



BANK OF FINLAND

Monthly Bulletin

The budget proposal for 1978

**Finnish chemical industries and the
building materials industry:
an overview**

New § 2 of the Currency Act

Silver commemorative coin

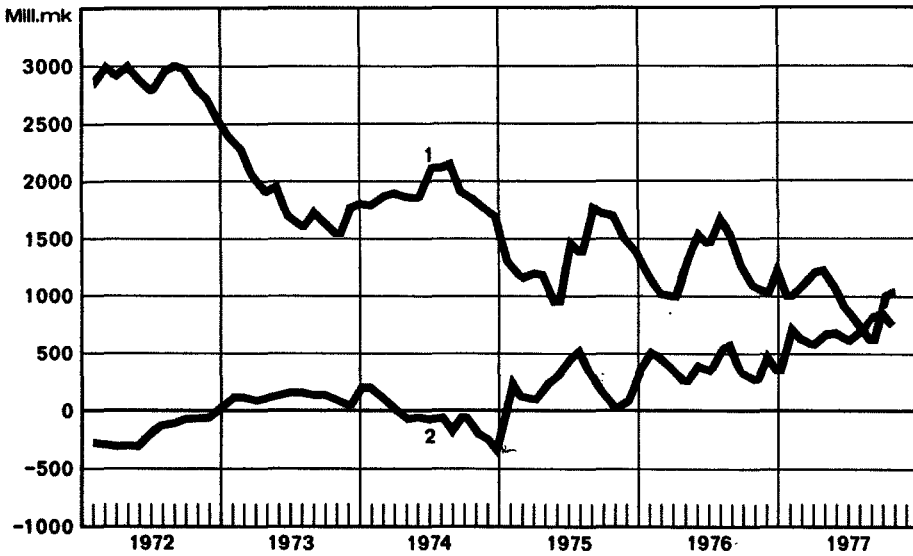
Finland's gross long-term foreign debt in
January—June 1977

Supplementary budget

DECEMBER 1977

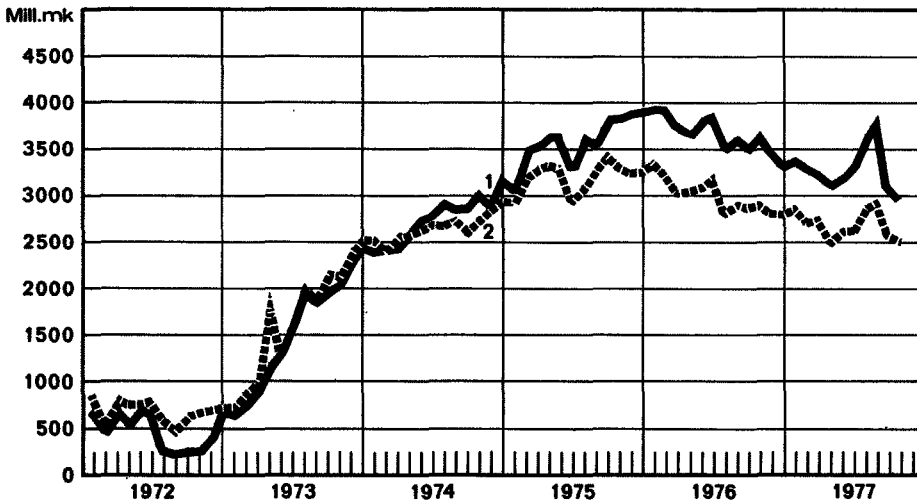
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BANK OF FINLAND'S CONVERTIBLE AND NON-CONVERTIBLE FOREIGN EXCHANGE RESERVES, 1972 - 1977



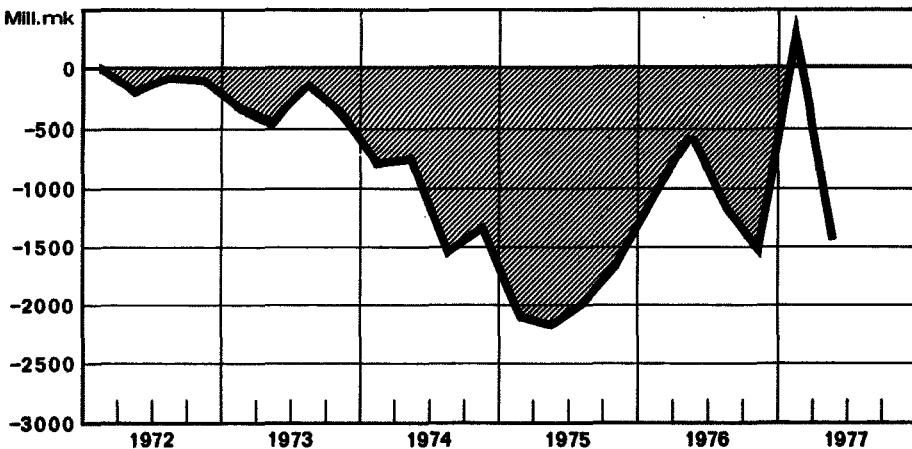
- 1. Gold and convertible currencies
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BANK OF FINLAND'S POSITION WITH REGARD TO THE DOMESTIC FINANCIAL SECTOR, 1972 - 1977



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Seasonally adjusted quarterly figures

THE BUDGET PROPOSAL FOR 1978

The budget proposal for 1978, presented to Parliament in September 1977, was prepared at a time when hopes for an international upswing had already faded. Production was stagnating, unemployment increasing and the financial position of the central government was weak. Although the rate of inflation was falling, it was still higher than in most other Western countries. On the other hand, the current account deficit was falling and was expected to be less than 2 per cent of GDP in 1977, after being 4 per cent in 1976 and 8 per cent in 1975.

In June 1977, the Government decided on guidelines for economic policy in the medium term. A drastic reduction in the rate of inflation was thought to be a prerequisite for achieving any of the major economic targets. The targets set forward are: reducing the unemployment rate so that by the early 1980s it will be consistently less than 2 ½ per cent; restraining the deficit on current account to less than 2 per cent of GDP; and preventing the gross burden of taxation from rising above its 1977 level. In addition, the average annual increase in public expenditure on consumption should be limited to about 3 per cent and the growth in general government investment expenditure should be very small.

The scope and content of the budget proposal for 1978 were largely determined by this decision on economic policy. However, the finalisation of the policy in August—September was complicated by the fact that developments in the economy were turning out to be even worse than had been forecast in the spring. The forecast for the growth of GDP was revised downwards to ½ a per cent for 1977 and between 2 ½ and 3 per cent for 1978. The unemployment rate was forecast to rise to 6 per cent in 1978 instead of falling to 4 ½ per cent. It was obvious that there was a widening gap between the stimulus that could be effected through the budget and that which was re-

quired, therefore special attention was given to selective measures.

A number of measures are proposed to improve the competitiveness and profitability of firms and to help them to retain or increase their labour force: the reduction of employers' social security contributions by one percentage point from October 1, 1977 to April 30, 1978; refraining from the collection of the stand-by-stock charge levied on liquid fuels, except from that on petrol; certain minor reductions in the taxation of entrepreneurial and dividend incomes; and also — though outside the budget — a temporary reduction of one percentage point, during 1978, in employers' contributions to the employee pension funds. In addition, as fixed investment is expected to decline further in 1978, certain directly stimulative measures are proposed: industrial buildings started by March 31, 1978 will be exempt from sales tax (this will be effective from August 1, 1977); lending by state agencies — the Investment Fund of Finland and the Regional Development Fund Ltd — to enterprises will be increased; housing loans will be granted so as to maintain the volume of dwelling production at this year's level, thus slightly exceeding projected needs in the longer term; expenditure on energy-saving improvements to existing buildings will be increased; and certain public investments will be started earlier than planned.

Therefore, the emphasis in employment policy will be on measures which support employment in the private sector, especially in manufacturing. Further, several measures to mitigate unemployment among young people are proposed, including appropriations for additional vocational training.

To ensure that the forecasted slight increase in private consumption is realised in 1978, the tightening effect on inflation during 1977,

through progressive income and wealth taxation, will be eliminated. However, as inflation is expected to be slower in 1978 than in 1977, the adjustment will in effect give a slight easing of direct taxation. In addition, transfers to households will be increased.

On the other hand, it is proposed that certain indirect taxes and charges be raised: the tax on petrol and diesel oil by 10 pence per litre; the price of alcoholic beverages by 10 per cent; and postal and railway tariffs by about 8 per cent. Also, the tax on light and heavy fuel oil will be reintroduced at one penny per litre or kilogramme, after being temporarily suspended. In line with efforts to dampen inflation, these limited increases will raise the cost of living index by only 1.2 per cent — noticeably less than the effect of increased indirect taxes have had in recent years.

The net effect of all changes will be a decrease in revenue of the order of 600 million marks (1 ½ per cent of the budget). The share of direct taxes will fall to 36 per cent of all tax revenue.

Because of the limitations set by the expected slow economic growth in 1978 and the special measures required by the economic objectives, no major new social programmes are included in the budget proposal. However, the programmes for public health, hospital and day-care services will continue to be implemented as previously planned. In line with the targets set out in the decision on economic policy in June, the increase in the volume of central government consumption expenditure will be limited to about 2 per cent. A large part of the public services provided by municipalities are

partly financed by transfers from the State budget. It is proposed that these appropriations will be such that, in real terms, the expenditure by local government on consumption will, in 1978, increase by 3 per cent, at most, and administrative investment by 2 per cent.

