on the trade account was 1 366 million marks, clearly below that of a year earlier, even though exports failed to reach the level of the last quarter of 1975. The export slump is nevertheless easing off, and the January-March value of exports was about the same as in the corresponding period of last year. The value of imports continued to fall and was clearly below the figure for the same quarter of 1975.

The surplus on the services account was 270 million marks, with both the surplus on transport and the deficit on tourism being much the same as in the same period of 1975. The deficit on investment income and transfer payments was 373 million marks.

Imports of long-term foreign capital were only a little greater than in the same quarter of last year. The net figure, 953 million marks, was of the same order of magnitude as that in the fourth quarter of 1975, and was, therefore, well below last year's average quarterly figure. Export credit of 79 million marks was advanced to foreign customers in January-March, and 81 million marks was received in settlement of previously granted credit. Foreign direct investment in Finland amounted to 40 million marks, the same as in the first quarter of 1975, while Finnish direct investment abroad was 26 million marks.

## MAJOR BALANCE OF PAYMENTS ITEMS, JANUARY-MARCH 1976, MILL. MK

	Receipts	Expenditure	Net
Commodity trade (expots f.o.b., imports c.i.f.)	5 010	6 382	-1 372
Adjustment items	-21	-25	+4
<b>A VISIBLE TRADE ACCOUNT</b>	<b>4 989</b>	<b>6 357</b>	<b>-1 368</b>
Transport (c.i.f.)	409	133	+276
Travel	199	252	-53
Other services	540	489	+51
<b>B VISIBLE AND INVISIBLE TRADE ACCOUNT</b>	<b>6 137</b>	<b>7 231</b>	<b>-1 094</b>
Investment income, net	112	461	-349
Transfer payment	14	38	-24
<b>C CURRENT ACCOUNT</b>	<b>6 263</b>	<b>7 730</b>	<b>-1 467</b>
	Receivables	Liabilities	Net receivables
Drawings of long-term loans	-79	+1 404	+1 325
Redemptions of long-term loans	+81	-374	-293
Other long-term capital flows	-90	+11	-79
<b>D LONG-TERM CAPITAL ACCOUNT</b>	<b>-88</b>	<b>+1 041</b>	<b>+953</b>
<b>E BASIC BALANCE (C + D)</b>			<b>-514</b>
Short-term trade credits	+506	-279	+227
Other short-term capital flows			+385
<b>F SHORT-TERM CAPITAL ACCOUNT</b>			<b>+612</b>
<b>G OVERALL BALANCE (E + F)</b>			<b>+98</b>
Net liabilities of other foreign exchange holders			-471
<b>H CHANGE IN THE FOREIGN EXCHANGE RESERVES OF THE BANK OF FINLAND (increase—)</b>			<b>+373</b>

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

The net import of short-term capital in the first quarter of 1976 was 612 million marks (incl. errors and omissions), clearly less than in the same period last year. In the fourth quarter of 1975 there had been a net outflow of short-term capital of 250 million marks.

The country's total foreign exchange reserves grew by 98 million marks: a 373 million mark reduction in the Bank of Finland's reserves and a 471 million mark fall in the liabilities of other foreign exchange holders. The Bank of Finland's tied currency reserves, at 378 million marks, were about the same as at the beginning of the year, whereas its reserves of convertible currencies declined by 383 million marks in the January-March period.

**Bank of Finland publication.** Finnish Bond Issues 1975 has been published in an edition with text and explanatory notes in Finnish, Swedish and English. It gives a detailed description of the 50 loans issued in 1975, including the 13 denominated in foreign currency and floated abroad. In addition the introduction includes statistics on domestic and foreign bonds outstanding at the end of the 1965—1975 period, and on sales of domestic bonds in 1965—1975.

