



BANK OF FINLAND

Monthly Bulletin

Economic situation

**Finnish economic relations with the
Socialist countries**

Trade between Finland and the USSR in
1976—1980

Finland's balance of payments January-
June 1974

Inflow of long-term loan capital in January-
June 1974

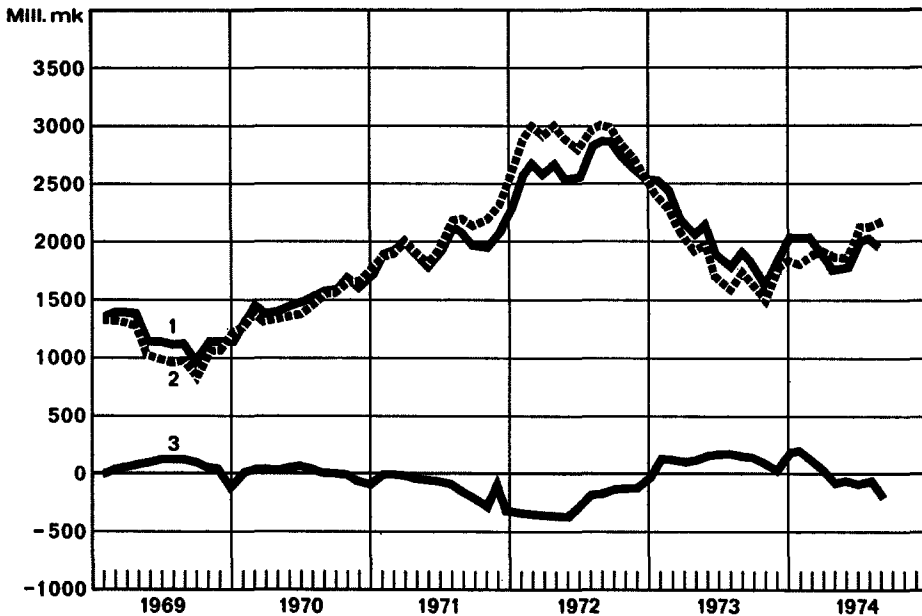
Board of Management of the Bank of
Finland

