



BANK OF FINLAND

Monthly Bulletin

Monetary developments

**The balance of payments and foreign
exchange policy in 1977**

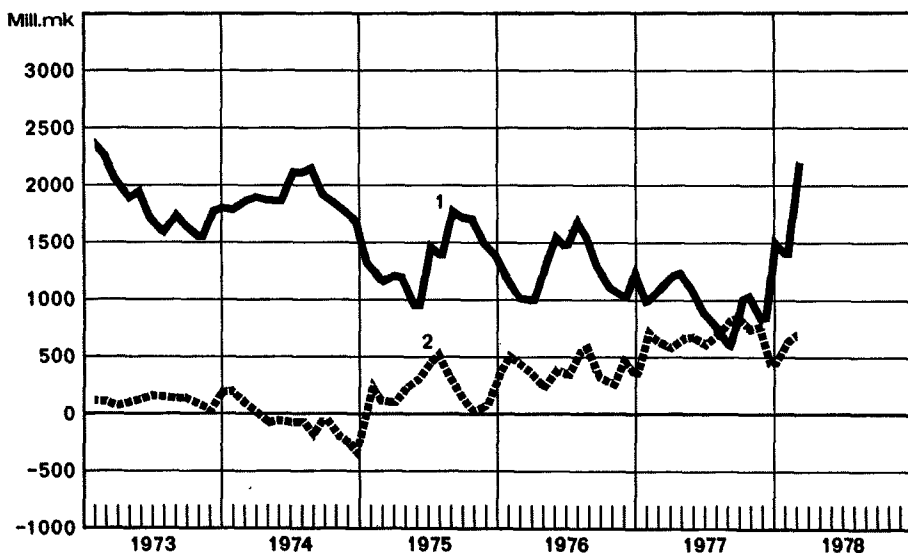
Supplementary budget

The new 50 mark bank-note

APRIL 1978

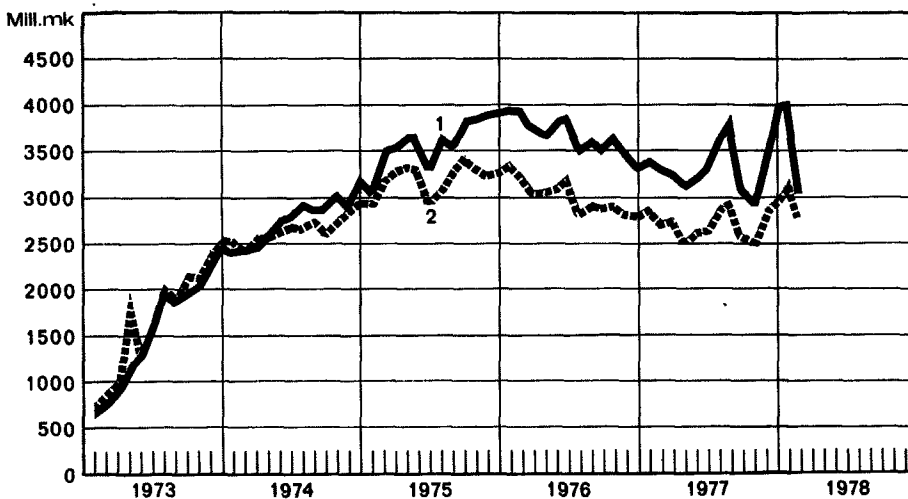
Vol. 52 No. 4

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



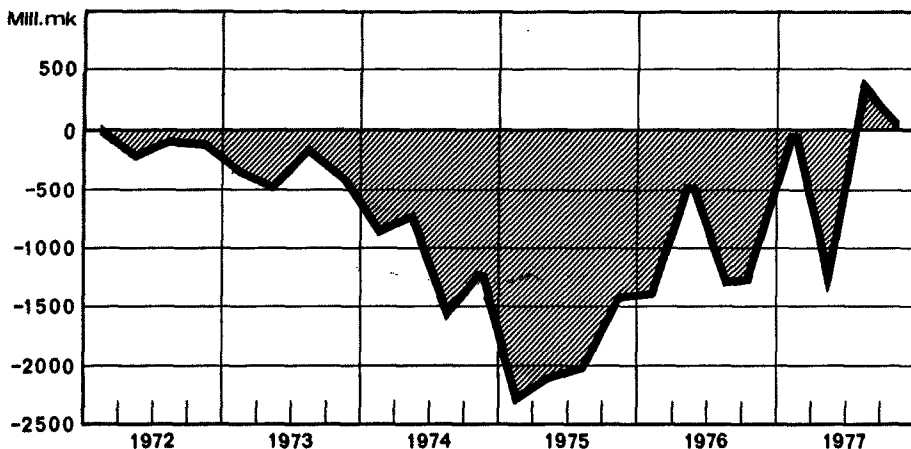
- 1. Gold and convertible currencies
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BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1973 - 1978



- 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, 1972 - 1977



Seasonally adjusted quarterly figures

MONETARY DEVELOPMENTS

In the past few years Finland has succeeded in virtually eliminating her current account deficit and in reducing her inflation rate. At the same time, however, growth has been negligible and unemployment has increased. Between 1975 and 1977, the current account deficit was cut from 8 per cent to roughly half a per cent of GDP while inflation was reduced from 17.9 per cent to 12.6 per cent. In this same period GDP did not grow and unemployment rose from 2.2 per cent to 6.1 per cent.

Success in the first two policy areas and growing awareness of the seriousness of unemployment led to a gradual change in the emphasis of monetary policy. During the first half of 1977 the Bank of Finland offset most of the effects of the release of import deposits by inducing the commercial banks to reduce their debt to the central bank. The financial market was allowed to ease in the third quarter, but growing pressure on the foreign exchange reserves towards the end of the year interrupted this development which continued after the exchange rate was adjusted in February, 1978. In addition to general measures affecting the cost and availability of finance, selective policy measures designed to ease the financial position of certain key sectors were implemented in 1977.

The balance sheet of the central bank is set out in net terms in the table below and major changes in the principal items are discussed in the remainder of this article.

In 1977, the net foreign assets of the central bank fell by 880 mill. mk. Most of the fall was concentrated in the last two months of the year when expectations of an exchange rate change were strong. A call money rate of 23 per cent did not suffice to prevent short-term capital outflows, and the Bank had to draw on lines of credit with foreign banks to safeguard the reserves. Once confidence in the

exchange rate was restored by a devaluation of 8 per cent against a trade-weighted basket of currencies in February,¹ the reserves began to rise and between the end of 1977 and the end of February 1978, net foreign assets increased by 1 073 million marks.

In 1977 deposits of the public grew by about 12 per cent and bank lending to the public grew by nearly 13 per cent. The net debt of the commercial banks to the central bank rose by 748 mill. mk between the end of 1976 and the end of 1977. There were, however, considerable changes in this item during the course of the year. In the first half of the year, the commercial banks' debt to the central bank declined by roughly 1 000 million marks. This was a reflection of the repayment of import deposits, and was influenced by two quota reductions of 200 million marks each on the first of January and the first of May as well as by the institution of a system of targets for the commercial banks' central bank debt. In order to provide incentives to meet the targets, bonuses were paid to banks which reached their targets. Partial bonuses were given to banks which fell short of their targets by a small margin.

In connection with the May quota reduction, the marginal interest rate schedule on supra-quota borrowing was made somewhat flatter. Moreover, at this time the Bank began to make larger placements in the call money market in order to reduce fluctuations in the interest rate and to prevent the total cost of central bank debt from rising.

In the second part of the year, the commercial banks' debt to the central bank increased, at first rather slowly and then quite sharply. This was the counterpart of the decline in the net foreign assets of the Bank of Finland and a

¹ This as well as two devaluations in May and September 1977 and other foreign exchange policy measures are discussed in the article at the back of this Bulletin.

BALANCE SHEET OF THE BANK OF FINLAND, MILLION MARKS

	31. 12. 76	31. 12. 77	Change from 31. 12. 76	28. 2. 78	Change from 31. 12. 77
+ Net claims on the foreign sector	1 437	557	—880	1 630	+1 073
+ Net claims on the commercial banks	4 284	5 032	+748	5 088	+ 56
+ Net claims on the corporate sector	1 092	1 174	+ 82	1 173	— 1
+ Net claims on the public sector	— 686	63	+749	104	+ 41
= Total net assets	6 127	6 826	+699	7 995	+1 169
+ Net liabilities to other financial institutions	753	806	+ 53	2 024	+1 218
+ Deposit certificates in circulation	—	200	+200	180	— 20
+ Notes and coins in circulation	2 885	3 167	+282	3 040	— 127
+ Equity and other items, net	2 489	2 653	+164	2 751	+ 98
= Total net liabilities	6 127	6 826	+699	7 995	+1 169

seasonal improvement in Government liquidity which led to a flow of funds into the call money market. Call money deposits and overdrafts are recorded in the balance sheet of the Bank of Finland.¹

Success with the system of targets and bonuses for central bank debt used in 1977 led to its re-introduction in a slightly modified form in 1978. The principal changes were in the determination of the bonuses and the point at which the banks begin to earn partial bonuses. In the former system any portion of a bonus which a bank failed to earn in a given month was lost to the bank and could not be regained subsequently. In the present system potential bonuses are accumulated over time. If a bank is unable to reach its target in a given month, it can earn the foregone bonus if it succeeds in reducing its debt by more than the amount targeted in subsequent months. Apart from providing increased incentives to reach the targets for central bank debt, this modification takes into account the fact that random factors may affect individual banks in particular months.