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# BANK OF FINLAND

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## Board of Management

Mauno Koivisto

*Governor*

A. Simonen

*Deputy Governor*

Ahti Karjalainen

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

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## Directors

Markku Puntila

Jorma Aranko

Jouko J. Voutilainen

Seppo Lindblom

Eino Helenius

Pentti Koivikko

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## Senior officials

Pertti Kukkonen

*Director, ADP-planning*

Reino Airikkala

*Monetary Policy*

Antti Lehtinen

*Domestic Financial Operations*

Kari Pekonen

*Foreign Exchange Policy*

Raine Panula

*Foreign Exchange*

Raili Nuortila

*Eastern Trade*

Kalle Koski

*Capital Transfers*

J. Ojala

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Kari Puumanen

*Economics Dept.*

Heikki Koskenkylä

*Research Dept.*

Heikki T. Hämäläinen

*Administration and Legal Affairs*

A. Nenonen

*Foreign Correspondence*

Eino Suomela

*Internal Audit*

K. Eirola

*Automatic Data Processing*

Pauli Kanerva

*Personnel Administration and General Affairs*

Stig G Björklund

*Banking Services*

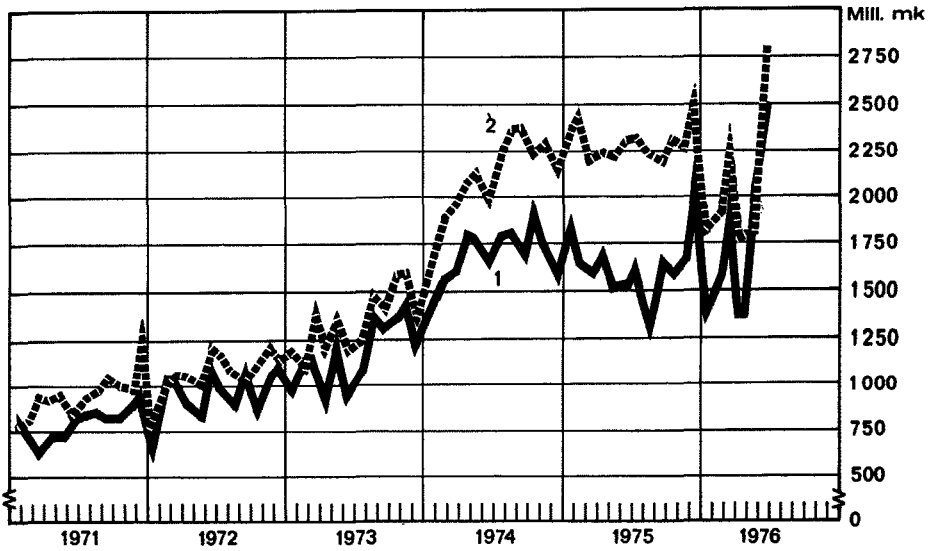
Antti Luukka

*Cash*

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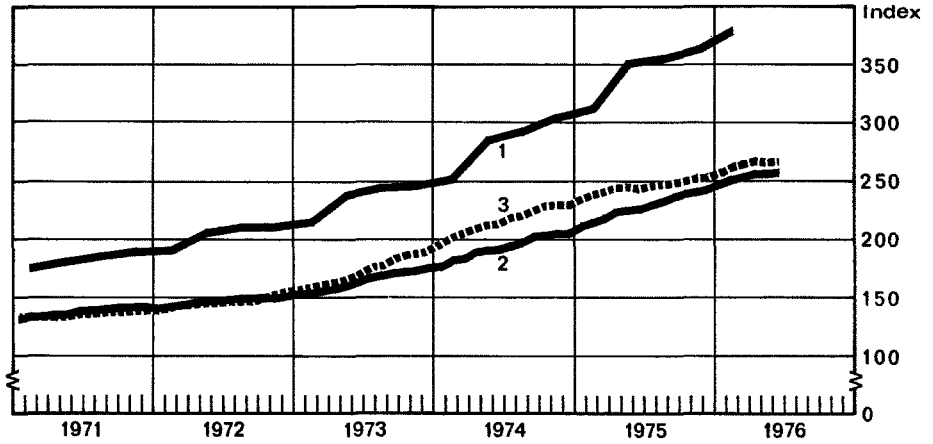
FOREIGN TRADE, 1971-1976

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



PRICES AND WAGES, 1971-1976

- 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, 1971-1976

- 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