Appointment of a Director at the Bank

OCTOBER 1974

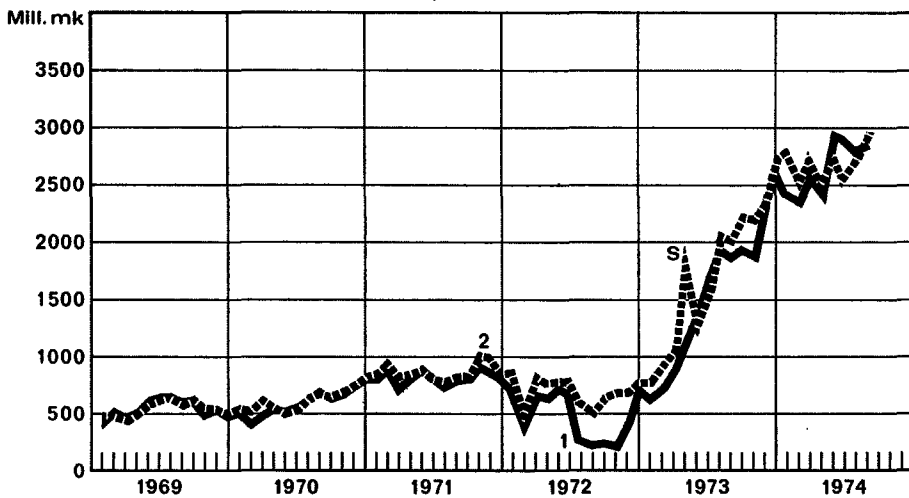
Vol. 48 No. 10

Bank of Finland foreign exchange reserve, 1969-1974



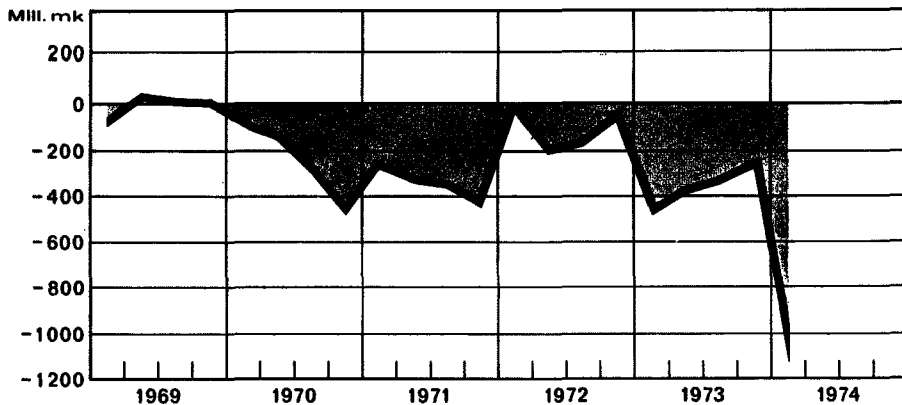
- 1. Total gold and foreign exchange
- 2. Gold and convertible currencies
- 3. Other currencies

Bank of Finland's position in regard to the banks, 1969-1974



- 1. Net claims on the banks
 - 2. Discounted and rediscounted bills
- Seasonally adjusted end-of-month figures

Balance of payments current account surplus/deficit, 1969-1974



Seasonally adjusted quarterly figures

ECONOMIC SITUATION

The expansion of total demand and production has continued in the current year, but at a slightly slower pace than in 1973. Overheating is still a problem in certain sectors of the economy. Brisk demand for labour has improved the employment situation throughout the country, but it has also accentuated the shortage of labour in southern Finland. Although the rise in energy prices has given a boost to the rate of inflation and added to the country's balance of payments problems, it has not affected real growth much. Since Finland imports the bulk of her oil from the Soviet Union on the basis of bilateral trade agreements, the rise in energy prices has led directly to an increase in export orders which partly offset the slackening of demand in Western markets.

On the whole, the growth of export volume ought not to slow down very much this year. However, exports of sawn timber and other wood products are expected to fall off as a result of the reduction in building activity in Finland's major markets. The demand for paper and paper products is expected to remain high for several years but the expansion of exports is held in check by supply constraints. Thus the continuation of export growth must rest largely on products of the metal industry and other manufacturing industries. The buoyancy of the Swedish economy explains a good part of the increase in the exports of these branches.

Non-residential construction was the most expansive component of private fixed investment last year as firms in various industries approached their capacity ceilings. This year investment in machinery and equipment has been very high. Residential construction has suffered from various bottlenecks, and further growth seems unlikely. The rapid rise in the price of dwellings no doubt contributes to the levelling off of activity in this field.

The growth of total private consumption has slowed down this year because the real dis-

posable income of households is growing only slightly. Sales of passenger cars have dropped significantly. Other consumption is growing at a moderate pace as the propensity to consume remains high.

Last year public demand tended to dampen the cyclical upswing in economic growth. As the employment situation has improved markedly and as no sudden turn for the worse is expected, public real investment is being reduced continuously. The proposed budget for 1975 is designed to hold down the growth in Government demand. On the other hand, extensive investments are being made in state-owned enterprises, so as to stimulate the expansion of domestic productive capacity.

Total production grew at a rate of six per cent per annum in 1973. Production bottlenecks as well as slackening demand in some industries are slowing down growth this year. Productive resources are generally estimated to be in almost full use. Demand has clearly fallen off in the wood industry, and to some extent in construction. Nonetheless, the employment situation has improved materially, and the unemployment rate has fallen below two per cent. Structural unemployment in the less industrialized parts of the country has also declined partly because several industrial and building projects have recently been started in these areas.

In present cyclical conditions, imports of producer goods and consumer goods have developed quite differently. Brisk economic activity has kept imports of raw materials, semi-finished goods and investment goods at high levels. Major deliveries of ships and aircraft are expected to keep up the growth of investment good imports during the coming year. The slower growth of real disposable income is reflected in the fall-off in imports of passenger cars and other consumer durables but the decline here is expected to be temporary.

The higher cost of fuel imports led to a marked deepening of the trade deficit in the first half of the year. However, the higher prices of forest industry products have kept Finland's terms of trade from deteriorating sharply. Although the trade deficit will be offset in part by invisible earnings, the current account deficit is likely to be more than double what it was last year, amounting to some four or five per cent of gross domestic product. In the first half of the year, the bulk of the deficit was financed by increases in short-term trade credits. Uncertainty in the international capital markets and high interest rates have kept the net inflow of long-term capital at a fairly low level. There has been little change in the country's international liquidity position as far as holdings of convertible currencies are concerned. On the other hand, the clearing accounts, which were in surplus last year, now show a deficit because of the increased energy bill.