In the first half of the year, the total cost of central bank debt dropped from 12.5 per cent to 11.2 per cent and remained near 11 per cent until pressure on the foreign exchange reserves

caused it to rise to 13 per cent. Subsequently the total cost fell and in January, the last month for which data are available, it was 12.5 per cent. The Bank of Finland's permanent special credit arrangements designed to support certain types of activities were modified in October 1977. The Bank's share in the domestic suppliers' credit scheme which is intended to ensure that Finnish firms are able offer credit to domestic purchasers on terms equivalent to those offered by foreign suppliers was raised from 30 to 40 per cent. The ceiling on »new export» credit granted to individual firms was raised, and the limit on the maturity of bills discounted within the context of the short-term export credit arrangement was raised from 12 to 24 months. Despite these modifications, the Bank's net claims of the corporate sector increased by only 82 million marks in 1977 and fell by one million marks in the first two months of 1978, largely because of the repayment of temporary inventory credits.

Net claims on the public sector rose by 749 million marks during the course of 1977 mainly as a result of the steady drawing down of import deposits in the first seven months of the year. The increase of over 1 200 million marks in net liabilities to other financial institutions in the first two months of 1978 can be explained by the build-up of liquidity by the Government to facilitate the annual repayment of excessive tax withholdings in March.

¹ The net call money position of the commercial banks is included in the item »net claims on the commercial banks» while Posti-pankki's deposits in the call money market are included in the item »net liabilities to other financial institutions». Since Posti-pankki is banker to the Government, seasonal fluctuations in State liquidity are reflected in movements in the latter item.

(continued on page 28)

BANK OF FINLAND

Mill. mk

	1977		1978			
	March 31	Dec. 31	March 8	March 15	March 23	March 31
Assets						
Gold and foreign exchange receivables	1 927	2 139	3 561	3 409	3 658	3 700
Gold	127	133	133	133	133	133
Special drawing rights	221	204	187	187	187	187
Convertible currencies	944	1 265	2 360	2 311	2 530	2 534
Tied currencies	635	537	881	778	808	846
Other foreign receivables	1 692	1 959	2 121	2 127	2 120	2 142
Foreign bills	447	488	514	521	529	551
Foreign bonds	418	543	679	678	663	663
Currency subscription to Finland's quota in the IMF	827	928	928	928	928	928
Receivables from financial institutions	4 582	5 420	5 318	5 198	5 475	4 865
Cheque accounts of the commercial banks	123	110	136	165	101	123
Discounted bills	2 769	3 091	2 557	2 751	2 521	2 454
Bonds	404	354	443	414	532	358
Call money market advances	1 280	1 804	2 134	1 823	2 273	1 894
Other financial institution receivables	6	61	48	45	48	36
Receivables from the public sector	433	391	405	404	403	405
Bonds	70	60	64	64	64	67
Total coinage	286	304	319	319	320	321
Other public sector receivables	77	27	22	21	19	17
Receivables from corporations	1 321	1 416	1 502	1 490	1 500	1 477
New export bills	174	194	213	209	215	210
Financing of suppliers' credits	566	714	778	774	778	778
Bonds	190	214	207	204	203	200
Other corporate receivables	391	294	304	303	304	289
Other assets	61	85	60	60	60	60
Total	10 016	11 410	12 967	12 688	13 216	12 649
Liabilities						
Foreign exchange liabilities	87	94	56	65	59	64
Convertible accounts	60	53	37	45	36	40
Tied accounts	27	41	19	20	23	24
Other foreign liabilities	1 923	3 447	3 384	3 400	3 398	3 391
IMF mark accounts	1 665	1 838	1 838	1 838	1 838	1 838
Allocations of special drawing rights	258	300	300	300	300	300
Term liabilities	—	1 309	1 246	1 262	1 260	1 253
Notes and coins in circulation	2 845	3 167	3 355	3 546	3 551	3 333
Notes	2 596	2 892	3 073	3 263	3 265	3 046
Coins	249	275	282	283	286	287
Deposit certificates in circulation	180	200	180	180	0	0
Claims of financial institutions	1 324	1 194	2 522	2 075	2 708	2 341
Cheque account of Postipankki	0	1	0	0	0	0
Cheque accounts of the commercial banks	2	3	1	1	1	1
Call money market deposits	1 276	850	2 139	1 772	2 408	2 034
Capital import deposits	—	246	288	288	286	278
Other financial institution claims	46	94	94	14	13	28
Claims of the public sector	739	328	290	290	289	288
Cheque accounts	0	2	1	1	0	1
Counter-cyclical reserves	34	36	38	38	38	38
Capital import deposits	—	287	250	250	250	248
Other public sector claims	705	3	1	1	1	1
Claims of corporations	307	242	364	277	391	386
Investment deposits	58	35	33	33	36	40
Capital import deposits	243	181	278	226	339	333
Import levy deposits	5	19	17	15	15	12
Other corporate claims	1	7	36	3	1	1
Other liabilities	12	13	15	17	13	13
Equalization accounts	632	671	710	741	708	730
Capital accounts	1 967	2 054	2 091	2 097	2 099	2 103
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	436	436	545	545	545	545
Undisposed profits	102	—	109	109	109	109
Net earnings	29	218	37	43	45	49
Total	10 016	11 410	12 967	12 688	13 216	12 649

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	260
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											
Feb.	1 180	49	1 131	654	1 637	1 923	1 499	426	873	447	-
March	1 292	60	1 232	608	1 692	1 923	1 609	433	739	306	180
April	1 324	65	1 259	697	1 733	1 923	1 766	407	512	105	180
May	1 152	39	1 113	714	1 851	2 030	1 648	377	581	204	180
June	965	48	917	652	1 855	2 030	1 394	362	430	68	180
July	855	56	799	722	1 874	2 030	1 365	364	389	25	180
Aug.	697	50	647	841	1 857	2 131	1 214	360	353	- 7	180
Sept.	1 072	51	1 021	878	1 856	2 134	1 621	365	343	- 22	180
Oct.	1 121	47	1 074	771	1 893	2 134	1 604	363	286	- 77	180
Nov.	903	46	857	797	1 912	2 556	1 010	364	407	43	180
Dec.	1 602	53	1 549	496	1 959	3 447	557	391	328	-63	200
1978											
Jan.	1 492	40	1 452	648	1 983	3 360	723	399	320	-79	180
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

FOREIGN EXCHANGE SITUATION

Mill. mk

CURRENCY INDEX¹

	Net holdings, Feb. 28, 1978			Change		1974 = 100
	Bank of Finland	Other	Total	Feb.	Jan.—Feb.	
Gold	133	—	133	—	—	1977
Special drawing rights	187	—	187	- 17	- 17	Nov. 110.6
IMF gold tranche	—	—	—	—	—	Dec. 111.5
Convertible currencies	1 881	-3 149	-1 268	+ 62	+305	1978
Total	2 201	-3 149	- 948	+ 45	+288	Jan. 111.1
Tied currencies	729	173	902	+108	+260	Feb. 114.1
						March 117.3

¹ See page 19, CURRENCY

End of year or month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Dis-counted and redis-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

Feb.	2 604	176	2 405	1	1	1 865	3 318	1 306	353	953	2 790
March	2 769	123	1 690	2	0	1 322	3 258	1 321	307	1 014	2 845
April.	2 460	152	1 480	3	1	1 061	3 027	1 398	272	1 126	2 924
May	2 749	110	1 193	2	0	832	3 218	1 437	263	1 174	2 932
June	2 768	128	1 305	5	0	768	3 428	1 459	230	1 229	3 154
July	2 773	116	1 320	5	0	797	3 407	1 498	232	1 266	3 157
Aug	2 779	85	1 463	1	1	846	3 479	1 439	260	1 179	3 022
Sept.	2 700	140	1 303	5	0	1 010	3 128	1 476	266	1 210	3 079
Oct.	2 722	122	1 691	1	0	1 376	3 158	1 467	305	1 162	3 072
Nov.	3 058	132	1 809	1	0	1 142	3 856	1 428	236	1 192	3 075
Dec.	3 091	110	2 219	3	1	1 190	4 226	1 416	242	1 174	3 167

1978

Jan.	3 060	139	2 575	1	0	1 900	3 873	1 439	239	1 200	2 990
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

SELLING RATES FOR FOREIGN EXCHANGE

Mk

March 22, 1978

New York ¹	1 \$	4.201	Frankfurt o. M.	100 DM	206.05	Vienna	100 S	28.60
Montreal	1 \$	3.732	Amsterdam	100 Fl	192.40	Lisbon	100 Esc	10.37
London	1 £	7.995	Brussels ²	100 Fr		Madrid	100 Pta	5.30
Stockholm	100 Kr	91.30	Zurich	100 Fr	218.30	Tokyo	100 Y	1.830
Oslo	100 Kr	78.70	Paris	100 FF	90.20	Reykjavik	100 Kr	1.68
Copenhagen	100 Kr	74.80	Rome	100 Lit	0.500	Moscow ³	1 Rbl	6.044

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin Budapest and Sofia.² 13.240 commercial rate; 13.240 financial rate.³ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

