



BANK OF FINLAND

Monthly Bulletin

Price and cost developments in Finland

Direct taxation in Finland

Supplementary budget

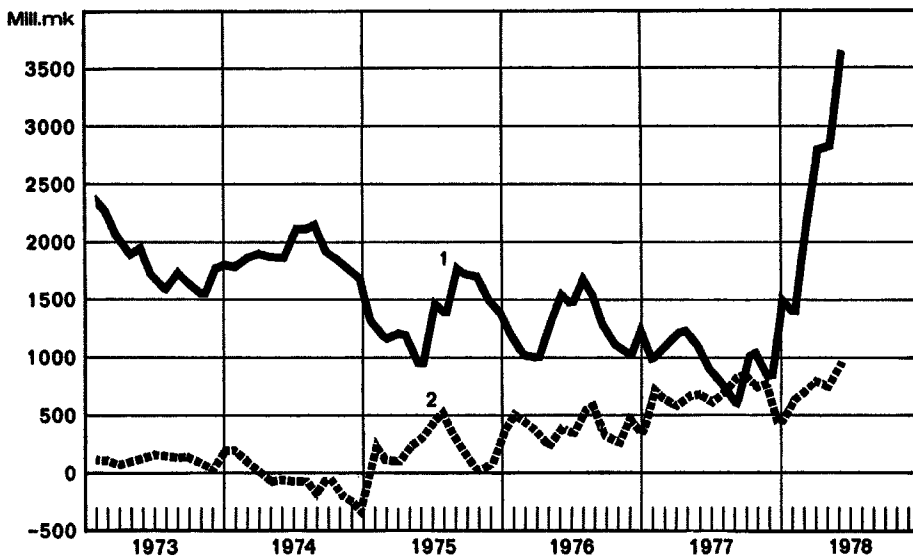
**Finland's gross long-term foreign debt in
January—March 1978**

Bank of Finland publication

JULY 1978

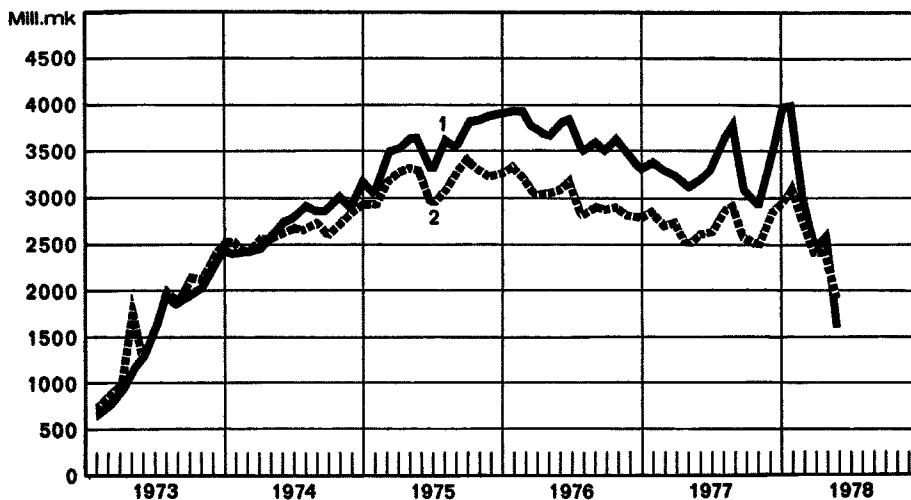
Vol. 52 No. 7

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



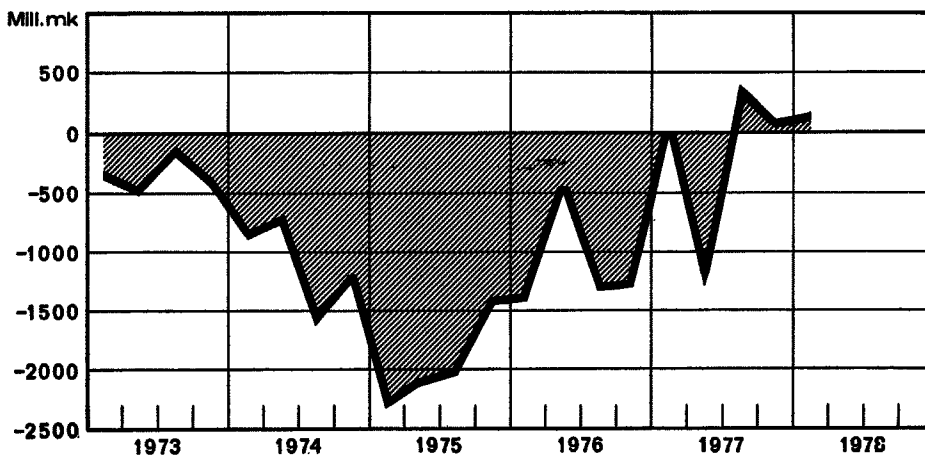
- 1. Gold and convertible currencies
- 2. Tied currencies

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



- 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, 1973 - 1978



Seasonally adjusted quarterly figures

PRICE AND COST DEVELOPMENTS IN FINLAND

One of Finland's major problems in recent years has been a rate of inflation greater than that in her competitor countries. While consumer prices in the OECD countries rose by approximately 60 per cent between 1972 and 1976, they rose by 75 per cent in Finland. The pressures caused by the rapid increase not only in import but also in export prices contributed significantly to this exceptionally high rate of inflation. In addition, the vigorous upswing in the economy with the resulting excess demand for labour led to a very rapid growth in labour costs. During the four years mentioned, nominal average earnings rose by more than 90 per cent but real earnings rose by only just over 10 per cent. Wage drift accounted for one third of the increase in earnings.

As employers' statutory social security contributions grew even more rapidly than earnings and productivity weakened in 1975—1976, manufacturing unit labour costs in Finland rose by about 95 per cent in 1972—1976. During that period in those countries which are important to the Finnish export trade, the rise in unit labour costs was less than half as much. Thus, by 1976 Finland's price competitiveness had deteriorated by one quarter from the level of 1972. In fact, thanks to the devaluation, in 1967 and the successful stabilization period after that, Finnish competitiveness in 1972 was better than at any other time since the second world war.

In 1974—1976, the weakening of industrial competitiveness combined with a rapid growth of domestic demand at a time of international recession, resulted in large foreign trade deficits and quickly growing foreign indebtedness. In this situation, the main emphasis in economic policy had to be shifted from maintaining growth in demand to curbing the rate of inflation and restoring the external balance. This led to the pursuit of very restrictive fiscal and monetary policies.

The rate of inflation started to slow down towards the end of 1976. The average annual growth of earnings fell from 15 per cent in 1976 to 8 per cent in 1977. Of this rise, negotiated wage increases accounted for 5 percentage points and wage drift, largely caused by structural factors, for 2.5 per cent. Because output fell, manufacturing unit labour costs rose by 11 per cent, which was about 3 percentage points more than in Finland's main competitor countries. However, as the external value of the Finnish mark was lowered by a total of 8.5 per cent during 1977, price competitiveness, in terms of the relative unit labour costs of the manufacturing industries, improved slightly.

Although the growth of labour costs decelerated, consumer prices were still rising quickly. In 1977 prices rose largely because of certain central government measures such as increases in the sales tax and in many fees and duties and the devaluation of the Finnish mark. These factors contributed some 4 percentage points to the 12 per cent rise in the consumer price index during the year.

However, during the second half of 1977, the rate of inflation was clearly checked, as was clearly shown by all the major price indices. During the last four months of the year, the consumer price index rose by a total of 1.4 per cent.

Despite the 8 per cent devaluation in February, the rate of inflation has continued to be low this year. During the first five months, consumer prices rose by a total of 3.5 per cent and in May were 8.8 per cent higher than a year earlier. The rate of increase of consumer prices in Finland has thus fallen close to the average for the OECD area and is lower than in the European OECD countries.

The lack of demand has been an important factor in restraining the rate of inflation. In

addition, in July, August and December 1977 and in March 1978 the Government introduced four packages of measures designed to stabilize cost and price developments. The most important measures were to postpone the wage increases and to make temporary reductions in the employers' social security contributions.

At the suggestion of the Government, the central organizations of employees and employers agreed to postpone to September 1978 and February 1979 the wage increases which were due in March and October 1978 under the two-year incomes agreements made in the spring of 1977. The two-year agreements stipulated that if the value of the Finnish mark were changed substantially by devaluation, there would be negotiations on wage adjustments. After the devaluation in February of this year, the central organizations agreed that part of the wage increases deferred until February 1979 would be brought into effect on 1st May, 1978. On average, this increase was 1.5 per cent. In addition, negotiated wages will increase by almost 4 per cent in October 1978 and by nearly 2 per cent in February 1979; the so-called »earnings guarantee», which is adopted in the present agreements,¹ is included

in these increases. It is thought that the shortage of demand for labour will make wage drift fairly small and therefore wage levels in 1978 will be approximately 6.5 per cent higher than in 1977.

Because of moderate incomes agreements and the Government's reflationary programme, unit labour costs will rise only slightly this year. The increase in the unit labour costs of the manufacturing industries should be less than 3 per cent, and half of that in the major competitor countries. Furthermore, when account is taken of the devaluation in February 1978, the position of the manufacturing industries as regards relative costs will be well over 10 per cent better than last year.

Next year, cost pressures will be increased by the end of the rebates of the employers' social security contributions and by a collective wage increase scheduled for February. In particular, if there were to be some further wage increases, the rate of inflation would be in danger of accelerating unless an increase in international demand helps to give firms the opportunity to increase productivity.