Rapidly growing demand for credit together with relatively low central bank credit quotas kept the financial market tight during the first months of this year. Later on, the substantial inflow of short-term capital relieved some of the pressure on the domestic financial market. However, this ease is only temporary. A probable fall in foreign exchange reserves and the absorption of liquidity through counter-cyclical deposits will lead to a deterioration in the financial position of the commercial banks by the end of the year.

The rate of inflation, which was the cause of severe problems in 1973, has accelerated further as a result of higher oil prices and the continuing rise in the prices of other imports, particularly raw materials. The excess demand for labour has given rise to considerable wage drift this year. From now on, however, inflationary pressures are expected to diminish gradually.

Serious imbalances in the economy call for a variety of policy measures. The Government has taken several steps to dampen inflationary pressures. The Government and the Central Association of Finnish Forest Industries have agreed upon an arrangement according to which 300 million marks in counter-cyclical withholdings will be collected before the end of February 1975 (see item of Bulletin, September 1974). The investment tax on lower priority construction has been extended to the end of this year, and the turnover tax has been temporarily removed from certain basic foodstuffs. Balance of payments considerations and the need to curb inflation require a restrictive monetary policy. The increase in the central bank credit quotas of the commercial banks of this spring was designed only to prevent the credit market from tightening excessively.

October 4, 1974

BANK OF FINLAND

Mill. mk

	1973		1974				
	Sept. 28	Dec. 31	Sept. 6	Sept. 13	Sept. 23	Sept. 30	
Assets							
Gold and other foreign assets	2 253	2 493	2 631	2 622	2 481	2 377	
Gold	205	121	121	121	121	121	
Special drawing rights	285	285	286	286	286	286	
IMF gold tranche	268	268	268	268	268	268	
Foreign exchange	1 262	1 546	1 595	1 585	1 447	1 333	
Foreign bills	97	96	172	174	174	184	
Foreign bonds	136	177	189	188	185	185	
Claims on domestic banks	2 243	2 617	2 803	2 732	2 809	2 952	
Discounted bills	2 221	2 556	2 588	2 584	2 623	2 703	
Rediscounted bills	—	—	—	—	—	—	
Cheque accounts	22	61	215	148	186	249	
Other lending	345	362	388	388	404	403	
Inland bills discounted							
In foreign currency	—	—	—	—	—	—	
In Finnish marks	54	58	99	100	115	114	
Loans	291	304	289	288	289	289	
Other assets	801	598	625	611	608	605	
Finnish bonds	232	33	54	39	34	32	
Finnish coin	34	25	29	30	30	31	
Currency subscription to Finland's quota in the IMF	530	530	530	530	530	530	
Other claims	5	10	12	12	14	12	
	Total	5 642	6 070	6 447	6 353	6 302	6 337
Liabilities							
Notes in circulation	1 773	1 907	1 986	2 020	1 979	2 060	
Liabilities payable on demand	448	178	321	192	209	246	
Foreign exchange accounts	127	80	215	84	88	98	
Mark accounts of holders abroad	49	67	80	82	78	78	
Cheque accounts							
Treasury	50	2	1	4	8	43	
Post Office Bank	199	2	1	1	14	9	
Private banks	—	—	—	—	—	—	
Other	2	8	3	2	2	1	
Other sight liabilities	21	19	21	19	19	17	
Term liabilities	1 717	2 214	2 263	2 270	2 182	2 074	
Foreign	—	—	—	—	—	—	
Domestic	1 717	2 214	2 263	2 270	2 182	2 074	
IMF mark accounts	530	530	530	530	530	530	
Allocations of special drawing rights	258	258	252	258	258	258	
Equalization accounts	160	171	257	244	301	322	
Bank's own funds	756	812	837	839	843	847	
Capital	600	600	600	600	600	600	
Reserve fund	114	114	163	163	163	163	
Profits undisposed	—	—	—	—	—	—	
Earnings less expenses (Dec. 31, Net profit)	42	98	74	76	80	84	
	Total	5 642	6 070	6 447	6 353	6 302	6 337