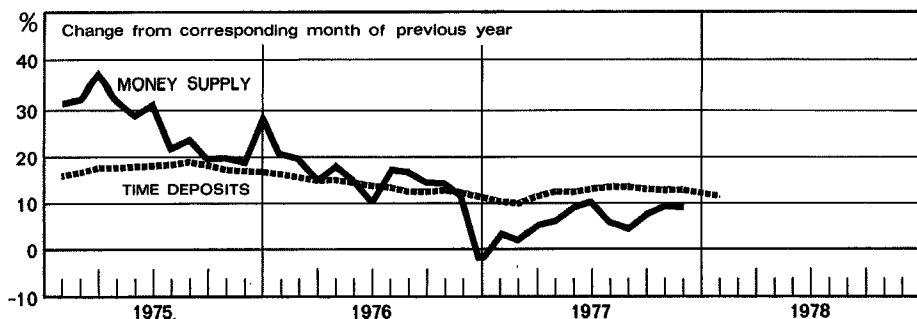
End of year or month	Demand deposits			Time deposits						Total (2 + 3 + 9)
	Cheque accounts		Postal giro accounts	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Co-op. stores	All credit institutions	
	Commercial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9		10
1970	1 143	1 508	603	6 099	4 847	3 458	1 288	574	16 266	18 377
1971	1 343	1 734	754	6 962	5 446	3 877	1 491	642	18 418	20 906
1972	1 851	2 371	979	8 096	6 232	4 500	1 805	720	21 353	24 703
1973	2 144	2 892	1 360	8 989	7 109	5 237	2 159	805	24 299	28 551
1974	2 551	3 478	1 638	10 213	8 288	6 308	2 641	921	28 371	33 487
1975	3 447	4 642	2 301	11 764	9 751	7 538	3 170	1 094	33 317	40 260
1976	3 030	4 394	2 332	12 789	11 061	8 616	3 578	1 255	37 299	44 025
1977*	2 824	4 343	2 204	14 195	12 671	9 854	4 090	1 351	42 161	48 708

1977*

Feb.	2 827	4 103	2 495	12 719	11 273	8 821	3 673	1 296	37 782	44 380
March	2 911	4 265	2 346	12 783	11 362	8 885	3 737	1 307	38 074	44 685
April	2 923	4 234	2 382	12 988	11 443	9 183	3 758	1 324	38 696	45 312
May	3 163	4 536	2 221	13 108	11 597	9 081	3 787	1 331	38 904	45 661
June	3 199	4 617	2 219	13 222	11 826	9 219	3 822	1 337	39 426	46 262
July	2 928	4 342	2 115	13 339	11 995	9 327	3 894	1 348	39 903	46 360
Aug.	3 153	4 646	2 021	13 428	12 122	9 478	3 937	1 348	40 313	46 980
Sept.	2 961	4 422	2 043	13 355	12 116	9 477	3 938	1 345	40 231	46 696
Oct.	3 045	4 538	2 005	13 429	12 130	9 505	3 963	1 352	40 379	46 922
Nov.	3 137	4 651	2 000	13 543	12 343	9 698	3 990	1 340	40 914	47 565
Dec.	2 824	4 343	2 204	14 195	12 671	9 854	4 090	1 351	42 161	48 708

1978*

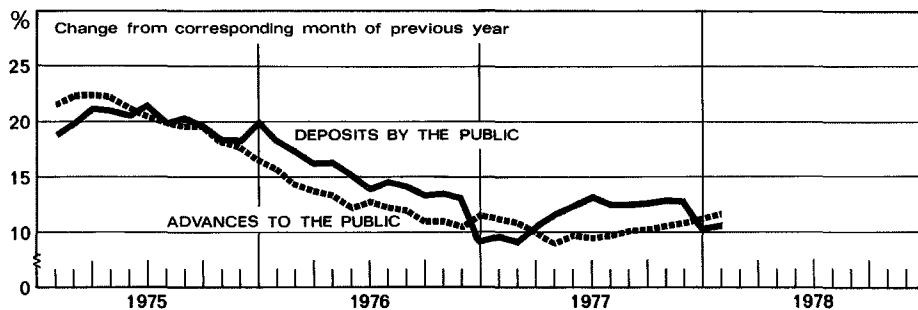
Jan.	2 981	4 365	2 365	13 963	12 746	9 908	4 116	1 360	42 093	48 823
Feb.	2 872	4 365	2 524	14 158	12 887	10 009	4 176	1 363	42 593	49 492



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year or month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money supply
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1970	7 963	4 342	3 404	1 342	1 454	17 815	690	18 505	3 445
1971	9 234	4 795	3 834	1 747	1 799	20 640	769	21 409	4 025
1972	10 667	5 503	4 483	2 245	2 374	24 473	799	25 272	4 959
1973	13 365	6 497	5 302	3 399	2 696	30 286	973	31 259	6 115
1974	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283
1975	17 773	9 108	7 798	5 488	4 129	43 002	1 294	44 296	9 450
1976	19 090	10 616	9 247	6 012	4 573	47 947	1 591	49 538	9 268
1977*	20 739	12 309	10 527	6 340	5 306	..	..	55 221	..
1977*									
Feb.	19 204	10 762	9 276	6 071	4 619	48 281	1 651	49 932	9 001
March	19 208	10 804	9 279	6 095	4 589	48 330	1 645	49 975	9 076
April	19 296	10 888	9 296	6 078	4 642	48 624	1 576	50 200	9 177
May	19 332	11 057	9 404	6 197	4 673	49 091	1 572	50 663	9 319
June	19 514	11 145	9 539	6 196	4 760	49 490	1 664	51 154	9 572
July	19 563	11 265	9 671	6 153	4 796	49 846	1 602	51 448	9 231
Aug.	19 792	11 433	9 791	6 175	4 827	50 321	1 697	52 018	9 294
Sept.	20 026	11 644	9 962	6 237	4 840	51 020	1 689	52 709	9 198
Oct.	20 270	11 795	10 119	6 343	4 873	51 648	1 752	53 400	9 260
Nov.	20 532	12 006	10 277	6 409	4 915	52 362	1 777	54 139	9 367
Dec.	20 739	12 309	10 527	6 340	5 306	..	..	55 221	..
1978*									
Jan.	20 810	12 424	10 560	6 607	5 336	..	..	55 737	..
Feb.	21 037	12 506	10 634	6 441	5 326	..	..	55 944	..



STATE FINANCES

Mill. mk

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

¹ New series.

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

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
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*	30 945	30 712	+ 233

1976			
Nov.	2 463	2 783	- 320
Dec.	2 610	3 305	- 695

1977*			
Jan.	2 469	2 389	+ 80
Feb.	1 917	1 992	-75
March	2 621	2 404	+ 217
April	2 084	2 169	- 85
May	2 233	2 421	- 188
June	2 541	3 120	- 579
July	2 833	2 443	+ 390
Aug.	2 240	2 397	-157
Sept.	2 901	2 848	+ 53
Oct.	2 991	2 588	+ 403
Nov.	2 960	2 891	+ 69
Dec.	3 155	3 050	+ 105

1978*			
Jan.	2 511	2 631	- 120

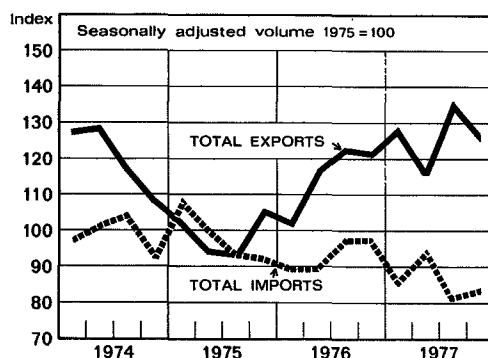
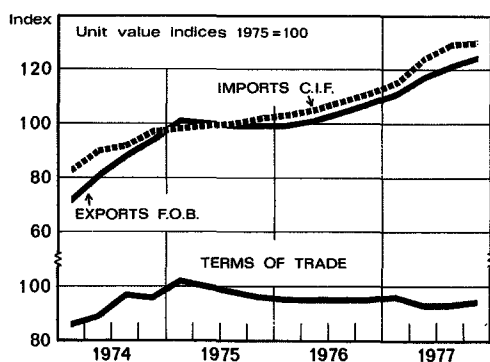
Indices of exports and imports 1975 = 100

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

1975					
Jan.-March	100	107	102	99	103
Apr.-June	92	95	101	100	100
July-Sept.	89	94	100	101	99
Oct.-Dec.	116	100	100	103	97

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

1977*					
Jan.-March	124	83	112	116	97
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94
Oct.-Dec.	143	93	125	131	95



FOREIGN TRADE BY MAIN GROUPS

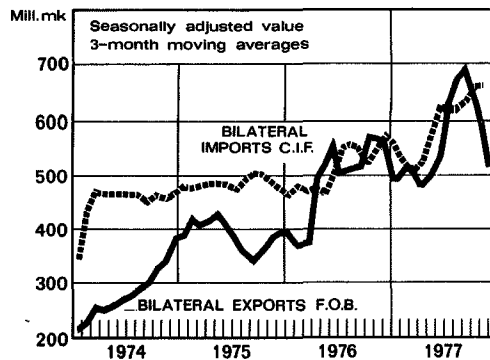
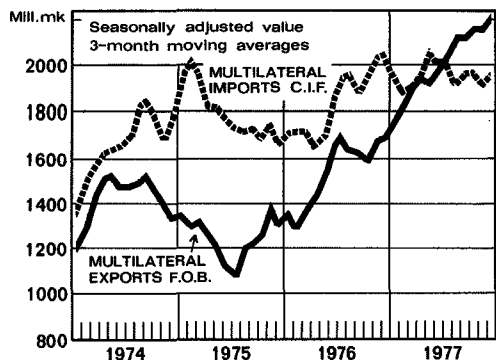
Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 957	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*	1 100	3 854	8 798	9 184	8 009	19 124	2 067	4 834	4 600	87

1976										
Nov.	66	273	724	826	574	1 849	157	371	397	9
Dec.	161	311	741	797	600	2 145	144	583	422	11

1977*										
Jan.	204	286	655	748	576	1 384	144	546	308	7
Feb.	45	232	625	476	539	1 297	102	271	320	2
March	181	261	802	692	685	1 488	85	381	448	2
April	54	246	630	600	554	1 277	107	373	405	7
May	106	350	681	435	661	1 451	148	370	441	11
June	90	366	750	770	565	1 984	202	565	353	16
July	87	352	701	1 045	648	1 609	178	319	316	21
Aug.	48	340	674	605	573	1 591	165	275	356	10
Sept.	44	337	795	943	782	1 789	284	372	399	4
Oct.	41	321	753	1 106	770	1 655	222	321	389	1
Nov.	44	417	896	802	801	1 729	198	511	453	0
Dec.	156	346	836	962	855	1 870	232	530	412	6