June 21, 1978

¹ See the front article in the July 1977 issue of this Bulletin.

BANK OF FINLAND

Mill mk

	1977		1978			
	June 30	Dec. 31	June 8	June 15	June 22	June 30
Assets						
Gold and foreign exchange receivables	1 658	2 139	3 996	4 333	4 343	4 451
Gold	127	133	133	133	133	133
Special drawing rights	206	204	167	167	167	167
Convertible currencies	632	1 265	2 651	2 950	2 920	2 984
Tied currencies	693	537	1 045	1 083	1 123	1 167
Other foreign receivables	1 855	1 959	2 647	2 669	2 650	2 641
Foreign bills	425	488	594	616	597	588
Foreign bonds	496	543	697	697	697	697
Currency subscription to Finland's quota in the IMF	934	928	1 356	1 356	1 356	1 356
Receivables from financial institutions	4 201	5 420	3 623	3 590	3 940	3 586
Cheque accounts of the commercial banks	128	110	91	98	78	109
Discounted bills	2 768	3 091	1 484	1 552	1 575	1 607
Bonds	388	354	332	347	358	355
Call money market advances	906	1 804	1 705	1 585	1 914	1 495
Other financial institution receivables	11	61	11	8	15	20
Receivables from the public sector	362	391	383	386	393	393
Bonds	64	60	55	57	65	64
Total coinage	294	304	325	326	326	327
Other public sector receivables	4	27	3	3	2	2
Receivables from corporations	1 459	1 416	1 386	1 374	1 392	1 311
New export bills	178	194	215	213	219	207
Financing of suppliers' credits	675	714	762	760	757	753
Bonds	181	214	194	189	201	202
Other corporate receivables	425	294	215	212	215	149
Other assets	74	85	61	61	61	63
Total	9 609	11 410	12 096	12 413	12 779	12 445
Liabilities						
Foreign exchange liabilities	89	94	64	54	57	116
Convertible accounts	48	53	37	31	35	98
Tied accounts	41	41	27	23	22	18
Other foreign liabilities	2 030	3 447	3 050	3 051	3 048	3 046
IMF mark accounts	1 772	1 838	2 320	2 320	2 320	2 320
Allocations of special drawing rights	258	300	301	301	301	301
Term liabilities	—	1 309	429	430	427	425
Notes and coins in circulation	3 154	3 167	3 295	3 364	3 611	3 572
Notes	2 896	2 892	3 004	3 073	3 316	3 277
Coins	258	275	291	291	295	295
Deposit certificates in circulation	180	200	150	400	400	400
Claims of financial institutions	773	1 194	2 085	2 126	2 271	2 044
Cheque account of Postipankki	0	1	0	0	1	0
Cheque accounts of the commercial banks	5	3	1	1	1	2
Call money market deposits	681	850	1 659	1 732	1 927	1 630
Capital import deposits	—	246	352	350	328	333
Other financial institution claims	87	94	73	43	14	79
Claims of the public sector	430	328	228	227	226	222
Cheque accounts	1	2	0	0	0	0
Counter-cyclical reserves	34	36	38	38	38	38
Capital import deposits	—	287	189	188	187	183
Other public sector claims	395	3	1	1	1	1
Claims of corporations	230	242	416	394	393	386
Investment deposits	48	35	39	39	39	38
Capital import deposits	172	181	360	344	342	337
Import levy deposits	9	19	13	9	11	10
Other corporate claims	1	7	4	2	1	1
Other liabilities	15	13	14	14	13	14
Equalization accounts	807	671	649	636	612	605
Capital accounts	1 901	2 054	2 145	2 147	2 148	2 040
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	436	436	545	545	545	545
Undisposed profits	—	—	109	109	109	—
Net earnings	65	218	91	93	94	95
Total	9 609	11 410	12 096	12 413	12 779	12 445

End of year or month	Foreign sector							Public sector			Deposit certificates in circulation
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserves (1-2)	Tied exchange reserves	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1971	2 620	30	2 590	-297	686	704	2 275	148	140	- 8	400
1972	2 613	43	2 570	- 6	757	788	2 533	175	49	-126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	-388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1977	1 602	53	1 549	496	1 959	3 447	557	391	328	- 63	200

1977

April	1 324	65	1 259	697	1 733	1 923	1 766	407	512	105	180
May	1 152	39	1 113	714	1 851	2 030	1 648	377	581	204	180
June	965	48	917	652	1 855	2 030	1 394	362	430	68	180
July	855	56	799	722	1 874	2 030	1 365	364	389	25	180
Aug	697	50	647	841	1 857	2 131	1 214	360	353	- 7	180
Sept.	1 072	51	1 021	878	1 856	2 134	1 621	365	343	- 22	180
Oct.	1 121	47	1 074	771	1 893	2 134	1 604	363	286	- 77	180
Nov.	903	46	857	797	1 912	2 556	1 010	364	407	43	180
Dec.	1 602	53	1 549	496	1 959	3 447	557	391	328	-63	200

1978

Jan.	1 492	40	1 452	648	1 983	3 360	723	399	320	-79	180
Feb.	2 236	36	2 200	730	2 093	3 393	1 630	401	297	-104	180
March	2 854	40	2 814	822	2 142	3 391	2 387	405	288	-117	0
April	2 890	51	2 839	785	2 187	3 408	2 403	382	289	-93	—
May	3 596	38	3 558	995	2 636	3 914	3 275	382	229	-153	—
June	3 284	98	3 186	1 149	2 641	3 046	3 930	393	222	-171	400

FOREIGN EXCHANGE SITUATION Mill. mk

	Net holdings, May 31, 1978			Change	
	Bank of Finland	Other	Total	May	Jan.—May
Gold	133	—	133	—	—
Special drawing rights	167	—	167	- 20	-37
IMF gold tranche	—	—	—	—	—
Convertible currencies	3 257	-3 077	180	+921	+1 753
Total	3 557	-3 077	480	+901	+1 716
Tied currencies	995	156	1 151	+197	+509

CURRENCY INDEX¹

1974 = 100

1978	
Feb.	114.1
March	117.3
April	117.2
May	117.5
June	118.5

¹ See page 19, CURRENCY

BANK OF FINLAND

Mill. mk

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

1977											
April.	2 460	152	1 480	3	1	1 061	3 027	1 398	272	1 126	2 924
May	2 749	110	1 193	2	0	832	3 218	1 437	263	1 174	2 932
June	2 768	128	1 305	5	0	768	3 428	1 459	230	1 229	3 154
July	2 773	116	1 320	5	0	797	3 407	1 498	232	1 266	3 157
Aug	2 779	85	1 463	1	1	846	3 479	1 439	260	1 179	3 022
Sept.	2 700	140	1 303	5	0	1 010	3 128	1 476	266	1 210	3 079
Oct.	2 722	122	1 691	1	0	1 376	3 158	1 467	305	1 162	3 072
Nov.	3 058	132	1 809	1	0	1 142	3 856	1 428	236	1 192	3 075
Dec.	3 091	110	2 219	3	1	1 190	4 226	1 416	242	1 174	3 167

1978											
Jan.	3 060	139	2 575	1	0	1 900	3 873	1 439	239	1 200	2 990
Feb.	2 658	149	2 698	1	0	2 440	3 064	1 504	331	1 173	3 040
March	2 454	123	2 288	1	0	2 340	2 524	1 477	386	1 091	3 333
April	2 346	157	2 012	3	0	1 985	2 527	1 483	389	1 094	3 302
May	2 004	120	1 710	1	0	2 223	1 610	1 386	416	970	3 271
June	1 607	109	1 870	2	0	2 042	1 542	1 311	386	925	3 572

SELLING RATES FOR FOREIGN EXCHANGE

Mk

June 21, 1978

New York ¹	1 \$	4.273	Frankfurt o. M.	100 DM	206.30	Vienna	100 S	28.70
Montreal	1 \$	3.805	Amsterdam	100 Fl	192.40	Lisbon	100 Esc	9.50
London	1 £	7.905	Brussels ²	100 Fr		Madrid	100 Pta	5.45
Stockholm	100 Kr	93.40	Zurich	100 Fr	229.00	Tokyo	100 Y	2.050
Oslo	100 Kr	79.70	Paris	100 FF	93.60	Reykjavik	100 Kr	1.67
Copenhagen	100 Kr	76.20	Rome	100 Lit	0.500	Moscow ³	1 Rbl	6.112

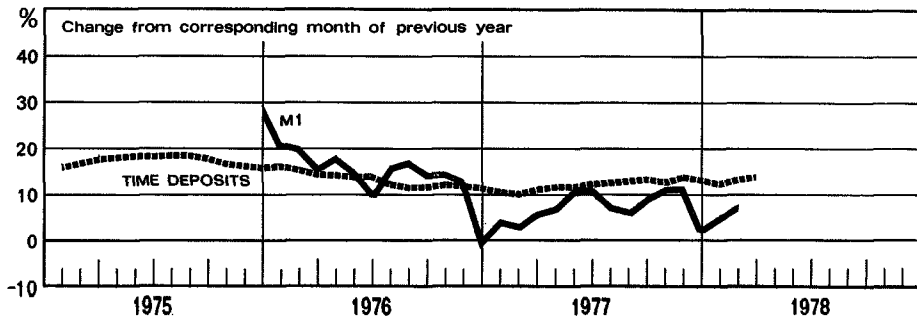
¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.² 13.150 commercial rate; 13.080 financial rate.³ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC¹

Mill. mk

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

¹ New series. See explanations on page 18.