To balance the budget, gross borrowing of 1 880 million marks (5 per cent of the budget) is required. (By statute, the budget must be balanced, and the Government cannot normally cover the deficit by borrowing from the central bank.) To give a stimulus to the economy, the share of new loans to be raised in foreign capital markets will be somewhat larger than previously planned. In addition, the increase in the resources of the state lending institutions (mentioned above) is to be effected through borrowing abroad. Close co-ordination with the Bank of Finland is required to ensure a monetary development supporting the economic programme.

At 37 601 million marks, the expenditure in the budget proposal is 14 per cent larger than in the 1977 ordinary budget. However, such comparisons may be misleading because of numerous special factors including supplementary budgets, and the transfer of responsibilities between central and local government.

In light of the most recent assessments of the economic situation, the overall effect of the proposed budget will be neutral, or at most, slightly expansionary. Therefore, in November the Government decided on further expansionary measures which will greatly affect the budget proposal now being discussed in Parliament.

November 21, 1977

BANK OF FINLAND

Mill. mk

	1976		1977			
	Nov. 30	Dec. 31	Nov. 8	Nov. 15	Nov. 23	Nov. 30
Assets						
Gold and foreign exchange receivables	1 774	1 801	1 695	1 530	1 405	1 749
Gold	121	121	127	127	127	127
Special drawing rights	251	236	191	176	176	176
Convertible currencies	825	1 004	512	370	283	600
Tied currencies	577	440	865	857	819	846
Other foreign receivables	1 595	1 660	1 902	1 911	1 930	1 912
Foreign bills	379	436	446	454	473	455
Foreign bonds	389	397	522	523	523	523
Currency subscription to Finland's quota in the IMF	827	827	934	934	934	934
Receivables from financial institutions	4 615	4 674	4 404	4 452	4 950	4 999
Cheque accounts of the commercial banks	178	174	152	162	152	132
Discounted bills	3 036	2 920	2 773	2 841	2 970	3 058
Bonds	381	332	411	437	606	687
Call money market advances	981	1 204	1 004	966	1 174	1 100
Other financial institution receivables	39	44	64	46	48	22
Receivables from the public sector	432	447	366	367	366	364
Bonds	74	67	61	61	59	59
Total coinage	278	279	302	303	303	303
Other public sector receivables	80	101	3	3	4	2
Receivables from corporations	1 315	1 400	1 457	1 458	1 445	1 428
New export bills	154	165	198	199	200	200
Financing of suppliers' credits	541	554	701	702	697	694
Bonds	202	198	229	233	233	233
Other corporate receivables	418	483	329	324	315	301
Other assets	52	53	78	78	78	79
Total	9 783	10 035	9 902	9 796	10 174	10 531
Liabilities						
Foreign exchange liabilities	171	101	93	99	98	95
Convertible accounts	123	50	44	50	48	46
Tied accounts	48	51	49	49	50	49
Other foreign liabilities	1 923	1 923	2 134	2 134	2 135	2 556
IMF mark accounts	1 665	1 665	1 772	1 772	1 772	1 772
Allocations of special drawing rights	258	258	258	258	258	258
Term liabilities	—	—	104	104	105	526
Notes and coins in circulation	2 839	2 885	3 020	3 033	3 025	3 075
Notes	2 593	2 635	2 757	2 769	2 757	2 806
Coins	246	250	263	264	268	269
Deposit certificates in circulation	—	—	180	180	180	180
Claims of financial institutions	791	1 143	1 078	964	1 345	1 143
Cheque account of Postipankki	1	2	0	0	0	0
Cheque accounts of the commercial banks	5	2	1	1	1	1
Call money market deposits	782	1 137	825	690	1 089	853
Capital import deposits	—	—	—	234	237	278
Other financial institution claims	3	2	252	39	18	11
Claims of the public sector	1 215	1 133	287	287	290	407
Cheque accounts	0	2	0	0	0	0
Counter-cyclical reserves	55	59	34	34	34	34
Capital import deposits	1 081	973	0	250	252	369
Other public sector claims	79	99	253	3	4	4
Claims of corporations	352	308	240	238	244	236
Investment deposits	59	58	39	38	37	37
Capital import deposits	247	242	185	185	187	180
Import levy deposits	3	6	14	14	19	18
Other corporate claims	43	2	2	1	1	1
Other liabilities	15	13	14	14	12	13
Equalization accounts	555	592	892	879	873	860
Capital accounts	1 922	1 937	1 964	1 968	1 972	1 976
Primary capital	1 400	1 400	1 400	1 400	1 400	1 400
Reserve fund	334	334	436	436	436	436
Undisposed profits	—	—	—	—	—	—
Net earnings	188	203	128	132	136	140
Total	9 783	10 035	9 902	9 796	10 174	10 531

BANK OF FINLAND¹

Mill. mk

End of year and month	Foreign sector						Public sector				Deposit certificates in circulation
	Gold and convertible exchange receivables	Convertible exchange liabilities	Gold and convertible exchange reserve (1-2)	Non-convertible exchange reserve	Other receivables	Other liabilities	Net receivables (3+4+5-6)	Receivables	Liabilities	Net liabilities (9-8)	
	1	2	3	4	5	6	7	8	9	10	11
1970	1 812	11	1 801	— 63	639	606	1 771	119	121	2	203
1971	2 620	30	2 590	—297	686	704	2 275	148	140	— 8	400
1972	2 613	43	2 570	— 6	757	788	2 533	175	49	—126	790
1973	1 928	65	1 863	210	803	788	2 088	200	534	334	1 450
1974	1 784	62	1 722	—388	1 123	788	1 669	302	560	258	1 040
1975	1 488	78	1 410	368	1 274	1 385	1 667	339	1 301	962	250
1976	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1976											
Oct.	1 257	134	1 123	304	1 560	1 923	1 064	421	1 130	709	—
Nov.	1 197	123	1 074	529	1 595	1 923	1 275	432	1 215	783	—
Dec.	1 361	50	1 311	389	1 660	1 923	1 437	447	1 133	686	—
1977											
Jan.	1 074	53	1 021	768	1 636	1 923	1 502	440	979	539	—
Feb.	1 180	49	1 131	654	1 637	1 923	1 499	426	873	447	—
March	1 292	60	1 232	608	1 692	1 923	1 609	433	739	306	180
April	1 324	65	1 259	697	1 733	1 923	1 766	407	512	105	180
May	1 152	39	1 113	714	1 851	2 030	1 648	377	581	204	180
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

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

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1976			Net holdings, Oct. 31, 1977			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	Oct.	Jan.—Oct.
Gold	121	—	121	127	—	127	—	+ 6
Special drawing rights	236	—	236	191	—	191	—	— 45
IMF gold tranche	—	—	—	—	—	—	—	—
Convertible currencies	954	—1 783	—829	755	—3 386	—2 631	+ 309	—1 802
Total	1 311	—1 783	—472	1 073	—3 386	—2 313	+ 309	—1 841
Non-convertible currencies	389	—27	362	772	7	779	— 81	+ 417

End of year and month	Domestic financial sector						Corporate sector				Notes and coins in circulation
	Dis-counted and redis-counted bills	Cheque account receiv-ables ²	Other receiv-ables	Cheque account liabilities to the commer-cial banks ³	Cheque account liabilities to Posti-pankki ³	Other liabili-ties	Net receiv-ables (1+2+3-4-5-6)	Receiv-ables	Liabili-ties	Net receiv-ables (8-9)	
	1	2	3	4	5	6	7	8	9	10	11
1970	836	3	—	1	4	—	834	383	324	59	1 455
1971	849	—	—	9	2	—	838	355	385	— 30	1 413
1972	753	5	—	—	2	—	756	321	73	248	1 879
1973	2 556	61	—	—	2	—	2 615	372	259	113	2 082
1974	3 034	114	266	4	4	1	3 405	631	195	436	2 462
1975	3 385	133	646	3	1	25	4 135	933	539	394	2 855
1976	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885

1976

Oct.	3 148	164	1 566	3	0	1 005	3 870	1 356	297	1 059	2 882
Nov.	3 036	178	1 401	5	1	785	3 824	1 315	352	963	2 839
Dec.	2 920	174	1 580	2	2	1 139	3 531	1 400	308	1 092	2 885

1977

Jan.	2 729	119	2 095	2	0	1 673	3 268	1 308	244	1 064	2 758
Feb.	2 604	176	2 405	1	1	1 865	3 318	1 306	353	953	2 790
March	2 769	123	1 690	2	0	1 322	3 258	1 321	307	1 014	2 845
April.	2 460	152	1 480	3	1	1 061	3 027	1 398	272	1 126	2 924
May	2 749	110	1 193	2	0	832	3 218	1 437	263	1 174	2 932
June	2 768	128	1 305	5	0	768	3 428	1 459	230	1 229	3 154
July	2 773	116	1 320	5	0	797	3 407	1 498	232	1 266	3 157
Aug	2 779	85	1 463	1	1	846	3 479	1 439	260	1 179	3 022
Sept.	2 700	140	1 303	5	0	1 010	3 128	1 476	266	1 210	3 079
Oct.	2 722	122	1 691	1	0	1 376	3 158	1 467	305	1 162	3 072
Nov.	3 058	132	1 809	1	0	1 142	3 856	1 428	236	1 192	3 075

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

² Including special index accounts.

³ Including cash reserve accounts.

SELLING RATES FOR FOREIGN EXCHANGE

Mk

Nov. 21, 1977

New York ¹	1 \$	4.194	Frankfurt o. M.	100 DM	187.80	Vienna	100 S	26.35
Montreal	1 \$	3.780	Amsterdam	100 Fl	174.00	Lisbon	100 Esc	10.45
London	1 £	7.680	Brussels ²	100 Fr		Madrid	100 Pta	5.10
Stockholm	100 Kr	87.50	Zurich	100 Fr	191.30	Tokyo	100 Y	1.735
Oslo	100 Kr	77.00	Paris	100 FF	86.50	Reykjavik	100 Kr	1.98
Copenhagen	100 Kr	68.60	Rome	100 Lit	0.480	Moscow ³	1 Rbl	5.809

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

² 11.950 commercial rate; 11.950 financial rate.