1978*										
Jan.	160	322	721	656	652	1 567	193	493	376	2



FOREIGN TRADE BY COUNTRIES¹

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January				January			
	1977*		1978*		1977*		1978*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	66.2	1 635	62.5	1 569	63.4	1 515	62.8	1 653
Austria	0.7	18	0.7	17	1.6	39	1.4	37
Belgium and Luxembourg	1.1	28	2.2	56	2.1	50	2.0	52
Denmark	4.3	105	3.9	97	3.1	73	3.1	83
France	3.4	83	4.6	115	3.4	81	3.3	86
Federal Republic of Germany	10.5	260	10.4	262	18.5	441	14.0	369
Italy	1.7	42	1.9	48	2.2	53	2.4	62
Netherlands	3.0	74	2.8	70	2.7	65	3.2	84
Norway	8.6	213	4.4	111	2.4	58	2.0	53
Portugal	0.3	7	0.3	8	0.4	10	0.4	10
Spain	0.9	22	0.8	21	2.3	55	0.7	19
Sweden	17.9	442	13.7	343	14.4	345	17.4	459
Switzerland	2.1	52	2.8	69	2.3	55	2.2	59
United Kingdom	10.7	265	12.4	311	7.6	181	10.1	265
Other	1.0	24	1.6	41	0.4	9	0.6	15
OECD countries outside Europe	5.5	135	7.8	195	8.5	204	8.4	221
Canada	0.7	16	0.6	14	0.3	7	0.5	13
Japan	0.8	19	0.9	23	2.2	53	2.5	66
United States	3.4	84	4.7	119	5.8	139	5.2	138
Other	0.6	16	1.6	39	0.2	5	0.2	4
CMEA countries	20.4	504	17.8	447	22.2	529	21.4	564
Czechoslovakia	0.3	6	0.3	7	0.5	12	0.5	13
German Democratic Republic	0.9	23	0.6	14	0.6	14	1.2	30
Poland	0.6	15	0.7	19	1.6	39	2.1	56
Soviet Union	17.6	435	15.3	385	18.3	436	16.0	422
Other	1.0	24	0.9	22	1.2	28	1.6	43
Latin America	1.5	37	4.7	119	3.0	72	2.5	65
Argentina	0.3	8	0.2	5	0.1	2	0.0	1
Brazil	0.4	11	0.4	10	1.3	32	0.2	5
Colombia	0.1	2	0.1	4	0.7	17	2.0	51
Other	0.7	16	4.0	100	0.9	21	0.3	8
Other	6.4	158	7.2	181	2.9	69	4.9	128
GRAND TOTAL	100.0	2 469	100.0	2 511	100.0	2 389	100.0	2 631
of which								
EFTA countries	29.7	734	21.9	550	21.4	511	23.8	625
EEC countries	35.2	868	38.9	977	39.7	948	38.2	1 005
OECD countries	71.7	1 770	70.3	1 764	71.9	1 719	71.2	1 874

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*	30 775	30 629	+ 146	+1 286	- 12	+380	+1 800	-2 434	-140	- 774

1975

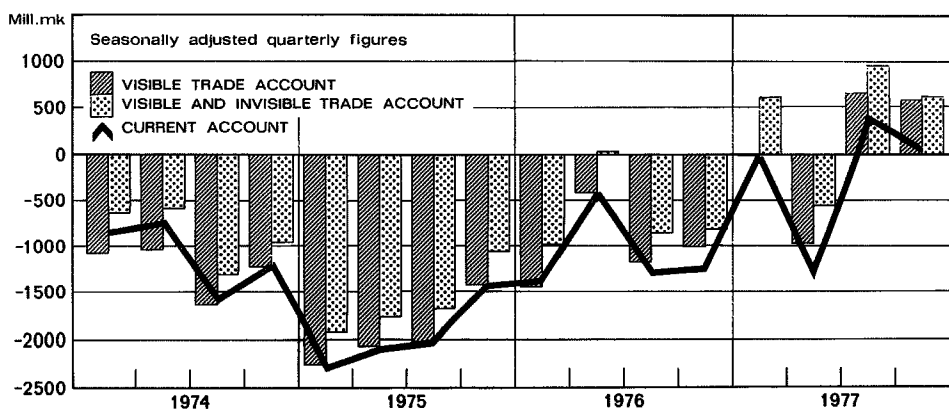
Jan.-March	5 143	7 368	-2 225	+292	- 43	- 44	-2 020	-316	-57	-2 393
Apr.-June	4 695	6 688	-1 993	+221	+ 13	- 2	-1 761	-379	-15	-2 155
July-Sept.	4 482	6 649	-2 167	+237	+142	+ 57	-1 731	-308	- 6	-2 045
Oct.-Dec.	5 961	7 234	-1 373	+234	- 7	+206	- 940	-411	-30	-1 381

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	6 978	6 765	+ 213	+ 321	- 80	+ 74	+ 528	- 506	-46	- 24
Apr.-June	6 820	7 689	- 869	+ 268	+ 10	+ 35	- 556	- 726	-11	-1 293
July-Sept.	7 933	7 671	+ 262	+ 343	+118	+193	+ 916	- 532	-29	+ 355
Oct.-Dec.	9 044	8 504	+ 540	+ 354	- 60	+ 78	+ 912	- 670	-54	+ 188

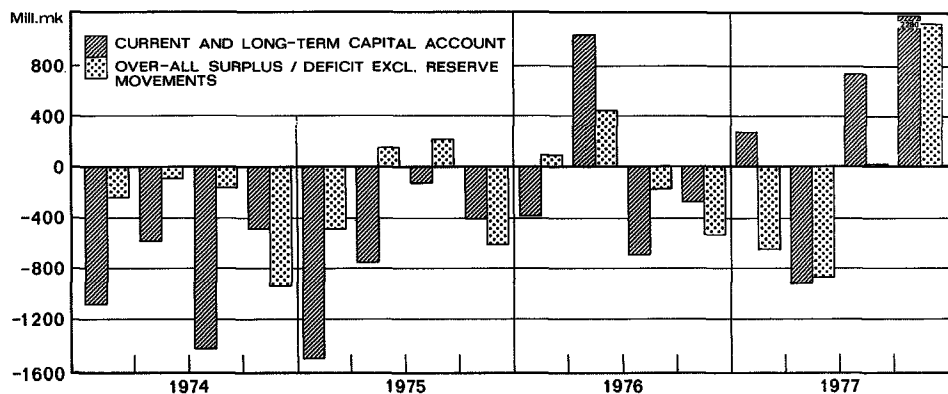


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items, incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+ 638	+1 449	+ 8	- 747	-444	+1 191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+ 138	-1 288	+1 327	- 128	+ 78	+ 50
+6 454	-2 745	-241	-229	+3 239	+2 465	-1 544	- 470	- 940	- 489	-170	+ 659
+1 206	-310	- 24	+ 11	+ 883	-1 510	+ 310	+ 758	- 35	- 477	- 32	+ 509
+1 870	-433	- 48	+ 9	+1 398	- 757	- 140	+ 758	+ 296	+ 157	-668	+ 511
+2 121	-287	- 3	+ 57	+1 888	- 157	+ 131	- 34	+ 265	+ 205	+ 91	- 296
+1 532	-415	-139	- 15	+ 963	- 418	+ 337	- 33	- 518	- 632	+165	+ 467
+1 404	-374	+ 5	+ 11	+1 046	- 389	- 628	+ 119	+ 996	+ 98	+373	- 471
+2 096	-394	- 95	- 7	+1 600	+1 056	- 158	+ 120	- 560	+ 458	-485	+ 27
+1 239	-568	- 11	- 25	+ 635	- 696	+ 565	- 764	+ 722	- 173	+263	- 90
+1 391	-449	- 90	+ 69	+ 921	- 276	+ 359	- 763	+ 169	- 511	- 73	+ 584
+1 022	-550	-127	- 24	+ 321	+ 297	- 802	+ 149	- 249	- 605	-140	+ 745
+1 273	-857	+ 35	- 37	+ 414	- 879	- 320	+ 149	+ 144	- 906	+358	+ 548
+1 252	-647	-156	- 89	+ 360	+ 715	+ 217	- 384	- 603	- 55	-319	+ 374
+2 907	-691	+ 7	- 79	+2 144	+2 332	- 639	- 384	- 232	+1 077	- 69	-1 008

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												
April	686	708	601	665	790	688	730	646	686	168	149	173
May	688	709	607	666	795	690	727	648	691	169	150	174
June	692	714	610	667	802	698	725	659	694	172	158	176
July	697	719	613	671	807	704	736	661	697	173	158	176
Aug.	696	718	610	667	806	706	727	663	700	175	158	180
Sept.	701	722	621	673	826	705	730	665	707	175	158	180
Oct.	703	722	631	675	829	709	735	665	710	175	157	180
Nov.	705	723	632	677	830	709	737	665	711	176	157	181
Dec.	705	724	634	677	833	710	735	666	713	176	157	182
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