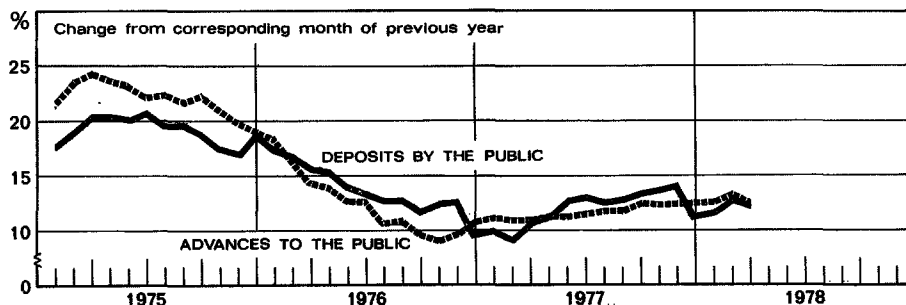


ADVANCES TO THE PUBLIC¹ — MONEY SUPPLY¹

Mill. mk

End of year and month	Advances granted by				Types of advances				Money Supply	
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Loans & bills in domestic currency	Cheque credits	Domestic credits in foreign currency	Total (1 to 4) (5 to 7)	M ₁	M ₁ +Quasi-Money
	1	2	3	4	5	6	7	8	9	10
1974	17 462	7 715	6 457	4 653	33 261	1 136	1 890	36 287	7 549	35 943
1975	20 799	9 108	7 797	5 597	38 285	1 281	3 735	43 301	9 772	43 165
1976	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1976										
Dec.	22 077	10 615	9 247	6 120	42 617	1 569	3 873	48 059	9 601	47 014
1977										
Jan.	22 376	10 683	9 271	6 152	42 796	1 597	4 089	48 482	9 382	47 443
Feb.	22 535	10 761	9 276	6 178	42 914	1 631	4 205	48 750	9 398	47 255
March	22 703	10 801	9 279	6 293	42 941	1 621	4 514	49 076	9 496	47 693
April	23 175	10 885	9 313	6 242	43 243	1 551	4 821	49 615	9 620	48 164
May	23 240	11 055	9 405	6 337	43 679	1 545	4 813	50 037	9 786	48 845
June	23 469	11 154	9 544	6 352	43 929	1 639	4 951	50 519	9 996	49 380
July	23 475	11 263	9 668	6 312	44 229	1 575	4 914	50 718	9 651	49 509
Aug.	23 598	11 430	9 791	6 351	44 670	1 660	4 840	51 170	9 818	50 103
Sept.	24 063	11 640	9 962	6 476	45 328	1 659	5 154	52 141	9 670	50 258
Oct.	24 149	11 823	10 120	6 598	45 946	1 717	5 027	52 690	9 732	50 614
Nov.	24 440	12 004	10 283	6 676	46 592	1 723	5 088	53 403	9 933	51 436
Dec.	24 679	12 312	10 547	6 609	47 355	1 690	5 102	54 147	9 872	52 581
1978										
Jan.	24 843	12 421	10 575	6 852	47 794	1 763	5 134	54 691	9 875	52 716
Feb.	25 472	12 509	10 636	6 731	47 977	1 787	5 584	55 348	10 137	53 709
March	25 599	12 553	10 650	6 500	47 817	1 732	5 753	55 302
April	25 820	12 661	10 743	6 488	48 097	1 641	5 974	55 712

¹ New series. See explanations on page 18.



STATE FINANCES

Mill. mk

Revenue	Jan.—April	
	1977	1978
Income and wealth tax (net)	3 400	2 379
Gross receipts	(9 323)	(9 256)
Refunds & local authorities	(-5 923)	(-6 877)
Other taxes on income and wealth	84	101
Employers' child allowance payments	305	250
Sales tax	2 100	2 742
Customs duties and import charges and levies	265	259
Excise duties ¹	1 573	1 786
Excise duty on alcoholic beverages ¹	497	425
Excise duty on tobacco	242	261
Excise duty on liquid fuel	521	623
Other excise duties ¹	313	477
Tax on autom. and motor-cycles	224	242
Stamp duties	223	255
Special diesel etc. vehicles tax	51	60
Other taxes and similar revenue ¹	249	207
Total taxes	8 474	8 281
Miscellaneous revenue	611	754
Interest, dividends etc.	153	127
Redemptions of loans granted	56	56
Total revenue	9 294	9 218
Foreign borrowing	—	811
Domestic borrowing	332	620
Total borrowing	332	1 431
Deficit (+) or surplus (—)	1 233	761
Total	10 859	11 410

¹ New series.

Expenditure	Jan.—April	
	1977	1978
Wages, salaries, pensions etc.	1 775	1 938
Repair and maintenance	205	218
Other consumption expenditure	929	1 048
Total consumption expenditure	2 909	3 204
State aid to local authorities	2 343	2 684
State aid to industries	1 413	1 523
of which: agric. price subsidies	(883)	(909)
Child allowances	258	278
Share in national pensions and sickness insurance schemes	97	114
Other transfer expenditure	1 296	1 516
Total transfer expenditure	5 407	6 115
Machinery and equipment	385	429
Construction of buildings	175	173
Land and waterway construction	457	482
Total real investment	1 017	1 084
Interest on State debt	116	146
Net deficit of State enterprises	55	—48
Other expenditure	14	15
Total other expenditure	185	113
Increase in inventories	+28	—51
Lending	919	511
Other financial investment	195	150
Total expenditure	10 660	11 126
Redemption of foreign loans	33	85
Redemption of domestic loans	166	199
Total redemptions	199	284
Total	10 859	11 410

State debt	1975	1976	1977	1978		
	Dec.	Dec.	Dec.	Feb.	March	April
Foreign debt	1 603	2 248	3 679	4 013	4 505	4 473
Loans	1 645	2 175	2 963	3 106	3 245	3 328
Compensatory obligations	1	1	1	1	1	1
Short-term credit	85	287	175	128	123	115
Cash debt (net)	—242	—643	—669	—368	—576	—276
Domestic debt	1 489	1 820	2 470	2 867	2 793	3 168
Total State debt	3 092	4 068	6 149	6 880	7 298	7 641
Total debt, mill \$	798	1 069	1 493	1 682	1 746	1 824

FOREIGN TRADE

Mill. mk

Value mill. mk

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

1977*

March	2 621	2 404	+217
April	2 084	2 169	- 85
May	2 233	2 421	-188
June	2 541	3 119	-578
July	2 833	2 442	+391
Aug.	2 240	2 398	-158
Sept.	2 901	2 849	+ 52
Oct.	2 991	2 583	+408
Nov.	2 960	2 891	+ 69
Dec.	3 141	3 050	+91

1978*

Jan.	2 511	2 631	-120
Feb.	2 524	2 188	+336
March	2 750	2 565	+185
April	2 894	2 424	+470

Jan.-April

1977	9 091	8 956	+135
1978*	10 679	9 808	+871

Indices of exports and imports 1975 = 100

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1973	121	93	60	
1974	121	100	85	92	92
1975	100	100	100	100	100
1976	117	96	103	107	97
1977*	129	88	119	124	96

1975

July-Sept.	89	94	100	101	99
Oct.-Dec.	116	100	100	103	97

1976

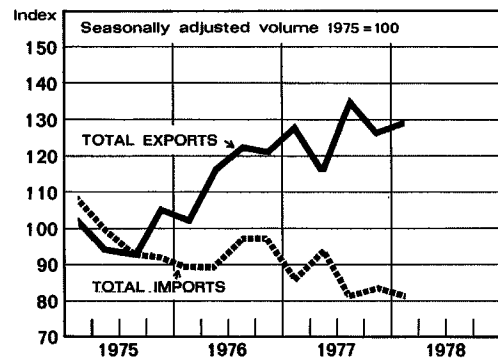
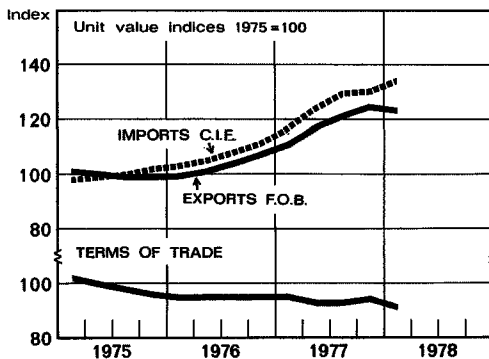
Jan.-March	99	87	100	104	96
Apr.-June	114	84	102	106	96
July-Sept.	116	98	105	109	96
Oct.-Dec.	136	107	108	112	96

1977*

Jan.-March	124	83	112	116	97
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94
Oct.-Dec.	143	93	125	131	95

1978*

Jan.-March	124	78	124	135	92
------------	-----	----	-----	-----	----



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Exports, f. o. b.

Imports, c. i. f.