³ Clearing account; also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

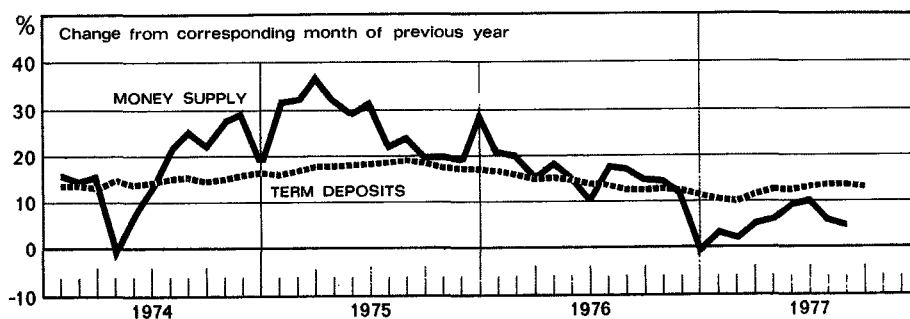
End of year and month	Sight deposits			Term deposits					Total (2 + 3 + 9)	
	Cheque accounts		Posta giro accounts	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Co-op. stores		All credit institutions
	Commercial banks	All credit institutions								
	1		4	5	6	7	8	9	10	
1970	1 143	1 508	603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

1976*

Sept	2 856	4 094	1 935	11 896	10 545	8 286	3 426	1 213	35 366	41 395
Oct.	2 715	3 930	1 948	11 986	10 599	8 341	3 465	1 231	35 622	41 500
Nov.	2 933	4 170	1 913	12 031	10 769	8 477	3 480	1 248	36 005	42 088
Dec.	3 028	4 386	2 332	12 789	11 066	8 622	3 578	1 255	37 310	44 028

1977*

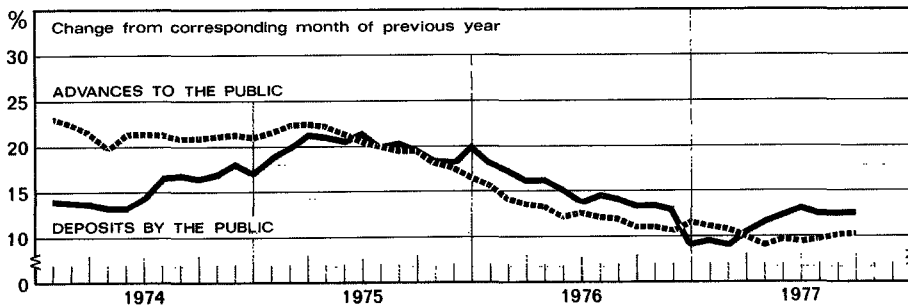
Jan.	2 969	4 190	2 370	12 718	11 166	8 721	3 616	1 282	37 503	44 063
Feb.	2 827	4 103	2 495	12 719	11 273	8 821	3 673	1 296	37 782	44 380
March	2 911	4 265	2 346	12 783	11 362	8 885	3 737	1 307	38 074	44 685
April	2 923	4 234	2 382	12 988	11 443	9 183	3 758	1 324	38 696	45 312
May	3 163	4 536	2 221	13 108	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



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1970	7 963	4 342	3 404	1 342	1 454	17 815	690	18 505	3 445
1971	9 234	4 795	3 834	1 747	1 799	20 640	769	21 409	4 025
1972	10 667	5 503	4 483	2 245	2 374	24 473	799	25 272	4 959
1973	13 365	6 497	5 302	3 399	2 696	30 286	973	31 259	6 115
1974	15 869	7 716	6 456	4 617	3 264	36 782	1 140	37 922	7 283
1975	17 773	9 108	7 798	5 488	4 129	43 002	1 294	44 296	9 450
1976*	19 090	10 616	9 256	6 012	4 582	47 965	1 591	49 556	9 268
1976*									
Sept.	18 453	10 148	8 683	5 937	4 470	46 092	1 599	47 691	8 504
Oct.	18 658	10 279	8 855	5 939	4 475	46 617	1 589	48 206	8 422
Nov.	18 791	10 418	9 000	6 046	4 494	47 168	1 581	48 749	8 565
Dec.	19 090	10 616	9 256	6 012	4 582	47 965	1 591	49 556	9 268
1977*									
Jan.	19 176	10 683	9 271	6 044	4 625	48 168	1 631	49 799	8 960
Feb.	19 204	10 762	9 276	6 071	4 619	48 281	1 651	49 932	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	..
Oct.	20 270	11 795	10 119	6 343	4 873	53 400	..



STATE FINANCES

Mill. mk

Revenue	Jan.—Sept.		Expenditure	Jan.—Sept.	
	1976	1977		1976	1977
Income and property tax (net)	8 775	7 566	Wages, salaries, pensions etc.	3 888	4 296
Gross receipts	(17 907)	(19 979)	Repair and maintenance	527	597
Refunds & local authorities	(9 132)	(—12 413)	Other consumption expenditure	1 691	2 020
Other taxes on income and property	167	183	Total consumption expenditure	6 106	6 913
Employers' child allowance payments	807	880	State aid to local authorities	4 525	5 266
Sales tax	4 567	5 791	State aid to industries	3 293	3 503
Revenue from Alcohol Monopoly	1 217	1 188	of which: agric. price subsidies	(1 846)	(2 007)
Customs duties & import charge	421	450	Child allowances	606	772
Counter-cyclical tax	—	—	Share in national pensions and health insurance	197	221
Excise duty on tobacco	583	611	Other transfer expenditure	2 454	2 924
» » on liquid fuel	1 096	1 422	Total transfer expenditure	11 075	12 686
Other excise duties	626	1 067	Machinery and equipment	772	906
Tax on autom. and motor cycles	589	625	House construction	391	426
Stamp duties	458	532	Land and waterway construction	1 124	1 073
Special diesel etc. vehicles tax	60	99	Total real investment	2 287	2 405
Other taxes and similar revenue ¹	606	642	Interest on State debt	180	306
Total taxes	19 972	21 056	Index compensations	31	28
Miscellaneous revenue	1 279	1 381	Net deficit of State enterprises	318	25
Interest, dividends etc.	400	464	Other expenditure	34	36
Sales and depreciation of property	4	6	Total other expenditure	563	395
Redemptions of loans granted	329	240	Increase in inventories	83	10
Total revenue	21 984	23 147	Lending	1 994	2 236
Foreign borrowing	590	295	Other financial investment	509	444
Domestic borrowing	606	850	Total expenditure	22 617	25 089
Total borrowing	1 196	1 145	Redemption of foreign loans	109	87
Deficit (+) or surplus (—)	— 234	+1 159	Redemption of domestic loans	220	275
			Total redemptions	329	362
	Total	22 946	Total	29 946	25 451

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

State debt	1975	1976	1977			
	Dec.	Dec.	July	Aug.	Sept.	Oct.
Foreign debt	1 603	2 248	2 537	2 525	2 734	2 974
Loans	1 645	2 175	2 450	2 631	2 736	2 845
Compensatory obligations	1	1	1	1	1	1
Short-term credit	85	287	150	167	157	..
Cash debt (net)	—242	—643	—138	—46	— 192	..
Domestic debt	1 489	1 820	2 463	2 753	2 702	..
Total State debt	3 092	4 068	5 000	5 278	5 436	..
Total debt, mill \$	798	1 069	1 243	1 306	1 300	..

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1972	12 082	13 107	-1 025
1973	14 605	16 599	-1 994
1974	20 687	25 666	-4 979
1975	20 247	28 002	-7 755
1976	24 505	28 555	-4 050

1976			
Aug.	1 758	2 357	- 599
Sept.	2 119	2 632	- 513
Oct.	2 395	2 361	+ 34
Nov.	2 463	2 783	- 320
Dec.	2 610	3 305	- 695

1977*			
Jan.	2 469	2 389	+ 80
Feb.	1 917	1 992	-75
March	2 621	2 404	+ 217
April	2 084	2 169	- 85
May	2 233	2 421	- 188
June	2 542	3 120	- 578
July	2 833	2 443	+ 390
Aug.	2 240	2 396	-156
Sept.	2 901	2 845	+ 56

Jan.-Sept.			
1976	17 038	20 110	-3 072
1977*	21 840	22 179	- 339

Indices of exports and
imports 1975 = 100

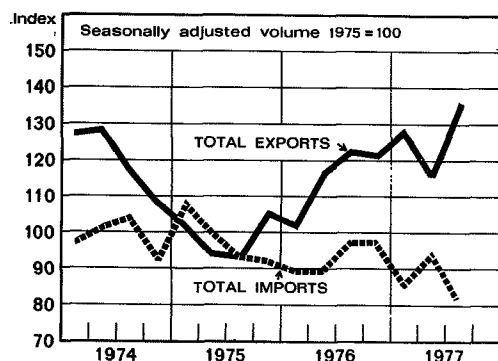
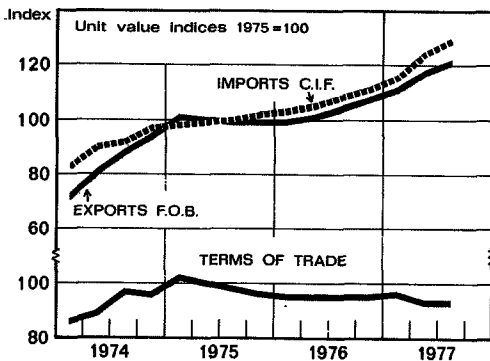
Period	Indices of exports and imports 1975 = 100				Terms of trade
	Volume		Unit value		
	Exports	Imports	Exports	Imports	
1972	113	82	53	57	93
1973	121	93	60	64	94
1974	121	100	85	92	92
1975	100	100	100	100	100
1976	117	96	103	107	97