Period	Consumer prices 1972 = 100											
	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.—Dec. 1957 = 100	Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	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												
April	493	387	192	209	174	180	175	215	179	193	183	203
May	500	392	194	212	174	182	181	218	180	196	184	205
June	506	397	197	219	174	182	181	222	181	197	184	209
July	510	400	198	222	174	177	181	222	182	199	190	211
Aug.	518	407	201	226	174	179	190	223	183	202	191	213
Sept.	520	408	202	225	174	184	190	223	184	202	193	215
Oct.	522	410	203	225	174	185	190	229	185	203	194	216
Nov.	524	412	204	226	174	187	192	230	186	203	195	217
Dec.	525	412	204	225	174	186	192	233	187	205	196	217
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

WAGES

Index of salary and wage earnings 1964 = 100

Period	By industries			By institutional sectors			All salary earners	All wage earners	All employees	
	Wage earners in			Employees in services	State employees	Municipal employees				Employees in private sector
	Agriculture	Industry	Construction							
1976	599	442	428	361	360	353	416	346	441	399
1977*	701	483	454	384	387	375	452	372	478	431
1976										
Jan.-March	584	416	410	352	347	347	396	337	417	382
Apr.-June	594	449	427	363	364	356	422	347	448	404
July-Sept.	602	448	434	364	364	355	425	349	451	406
Oct.-Dec.	639	456	440	364	364	356	426	350	451	407
1977*										
Jan.-March	695	457	441	372	375	364	429	357	454	412
Apr.-June	694	487	454	385	389	378	454	373	482	434
July-Sept.	704	491	460	388	391	379	463	376	491	441
Oct.-Dec.	707	498	463	393	394	380	464	381	490	442

PRODUCTION

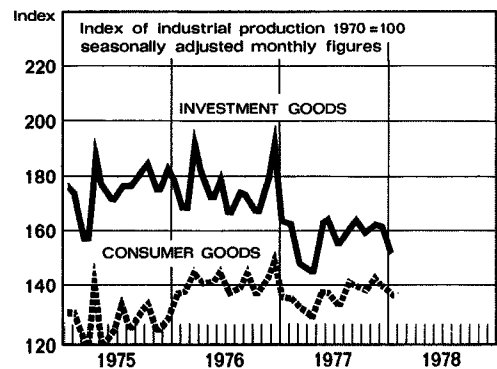
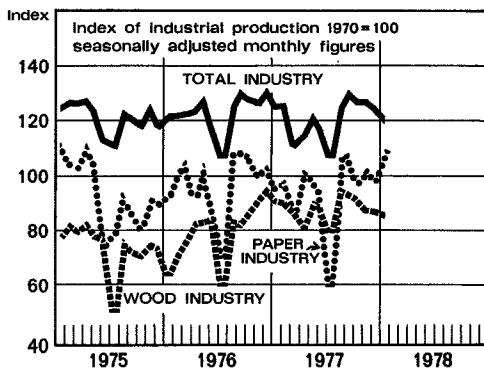
Volume indices of production 1964 = 100

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

PRODUCTION

Index of industrial production 1970 = 100

Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industries	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	141	127
1975	122	178	110	130	113	76	95	143	128	150	122
1976	125	179	108	143	110	82	99	148	119	150	124
1977*	122	160	108	138	109	89	96	140	115	142	122
1977*											
Jan.	130	178	116	141	99	86	96	182	128	153	126
Feb.	126	171	112	138	93	88	100	164	117	149	126
March	126	160	112	141	103	101	94	147	115	146	112
April	115	151	102	128	99	92	90	136	96	136	116
May	130	180	114	148	115	114	101	134	127	158	123
June	118	173	101	139	106	95	79	106	123	152	117
July	64	63	58	78	95	41	58	77	61	51	108
Aug.	125	154	110	145	115	88	108	137	121	139	124
Sept.	135	179	120	151	115	97	115	147	132	158	131
Oct.	134	176	120	150	123	92	110	141	128	156	127
Nov.	136	181	121	155	127	97	109	151	122	162	127
Dec.	124	155	111	140	111	82	92	152	104	143	125
1978*											
Jan.	131	168	118	143	104	86	109	162	118	149	122



LABOUR—TIMBER FELLINGS—INTERNAL TRADE

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Un-employed 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1974	3 483	2 268	2 229	39	1.7	34 457	114	114
1975	3 513	2 272	2 221	51	2.2	29 133	122	127
1976*	3 530	2 244	2 158	86	3.8	27 305	123	127
1977*	..	2 226	2 090	136	6.1	27 814	112	121

1977*

Jan.	3 524	2 181	2 053	128	5.9	2 455	93	95
Feb.	3 528	2 163	2 032	131	6.1	2 934	95	109
March	3 527	2 161	2 030	131	6.1	3 564	109	127
April	3 524	2 152	2 016	136	6.2	3 227	111	123
May	3 523	2 186	2 054	132	6.1	2 856	115	128
June	3 531	2 402	2 266	136	5.7	1 870	117	119
July	3 524	2 410	2 264	146	6.1	685	115	104
Aug.	3 524	2 304	2 165	139	6.0	1 240	118	127
Sept.	3 524	2 198	2 078	120	5.5	1 824	116	133
Oct.	3 524	2 194	2 070	124	5.7	2 090	111	125
Nov.	3 524	2 172	2 028	144	6.6	2 355	111	124
Dec.	3 524	2 186	2 029	157	7.2	2 714	137	133

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Building-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1974	53.23	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975	51.42	19.65	3.79	21.62	3.39	47.85	20.59	2.80	18.68	3.64	52.45
1976*	46.90	19.95	3.93	15.81	3.83	40.95	17.60	3.12	15.32	2.58	52.48
1976*											
Apr.-June	14.00	7.39	1.80	2.96	0.55	10.09	3.87	0.39	4.63	0.73	51.73
July-Sept.	12.42	5.43	0.71	4.44	0.97	9.61	3.87	1.05	3.22	0.71	55.22
Oct.-Dec.	11.96	4.09	0.69	5.12	1.45	12.85	6.16	1.15	3.94	0.80	52.48
1977*											
Jan.-March	6.73	2.92	0.66	1.91	0.83	9.08	3.50	0.45	4.33	0.54	48.54
Apr.-June	13.22	7.00	1.71	2.69	0.80	8.76	4.16	0.38	2.76	0.99	51.52
July-Sept.	11.20	4.67	1.06	3.70	0.91	10.23	3.78	0.92	3.87	0.93	54.31

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

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

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

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

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

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

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

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

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

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

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

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

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

DEPOSITS BY THE PUBLIC — ADVANCES TO THE PUBLIC — MONEY SUPPLY

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

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

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

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

STATE FINANCES

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

FOREIGN TRADE

Pages 9—11. Figures supplied by the Board of Customs. *Indices* (p. 9). The volume indices are calculated according to the Paasche formula and the unit value indices according to the Laspeyres formula. *Terms of trade:* the ratio of export indices to import indices. *Foreign trade by countries* (p. 11): 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 1958, 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 (88.4 %) are covered by forests.

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

POPULATION

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

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

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

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

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

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

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

TRADE AND TRANSPORT

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

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

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

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

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

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

MOTOR VEHICLES (Dec. 31, 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 Conqair Metropolitans. Companies have scheduled traffic outside of Finland to 32 airports and to 20 domestic airports.

FINANCE AND BANKING

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

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

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

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

THE BALANCE OF PAYMENTS AND FOREIGN EXCHANGE POLICY IN 1977

by Tapio Peura, M.Sc. (Econ.)
and Peter Nyberg, Lic.Pol.Sc.

Bank of Finland

GENERAL DEVELOPMENTS

The growth of international economic activity slowed down considerably in 1977, in consequence of which, orders for Finnish exports declined in many sectors of industry. The volume of exports increased, however, by 10 per cent due, among other things, to the great increase in metal industry exports and the vigorous growth of exports outside traditional markets. In spite of the growth of exports, domestic demand in Finland decreased substantially. Uncertainty over the future and the weak profitability of firms further decreased productive investment and private consumption declined. The amount of total production was virtually unchanged for the third successive year. Hence the volume of imports fell further and the trade account moved to a surplus for the first time in ten years. Net interest payments again exceeded the surplus on services but the current account deficit decreased to 770 million marks (0.6 per cent of GDP) from 4 500 million marks (4 per cent of GDP) in 1976.

Net imports of long-term capital declined by a quarter as a result of slackening investment activity, a substantial increase in debt amortizations and the growth of export credits due to considerable export deliveries by the heavy metal industry. There was a significant net outflow of short-term capital because foreign trade was more balanced, thereby decreasing the need for trade credit, and because of exchange rate expectations.

EXPORTS

The growth of total output in the western countries most important for Finnish exports

remained at half a per cent in 1977. In Sweden and the United Kingdom, economic activity was very restrained; in the United Kingdom only weak indications of recovery were to be seen and in Sweden total output declined by 2 ½ per cent. In spite of the weakness of demand abroad, exports of goods increased by 10 per cent in volume. Exports to the West increased by 13 per cent, which clearly exceeded the growth of the total imports of market countries. Thus there was a gain in overall market shares. Exports to socialist countries decreased by 5 per cent in volume. ¹

The growth of exports was enhanced by substantial consignments of ships and heavy industrial equipment, both to the Soviet Union and to western markets, as well as sharp increase in exports of basic metal products. The growth of paper industry exports was less than the growth of total exports, as demand in paper markets settled down after sharp fluctuations in demand in the two previous years.

Export prices in domestic currency rose by an average of 15 per cent from the previous year, of which more than 6 percentage points was due to the devaluations during the year. Increasing competition in forest industry products led to a fall in the export prices of some products during the latter half of the year; accordingly, in spite of the rise in exchange rates, the average rise in prices from the previous year was low.

The metal and wood industries increased their shares in the commodity structure of Finnish exports for the second successive year, while

¹ In addition to the indices for total foreign trade, the Board of Customs has started to prepare indices for »eastern» and »western» trade.