Period	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1977	1 087	3 854	8 798	9 184	8 008	19 128	2 066	4 828	4 603	83

1977*

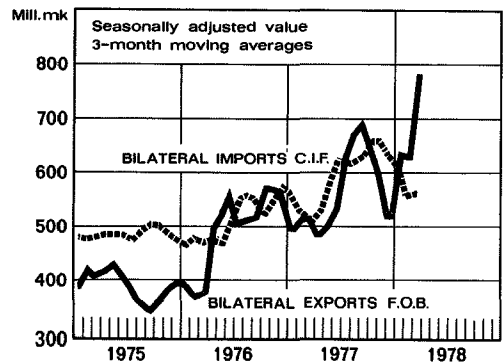
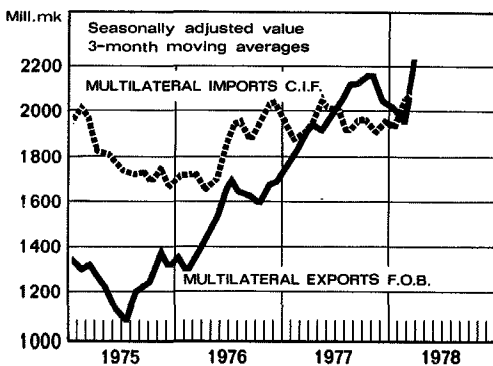
March	181	261	803	691	685	1 488	85	381	448	2
April	54	246	630	600	554	1 278	107	372	405	7
May	106	350	681	435	661	1 451	148	370	441	11
June	91	367	750	770	563	1 984	202	564	353	16
July	87	352	701	1 045	648	1 609	178	318	316	21
Aug.	48	339	674	605	574	1 590	166	276	356	10
Sept.	44	337	794	943	783	1 792	284	371	399	3
Oct.	41	321	753	1 106	770	1 650	222	321	389	1
Nov.	44	417	896	802	801	1 729	198	511	453	0
Dec.	143	346	836	963	853	1 876	230	526	415	3

1978*

Jan.	160	322	721	656	652	1 567	193	493	376	2
Feb.	34	266	821	727	676	1 395	124	327	340	2
March	153	322	901	546	828	1 564	89	475	436	1
April	19	348	907	799	821	1 443	123	402	455	1

Jan.-April

1977	483	1 025	2 713	2 515	2 355	5 447	438	1 572	1 481	18
1978*	366	1 258	3 350	2 728	2 977	5 969	529	1 697	1 607	6



FOREIGN TRADE BY COUNTRIES¹

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—April				January—April			
	1977*		1978*		1977*		1978*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	67.4	6 130	61.9	6 611	63.4	5 676	62.1	6 092
Austria	0.8	69	0.7	79	1.7	150	1.5	144
Belgium and Luxembourg	1.6	145	2.0	215	2.0	181	1.9	184
Denmark	4.2	382	3.9	422	2.9	259	2.8	273
France	3.7	333	4.0	427	3.2	285	3.3	329
Federal Republic of Germany	11.1	1 012	10.9	1 165	15.4	1 375	14.3	1 404
Italy	1.4	130	1.6	174	2.4	218	2.4	236
Netherlands	3.8	349	3.8	402	2.9	260	3.0	293
Norway	5.1	461	4.4	465	3.1	281	3.3	321
Portugal	0.2	23	0.2	24	0.5	44	0.4	38
Spain	1.0	87	0.7	76	1.6	145	0.8	76
Sweden	17.4	1 581	14.0	1 490	15.7	1 405	15.6	1 530
Switzerland	1.9	175	1.9	199	2.2	199	2.2	216
United Kingdom	12.9	1 173	12.4	1 328	9.4	838	10.1	994
Other	2.3	210	1.4	145	0.4	36	0.5	54
OECD countries outside Europe	6.5	588	7.3	780	8.9	801	8.4	823
Canada	0.6	59	0.5	51	0.3	26	0.4	40
Japan	0.6	53	1.0	108	2.9	266	2.7	264
United States	4.5	405	4.8	518	5.5	493	5.1	495
Other	0.8	71	1.0	103	0.2	16	0.2	24
CMEA countries	18.6	1 687	20.7	2 209	20.0	1 790	20.0	1 961
Czechoslovakia	0.5	45	0.5	52	0.5	41	0.5	45
German Democratic Republic	1.2	112	0.5	58	0.6	50	0.6	59
Poland	0.9	78	0.5	56	1.8	167	2.0	195
Soviet Union	15.1	1 370	18.1	1 930	16.4	1 470	15.8	1 550
Other	0.9	82	1.1	113	0.7	62	1.1	112
Latin America	1.5	136	3.6	381	4.2	378	3.9	383
Argentina	0.2	20	0.2	20	0.1	12	0.2	21
Brazil	0.5	50	0.5	48	0.8	70	0.7	69
Colombia	0.1	6	0.1	15	1.4	130	1.9	181
Other	0.7	60	2.8	298	1.9	166	1.1	112
Other	6.0	550	6.5	698	3.5	311	5.6	549
GRAND TOTAL	100.0	9 091	100.0	10 679	100.0	8 956	100.0	9 808
of which								
EFTA countries	25.5	2 319	21.2	2 269	23.4	2 092	23.1	2 270
EEC countries	39.4	3 579	39.4	4 208	38.1	3 415	38.0	3 731
OECD countries	73.9	6 718	69.2	7 391	72.3	6 477	70.5	6 915

¹ New series. See explanations on page 18.

BALANCE OF PAYMENTS

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

1975

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

1976

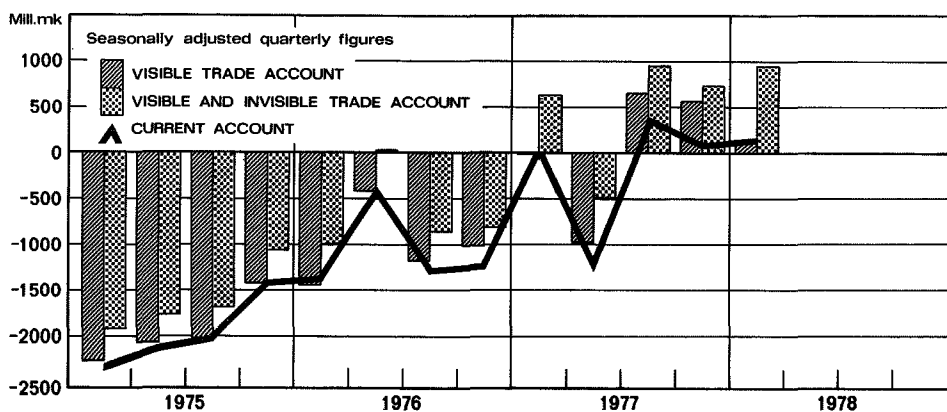
Jan.-March	4 987	6 307	-1 320	+252	- 50	+ 65	-1 053	-347	-35	-1 435
Apr.-June	5 864	6 224	- 360	+252	+ 49	+ 26	- 33	-485	-26	- 544
July-Sept.	6 098	7 515	-1 417	+365	+ 62	+110	- 880	-434	-17	-1 331
Oct.-Dec.	7 423	8 426	-1 003	+324	- 39	+ 44	- 674	-483	-40	-1 197

1977

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

1978*

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

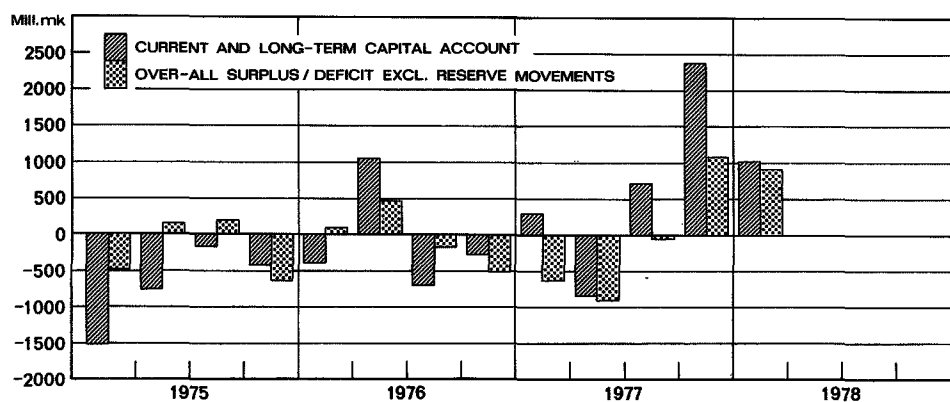


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+ 638	+1 449	+ 8	- 747	-444	+1191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+ 138	-1 288	+1 327	- 128	+ 78	+ 50
+6 454	-2 745	-241	-229	+3 239	+2 595	-1 547	- 470	-1 067	- 489	-170	+ 659
+2 121	-287	- 3	+ 57	+1 888	- 157	+ 131	- 34	+ 265	+ 205	+ 91	- 296
+1 532	-415	-139	- 15	+ 963	- 418	+ 337	- 33	- 518	- 632	+165	+ 467
+1 404	-374	+ 5	+ 11	+1 046	- 389	- 628	+ 119	+ 996	+ 98	+373	- 471
+2 096	-394	- 95	- 7	+1 600	+1 056	- 158	+ 120	- 560	+ 458	-485	+ 27
+1 239	-568	- 11	- 25	+ 635	- 696	+ 565	- 764	+ 722	- 173	+263	- 90
+1 391	-449	- 90	+ 69	+ 921	- 276	+ 359	- 763	+ 169	- 511	- 73	+ 584
+1 022	-550	-127	- 24	+ 321	+ 313	- 799	+ 149	- 268	- 605	-140	+ 745
+1 273	-857	+ 35	- 37	+ 414	- 839	- 333	+ 149	+ 117	- 906	+358	+ 548
+1 252	-647	-156	- 89	+ 360	+ 732	+ 227	- 384	- 630	- 55	-319	+ 374
+2 907	-691	+ 7	- 79	+2 144	+2 389	- 642	- 384	- 286	+1 077	- 69	-1 008
+1 876	-854	-170	- 14	+ 838	+1 022	-568	+ 671	-201	+ 924	-1 556	+ 632

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

¹ Including Direct investment, net.