End of year and month	Gold and foreign accounts						Treasury		
	Gold and foreign exchange	Liabilities on foreign exchange and mark accounts	Foreign exchange reserve (1-2)	Other foreign assets	Other foreign liabilities	Net foreign assets (3 + 4 - 5)	Cheque account	Term liabilities, net	Net liabilities to the Treasury (7+8) ¹
	1	2	3	4	5	6	7	8	9
1967	701	75	626	98	354	370	4	7	11
1968	1 353	62	1 291	125	34	1 382	3	354	357
1969	1 268	92	1 176	517	360	1 333	4	196	200
1970	1 844	106	1 738	639	518	1 859	2	119	121
1971	2 620	327	2 293	686	530	2 449	2	138	140
1972	2 685	121	2 564	757	530	2 791	1	48	49
1973	2 220	147	2 073	803	530	2 346	2	532	534
1973									
Aug.	1 113	156	1 957	777	530	2 204	29	32	61
Sept.	2 020	176	1 844	763	530	2 077	50	31	81
Oct.	1 861	169	1 692	768	530	1 930	49	30	79
Nov.	2 060	170	1 890	798	606	2 082	50	530	580
Dec.	2 220	147	2 073	803	530	2 346	2	532	534
1974									
Jan.	2 207	147	2 060	808	530	2 338	1	533	534
Feb.	2 214	143	2 071	817	530	2 358	3	530	533
March	2 104	168	1 936	831	530	2 237	49	529	578
April	1 986	196	1 790	855	530	2 115	51	528	579
May	2 005	203	1 802	874	530	2 146	5	528	533
June	2 231	197	2 034	888	530	2 392	1	527	528
July	2 251	189	2 062	888	530	2 420	48	527	575
Aug.	2 285	305	1 980	889	530	2 339	4	526	530
Sept.	2 008	176	1 832	899	530	2 201	43	521	564

¹ New series, see explanations on page 18.

FOREIGN EXCHANGE SITUATION

Mill. mk

	Net holdings, Dec. 31, 1973			Net holdings, July 31, 1974			Change	
	Bank of Finland	Other	Total	Bank of Finland	Other	Total	July	Jan.-July
Gold	121	—	121	121	—	121	—	—
Special drawing rights	285	—	285	286	—	286	—	+1
IMF gold tranche	268	—	268	268	—	268	—	—
Convertible currencies	1 189	165	1 354	1 483	50	1 533	+198	+179
Other currencies	210	2	212	— 96	— 31	—127	+ 8	—339
Total	2 073	167	2 240	2 062	19	2 081	+206	—159

BANK OF FINLAND

Mill. mk

End of year and month	Domestic banks					Other					
	Dis-counted and re-dis-counted bills	Cheque accounts ¹	Liabilities, Cheque accounts		Net claims on the banks (1+2-3-4)	Inland bills in Finnish marks	Other advances	Liabilities	Net claims on the rest of economy (6+7-8) ³	Deposit certificates ³	Notes in circulation
			Private banks ²	Posti pankki ²							
1	2	3	4	5	6	7	8	9	10	11	
1967	868	—	155	35	678	197	383	56	524	—	1 052
1968	618	107	163	16	546	186	195	43	338	—	1 160
1969	550	87	93	12	532	192	269	25	436	—	1 298
1970	836	3	1	4	834	137	246	324	59	203	1 344
1971	849	—	9	2	838	121	234	385	-30	400	1 479
1972	753	5	—	2	756	44	277	73	248	790	1 730
1973	2 556	61	—	2	2 615	58	314	259	113	1 450	1 907
1973											
Aug.	1 776	8	—	5	1 779	52	295	215	132	1 400	1 693
Sept.	2 221	22	—	199	2 044	54	296	309	41	1 400	1 773
Oct.	2 363	54	—	320	2 097	57	302	301	58	1 400	1 683
Nov.	2 623	50	—	67	2 606	60	302	260	102	1 400	1 790
Dec.	2 556	61	—	2	2 615	58	314	259	113	1 450	1 907
1974											
Jan.	1 146	129	—	1	2 274	64	303	237	130	1 310	1 706
Feb.	2 227	113	—	4	2 336	64	304	229	139	1 380	1 744
March	2 530	103	—	78	2 555	72	296	230	138	1 450	1 792
April	2 677	156	—	80	2 753	79	293	244	128	1 450	1 806
May	2 719	93	—	3	2 809	81	289	230	140	1 490	1 907
June	2 794	127	—	3	2 918	81	297	221	157	1 600	2 134
July	2 688	158	—	43	2 803	84	305	213	176	1 600	1 970
Aug.	2 538	122	—	3	2 657	98	302	203	197	1 360	2 042
Sept.	2 703	249	—	9	2 943	114	301	181	234	1 390	2 060

¹ Including special index accounts² Including cash reserve accounts³ New series, see explanations on page 18.