1974					
Oct.-Dec.	119	101	96	98	98

1975					
Jan.-Mar.	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.-Mar.	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.-Mar.	124	83	112	116	97
Apr.-June	115	88	118	125	94
July-Sept.	129	84	122	130	94



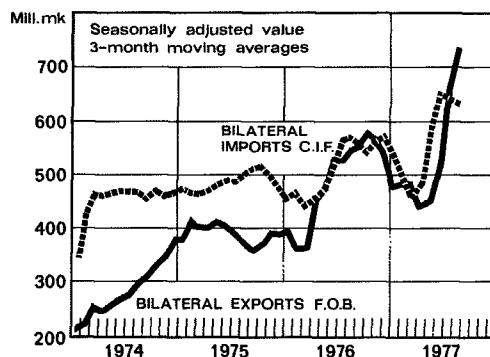
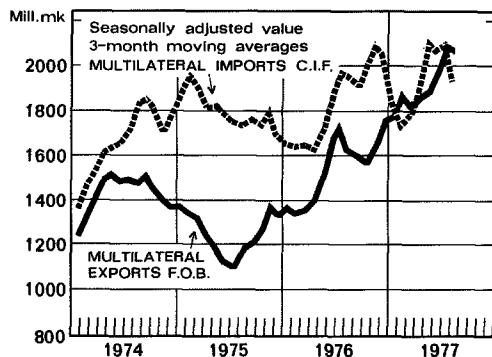
FOREIGN TRADE BY MAIN GROUPS

Mill. mk

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	
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973	432	2 458	5 266	2 921	3 528	9 916	729	2 919	2 968	67
1974	464	3 153	7 872	4 245	4 953	16 525	1 978	3 857	3 282	24
1975	449	2 177	7 225	5 357	5 039	17 058	1 670	5 222	3 989	63
1976	804	2 892	7 860	6 891	6 058	17 828	1 581	4 966	4 103	77
1976										
Aug.	42	257	645	324	490	1 483	163	381	308	22
Sept.	47	276	665	554	577	1 564	166	515	386	1
Oct.	71	255	741	749	579	1 448	177	380	346	10
Nov.	66	273	724	826	574	1 849	157	371	397	9
Dec.	161	311	741	797	600	2 145	144	583	422	11
1977*										
Jan.	204	286	655	748	576	1 384	144	546	308	7
Feb.	45	232	625	476	539	1 297	102	271	320	2
March	181	261	802	692	685	1 488	85	381	448	2
April	54	246	630	600	554	1 277	107	373	405	7
May	106	350	681	435	661	1 451	148	370	441	11
June	90	366	750	770	566	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	1 590	165	275	356	10
Sept.	44	337	795	943	782	1 788	283	372	399	3
Jan.-Sept.										
1976	506	2 053	5 654	4 519	4 306	12 385	1 103	3 637	2 938	47
1977*	859	2 770	6 313	6 314	5 584	13 868	1 414	3 472	3 346	79



FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—September				January—September			
	1976*		1977*		1976*		1977*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	65.0	11 078	65.0	14 189	65.2	13 108	63.0	13 971
Austria	0.7	115	0.8	181	1.4	290	1.2	276
Belgium-Luxembourg	1.7	282	2.0	440	1.8	364	1.8	389
Denmark	3.9	660	3.6	783	3.1	617	2.9	648
France	3.8	639	3.5	769	2.8	573	2.8	623
Federal Republic of Germany	9.9	1 683	10.8	2 355	16.3	3 280	15.2	3 380
Italy	1.7	289	1.1	242	2.1	411	1.9	411
Netherlands	3.1	533	3.6	786	3.0	607	3.3	733
Norway	3.4	587	5.2	1 139	3.1	617	3.3	721
Portugal	0.3	57	0.3	67	0.3	65	0.4	84
Spain	1.0	169	1.0	204	1.4	276	1.2	277
Sweden	17.9	3 056	16.5	3 600	17.9	3 601	16.1	3 567
Switzerland	1.7	286	1.9	409	3.4	678	3.3	736
United Kingdom	14.6	2 493	12.4	2 714	8.4	1 680	9.3	2 054
Other	1.3	229	2.3	500	0.2	49	0.3	72
OECD countries outside Europe	4.8	817	6.6	1 449	9.0	1 804	8.9	1 977
Canada	0.6	111	0.6	129	0.4	84	0.4	95
Japan	0.7	114	0.9	193	1.6	329	1.8	406
United States	2.7	456	4.3	954	6.9	1 381	6.6	1 466
Other	0.8	136	0.8	173	0.1	10	0.1	10
CMEA countries	22.1	3 772	20.7	4 517	21.7	4 363	22.7	5 030
Czechoslovakia	0.6	95	0.4	85	0.5	103	0.5	100
Democratic Republic of Germany	0.8	142	0.9	206	0.5	97	0.6	126
Poland	1.2	202	0.8	163	1.7	344	2.1	475
Soviet Union	18.7	3 185	17.8	3 887	18.1	3 640	18.9	4 191
Other	0.8	148	0.8	176	0.9	179	0.6	138
Latin America	2.1	359	1.8	387	1.8	365	2.4	523
Argentina	0.2	38	0.2	43	0.1	13	0.1	14
Brazil	0.6	95	0.5	100	0.4	84	0.2	43
Colombia	0.1	18	0.1	16	0.6	127	1.1	255
Other	1.2	208	1.0	228	0.7	141	1.0	211
Other	6.0	1 012	5.9	1 298	2.3	470	3.0	678
GRAND TOTAL	100.0	17 038	100.0	21 840	100.0	20 110	100.0	22 179
of which								
EFTA countries	24.2	4 122	24.8	5 424	26.2	5 266	24.4	5 418
EEC countries	39.1	6 667	37.6	8 210	37.6	7 553	37.3	8 264
OECD countries	69.8	11 895	71.6	15 638	74.2	14 912	71.9	15 948

BALANCE OF PAYMENTS

Period	Visible exports f.o.b.	Visible imports c.i.f.	Visible trade account	Transport. net	Travel net	Other services, net	Visible and invisible trade account	Investment income, net	Transfer payments, net	Current account
1974 _r	20 605	25 598	-4 993	+1 075	+326	+105	-3 487	-1 006	-69	-4 562
1975	20 181	27 939	-7 758	+ 984	+105	+217	-6 452	-1 414	-108	-7 974
1976	24 372	28 472	-4 100	+1 193	+ 22	+245	-2 640	-1 749	-118	-4 507

1974

Oct.-Dec.	5 753	6 879	-1 126	+204	- 1	+89	- 834	-291	-29	-1 154
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1975

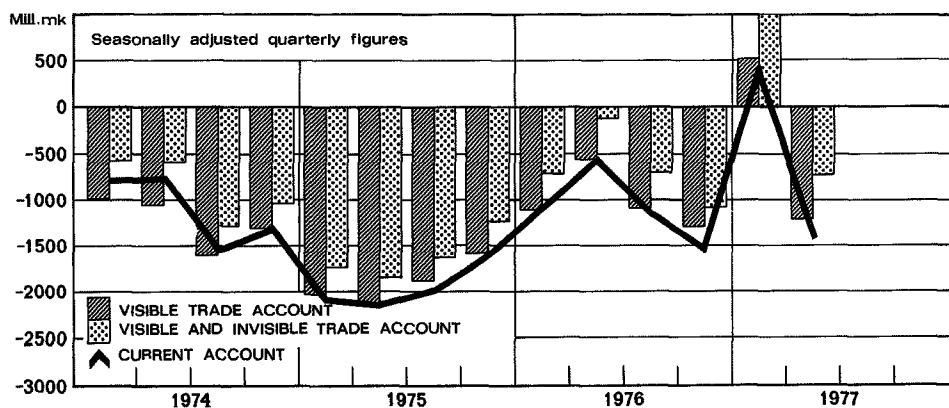
Jan.-March	5 143	7 368	-2 225	+292	- 43	- 44	-2 020	-316	-57	-2 393
Apr.-June	4 695	6 688	-1 993	+221	+ 13	- 2	-1 761	-379	-15	-2 155
July-Sept.	4 482	6 649	-2 167	+237	+142	+ 57	-1 731	-308	- 6	-2 045
Oct.-Dec.	5 961	7 234	-1 373	+234	- 7	+206	- 940	-411	-30	-1 381

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	6 981	6 764	+ 217	+348	- 80	+ 75	+ 560	-506	-46	+ 8
Apr.-June	6 821	7 705	- 884	+325	+ 10	+ 34	- 515	-726	-12	-1 253