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



PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1973 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machinery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1976	626	646	548	614	707	621	679	594	614	152	142	154
1977	692	713	610	667	804	695	728	654	695	171	154	176
1977												
July	697	719	613	671	807	704	736	661	697	173	158	176
Aug.	696	718	610	667	806	706	727	663	700	175	158	180
Sept.	701	722	621	673	826	705	730	665	707	175	158	180
Oct.	703	722	631	675	829	709	735	665	710	175	157	180
Nov.	705	723	632	677	830	709	737	665	711	176	157	181
Dec.	705	724	634	677	833	710	735	666	713	176	157	182
1978												
Jan.	706	725	637	675	845	713	730	667	719	177	155	183
Feb.	711	730	639	679	853	719	736	665	727	177	155	183
March	716	731	658	683	869	719	736	670	733	178	155	184
April	717	733	658	683	869	725	740	669	736	178	156	185
May	721	734	669	687	877	726	737	675	741	180	160	185
Consumer prices 1972 = 100												
Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.—Dec. 1957 = 100										
			Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Trans- port	Education and recreation	Other goods and services
1976	449	352	174	182	164	166	171	200	164	174	162	185
1977	506	397	196	216	174	181	183	221	181	197	188	209
1977												
July	510	400	198	222	174	177	181	222	182	199	190	211
Aug.	518	407	201	226	174	179	190	223	183	202	191	213
Sept.	520	408	202	225	174	184	190	223	184	202	193	215
Oct.	522	410	203	225	174	185	190	229	185	203	194	216
Nov.	524	412	204	226	174	187	192	230	186	203	195	217
Dec.	525	412	204	225	174	186	192	233	187	205	196	217
1978												
Jan.	526	412	204	222	174	183	192	234	188	209	198	218
Feb.	532	417	207	223	190	187	192	235	188	212	198	222
March	533	419	207	224	190	190	192	235	189	212	198	223
April	536	420	208	224	190	192	192	236	190	213	200	223
May	544	427	211	224	204	193	195	235	190	218	201	229

WAGES

Index of salary and wage earnings 1964 = 100

Period	By industries			By institutional sectors			All salary earners	All wage earners	All employees	
	Wage earners in			Employees in services	State employees	Municipal employees				Employees in private sector
	Agriculture	Industry	Construction							
1976	599	442	428	361	360	353	416	346	441	399
1977*	669	484	456	385	387	375	451	372	477	431
1976										
July-Sept.	602	448	434	364	364	355	425	349	451	406
Oct.-Dec.	639	456	440	364	364	356	426	350	451	407
1977*										
Jan.-March	653	457	440	372	374	364	428	357	453	411
Apr.-June	665	488	454	385	391	378	455	373	484	435
July-Sept.	670	493	463	388	390	379	460	376	487	438
Oct.-Dec.	705	498	466	396	394	380	466	383	491	444
1978*										
Jan.-March	695	499	466	397	395	380	468	384	493	445

PRODUCTION

Volume indices of production 1964 = 100

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

PRODUCTION

Index of industrial production 1970 = 100

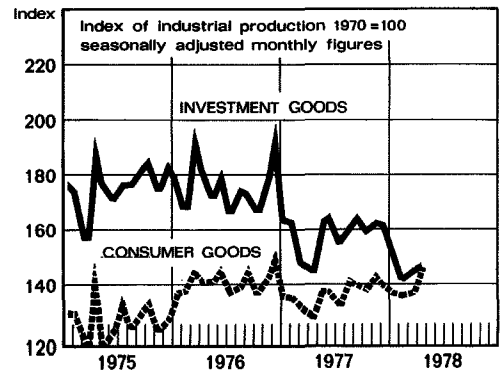
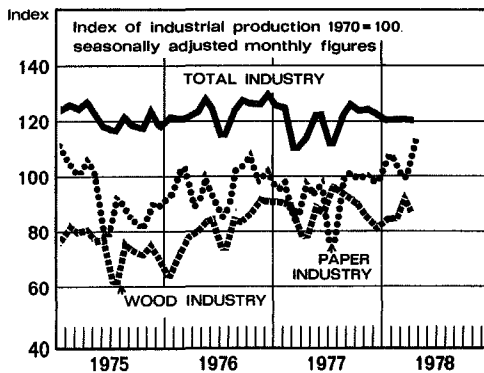
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	141	127
1975	122	178	110	130	113	76	95	143	128	150	122
1976	125	179	108	143	110	82	99	148	119	150	124
1977*	122	160	108	138	109	89	96	140	115	142	122

1977*

Feb.	126	171	112	138	93	88	100	164	117	149	125
March	126	160	112	141	103	101	94	147	115	146	111
April	115	151	102	128	99	92	90	136	96	136	115
May	130	180	114	148	115	114	101	134	127	158	123
June	118	173	101	139	106	95	79	106	123	152	123
July	64	63	58	78	95	41	58	77	61	51	117
Aug.	125	154	110	145	115	88	108	137	121	139	123
Sept.	135	179	120	151	115	97	115	147	132	158	127
Oct.	134	176	120	150	123	92	110	141	128	156	125
Nov.	136	181	121	155	127	97	109	151	122	162	125
Dec.	124	155	111	140	111	82	92	152	104	143	124

1978*

Jan.	131	168	118	143	104	86	109	162	118	149	122
Feb.	125	154	112	140	95	84	110	152	114	138	122
March	132	162	118	148	104	102	105	170	117	147	122
April	130	156	117	145	107	112	112	164	123	142	121



LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Un-employed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1975	3 513	2 272	2 221	51	2.2	29 133	122	127
1976*	3 547	2 254	2 163	91	4.0	27 305	123	127
1977*	3 561	2 248	2 111	137	6.1	27 814	112	121
1977*								
Feb.	3 557	2 181	2 048	133	6.1	2 934	95	109
March	3 556	2 179	2 047	132	6.1	3 564	109	127
April	3 558	2 172	2 035	137	6.3	3 227	111	123
May	3 556	2 207	2 073	134	6.1	2 856	115	128
June	3 564	2 425	2 287	138	5.7	1 870	117	119
July	3 562	2 436	2 288	148	6.1	685	115	104
Aug.	3 563	2 329	2 188	141	6.0	1 240	118	127
Sept.	3 565	2 222	2 100	122	5.5	1 824	116	133
Oct.	3 567	2 218	2 092	126	5.7	2 090	111	125
Nov.	3 567	2 195	2 050	145	6.6	2 355	111	124
Dec.	3 570	2 210	2 051	159	7.2	2 714	137	133
1978*								
Jan.	3 572	2 199	2 007	192	8.7	2 625	94	102
Feb.	3 571	2 187	2 001	186	8.5	3 076	92	110
March	3 572	2 195	2 007	188	8.5	3 641
April	3 576	2 172	2 004	168	7.7	3 443

CONSTRUCTION OF BUILDINGS

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

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

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

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

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

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

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

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

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

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

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

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

DEPOSITS BY THE PUBLIC —

ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

Page 6. *Deposits by the public*. The central government and the financial institutions are mainly excluded from the public. From 1974 deposits include domestic deposits denominated in foreign currency.

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

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

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

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

STATE FINANCES

Page 8. Official figures computed by the Economic Department of the Ministry of Finance. First date of publication: Bulletin No. 8, 1968. Revenue and expenditure: Extra-budgetary funds and the aggregated net current deficit of State enterprises are included.

Figures are reported on a cash payment basis. Debt: Foreign debt includes promissory notes given to international organizations. Index-tied bond loans are taken at nominal values. Cash debt (net) = net debt to the Bank of Finland plus short-term debt to Postipankki less cash holdings (net) of State departments and funds.

FOREIGN TRADE

Pages 9—11. Figures supplied by the Board of Customs. *Indices* (p. 9): The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade*: the ratio of export indices to import indices. *Foreign trade by countries* (p. 11): from January 1978 imports by countries of origin exports by countries of consumption.

BALANCE OF PAYMENTS

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

PRICE INDICES

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

WAGES — PRODUCTION

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

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

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

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

SYMBOLS USED

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

From 1155 to 1809 Finland formed a part of the kingdom of Sweden. Connected from 1809 with Russia, Finland was an autonomous country with the Emperor as Grand Duke until December 6, 1917, the date of Finland's declaration of independence. The republican constitution was adopted in 1919. The legislative power of the country is vested in Parliament and the President. The highest executive power is held by the President, elected for a period of 6 years. Mr. Urho Kekkonen has been President since 1956 and he was re-elected for the period March 1, 1978, to March 1, 1984.

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

INTERNATIONAL ORGANIZATIONS

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

LAND

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

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

POPULATION

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

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

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

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

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

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

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

TRADE AND TRANSPORT

NATIONAL INCOME (1976, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 6 407 (6 %), forestry and fishing 4 950 (6 %), manufacturing 31 509 (31 %), construction 9 233 (9 %), transport and communication 10 849 (11 %), commerce, banking and insurance 13 585 (14 %), public administration 5 264 (5 %), ownership of dwellings 3 639 (4 %) services 15 581 (15 %), total 101 017. Index of real domestic product 162 (1964 = 100).

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

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

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

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

MERCHANT FLEET (April 30, 1978): Passenger vessels 118 (197 058 gross reg. tons), tankers 51 (1 165 653 gross reg. tons), dry cargo vessels 212 (958 002 gross reg. tons), other vessels 72 (9 640 gross reg. tons), total 453 (2 330 353 gross reg. tons).