SELLING RATES FOR FOREIGN EXCHANGE

Mk

Sept. 25, 1974

New York ¹	1 \$	3.824	Frankfurt o. M.	100 DM	144.00	Vienna	100 S	20.30
Montreal	1 \$	3.890	Amsterdam	100 Fl	141.30	Lisbon	100 Esc	14.83
London	1 \$	8.850	Brussels ²	100 Fr		Madrid	100 Pta	6.64
Stockholm	100 Kr	85.80	Zurich	100 Fr	128.30	Tokyo	100 Y	1.290
Oslo	100 Kr	69.10	Paris	100 FF	80.10	Reykjavik	100 Kr	3.23
Copenhagen	100 Kr	62.00	Rome	100 Lit	0.5800	Moscow ³	1 Rbl	5.049

¹ As from Dec. 20, 1971 also applied to clearing accounts with Berlin, Budapest and Sofia.² 9.720 commercial rate; 9.690 financial rate.³ Clearing account: also Bucharest.

DEPOSITS BY THE PUBLIC

Mill. mk

End of year and month	Sight deposits			Term deposits					Total (2 + 3 + 9)	
	Cheque accounts		Postal giro accounts	Commercial banks	Savings banks	Co-op. banks	Posti-pankki	Co-op. stores		All credit institutions
	Commercial banks	All credit institutions								
	1	2	3	4	5	6	7	8	9	10
1967	661.5	834.0	340.9	4 103.1	3 644.6	2 417.3	941.2	431.3	11 537.9	12 712.8
1968	856.2	1 087.6	428.4	4 597.8	3 966.4	2 683.1	1 027.2	465.0	12 739.8	14 255.8
1969	1 057.4	1 373.9	520.8	5 236.3	4 333.1	3 021.6	1 116.0	521.6	14 228.7	16 123.4
1970	1 142.7	1 507.7	603.3	6 098.7	4 846.9	3 458.4	1 287.6	574.2	16 265.8	18 376.8
1971	1 343.2	1 733.5	754.4	6 961.4	5 446.4	3 876.6	1 491.4	642.3	18 418.1	20 906.0
1972	1 851.2	2 371.4	979.2	8 095.8	6 231.8	4 499.8	1 805.6	720.0	21 353.0	24 703.6
1973*	2 153.3	2 900.5	1 360.2	8 973.8	7 117.1	5 238.7	2 158.7	804.9	24 293.2	28 553.9