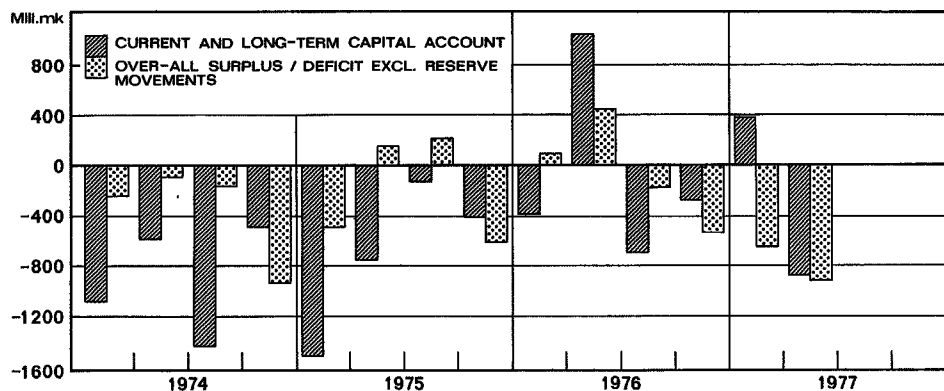


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous short-term capital items incl. errors and omissions	Over-all surplus/deficit excl. reserve movements	Reserve movements	
										Bank of Finland	Other foreign exchange holders
+2 730	-1 537	-223	- 23	+ 947	-3 615	+930	+337	+ 873	-1 475	+739	+ 736
+6 729	-1 445	-214	+ 62	+5 132	-2 842	+638	+1 449	+ 8	- 747	-444	+1 191
+6 130	-1 785	-191	+ 48	+4 202	- 305	+138	-1 288	+1 327	- 128	+ 78	+ 50
+942	-274	- 24	+ 15	+659	- 495	-209	-157	- 86	-947	+498	+449
+1 206	-310	- 24	+ 11	+ 883	-1 510	+310	+758	- 35	-477	- 32	+509
+1 870	-433	- 48	+ 9	+1 398	-757	-140	+758	+296	+157	-668	+511
+2 121	-287	- 3	+ 57	+1 888	-157	+131	- 34	+265	+205	+ 91	-296
+1 532	-415	-139	- 15	+ 963	-418	+337	- 33	-518	-632	+165	+467
+1 404	-374	+ 5	+ 11	+1 046	- 389	-628	+119	+996	+ 98	+373	-471
+2 096	-394	- 95	- 7	+1 600	+1 056	-158	+120	-560	+458	-485	+ 27
+1 239	-568	- 11	- 25	+ 635	- 696	+565	-764	+722	-173	+263	- 90
+1 391	-449	- 90	+ 69	+ 921	- 276	+359	-763	+169	-511	- 73	+584
+1 022	-550	-127	- 25	+ 320	+ 328	-802	+149	-308	-633	-140	+773
+1 273	-857	+ 36	- 35	+ 417	- 836	-320	+149	+ 75	-932	+407	+525

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

¹ Including Direct investment, net.

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



PRICE INDICES

Period	Wholesale prices 1949 = 100									Building costs 1973 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machinery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1975	562	575	513	570	637	532	629	536	539	139	131	142
1976	626	646	548	614	707	621	679	594	614	152	142	154

1977

Jan.	669	692	584	653	770	665	710	629	672	165	149	169
Feb.	676	698	588	658	781	672	718	635	677	166	149	171
March.	682	706	591	660	777	687	727	645	680	167	149	172
April	686	708	601	665	790	688	730	646	686	168	149	173
May	688	709	607	666	795	690	727	648	691	169	150	174
June	692	714	610	667	802	698	725	659	694	172	158	176
July	697	719	613	671	807	704	736	661	697	173	158	176
Aug.	696	718	610	667	806	706	727	663	700	175	158	180
Sept.	701	722	621	673	826	705	730	665	707	175	158	180
Oct.	703	722	631	675	829	709	735	665	710	175	157	180

Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.—Dec. 1957 = 100	Consumer prices 1972 = 100									
			Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1975	392	308	153	157	135	150	162	184	150	145	144	156
1976	449	352	174	182	164	166	171	200	164	174	162	185

1977

Jan.	476	374	185	196	174	173	174	210	174	185	179	198
Feb.	482	378	187	200	174	176	175	210	176	187	180	201
March.	489	384	190	207	174	179	175	214	177	190	182	202
April	493	387	192	209	174	180	175	215	179	193	183	203
May	500	392	194	212	174	182	181	218	180	196	184	205
June	506	397	197	219	174	182	181	222	181	197	184	209
July	510	400	198	222	174	177	181	222	182	199	190	211
Aug.	518	407	201	226	174	179	190	223	183	202	191	213
Sept.	520	408	202	225	174	184	190	223	184	202	193	215
Oct.	522	410	203	225	174	185	190	229	185	203	194	216

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
1974	160	197	90	96	168	103	163	179	158	159	165
1975	161	192	100	83	175	104	158	188	166	168	169
1976*	162	195	106	79	153	103	160	190	173	173	173
1976*											
Jan.-March	156	202	62	84	121	102	149	179	171	171	171
Apr.-June	161	195	103	91	134	106	157	187	172	172	172
July-Sept.	160	167	185	57	166	101	161	187	173	174	173
Oct.-Dec.	172	216	74	86	192	102	171	206	177	176	175
1977*											
Jan.-March	158	200	65	99	132	99	152	173	179	176	175
Apr.-June	161	189	100	94	142	103	160	188	180	176	175

PRODUCTION

Index of industrial production 1970 = 100

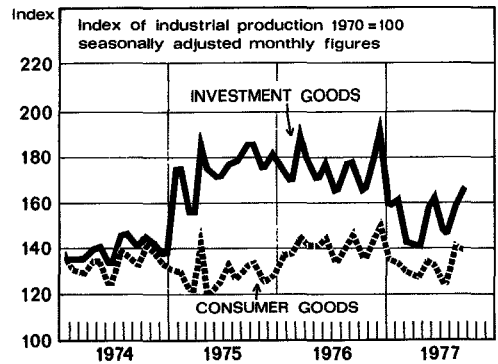
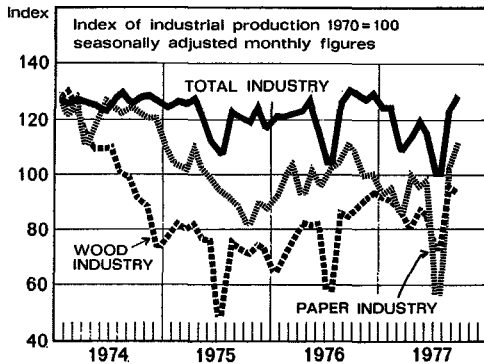
Period	Total	Investment goods	Other producer goods	Consumer goods	Special indices of manufacturing						Total, adjusted for seasonal variations
					Food industry	Wood industry	Paper industry	Chemical industry	Non-metallic mineral industry	Metal industry	
1974	127	141	122	135	112	107	124	154	136	141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

1976*

July	68	69	61	82	103	33	69	88	65	56	105
Aug.	123	167	107	143	113	75	109	135	118	140	127
Sept.	136	186	119	156	119	88	114	168	144	162	132
Oct.	135	185	119	151	118	88	119	140	140	159	130
Nov.	137	198	120	153	121	104	107	168	138	167	129
Dec.	133	188	116	149	106	90	96	177	125	161	130

1977*

Jan.	130	178	116	140	97	86	96	182	128	153	126
Feb.	126	171	112	138	92	88	100	164	117	149	125
March	125	160	112	140	101	101	94	147	115	146	111
April	115	151	102	127	98	92	90	136	96	136	115
May	130	180	114	147	114	114	102	133	127	158	121
June	118	176	101	137	104	95	79	106	123	154	116
July	64	62	58	77	94	41	58	77	61	51	102
Aug.	125	154	111	144	115	88	108	137	121	139	124
Sept.	135	179	120	150	113	97	115	147	132	159	129



LABOUR—TIMBER FELLINGS—INTERNAL TRADE—TRAFFIC

Period	Population of working age 1 000 persons	Total labour force, 1 000 persons	Employed 1 000 persons	Un-employed, 1 000 persons	Unemployment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1972 = 100	Wholesalers' volume index 1972 = 100
1974	3 483	2 268	2 229	39	1.7	34 457	114	114
1975	3 513	2 272	2 221	51	2.2	29 133	122	127
1976*	3 530	2 244	2 158	86	3.8	27 305	123	127
1976*								
Sept.	3 533	2 215	2 144	71	3.2	1 839	124	139
Oct.	3 532	2 183	2 111	72	3.3	2 293	126	132
Nov.	3 534	2 183	2 099	84	3.8	2 787	119	132
Dec.	3 535	2 186	2 085	101	4.6	3 126	160	158
1977*								
Jan.	3 524	2 181	2 053	128	5.9	2 455	93	95
Feb.	3 528	2 163	2 032	131	6.1	2 934	95	109
March	3 527	2 161	2 030	131	6.1	3 564	109	127
April	3 524	2 152	2 016	136	6.2	3 227	111	123
May	3 523	2 186	2 054	132	6.1	2 856	115	128
June	3 531	2 402	2 266	136	5.7	1 870	117	119
July	3 524	2 410	2 264	146	6.1	685	115	104
Aug.	3 524	2 304	2 165	139	6.0	1 240
Sept.	3 524	2 198	2 078	120	5.5	1 824

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Buildings-works under construction
	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residential buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1974	53.23	22.35	3.26	21.30	3.52	46.50	21.54	2.75	17.04	3.14	52.84
1975	51.42	19.65	3.79	21.62	3.39	47.85	20.59	2.80	18.68	3.64	52.45
1976*	46.90	19.95	3.93	15.81	3.83	40.95	17.60	3.12	15.32	2.58	52.48
1976*											
Apr.-June	14.00	7.39	1.80	2.81	0.70	10.09	3.88	0.39	4.54	0.82	51.73
July-Sept.	12.42	5.43	0.71	4.44	0.97	8.89	3.59	0.97	2.95	0.67	54.82
Oct.-Dec.	11.96	4.09	0.69	5.12	1.45	12.85	6.16	1.15	3.94	0.80	52.48
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	2.57	0.92	7.94	3.89	0.33	2.45	0.85	51.30

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) o State departments and funds.