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

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

FINANCE AND BANKING

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

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

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

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

DIRECT TAXATION IN FINLAND¹

by Lasse Aarnio, M.Pol.Sc.

Ministry of Finance

INTRODUCTION

In Finland direct taxes comprise several types of income tax and a wealth tax. Income taxation is one of the major forms of central government taxation. Local government tax revenue consists almost entirely of income taxes. The Lutheran and Orthodox parishes, which are also vested with the right to levy taxes, obtain all their tax revenue in the form of income taxes. Only the central government collects wealth taxes.

In addition to the ordinary forms of income taxation, the national pensions and sickness insurance premiums collected from the insured by the Social Insurance Institution can be regarded as another form of income taxation, since they are determined and collected in the same way as income taxes. In tax statistics, these taxes are often classified as social security contributions rather than as direct taxes, because they are earmarked for the finance of social security.

There are two further income taxes, but they are of minor importance: the sailors' tax and the lottery tax. In fact, both of these constitute a final tax collected at the source of income, replacing the normal income tax in cases where such taxes would be difficult to collect. The sailors' tax is collected on income earned by seamen from their work at sea. The lottery tax, a form of capital gains tax, is collected on prizes distributed in connection with lotteries or other similar occasions.

In state finance, income taxation has been used in more or less its present shape for nearly 60 years. The first act regulating central

government income tax was passed in 1920. Prior to that, income taxation had been temporarily used as a form of central government financing, first during the latter half of the 19th century and then during World War I. Wealth taxation, which from the point of view of legislation and the method of collection is closely linked with income taxation, has been in use for the same time as central government income taxation. Local government income taxation dates back to the end of the 19th century. The national pensions premium of the insured has been collected since the late 1930s, but it obtained its present form in the middle of the 1950s. The sickness insurance premium of the insured has been collected since the early 1960s.

The importance of income and wealth taxation in central government finances has grown considerably in the 1960s and 1970s. In 1960 income and wealth taxes accounted for about 26 per cent of total central government tax revenue. Their share was at its highest in 1976 when it amounted to 41 per cent. Since then their importance has declined and it is estimated that in 1978 they will account for about one third of total tax revenue.

In local government finance, income taxes play a dominant role. Taxes other than income taxes account for only about two to three thousandths of total local tax revenue. In recent years, the share of wealth taxes in total central government income and wealth tax revenue has been in the order of 2 to 3 per cent.

PERSONAL INCOME TAXATION

The income taxation of physical persons is based on the total income of the taxpayer. The

¹ This is the second article in a series of articles on Finnish taxation by the same author. The first appeared in Bulletin 1/1978.

amount of income tax payable to the central government is determined on the basis of the taxpayer's total income according to a progressive tax scale. The local tax is a proportional tax the rate of which relative to taxable income is fixed separately by each municipality. The church tax payable by the members of parishes, which are vested with the right to levy taxes, and the national pensions premiums and sickness insurance premiums of the insured are also imposed on the basis of the taxable income for local government tax purposes. The church tax and the social security contributions of the insured are also proportional taxes. All these taxes are collected in the same procedure.

In principle, the liability to income tax is extensive, but there are certain important categories of income which are exempt. In line with the incomes distribution policy pursued by the central government, the social benefits received by the household sector from the public sector along with other income transfers are generally exempt from tax. Some tax incentives have been introduced by granting tax exemption to certain types of income. Moreover, tax concessions and incentives have been implemented by granting deductions and tax credits from income taxation additional to those normally granted on outlays incurred in the acquisition of income.¹

In the taxation of family income, a system of compulsory separate taxation is applied to earned income. In this case, part of the income received by self-employed businessmen, farmers or professional persons is regarded as earned income, and hence it can, on certain conditions, be distributed between the spouses for tax purposes. A system of compulsory joint taxation of married couples is applied to the taxation of unearned income. Underage children's unearned income is taxed jointly with their parents' income, in accordance with the principle of joint taxation.

¹ A list of the major tax deductions and tax credits is presented in Finland's Report, prepared by the author of the present article, in the study by the International Fiscal Association »Tax Incentives as an Instrument for Achievement of Governmental Goals», Cahiers de Droit Fiscal International, Volume LXIa, pp. 335—348; Kluwer, the Netherlands 1976.

Income taxation is implemented on the basis of annual tax returns. Everyone who received taxable income or had taxable wealth in the previous year is obliged to submit a tax return. The data compiled from these returns on the taxpayers, their income and wealth, the deductions allowed in taxation and the assessment of taxes are filed in the ADP registers of the tax administration. These data constitute one of the most important sources of information on the household sector's income and income distribution; in fact, these are compiled annually into statistics illustrating the field concerned. These registers contain data on practically all the physical persons who had income liable to tax.

Table 1 shows the number of persons who received income liable to tax in 1973—1976. In recent years, the share of income recipients in the total population has grown and was on average about 65 per cent in these years. As far as these figures are concerned, it should be noted that income recipients include all who had taxable income, i.e. they include those who worked for only part of the year as well as temporary and occasional income recipients.¹

TABLE 1. NUMBER OF INCOME RECIPIENTS IN 1973—1976

	1973	1974	1975	1976
('000 persons)	2 906	3 030	3 101	3 228

Table 2 presents the distribution of income recipients in 1976 by category of population. In this classification, the »Pensioners» include all the income recipients aged 65 years or over as well as younger people whose taxable income consists exclusively of pension income. Other categories are mainly based on the major source of income. Even in the case of this table, the constraints arising from the source of the basic data should be kept in mind: as the concept of income implies income liable to tax, the categories »Pensioners» and »Other recipients» are smaller because of the tax exemption of pensions and certain other types of income.

¹ According to another statistical source, for example, about 74 per cent of the income recipients classified as wage and salary earners in 1974, who represented about 71 per cent of all income recipients, had worked for the whole year.

TABLE 2. INCOME RECIPIENTS IN 1976, BY CATEGORY OF POPULATION

	Wage and salary earners	Farmers	Self-employed businessmen and professionals	Pensioners	Other recipients	Total
('000 persons)	2 245	253	98	504	127	3 228
Per cent	69.6	7.8	3.0	15.6	4.0	100.0

Not all the persons who receive income liable to tax pay income taxes. The deductions granted on income may in some cases in low-income brackets exceed the gross income, so that no taxable income is left. The central government income tax scale does not start from a zero level; it has always implied a certain basic allowance which has varied at different times. In 1973, when three income tax scales were applied, the tax scale started at between 2 500 and 4 400 marks, depending on family circumstances. In more recent years, as income taxation has been revised to reduce the impact of inflation this starting point has been raised. In 1976, when the same income tax scale was applied to all taxpayers, the starting point of the tax scale was set at 6 000 marks. If all the deductions allowed automatically are taken into account, we can calculate the threshold of central government income taxation, i.e. the lowest level of gross income on which central government income tax will be collected. In 1973 this tax threshold was, in the case of wages, salaries and other earned income, 3 600 marks for single persons, and between 4 800 marks and 6 100 marks, depending on family circumstances, for married couples taxed jointly. By 1976 the tax threshold had risen to slightly more than 8 000 marks for single taxpayers and to slightly more than 14 000 marks for married couples where only one spouse had earned income. In addition, tax credits have been granted in central government taxation on the scale-based income tax; these have been granted to families with children and to the disabled and old people.

In local government taxation, although taxes are not collected from the level of zero income, the tax-exempt level has been lower than in

central government taxation. In recent years the totally tax-exempt limit for local government taxation has been 2 000 marks. Above this, the local tax rate has risen gradually to its maximum level at 4 000 marks of income.

Table 3 presents the share of persons liable to pay central government income tax in the total number of income recipients in 1973—1976. In the late 1960s, this share was still some 55 per cent. The central government income tax scale was not changed during 1967—1973, nor were any substantial changes made in other tax provisions. As a result of a rise in nominal earnings, an increasing number of people became liable to pay central government income tax and the share of persons liable to pay income tax in the total number of income recipients rose to 70 per cent, as shown in Table 3. In 1974 tax alleviations stopped this development. In 1975 and 1976 significant revisions to the system of allowable deductions and the increase in the lower limit on taxable income reduced the share of persons liable to pay income tax in the total number of income recipients (Table 3). About 90 per cent of the income recipients paid local taxes in 1973—1976.

TABLE 3. PERCENTAGE SHARES OF PERSONS LIABLE TO PAY CENTRAL GOVERNMENT INCOME TAX IN THE TOTAL NUMBER OF INCOME RECIPIENTS IN 1973—1976

	1973	1974	1975	1976
Per cent	70.4	70.5	66.5	62.0

Table 4 presents the shares of persons liable to pay central government income tax in the total number of income recipients by category of population. In 1976 less than two thirds of all income recipients paid central government income tax. Of the categories of population shown, this share was smallest in the case of »Pensioners». In the case of »Farmers», the share of persons liable to pay income taxes was also smaller than the average. The differences between the categories of population can be mainly explained by differences in income levels.

TABLE 4. PERCENTAGE SHARES OF PERSONS LIABLE TO PAY CENTRAL GOVERNMENT INCOME TAX IN THE TOTAL NUMBER OF INCOME RECIPIENTS IN 1976, BY CATEGORY OF POPULATION

	Wage and salary earners	Farmers	Self-employed businessmen and professionals	Pensioners	Other recipients	Total
Per cent	73.8	43.0	74.5	22.2	39.8	62.0

Progressive income tax scales are applied in central government income taxation. The highest possible marginal income tax rate has for several years been 51 per cent and in 1976 it was applied to taxable income in excess of 200 000 marks. The local tax rate varies according to the municipality. In 1976 the lowest tax rate was 13.5 per cent, the highest was 18.5 per cent and the average was 15.6 per cent. In recent years, the average rate of church tax has been slightly more than one per cent of taxable income. The rate of total social security contributions of the insured was 3.4 per cent of taxable income in 1973 and 3.75 per cent in 1976.