TABLE 1. FOREIGN TRADE BY COUNTRIES, MILLION MARKS AND AS A PERCENTAGE OF TOTAL TRADE

Area	Exports, f.o.b.				Change 77/76 %	Imports, c.i.f.				Change 77/76 %
	1976		1977			1976		1977		
	Mill. mk	%	Mill. mk	%		Mill. mk	%	Mill. mk	%	
EEC	9 326	38.1	11 223	36.3	20.3	9 914	34.7	10 581	34.5	6.7
EFTA	5 669	23.1	7 425	24.0	31.0	6 630	23.2	6 424	20.9	-3.1
CMEA (Eur.)	5 817	23.7	6 889	22.3	18.4	6 219	21.8	7 232	23.5	16.3
Other	3 693	15.1	5 408	17.4	46.4	5 792	20.3	6 475	21.1	11.8
Total	24 505	100.0	30 945	100.0	26.3	28 555	100.0	30 712	100.0	7.6

Exports: by country of consumption

Imports: by country of origin

the share of the pulp and paper industry decreased. As paper prices rose only slightly and pulp prices fell, export prices of paper industry products increased by only the amount of the change in exchange rates. The volume of paper industry exports grew by 6 per cent. In the wood industry, the increase in export volume was 10 per cent. The prices of wood products were, on average, 21 per cent higher than in the previous year, though there was a wide range of price changes for the different products. Exports of metal and engineering products increased in volume by some 10 per cent and in value by 35 per cent. Of other industrial exports, the most rapidly expanding were chemical and food industry products.

Strong growth of exports outside traditional markets caused some change in the regional breakdown of exports. The share of EFTA countries increased slightly as exports to Norway almost doubled, but the shares of the EEC and CMEA countries declined. Also, exports to the United States nearly doubled and exports to Japan and OPEC-countries increased by about 60 per cent.

IMPORTS

Despite the continued growth of exports, total output declined slightly in 1977 because domestic demand diminished markedly. Private fixed investment decreased further — by more than 7 per cent in 1977 — and private consumption decreased by 2 per cent, for the first

time since 1968. As, in addition, import stocks were reduced, the volume of imports decreased by more than 8 per cent. The fall in industrial activity reduced the need for imported raw materials and, due to the deepening of the investment recession, imports of machinery and equipment declined by almost a fifth. Only the import of fuels and lubricants recorded a growth in volume. Imports from the West declined by 12 per cent, reflecting the fall in imports of investment goods, while imports from the East increased by 4 per cent due to the growth in imports of fuel.

Import prices went up by 16 per cent, partly as a result of the rise in exchange rates, and the value of imports grew by 8 per cent. The remaining import deposits, collected during the previous two years, were released during the first half of the year. However, the resulting easing of the importers' financial position was partly checked by the enlargement of the cash payment system for certain imports at the beginning of March.

In the commodity structure of imports, the most noticeable change was the continued decline of the share of investment goods, as the volume of these imports fell by 17 per cent for the second successive year and their value declined slightly. The share of the largest commodity group — raw materials and production necessities — was unchanged, as import volume declined by 8 per cent and the value of imports increased by about the same amount. The share of crude oil imports increased to 15 per cent as volume increased by

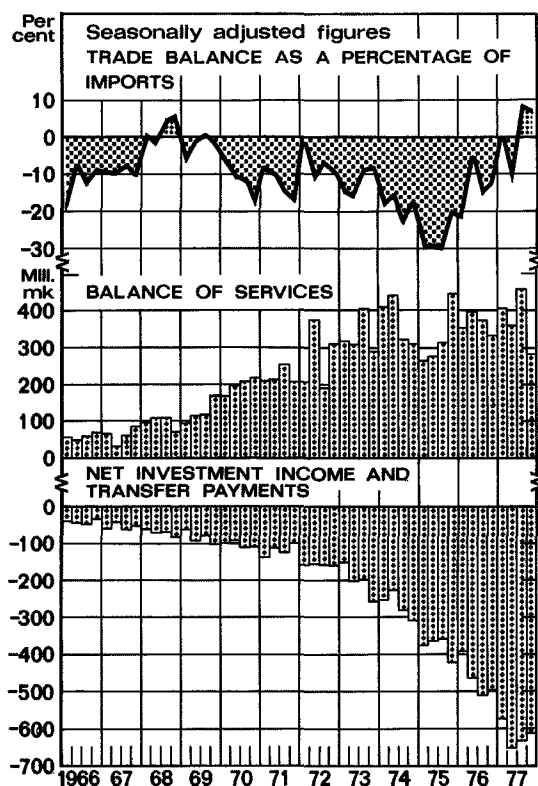
3 per cent and prices by 14 per cent. The share of fuels and lubricants increased as the volume grew by 16 per cent and prices by 13 per cent. The volume of imports of consumer goods decreased by 2 per cent in line with the decline in private consumption. Imports of cars decreased by 7 per cent. Import prices of consumer goods rose by 15 per cent.

The regional distribution of imports changed somewhat. The share of EFTA countries declined, mainly due to the fall of imports from Sweden, whereas the share of CMEA countries increased due to the growth of fuel imports. The share of EEC countries remained roughly the same.

CURRENT ACCOUNT

The improvement in the trade balance can be attributed both to the favourable export performance and to the further weakening of domestic demand. The terms of trade remained at about the same level as a year before, as import prices rose only slightly faster than export prices. The trade balance went into a slight surplus of 150 million marks for the first time since 1968, having shown a deficit of 4 100 million marks in 1976. In 1976, only

CHART 1. PRINCIPAL CURRENT ACCOUNT COMPONENTS



86 per cent of imports c.i.f. were covered by exports f.o.b., but now the ratio was slightly more than 100 per cent. The trade with European CMEA countries showed a deficit of 340 million marks, slightly less than the year before.

The substantial improvement in the trade balance was not reflected in quite as big an improvement in the current account. Even though the surplus on the services account did increase by 200 million marks, this was matched by a much larger increase in the deficit on the investment income and transfer payments account. So the current account still showed a deficit, but it was very small by the standards of recent years.

Invisible trade grew much more slowly than did visible. Receipts for services increased by 13 per cent and expenditure on services by 14 per cent. It is obvious that there was hardly any volume growth in the trading of services.

TABLE 2. BALANCE OF PAYMENTS, MILLION MARKS

	1975	1976	1977 ¹
Commodity exports	20 181	24 372	30 775
Commodity imports	27 939	28 472	30 629
TRADE BALANCE	-7 758	-4 100	+ 146
Services, net	1 306	1 460	1 654
BALANCE ON GOODS AND SERVICES	-6 452	-2 640	+1 800
Investment income & transfer payments	-1 522	-1 867	-2 574
CURRENT ACCOUNT	-7 974	-4 507	- 774
Long-term capital, net	5 132	4 202	3 239
BASIC BALANCE	-2 842	- 305	+2 465
Short-term capital, net	2 095	177	-2 954
OVERALL BALANCE	- 747	- 128	- 489
Reserve movements (increase —):			
Bank of Finland	- 444	78	- 170
Other holders	1 191	50	659

¹ Preliminary. Final figures will be available in July 1978. For details, see pages 12 and 13.

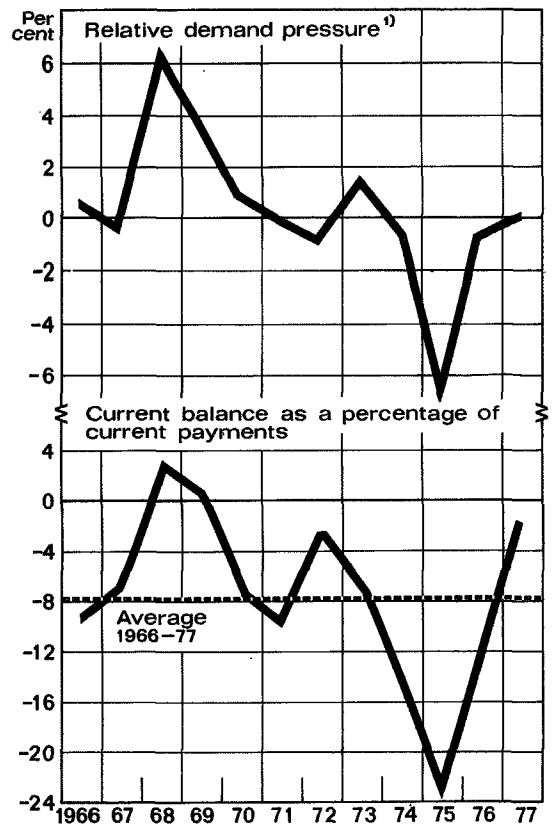
Transport receipts rose by only 7 per cent, which can be attributed to the reduction of import shipments and to low freight rates. The surplus on the transport account was slightly less than 1 300 million marks.

1977 saw a rise of 14 per cent in travel receipts after three years of stagnation. However, travel expenditure was up by 16 per cent and the travel account turned into a small deficit of 10 million marks. Receipts and expenditures for other services make up about half of the flows on the service account and in 1977 they provided about 380 million marks of the surplus in services.

The increase in borrowing from abroad which has taken place during the 1970's has given rise to increased interest payments. The investment income deficit rose from 1 750 million marks in 1976 to 2 430 million marks in 1977. A net outflow of transfer payments of 140 million marks increased the total deficit on invisibles to 900 million marks, or twice as high as a year before. The current account therefore showed a deficit of 770 million marks, which was only 2 per cent of current payments. In the previous year the corresponding figure was 13 per cent and in 1975 24 per cent. For 1977, the current account deficit was 0.6 per cent of G.D.P.