FOREIGN TRADE

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

BALANCE OF PAYMENTS

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

PRICE INDICES

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

WAGES — PRODUCTION

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

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

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

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

SYMBOLS USED

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

SOME PARTICULARS ABOUT FINLAND

FORM OF GOVERNMENT

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

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

INTERNATIONAL ORGANIZATIONS

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

LAND

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

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

POPULATION

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

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

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

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

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

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

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

TRADE AND TRANSPORT

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

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

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

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

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

MERCHANT FLEET (Sept. 30, 1977): Passenger vessels 11.7 (197 520 gross reg. tons), tankers 51 (1 158 532 gross reg. tons), dry cargo vessels 206 (853 435 gross reg. tons), other vessels 65 (10 031 gross reg. tons), total 439 (2 219 518 gross reg. tons).

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

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

FINANCE AND BANKING

CURRENCY. Since 1860, Finland has had its own monetary system. From 1877 until 1914 the country was on the gold standard, and returned to it in 1926. In 1931, the Central Bank's duty to redeem bank notes in gold was suspended and at the end of 1962 was entirely cancelled. The monetary unit is the mark (Finnish markka). The last par value of the mark was set on Oct. 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at the time, to 4.20 marks per U.S. dollar). Since Nov. 1, 1977 the external value of the mark has been officially expressed in terms of a currency index. This index is trade-weighted and indicates the average change in the currencies which are important in Finnish foreign trade. The permissible range of fluctuation is 2.25 per cent on either side of the arithmetic mean. The fluctuation limits are 112.0 and 107.1, and on Nov. 1, 1977 the index figure was 109.8 (1974=100).

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

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

RATES OF INTEREST (Oct. 17, 1977). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 8 ¼ %. The range of rates for other credits granted by the Bank of Finland is between 6 ½ and 9 ½ %. Other credit institutions term 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 %.

FINNISH CHEMICAL INDUSTRIES AND THE BUILDING MATERIALS INDUSTRY: AN OVERVIEW

by Pertti Lehtiö, Federation of the Finnish Chemical Industry,
Kari Jalas, The Finnish Plastics Industries' Federation
and Veijo Heikkilä, Association of the Building Materials Industry

CHEMICAL INDUSTRIES

Compared with other industrial sectors, the Finnish chemical industries have a fairly short history. At the turn of the century the activities of this industrial sector centred on a few soap and candle factories, which had been established mainly to satisfy the need for consumer goods, and on chemical wood-processing which had been introduced previously. It is probably true to say that large-scale chemical production started in the 1920s with the production of fertilizers. Since World War II, the chemical industries have rapidly developed into a significant industrial sector in Finland.

PRODUCTION

During the current decade, the chemical industries have accounted for over ten per cent of the total value added in manufacturing industry and for slightly more of its gross value; this difference is due to the fact that basic chemicals, which have a rather low value added, account for a fairly large proportion of output. The chemical industries account for about seven per cent of the labour force employed by manufacturing industries.

During the last ten years, the chemical industries have been one of the most rapidly expanding industrial sectors in Finland. Up to the late 1960s, the expansion was particularly boosted by the introduction of the refinement of tall-oil and the manufacture of plastics. In the 1970s, the rapid growth of production has been sustained by a substantial expansion of the manufacture of plastics and inorganic base chemicals.

Production can be roughly divided into three sub-sections: the manufacture of industrial or

so-called heavy chemicals which are used as industrial raw materials; oil refining; and the manufacture of consumer goods. In recent years, industrial chemicals and oil products have both accounted for about 40 per cent and consumer goods chemicals for about 20 per cent of the total output of the chemical industries.

The most significant industrial chemicals are sulphuric acid, fertilizers, pigments, artificial fibres, plastics, explosives, and tall-oil distillates produced as by-products in wood-processing. Inorganic chemicals have so far played a dominant role in the Finnish chemical production, but in recent years the organic chemical industry, particularly the petrochemical industry, has expanded very vigorously. The most important consumer goods chemicals are paints and varnishes, pharmaceuticals, cosmetics and toilet preparations. Systematic product development has been reflected, for example, in a substantial increase in the consumption and production of various plastics. Accordingly, plastic tubing, sheeting, sacks, bags and packing have become established on both the domestic and export markets.

The majority of the output of the Finnish chemical industries is used either as semi-finished products or as fuel by other industries. The forest industries, particularly the paper industry, the metal industry and the textile industry are the most significant industrial consumers of chemical products. In addition, agriculture and forestry consume about ten per cent of the chemical products manufactured in Finland.

In Finland there are more than 200 enterprises engaged in various kinds of chemical manufacturing; however, many of them operate on a

**TABLE 1. BREAKDOWN OF THE TOTAL OUTPUT OF THE CHEMICAL INDUSTRIES
IN 1975 AND 1976, BY INDUSTRY**

		Gross value of output 1 000 mk	Percent- age share	Value added 1 000 mk	Percent- age share
Manufacture of chemicals (mainly industrial)	1975	3 979 451	40	1 300 575	45
	1976 ¹	3 502 726	32	1 163 377	38
Manufacture of other chemical products (mainly consumer goods chemicals)	1975	1 176 969	12	580 552	20
	1976 ¹	1 317 395	12	709 097	23
Refining of crude oil	1975	3 418 748	35	356 736	12
	1976 ¹	4 834 719	45	570 859	18
Manufacture of oil products	1975	258 345	3	93 701	3
	1976 ¹	272 485	2	116 695	4
Manufacture of rubber products	1975	449 789	4	273 134	9
	1976 ¹	398 945	4	241 885	8
Manufacture of plastic products	1975	604 325	6	306 773	11
	1976 ¹	527 176	5	292 051	9
TOTAL CHEMICAL OUTPUT	1975	9 887 586	100	2 911 471	100
	1976 ¹	10 737 390	100	3 005 473	100

¹ Preliminary figure

small scale and do not carry out any chemical processes. About thirty of these enterprises are large by Finnish standards, some even by international standards, and form the backbone of this sector. As a result of the great need for capital, the central government has played a fairly significant role in the chemical industries, acting as a shareholder in several enterprises. By international standards, only a very small part of the Finnish chemical industries depends on foreign capital.

EXPORT — IMPORT

Exports of chemical products have grown substantially during the last ten years. While in the mid-1960s they accounted for less than two per cent of the total volume of Finnish commodity exports, the corresponding share in 1976 was six per cent. However, even this figure does not fully show the importance of the chemical industries to Finland's export trade, as quite a substantial part of the chemicals manufactured in Finland are included in the export products of other industries.

Finland's traditional export products — titanium dioxide, viscose fibres, fertilizers, resin-based glues, and plastics (which have become increasingly important in recent years) — form the basis of Finnish chemical exports. At

present, these products together account for almost half of the total value of Finnish exports of chemical products. Although exports of chemical consumer goods, such as pharmaceuticals and household chemicals, have expanded vigorously in recent years, their share in total exports of chemical products continues to be fairly small.

Finland is, to a great extent, a net importer of chemical products. In 1976 the total value of chemical exports amounted to 1 467 million marks and imports to 4 319 million marks. Although domestic production has been largely set up to substitute for imports, it has not been — and will not be — possible to make it so diversified that it would meet the evergrowing and changing needs of the steadily diversifying industrial sector. The small size of the domestic market and a shortage of capital set natural limits on a widely-based industrial development. Until the last decade, the expansion of the Finnish chemical industries was mainly aimed at increasing the existing productive capacity in line with the growth of demand on the domestic market. Seldom was the majority of the output marketed abroad: cellulose fibres based on domestic raw materials, titanium oxide and tall-oil derivatives were typical examples of such export products. The extensions and new lines of production, mainly in

organic chemistry, that have been implemented during the current decade, have been — for reasons of profitability alone — designed to be so large that a substantial part of the output will be exported.

Finland's soil provides few raw materials for the chemical industries, so the chemical plants import most of their raw materials. However, the manufacture of titanium dioxide and vanadium pentoxide (based on domestic ilmenite and vanadium deposits), various chemicals produced as by-products in the wood-processing industries (such as tall-oil and turpentine derivatives), and viscose fibres are examples of production based on Finnish raw materials.

TABLE 2. FINNISH IMPORTS AND EXPORTS OF CHEMICAL PRODUCTS IN 1976. (THOUSAND MARKS)

Commodity category	Imports (c.i.f.)	Exports (f.o.b.)
Chemicals, fertilizers and artificial substances	1 466 767	723 301
Oil products	1 366 564	384 917
Other chemical products	1 304 724	359 049
Total	4 138 055	1 467 267

Despite the vigorous growth of exports, the regional breakdown of the chemical industries' foreign trade has remained quite stable in recent years. Throughout the 1970s, EFTA and the EEC countries have accounted for 65 to 70 per cent of Finnish exports of chemical products. The Socialist countries have accounted for about 16 to 17 per cent and the rest of the world for about the same. Of individual countries, Sweden, the Federal Republic of Germany and the United Kingdom have been the largest buyers.

More than 60 per cent of the volume of imports of chemical products comes from the industrialized countries in Western Europe and about 30 per cent from the Socialist countries. The Federal Republic of Germany, Sweden and the United Kingdom have traditionally been the major suppliers of chemical products. More than 60 per cent of the raw materials

consumed by the chemical industries is imported from the Socialist countries; the crude oil purchased from the Soviet Union is the major import.

FUTURE PROSPECTS

Although at present it seems unlikely that growth in the chemical industries will be as vigorous as it was at the beginning of this decade, output from this sector is expected to grow at a faster rate than from manufacturing as a whole. However, an annual average growth rate of seven per cent — predicted in a long-term estimate two years ago — can hardly be expected during a general economic downswing.