Table 5 presents the total amounts of income liable to tax and income taxes paid by physical persons in 1973—1976. The tax figures presented in this table indicate the amounts of income taxes assessed on the basis of each year's income. Figures for the tax revenue accrued annually differ from these figures. Table 5 also presents income taxes as a percentage of income liable to tax; when examining these figures it should be taken into account that the figures for income liable to tax in the table also include the income of the taxpayers from whom no income taxes have been collected, for example because of their low income.

Certain alleviations were implemented in central government income taxation for the years 1974, 1975 and 1976; one of the purposes of these was to curb the tightening of income taxation caused by inflation. Table 5 shows that, despite the tax revisions, the central government income tax rate on physical persons continued to rise in 1974 and 1975. One of the reasons for this rise in the tax rate was the fact that income grew substantially faster than had been forecast. In both these years income liable to tax grew by about one quarter. Moreover, 1975 saw the implementation of a revision in the structure of income taxation which increased the tax burden on certain categories of taxpayer. Another revision in the structure of income taxation was made in 1976, but it — coupled with an adjustment made for inflation — implied an overall easing of income taxation. Table 5 shows that in fact in 1976 the central government income tax rate fell below the 1973 level.

Local government taxation did not undergo any significant legislative changes in these years. As shown by the figures for the ratio of total taxes to income liable to tax in Table 5, the average local income tax rate rose in all these years. The church tax rate has stayed fairly stable in recent years. The growth in the ratio of other income taxes to income liable to tax has been mainly attributable to an increase in the rates of social security contributions of the insured.

THE WEALTH TAXATION OF PHYSICAL PERSONS

Wealth taxation is based on the taxpayer's total wealth. The concept 'taxable wealth' refers to

TABLE 5. INCOME LIABLE TO TAX AND INCOME TAXES PAID BY PHYSICAL PERSONS IN 1973—1976

	1973		1974		1975		1976	
	Mill. mk	In per cent of income	Mill. mk	In per cent of income	Mill. mk	In per cent of income	Mill. mk	In per cent of income
Income liable to tax	37 821		47 508		59 930		68 835	
Central government income taxes	4 602	12.2	5 870	12.4	7 773	13.0	8 339	12.1
Local taxes	5 016	13.3	6 483	13.6	8 399	14.0	9 735	14.1
Other income taxes	1 437	3.8	1 843	3.9	2 459	4.1	2 827	4.1
Total income taxes	11 055	29.2	14 197	29.9	18 632	31.1	20 900	30.4

net wealth, i.e. the amount which is obtained after liabilities have been subtracted from assets liable to tax. Although the taxation of total wealth is the principle, several concessions have also been made by stipulating that certain types of assets are tax-exempt. For example, ordinary household movables, excluding motor-cars, yachts and other such assets, are exempt. Similarly, agricultural livestock and certain agricultural supplies are exempt from tax.

The wealth taxation of married couples is based on the principle of compulsory joint taxation, according to which the assets of the spouses are added together and their total liabilities deducted. The wealth taxation of underage children is also implemented jointly with their parents' wealth taxation.

Wealth taxation is carried out on the basis of the net wealth position at the end of the calendar year. In principle, the taxpayer's assets are evaluated at the value current at the end of the year. However, in the case of certain types of assets, valuation principles have been introduced by law which, in fact, mean deviations from the principles of current value towards a lower valuation. This has been done, for example, in the case of agricultural and forest land. The taxpayer's net wealth is assessed annually by the local Tax Board and the Tax Office, on the basis of the taxpayer's tax return. As there are not statutory or other evaluation standards for all types of assets, variations in the evaluation criteria of local Tax Boards may also affect the determination of the actual taxation values of assets. A deduction for an owner-occupied dwelling is allowed in wealth taxation.

The wealth tax is imposed on a progressive scale on the taxpayer's net wealth, from which minor deductions are made on the basis of the taxpayer's family circumstances. There has also been a certain basic allowance in the wealth tax scale, so that it does not start from a zero level. For several years, the lower limit on the scales was 25 000 marks. In 1975 it was doubled to 50 000 marks. For a number of

years, the maximum rate of wealth tax was 2 per cent of taxable net wealth, and it was applied to net wealth in excess of 500 000 marks. In order to raise additional funds for the central government, the wealth tax rate applied to the highest levels of wealth was increased in 1976. The increase was greatest at the upper end of the scale, where the marginal tax rate was doubled. This increase was meant to be a temporary measure, and the wealth tax scale has, in fact, been eased since 1976.

Table 6 presents the number of physical persons liable to pay wealth taxes and their share in the total number of income recipients in 1973—1976. In the late 1960s, the persons liable to pay wealth taxes accounted for only 5 per cent of income recipients. The wealth tax scales and other provisions were kept unchanged in 1968—1974 when the number of those liable to pay wealth taxes and their share in income recipients increased, partly as a result of inflation. The doubling of the initial amount on the scale in 1975, which was also connected with an increase in the deductions allowable on the basis of family circumstances, reduced the number of persons liable to pay wealth taxes by almost 40 per cent. As no changes were made in 1976 in the starting point of the scale or in the allowable deductions, the share of those liable to pay taxes in income recipients rose once more to the 1973 level.

TABLE 6. THE TOTAL NUMBER OF PHYSICAL PERSONS LIABLE TO PAY WEALTH TAXES AND THEIR SHARES IN THE TOTAL NUMBER OF INCOME RECIPIENTS IN 1973—1976

	1973	1974	1975	1976
('000 persons)	310	381	237	323
Per cent	10.7	12.5	7.6	10.0

Table 7 shows the breakdown of persons liable to pay wealth taxes by category of population in 1976. One tenth of all income recipients paid wealth taxes in 1976, with farmers accounting for the largest share. There is a fairly large number of income recipients liable to pay wealth taxes among farmers, businessmen and professional persons, because the

business and entrepreneurial capital of these taxpayers is subject to wealth tax. Due to the rules according to which the categories of population presented in the table have been formed, the category »Other recipients» includes a large number of recipients of various capital earnings; hence the share of those liable to pay wealth taxes is relatively large in the case of this category.

TABLE 7. THE BREAKDOWN OF PHYSICAL PERSONS LIABLE TO PAY WEALTH TAXES BY CATEGORY OF POPULATION IN 1976

	Wage and salary earners	Farmers	Self-employed businessmen and professionals	Pensioners	Other persons	Total
('000 persons)	107	96	26	57	37	323
Per cent	4.8	37.8	26.8	11.3	28.9	10.0

The wealth tax has not noticeably increased the average tax rate. In recent years, the average wealth tax rate of physical persons (the ratio of wealth taxes to taxable gross income) has been between 0.3 and 0.4 per cent. Because of the temporary increase in the wealth tax in 1976, it rose to 0.5 per cent of gross income. The importance of the wealth tax differs greatly between the taxpayers in the very highest income brackets and the other taxpayers. For example, in 1976 the very top of the income breakdown, those receiving more than 200 000 marks, who accounted for about 0.1 per cent of income recipients, paid about one eighth of the total accrual of the physical persons' wealth taxes. The average wealth tax rate for these income recipients was over 6 per cent of gross income.

In order to reduce the burden caused by the wealth tax on individual taxpayers, a so-called ceiling rule is being applied, according to which the total of income taxes and wealth taxes cannot be more than 80 per cent of gross income. If the taxes exceed this limit, central government income taxes are reduced. However, wealth taxes must always be paid.¹

¹ On the basis of this ceiling rule, a 20 per cent deduction can also be made temporarily for the wealth taxes assessed for 1977 and 1978.

Corporations are liable to pay income taxes to both the central and local governments and church taxes to the parish. Domestic corporations in which the shares are included in the shareholders' assets subject to wealth taxation are exempt from the wealth tax. In other words, domestic joint-stock companies, co-operatives and other such corporations are not liable to pay wealth tax.

The income taxation of corporations is governed by the Act on the Taxation of Business and Professional Income. This act is applied to all business activities, regardless of the type of business unit. On the whole, the income taxation of corporations is based on total income. As in the case of other enterprises, tax incentives have been introduced for corporations by granting tax exemption to certain types of income. In addition, tax concessions have been granted by other measures, such as allowing accelerated depreciation or extra deductions.¹

In the determination of the annual taxable income, certain regulations on the allocation of expenses play a vital role. Depreciation of fixed assets is determined according to a degressive depreciation system. In the case of machinery and equipment, the maximum allowable depreciation is 30 per cent of the remaining cost. The depreciation of industrial, business or similar buildings can, depending on the building materials, amount to 9 or 10 per cent of the remaining cost. Moreover, even higher depreciation rates can be applied in the case of certain special structures, so that, for example, the maximum depreciation of buildings used in research is 20 per cent of the remaining cost.

The practice of valuing inventories according to the so-called FIFO (first-in-first-out) principle is applied in taxation. It is permissible to enter into the accounts certain future inventory expenses, i.e. the inventories can be undervalued. The maximum rate of undervaluation is 50 per cent of the acquisition cost of inventories.