Differences between the cyclical position in Finland and that in her major western markets have played an important part in the development of the Finnish current account. In 1975 foreign demand was at its trough level, whereas domestic demand was still rather strong. Consequently the deficit was the largest ever. In 1976 and 1977, when foreign demand recovered somewhat and domestic demand was restrained, the outcome was a considerably better foreign balance. Foreign demand pressure, measured as the percentage deviation of Finland's main customer countries' import volume from its long-term trend, stood at -6.4 per cent in 1975, -4.5 per cent in 1976 and -8.7 per cent in 1977. The domestic demand pressure, measured in a similar way using Finland's GDP figures, was +0.8 per

CHART 2. CYCLICAL FLUCTUATIONS AND THE CURRENT BALANCE



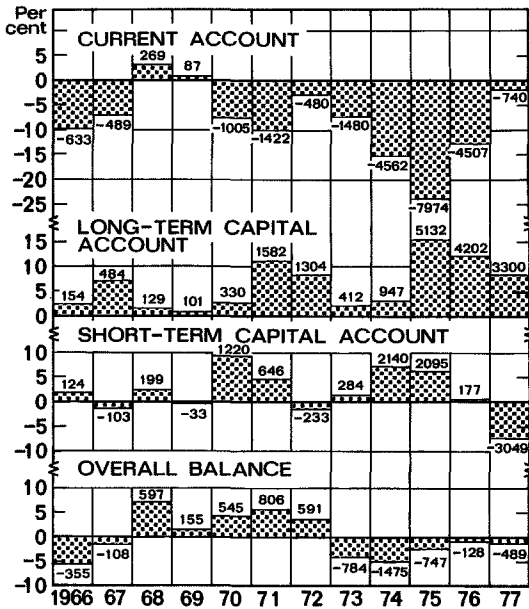
¹ Percentage deviation from the trend of the import volume of Finland's market countries minus the percentage deviation from the trend of Finland's GDP in 1950-1977.

cent in 1975, -3.6 per cent in 1976 and -8.6 per cent in 1977. In Chart 2, the relative demand pressure is the difference between these variables, and it reached its negative extreme value in 1975 and improved noticeably in 1976 and slightly in 1977. These variations are closely followed by the variations of the current balance.

CAPITAL FLOWS AND EXTERNAL LIQUIDITY POSITION

The principal capital account items are shown in Chart 3. Net imports of long-term capital reached a rather high level in 1975, since when they have clearly diminished. The need for foreign financing has decreased along

CHART 3. PRINCIPAL BALANCE OF PAYMENTS COMPONENTS AS A PERCENTAGE OF CURRENT PAYMENTS AND IN MILLIONS OF MARKS



Drawing of long-term foreign loans amounted to 6 400 million marks, which was 5 per cent more than in 1976. Of these drawings, however, about one fifth was in the form of credit facility arrangements available for the support of the foreign exchange reserve position of the Bank of Finland. Hence the drawings by other borrowers declined by 15 per cent from the previous year. A major part of the borrowing took the form of financial loans; the share of import credits was one quarter. Amortizations of long-term loans increased by 54 per cent because of the rapid growth of indebtedness in the last few years. Other long-term capital movements did not greatly affect the country's foreign indebtedness. Foreign direct investment in Finland amounted to 200 million marks and investment abroad by Finnish companies to 300 million marks. Long-term export credits provided by Finnish firms were around 200 million marks more than amortizations.

with the fall of domestic investment, though not to quite such an extent because of the simultaneous decrease of the overall savings ratio. The net inflow of long-term capital was almost offset by the net outflow of short-term capital in 1977, and there was a small deficit on the overall balance.

On the international capital markets, availability of loans remained good and interest rates were fairly low. Due to weak investment demand in many industrialized countries, there were good opportunities for smaller borrowers to make use of the markets. Net borrowing by Finnish firms remained, however, at a low level until the final quarter of the year. Reasons for the decline of net capital inflow can be found on the one hand in the fall of investment activity and on the other hand in the substantial increase in debt amortizations following the rapid growth of indebtedness in earlier years. Also, the growth of export credits in line with considerable export deliveries by the heavy metal industry contributed to the decline of net capital inflow.

Short-term capital movements reflected the developments in commodity trade as well as expectation on exchange rates. The fall in the value of imports, the release of import deposits and the enlargement of the cash payment requirement for imports reduced short-term trade credits in the first half of the year. In the latter half the main reasons for the reduction of short-term trade credits were the growth of receivables, resulting from the growth of exports as well as from exchange rate expectations. Miscellaneous short-term capital items (incl. errors and omissions) indicated an outflow of 900 million marks, so net short-term borrowing decreased by 3 000 million marks.

The deficit on the overall balance amounted to 489 million marks. The Bank of Finland's convertible foreign exchange reserves underwent major changes during 1977. At the beginning of the year the reserves stood at 1 311 million marks, but by early autumn they had declined to half that level. The surplus on the current account in the latter part of the year, the recovery of long-term capital imports and the drawing on the credit facility raised the reserves to 1 549 million marks by the end of

the year, despite sizeable short-term capital exports. These figures include the increase in the mark-value of the reserves brought about by devaluations. Excluding devaluation effects, the reserves of convertible currencies increased by 128 million marks. As tied currencies increased by 42 million marks, the Bank of Finland's total foreign exchange reserves grew by 170 million marks and amounted to 2 045 million marks at the end of the year. The net foreign liabilities of other foreign currency holders increased by 659 million marks.

The country's net foreign debt increased to 27 000 million marks by the end of the year. In relation to GDP, the debt increased to 22 ½ per cent, from 21 per cent a year earlier. The main part of the increase in the mark-value of the debt was due to the change in exchange rates. The servicing of the debt cost 4 600 million marks, 12 per cent of gross current receipts and an increase of 48 per cent over 1976.

FOREIGN EXCHANGE POLICY

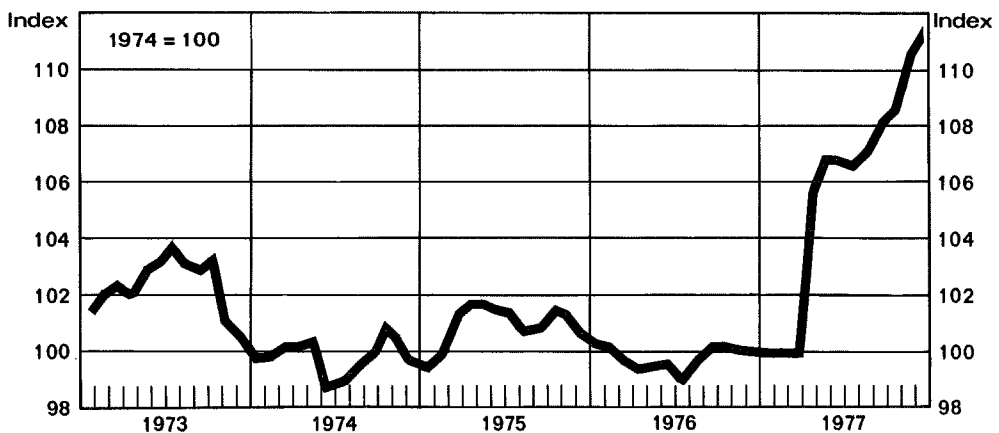
International foreign exchange markets were rather quiet in the first half of 1977. During the latter part of the year, numerous and occasionally sizeable changes in the structure of exchange rates were recorded in a somewhat nervous market. Official intervention was

heavy at times, smoothing exchange rate movements. Notwithstanding rising relative interest rates, the value of the dollar declined on the international exchanges. This was mainly the result of the increasing deficit on the current account of the United States. Other major currencies strengthened, especially the Deutschemark, Swiss franc and Japanese yen, but also the pound sterling.

Economic policy in Finland in 1977 was designed to strengthen the international competitiveness of domestic industry by pushing down the rate of inflation and cost increases. On the other hand, the precariously low level of international competitiveness in the industrial sector, a slightly higher than expected rate of inflation and mounting unemployment tended to weaken domestic confidence in the external value of the markka, even though the deficit on current account had been spectacularly reduced. Therefore, particularly in the latter part of the year, economic policies were geared towards easing pressures on the external value of the markka, strengthening the liquidity position of the country and devising stabilising and stimulating measures.

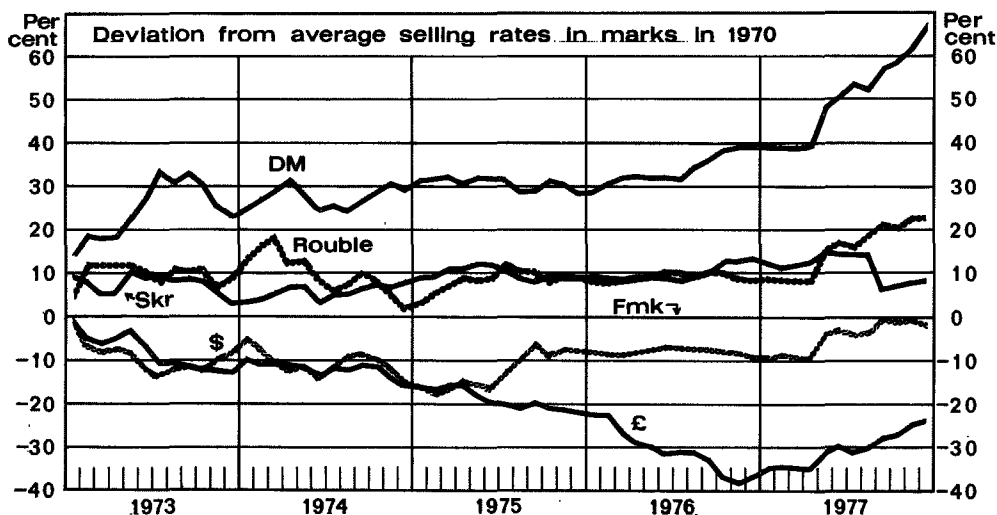
In order to safeguard these policy targets, Finland partially followed the devaluations of the other Nordic countries. The external value of the markka (as measured by the Currency Index) was thus lowered by 5.7 per cent on

CHART 4. BANK OF FINLAND CURRENCY INDEX (1974 = 100) ¹



¹ Indices for 1973 reconstructed afterwards.