The great dependence of the Finnish chemical industries upon a few major consumers, the forest and metal industries in particular, links their future prospects closely with the international development of these sectors. Firms are expected to implement investment projects which primarily aim at raising the level of processing of domestic raw materials; as a result, the growth of output should accelerate again in the early 1980's.

THE BUILDING MATERIALS INDUSTRY

Since the volume of construction declined sharply from its record level in 1973—1975, the building materials industry has been faced with new adjustment problems. It is thought that the country's economic resources will not permit any noticeable expansion of the construction industry, not even from the present low level. In Finland, investment in construction accounted for more than 18 per cent of GDP in 1974 and 1975, compared with an average of about 10 to 15 per cent in industrial countries. At present in Finland, this share is about 15 per cent and it is likely to decline further in the coming years. At the same time, the growth of total production has slowed down, and will probably continue to be slower, even in the long run.

Although it seems obvious that the construction industry will be continuously faced with cyclical and seasonal fluctuations hampering an efficient and purposeful utilization of productive resources, the fluctuations will probably be somewhat milder than before.

However, the various industrial sectors related to construction are affected differently by fluctuations in the growth rate of the construction industry because the share of building materials in their total output varies greatly.

THE STRUCTURE OF THE BUILDING MATERIALS INDUSTRY

The industries manufacturing building materials can be broken down into the categories shown in the Table 3. It also presents the shares of these industries in the construction industry's total consumption of domestically produced building materials.

TABLE 3. THE CONSTRUCTION INDUSTRY'S TOTAL CONSUMPTION OF DOMESTIC BUILDING MATERIALS IN 1970: PERCENTAGE BREAKDOWN BY INPUTS OF VARIOUS INDUSTRIAL SECTORS

Input/Industry	Construction of buildings	Land and waterway construction	Total construction
Stone industry	26.5	20.4	25.1
Forest industries	29.7	5.1	23.8
Metal industry	34.5	58.4	40.2
Other industries	9.3	16.1	10.9
Total	100.0	100.0	100.0

The industries manufacturing concrete, glass, cement and brick products and heat insulators come under the stone industry. In 1970 this industrial sector produced one quarter of the construction industry's total consumption of domestic building materials.

Metal accounted for the largest share, about 40 per cent, in total consumption by the construction industry. The fact that a lot of steel structures are used in land and waterway construction adds to the share of metal industry inputs.

The industries manufacturing asphalt, bitumen felt, rubber, paints, plastics and explosives are included in Other industries. This sector produced about 10 per cent of the total amount of building materials consumed.

According to another study, the shares of the stone and the forest industries have increased since 1970, while the share of the metal industry has decreased.

The stone industry is clearly the most dependent on the domestic construction market. More than 60 per cent of its total output goes to the domestic construction industry, while this share in the metal industry is only about 10 per cent and in the forest industries about 5 per cent. Nevertheless, building materials make up a substantial part of the total output in certain sectors of the metal and the forest industries.

In 1970 building material inputs accounted for more than 7 per cent of total value added by industry in Finland.

FACTORS OF PRODUCTION

The raw material basis of the building materials industry is mainly domestic, and the adequacy of raw material resources has posed no problems so far. On the other hand, this industry is highly dependent on imports of energy, as certain lines of production use a great deal of energy; for example, in 1975 the cement industry accounted for about 18 per cent of the total industrial consumption of coal. Energy costs represented 30 per cent of the gross value of output in the cement industry, while in industry in general this share was only 8 per cent.

According to the input-output calculations for 1970, prepared by the Central Statistical Office of Finland, total labour input in the industries producing building materials, required directly by the construction industry's purchases, was as follows:

TABLE 4. EMPLOYMENT IN THE BUILDING MATERIALS INDUSTRY REQUIRED TO SUPPLY THE CONSTRUCTION INDUSTRY IN 1970, MAN-YEARS

	Con- struction of buildings	Land and waterway construction	Total construction
Stone industry	11 300	2 600	13 900
Forest industries	13 900	700	14 600
Metal industry	13 700	7 000	20 700
Other industries	3 400	1 000	4 400
Total	42 300	11 300	53 600

If the labour input required in the manufacture of raw materials is also taken into account, the labour input in the industries producing building materials required by the construction of buildings was over 70 000 man-years and that required by total construction about 90 000 man-years. Employment increased during the years of vigorous construction, but it has fallen subsequently, due to the decline in construction activities.

Several sectors of the building materials industry call for substantial investments, and their productive capital is much greater than that of the construction industry.

The domestic construction industry's needs are not sufficient to ensure an expansion of the building materials industry. It is estimated that in 1977—1981 investment in construction will increase by an average of 2 per cent per annum, at the most, and even this estimate may be over-optimistic.

In theory, the expansion of the industry could be boosted by raising the level of processing carried out, seizing market shares from corresponding imports or by expanding exports. To some extent, the measures taken along these lines can be intensified, but they will not suffice to compensate for the impact of the decelerating growth of the domestic construction industry. The building materials industry will have to aim primarily at making qualitative improvements and lowering its production costs rather than increasing the volume of its production.

At present the industrial methods applied in the construction industry in Finland are highly developed: for example, the share of pre-fabrication in the total volume of construction is one of the highest in Europe. Accordingly, there is only limited scope for raising level of processing. Similarly, the quality of the Finnish construction industry is high by European standards.

Imports of building materials, which compete with domestic production, reached a peak in 1973—1975, the boom years of construction. At that time it was estimated that the value of substitutable imports was about 500 million marks. However, imports of building materials have subsequently declined, to some degree, owing to the slump in the construction industry and an improvement in the domestic industry's delivery capacity.

Furthermore, it is hardly likely that exports of building materials will become a significant growth factor in the future. The price competitiveness of Finnish building materials is in fact good: according to one study, the Finnish prices in the mid-1970s were about ten per cent lower than the Swedish and Norwegian prices, and even further below the Danish prices. However, exports of several major building materials are curbed by high transport costs. Moreover, despite the liberation of international trade, the national standards and stipulations of many countries make up an efficient obstacle to the use of foreign building materials.

Exports to the Soviet Union — to building projects close to the Finnish border — almost correspond to domestic building. From the point of view of the Finnish building materials industry, the growth of these exports would naturally be most desirable.

Exports of machinery and equipment for the building materials industry and of the technological know-how related thereto have proved a more promising export than actual building materials; agreements on substantial deliveries have been concluded with COMECON and

OPEC countries. However, exports of machinery and equipment only concern a rather narrow section of the building materials industry.

FUTURE PROSPECTS AND SPECIAL PROBLEMS

The growth prospects for the various categories of the building materials industry vary considerably. Because of the shortage of energy and the forecasted sharp rise in its price, the demand for heat insulators will grow. Furthermore, the rising price of energy will alter the price relations between the various building materials: steel structures are expected to be more affected by the rise in price than concrete structures; the prices of plastics are greatly affected by the price of oil. Although the expansion of small-house building will increase the use of wood, there will be keen competition for the markets from bricks and other stone-based materials.

Increased renovation will boost the use of insulators and many other building materials, such as wooden structures, window glass, wallpaper, paint, etc.

It is hoped that there will be increased cooperation between the building materials industry and the building sites. The products will be delivered to the building site in a more processed form and quite often in large units. The trend towards increased use of standard products will continue, affecting the product

range of the various manufacturers. Moreover, entirely new products will be introduced to the market. However, as the domestic construction market is only able to provide a very narrow basis for the growth of the building materials industry and no substantial export outlets can be opened up, some firms in this sector are already shifting over to other lines of production.

Cyclical and seasonal fluctuations in the construction of buildings are strongly reflected in the building materials industry. This is particularly the case in the stone industry, which is dominated by the demand for building materials. Certain sectors and enterprises in the forest and metal industries are also highly susceptible to fluctuations in domestic construction. Moreover, several categories of the building materials industry are more capital-intensive than other industries, and hence their cyclical peaks and troughs are very costly.

From the point of view of the building materials industry, a stable volume of construction, in keeping with the country's economic resources, should form the foundation of the Finnish building policy. The creation of an efficient system to analyse and forecast fluctuations in construction — thereby providing a basis for preparing production and investment plans in the building materials industry — would be an important prerequisite for achieving this target.

ITEMS

New § 2 of the Currency Act. The Act on the Amendment of § 2 of the Currency Act was passed on October 28, 1977 and came into force on November 1, 1977.

According to the previous § 2 of the Currency Act, the par value of the mark was expressed in terms of gold. The last par value of the mark was set on October 12, 1967 and was 0.21159 grams of fine gold per mark (equivalent, at that time, to 4.20 marks per U.S. dollar).

Later developments in the international monetary system rendered par values obsolete. Also, following the failure of efforts to fix currency values in terms of central rates, all major currencies have been floating since the summer of 1973.

Under these circumstances, the Finnish authorities have, since 1972, gradually adopted a system whereby the external value of the Finnish mark is expressed in terms of a trade-weighted index of the currencies of Finland's main trading partners. The Amendment of § 2 of the Currency Act brings legislation up to date with the present situation.

The new § 2 stipulates the external value of the mark in terms of an exchange rate index. The index is trade-weighted and indicates the average change in the exchange rates of the currencies of the countries which are most important in Finnish foreign trade. The index takes into account the 16 countries which each account for at least one per cent of the total value of Finnish commodity imports and exports.

The base period for the index is the year 1974 = 100. The permissible range of fluctuation of the index is 2.25 per cent on either side of the arithmetic mean. The present fluctuation limits are 112.0 and 107.1. These limits are in line with the Cabinet decision of August 31, 1977 on the external value of the mark.

The index will be published monthly, giving the average index figure for the previous month. The index on November 1, 1977, when the new Act came into force, was 109.8 and the average for November was 110.6.