¹ Tax concessions granted to corporations have also been examined in the above study by the International Fiscal Association.

ITEMS

Supplementary budget. The second supplementary budget for 1978 was approved by Parliament in June. The budget is connected with a decision in principle by the Council of State on 31st March, 1978, to take measures to curb inflation, safeguard the purchasing power of the household sector and stimulate investment and employment.

The reflationary programme includes such measures as the continuation of rebates of employers' child allowance contributions, continued sales tax exemption for investment in industrial buildings and a 50 per cent sales tax relief for machinery and equipment investments by the manufacturing industries for a fixed period. In the second half of 1978, the sickness insurance contributions and basic pension contributions, both payable by the insured, will be lowered by 0.5 percentage points altogether, to maintain the purchasing power of the household sector. These measures, together with rebates in social security contributions decided earlier, will reduce state revenue by approximately 200 million marks and the revenue of the Social Insurance Institution by nearly 700 million marks. The sales tax concessions, which also involve a sales tax revision for dairy produce, will cause the state treasury a loss of about 250 million marks this year.

The local governments' credit facilities will be improved by arranging a loan of 300 million marks, to be put at their disposal for financing investments started in the autumn and winter of 1978—1979. The loans are primarily to be used for investment in district heating projects, investment promoting the use of domestic energy sources, energy-saving basic repairs to buildings owned by local governments and municipal federations, and water-conserving and water-protecting investment.

Due to a higher rate of unemployment than forecast, the budget involves an additional

285 million marks for employment appropriations and a further 157.5 million marks for state grants to unemployment benefit societies.

On the revenue side, an increase of 185 million marks was estimated to accrue from taxes and similar revenue; of this increase, 135 million marks would come from increased revenue from the state-monopolized sales of alcoholic beverages. Miscellaneous receipts would yield an additional 22 million marks. The Council of State's authority to take out new loans in 1978 was increased by 880 million marks; the second supplementary budget includes new loans amounting to 385 million marks.

With this supplementary budget of 1 128 million marks included, budgeted state expenditure for 1978 totals 39 400 million marks.

Finland's gross long-term foreign debt in January—March 1978. At the end of March 1978, Finland's gross long-term foreign debt amounted to 33 108 million marks. Of this, 2 177 million marks represented reserve credits and oil credits, which the Bank of Finland had taken up in 1975—1977 in order to support the exchange reserves. The net inflow of long-term capital in January—March totalled 1 044 million marks, as against 597 million marks in the corresponding period last year. The debt outstanding increased by 9 per cent or 2 752 million marks, of which 1 708 million marks was the result of changes in the exchange rates.

Drawings of long-term foreign loans amounted to 1 918 million marks, while redemptions totalled 874 million marks. In January—March 1977, drawings totalled 1 157 million marks and redemptions 560 million marks. Debt service costs (redemptions, interest expenses and dividends) amounted to 1 411 million marks, as against 1 013 million marks in the corresponding period last year.

FINLAND'S GROSS LONG-TERM FOREIGN DEBT IN JANUARY—MARCH 1978, MILLION MARKS

	Debt ¹ Dec. 31, 1977	Drawings ¹	Redemp- tions ¹	Net change	Impact of exchange rates	Debt ¹ Sept. 30, 1977	Interest, expenses, commis- sions and dividends
FINANCIAL LOANS	22 695	1 638	583	+1 055	+1 357	25 107	386
Individual financial loans	11 922	404	439	— 35	+ 543	12 430	207
Bonds and debentures	10 773	1 234	144	+1 090	+ 814	12 677	179
Bond issues	6 189	1 074	36	+1 038	+ 492	7 719	112
Private placement loans	3 955	154	96	+ 58	+ 290	4 303	58
Loans from the World Bank	387	6	12	— 6	+ 23	404	5
Debenture issues	242	—	—	—	+ 9	251	4
IMPORT CREDITS	5 775	238	267	— 29	+ 322	6 068	105
LEASING CREDITS	108	—	4	— 4	0	104	2
DIRECT INVESTMENTS ²							
(Equity capital and loans to subsidiaries)	1 717	41	13	+ 28	+ 29	1 774	44
SUBSCRIPTIONS TO INTERNATIONAL FINANCIAL INSTITUTIONS ³	61	1	7	— 6	—	55	—
Total	30 356	1 918	874	+1 044	+1 708	33 108	537
Financial loans, import credits and leasing credits	28 278	1 876	854	+1 022	+1 679	31 279	493

¹ The mark values of debt outstanding have been calculated by using the selling rates of the same date, drawings and redemptions by using the average monthly selling rates.

² The balance outstanding of equity capital of direct investments is calculated as the net value of investments by active companies.

³ Subscription to international financial institutions paid up in the form of bonds.

Financial loans of 1 638 million marks, import credits and leasing credits together totalling 238 million marks, and direct investments of 41 million marks, accounted respectively for 86, 12 and 2 per cent of total drawings of long-term foreign loans. In January—March 1977, financial loans amounted to 416 million marks, import credits and leasing credits together to 606 million marks, and direct investments to 135 million marks: 36, 52 and 12 per cent, respectively, of total drawings of long-term foreign loans.

Four Finnish bond issues, together worth 1 074 million marks, were floated abroad in January—March (the Finnish Government: DM 150 million; Teollisuuden Voima Oy: DM 80

million; Imatran Voima Oy: Sfr 80 million; the Finnish Government: 25 000 million Yen). This compares with two bond issues, 191 million marks altogether, in the corresponding period of 1977.

Bank of Finland publication. Finnish Bond Issues 1977 has been published in an edition with text and explanatory notes in Finnish, Swedish and English. It gives a detailed description of the 42 loans issued in 1977, including the 9 denominated in foreign currency and floated abroad. In addition the introduction includes statistics on domestic and foreign bonds outstanding at the end of the 1967—1977 period, and on sales of domestic bonds in 1967—1977.

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

Ahti Karjalainen

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

Ralf Pauli

Deputy, 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.

Markku Pietinen

Information and Publications

H. T. Hämäläinen

Administration and Legal Affairs

Antti Saarlo

Foreign Correspondence

Timo Männistö

Internal Audit

K. Eirola

Automatic Data Processing

Pauli Kanerva

*Personnel Administration and
General Affairs*

Stig G Björklund

Banking Services

Antti Luukka

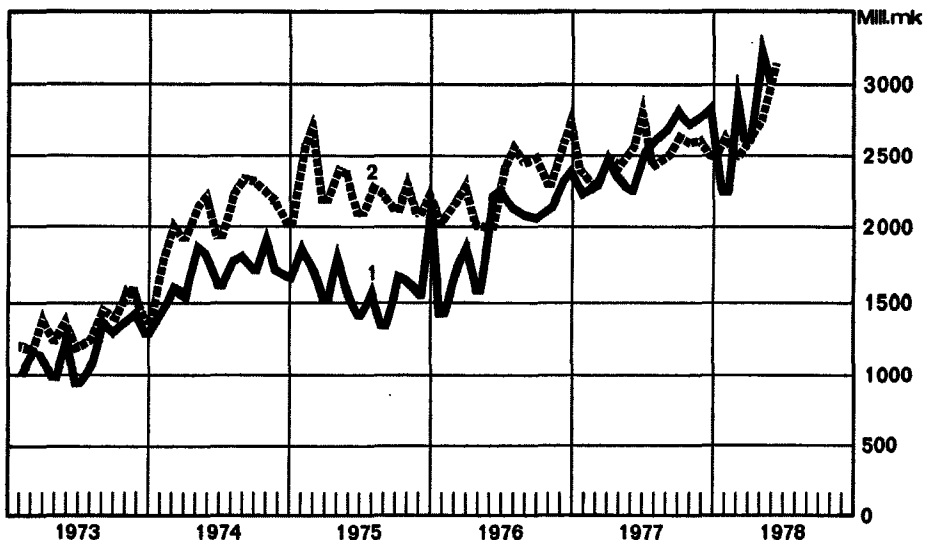
Cash

U. Levo

International legal affairs

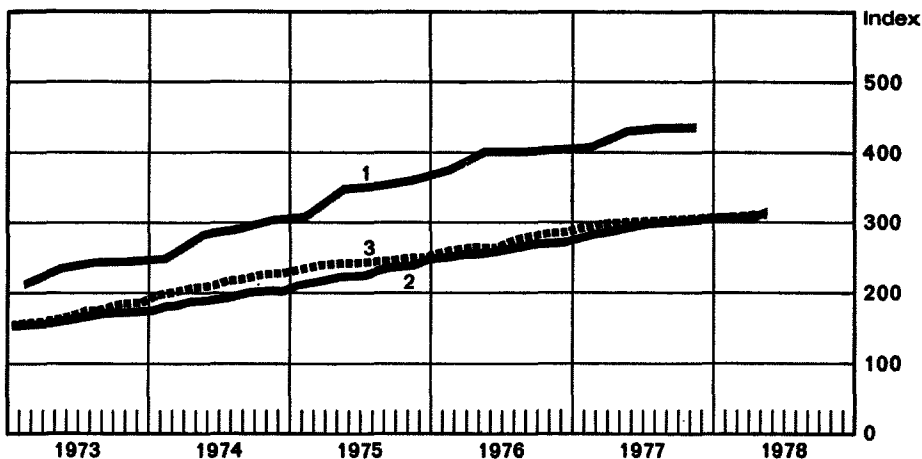
FOREIGN TRADE, 1973 - 1978

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



PRICES AND WAGES, 1973 - 1978

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



PRODUCTION, 1973 - 1978

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