CHART 5. EXCHANGE RATE DEVELOPMENTS SINCE JANUARY 1973



April 5th and by a further 3 per cent on September 1st. Mainly as a result of this, the external value of the markka was 9.8 per cent lower at the close of 1977 than a year before. The monthly development of the Currency Index is shown in chart 4, and the exchange rate developments of individual currencies important in Finnish foreign trade are shown in chart 5.

The increasing volatility of domestic exchange markets was evidenced by a rather large decrease in the reserves of the Bank of Finland during the second half of 1977. In order to safeguard the foreign reserve position of the Bank, two drawings, totalling 300 million US dollars, were made on credit facilities previously negotiated with foreign private banks. The remaining part of these facilities was 400 million US dollars at the close of the year.

As the forward exchange markets in Finland are quite thin, the Bank of Finland, through its transactions with authorized banks, aims at developing these markets and balancing the supply and demand of forward currencies. The Bank of Finland only deals in forward dollars and roubles. Uncertainty about the development of spot rates thus caused large movements in forward rates in 1977, the

spread between spot and forward rates fluctuating between 4.5 per cent and 25.5 per cent p.a. The volume of forward transactions decreased somewhat compared with the year before.

Capital import policies during 1977 were designed to safeguard domestic monetary targets and decrease Finland's dependence on short-term capital imports. The capital import deposit scheme, which in certain cases requires borrowers to deposit part of the proceeds of long- and medium-term loans with the Bank of Finland, was therefore continued in 1977. The Bank of Finland also decided, as of March 1st 1977, to increase the coverage of the cash payment scheme for certain imports from about 18 per cent to about a third of total merchandise imports. Technical changes made in the system on July 1st decreased this coverage somewhat. The reasons for the increase in coverage were, firstly, to increase the share of long-term capital imports in total foreign borrowing, and, secondly, to contribute to the alignment of payments terms for domestic and foreign goods. Total imports were not reduced by these measures, although the structure of imports may have been affected to a slight extent.

ITEMS

Supplementary budget. The first supplementary budget for 1978 was approved by Parliament in March. It covers mainly the outlays for the additional measures induced by the Government's decision of December 8, 1977, to intensify its economic reflationary programme. This supplementary budget involved a 702 million mark addition to state expenditure, and the Council of State's authority to take out new loans was increased by 2 620 million marks.

In order to alleviate the severe unemployment among young people, the Government suggested special measures which are expected to affect some 14 000 young persons. A total of 70 million marks was earmarked to municipalities for this purpose; it is estimated that 5 600 young persons can be employed with this sum. By expanding the civil service scheme, 500 new vacancies will be created for young persons who have completed their vocational training. A sum of 31 million marks was set aside for the expansion of temporary vocational training and will provide training facilities for 2 900 persons. In addition to the 3 000 further-training places which had already been decided, another 2 000 places will be reserved in the 7 to 8-month courses scheduled for next autumn; nearly 25 million marks was earmarked for this purpose.

In order to curb the decline which the production and employment of ship-yards are expected to undergo in the next few years, a total of nearly 130 million marks was set aside for the navigation, national defence and frontier guarding authorities; these were authorized to place their orders for new vessels and repairs earlier than had been scheduled in their medium-term plans. These appropriations to promote Finnish shipbuilding will provide work for about 2 200 workers.

An additional 110 million marks was earmarked for housing loans, and a total of 5 million marks was set aside for repairs of the

heating systems in dwellings. A sum of 143 million marks was earmarked for financing additional public works during the spring. A total of 50 million marks was set aside for promotion of purchases of machinery and equipment by municipalities, municipal federations and companies; this sum will be distributed in the form of loans and subsidies.

With this supplementary budget included, budgeted state expenditure for 1978 totalled 38 257 million marks.

The new 50 mark bank-note. On March 7, 1978, the Bank of Finland issued a new 50 mark note. The old note of 1963 will remain legal tender.

There are substantial differences from the old note. Of these the most important are:

The new note is printed on reddish-hued paper containing red and green fibres.

The printed fields on front and back are covered by guilloche-line patterns.

At right on the front there is a narrow ornament band consisting of linear drawing.

In the field covered by guilloche-line pattern a colonnade of the Parliament Building is visible.

The background in the middle of the note shows an ovalformed guilloche-line figure which is partly covered by horizontal lines. The fields of this figure are orange, greenish and brownish grey.

The portrait on the note features K. J. Ståhlberg, former President of Finland, but differs considerably from the type of 1963.

In the margin at right there is an unprinted field of 29 mm in width, at the upper part of which an oval linear-rosette shows the denomination (50) of the note.

At right, the new note shows K. J. Ståhlberg's portrait as a watermark.

On front and back, the colouring differs from that of the old note.

The colour on the back of the note is brown turning gradually into greenish orange to the left and further into orange and reddish brown.

In the background of the Finnish coat of arms there is a large violet-orange-greenish rosette.

Featured at left is a colonnade of the Parliament Building which supports a linear ornament beam.

(continued from page 2)

In order to offset cost pressures generated by the September devaluation, interest rates were reduced by one percentage point in October, 1977. At this time, the discount rate was lowered from 9 ¼ per cent to 8 ¼ per cent, and the structure of deposit rates was adjusted so that the rates paid on longer term deposits rose relative those paid on short-term deposits. The Bank of Finland also advised the banks to reduce their average lending rates by one percentage point. In December, new credit policy guidelines were circulated to the financial institutions. The operations and investment of sound enterprises and housing construction were cited as a types of activity to be favoured. The banks were asked to be strict when considering applications for credit to be used to finance imports, commerce and other service sector activities.

In current conditions, there are clear limitations on what monetary policy alone can do to eliminate unemployment, stimulate investment and raise the growth rate. An attempt is being made to ensure that a shortage of finance does not stand in the way of sustained recovery, but at the same time, it is imperative to prevent the build-up of excess liquidity that would only pave the way for the resurgence of inflation and renewed pressure on the foreign exchange reserves.

March 23, 1978

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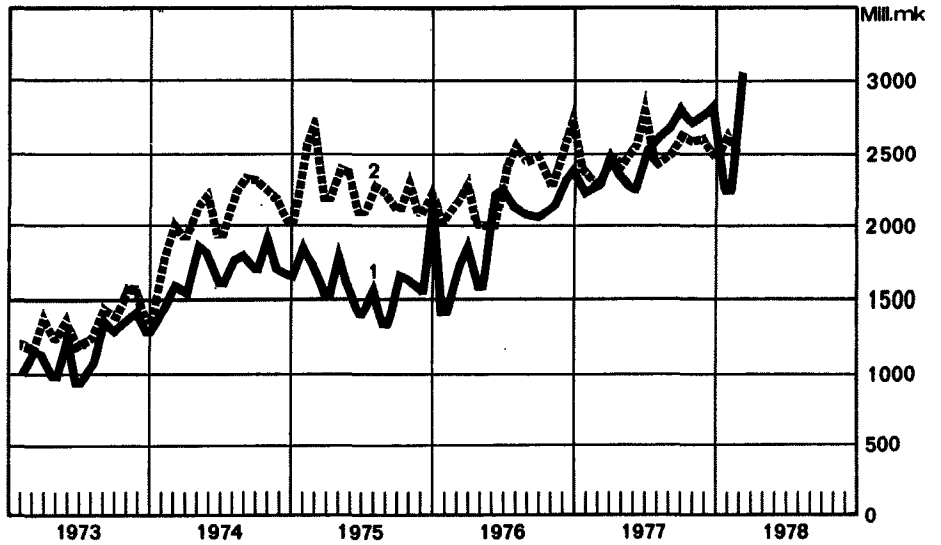
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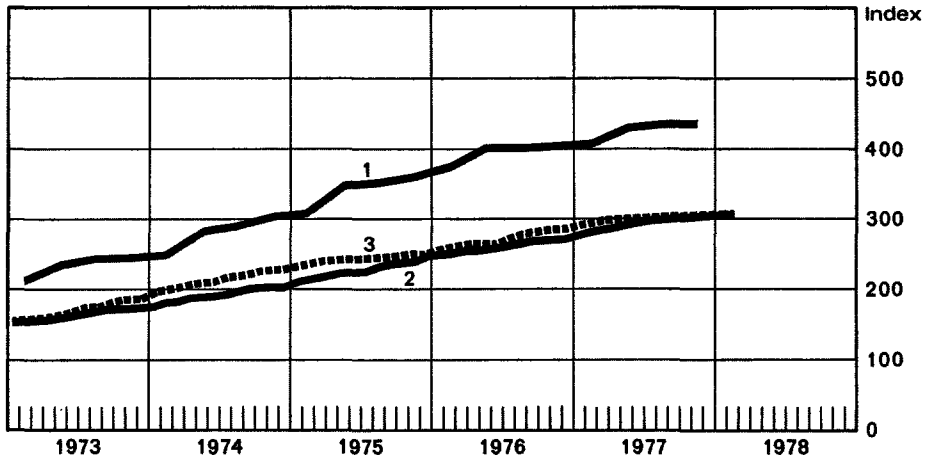
FOREIGN TRADE, 1973 - 1978

- 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