Silver commemorative coin. In celebration of the 60th Anniversary of Independence on December 6, 1977, a ten mark silver commemorative coin has been minted by the Republic of Finland. The coin, which is legal tender in Finland, was put into circulation on November 28 and its description runs as follows:

The obverse shows, in relief, the motto of the 60th Anniversary of Independence with the legend running — ITSENÄINEN SUOMI YHTEINEN ASIAMME — (Independent Finland, Our Common Cause) as well as the dates 1917 1977. Set partly under the legend in relief, the same motto is inlaid in Swedish — ETT SJÄLVSTÄNDIGT FINLAND VÅR GEMENSAMMA SAK —.

The reverse shows a relief picture of four informally assembled groups of citizens and, inlaid, the legend runs 10 MARKKAA MARK.

The coin is made of an alloy containing 500/1 000 silver and 500/1 000 copper. Diameter is 35 mm and weight 21,5 grams. The vertical edge of the coin is smooth.

The coin was designed by Heikki Häiväoja.

Finland's gross long-term foreign debt in January—September 1977. At the end of September 1977, Finland's gross long-term foreign debt amounted to 27 729 million marks. The net inflow of long-term capital in January—September totalled 1 638 million marks, as against 3 533 million marks in the corresponding period last year. Changes in the rates of exchange, caused mainly by the devaluations of the mark in April and August, increased the balance outstanding at the end of September by 2 370 million marks.

FINLAND'S GROSS LONG-TERM FOREIGN DEBT IN JANUARY—SEPTEMBER 1977, MILLION MARKS

	Debt ¹ Dec. 31, 1976	Drawings ¹	Redemptions ¹	Net change	Impact of exchange rates	Debt ¹ Sept. 30, 1977	Interest expenses, commissions and dividends
FINANCIAL LOANS	17 484	2 247	1 414	+ 833	+2 047	20 364	1 185
Individual financial loans	9 651	1 051	1 088	— 37	+ 972	10 586	690
Bonds and debentures	7 833	1 196	326	+ 870	+1 075	9 778	495
Bond issues	4 516	724	149	+ 575	+ 669	5 760	273
Private placement loans	2 916	221	114	+ 107	+ 355	3 378	198
Loans from the World Bank	401	9	63	— 54	+ 43	390	24
Debenture issues	—	242	—	+ 242	+ 8	250	—
IMPORT CREDITS	4 571	1 299	620	+ 679	+ 259	5 509	293
LEASING CREDITS	123	1	20	— 19	+ 12	116	6
DIRECT INVESTMENTS							
(Equity capital and loans to subsidiaries)	1 497	207	56	+ 151	+ 52	1 700	184
SUBSCRIPTIONS TO INTERNATIONAL FINANCIAL INSTITUTIONS ²	46	5	11	— 6	—	40	—
Total	23 721	3 759	2 121	+1 638	+2 370	27 729	1 668
Financial loans, import credits and leasing credits	22 178	3 547	2 054	+1 493	+2 318	25 989	1 484

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

Drawings of long-term foreign loans amounted to 3 759 million marks, while redemptions totalled 2 121 million marks. In January—September 1976, drawings totalled 4 903 million marks and redemptions 1 370 million marks. Debt service costs (redemptions, interest expenses and dividends) amounted to 3 789 million marks, as against 2 389 million marks in the corresponding period last year.

Financial loans of 2 247 million marks, import credits and leasing credits together totalling 1 300 million marks, and direct investments of 207 million marks, accounted respectively for 60, 35 and 5 per cent of total drawings of long-term foreign loans. In January—September 1976, financial loans amounted to 3 311 million marks, import credits and leasing credits together to 1 428 million marks, and direct investments to 164 million marks: 68, 29 and 3 per cent, respectively, of total drawings of long-term foreign loans.

Six Finnish bond issues, together worth 724 million marks, were floated abroad in January—September (Enso-Gutzeit Oy: \$ 30 million; Outokumpu Oy: Sfr 50 million; the Finnish Government: 10 000 million yen; the Finnish

Government: Sfr 80 million; Imatran Voima Oy: 25 million EUA; and the Industrialization Fund of Finland Ltd: \$ 25 million). This compares with seven bond issues, 738 million marks altogether, in the corresponding period of 1976. In addition to these bond issues, there were two Finnish debenture issues in 1977, together worth 242 million marks (Union Bank of Finland Ltd: \$ 30 million; and Kansallis-Osake-Pankki: \$ 30 million).

Supplementary budget. In September Parliament approved the second supplementary budget for 1977, which involved a 153 million mark addition to the budgeted state expenditure and a 115 million mark decline in the budgeted state revenue and the revenue of the Social Insurance Institution. This supplementary budget covers mainly the outlays for measures induced by the Government's short-term economic policy programme released in June.

In order to improve corporate profitability and employment prospects, Parliament decided that the child allowance and sickness insurance payments collected from employers between October 1, 1977 and April 30, 1978 will both be lowered by half a percentage point. This

measure will reduce state revenue by a total of 170 million marks, of which 50 million marks concerns the current year. The revenue of the Social Insurance Institution will decline by an equal amount. 20 million marks was set aside for the marketing of export products, the training of people engaged in export trade, supporting industrial research and promoting tourism.

In order to stimulate industrial building and to improve the employment prospects in this industry, it was decided that investments in industrial building projects would be temporarily exempted from the sales tax. This tax exemption concerns buildings which have been started between August 1, 1977 and March 31, 1978, and which will be completed at the latest by the end of 1979. This measure will reduce state revenue by a total of 130 million marks, of which 15 million marks affects the year 1977. Furthermore, in order to promote employment in the construction industry during the winter 1977—1978, the Government has decided to stimulate the starting of state-financed housing projects by sanctioning during 1977 part of the housing projects to be financed by housing loans granted for 1978. Municipalities and municipal federations will also be granted permits for starting during 1977 the construction of health centres, comprehensive schools, children's day-care centres and certain other buildings to be financed by funds appropriated for 1978.

The Investment Fund of Finland has been guaranteed a credit-granting capacity of 500 million marks for the current year, which requires 300 million marks of additional funds. The guaranteeing of a 250 million mark credit-granting capacity for the Regional Development Fund Ltd requires about 50 million marks of additional funds.

In connection with the second supplementary budget, the Council of State's authority to take out new loans was increased by a total of 500 million marks. With this supplementary budget included, budgeted state expenditure for 1977 totals 34 500 million marks.

BANK OF FINLAND

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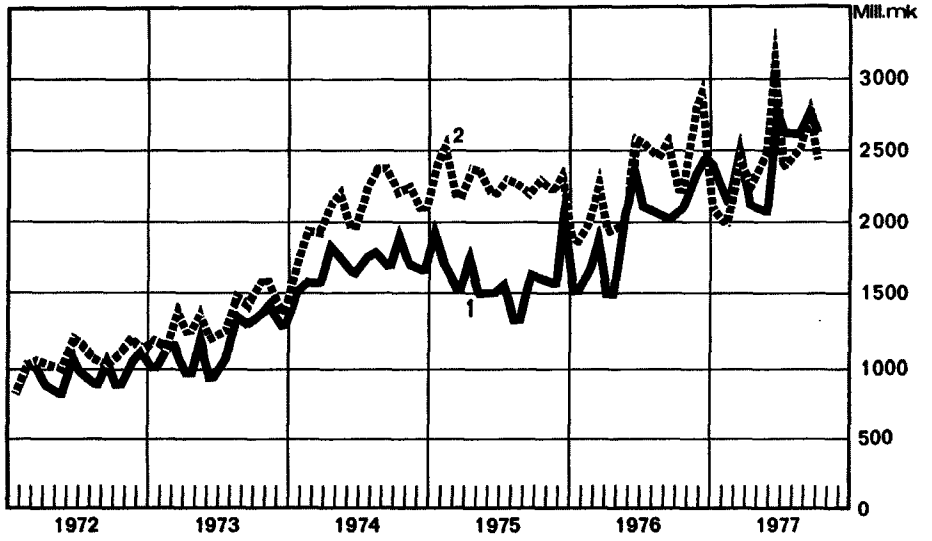
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K. Eirola Pauli Kanerva
Automatic Data Processing *Personnel Administration and*
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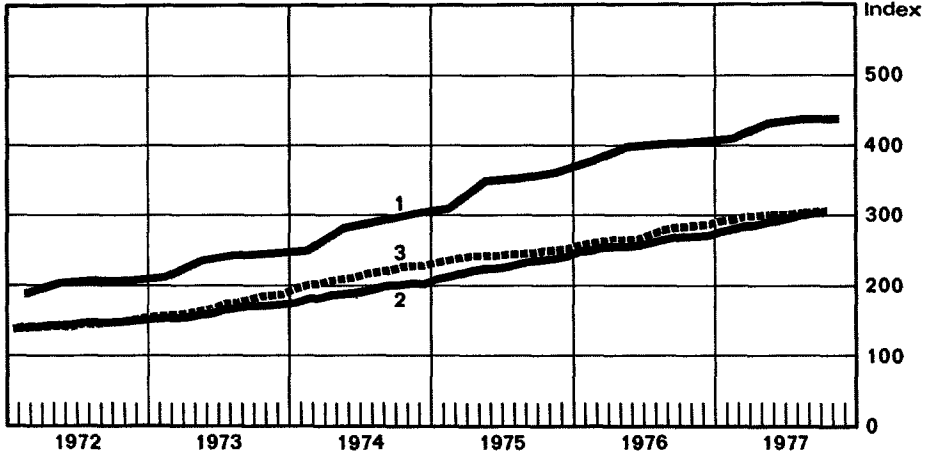
FOREIGN TRADE, 1972-1977

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



PRICES AND WAGES, 1972-1977

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



PRODUCTION, 1972-1977

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