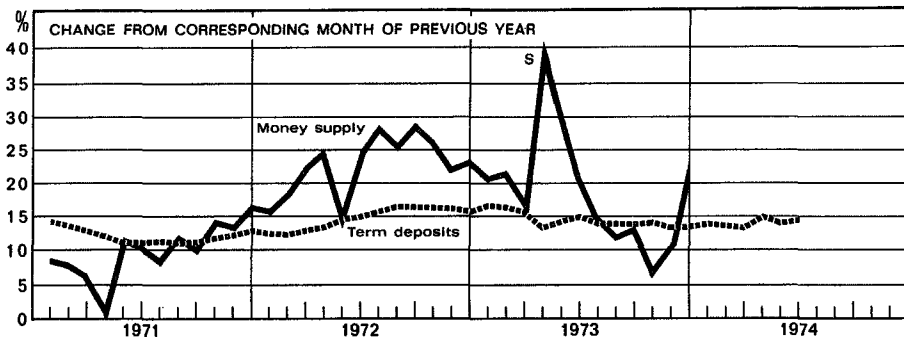
1973*

June	1 816.1	2 292.4	1 092.5	8 345.6	6 490.8	4 699.2	1 926.3	752.0	22 213.9	25 598.8
July	1 754.2	2 236.9	1 041.5	8 326.0	6 506.9	4 735.7	1 950.5	757.7	22 276.8	25 555.2
Aug.	1 677.3	2 192.3	1 025.7	8 401.2	6 610.8	4 831.8	1 874.3	763.4	22 581.5	25 799.5
Sept.	1 630.7	2 155.5	1 098.0	8 442.8	6 689.7	4 924.3	1 994.5	783.9	22 835.2	26 088.7
Oct.	1 690.5	2 234.4	932.0	8 524.6	6 756.3	5 013.2	2 017.6	783.2	23 094.9	26 261.3
Nov.	1 681.9	2 221.5	989.1	8 508.2	6 833.8	5 113.1	2 052.0	785.2	23 292.3	26 502.9
Dec.	2 153.3	2 900.5	1 360.2	8 973.8	7 117.1	5 238.7	2 158.7	804.9	24 293.2	28 553.9

1974¹

Jan.	1 896.2	2 478.1	1 272.5	9 113.6	7 227.8	5 377.5	2 207.4	814.2	24 740.5	28 491.1
Feb.	1 851.4	2 431.8	1 373.6	9 162.3	7 272.2	5 445.5	2 230.9	825.6	24 936.5	28 741.9
March	1 806.1	2 379.5	1 253.4	9 078.6	7 271.1	5 449.4	2 266.3	831.7	24 897.1	28 530.0
April	1 839.1	2 482.1	1 229.2	9 081.0	7 272.6	5 510.5	2 268.9	833.3	24 966.3	28 677.6
May	2 007.4	2 641.1	1 179.0	9 158.2	7 378.6	5 598.5	2 286.7	839.3	25 261.3	29 081.4
June	1 992.3	2 627.9	1 231.6	9 205.1	7 484.0	5 631.6	2 334.9	847.2	25 502.8	29 362.3

¹ New series, see explanations on page 18.



ADVANCES TO THE PUBLIC—MONEY SUPPLY

Mill. mk

End of year and month	Advances granted by					Types of advances		Total (1 to 5) (6 and 7)	Money Supply
	Commer- cial banks	Savings banks	Co-op. banks	Posti- pankki	Mortgage banks	Loans & Bills	Cheque credits		
	1	2	3	4	5	6	7	8	9
1967	5 568.9	3 247.7	2 424.3	864.9	1 026.9	12 583.8	538.9	13 122.7	2 146
1968	5 865.5	3 448.4	2 600.5	927.9	1 053.0	13 392.0	503.3	13 895.3	2 642
1969	6 892.2	3 802.8	2 922.1	1 039.8	1 290.4	15 354.4	592.9	15 947.3	3 126
1970	7 963.5	4 342.1	3 403.8	1 341.9	1 454.0	17 814.9	690.4	18 505.3	3 445
1971	9 233.7	4 795.6	3 834.0	1 746.6	1 799.1	20 639.8	769.2	21 409.0	4 025
1972	10 667.3	5 503.0	4 482.6	2 244.8	2 374.4	24 472.6	799.5	25 272.1	4 959
1973*	13 293.1	6 495.5	5 302.5	3 398.6	2 696.4	30 214.3	971.8	31 186.1	6 114

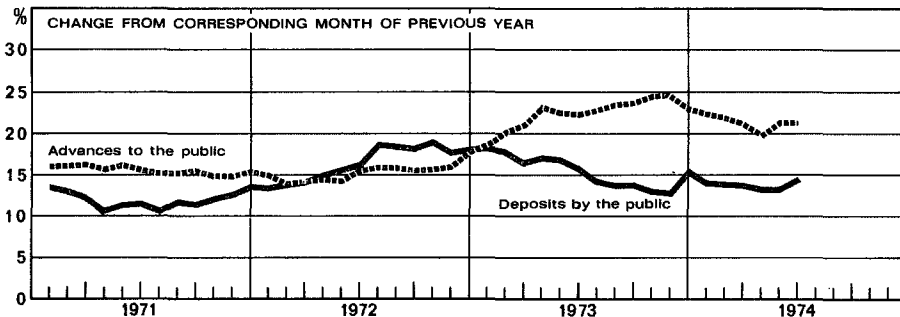
1973*

June	12 074.3	5 954.0	4 788.3	2 790.3	2 510.9	27 180.8	937.0	28 117.8	5 170
July	12 238.0	6 005.7	4 833.9	2 854.7	2 547.8	27 520.3	959.8	28 480.1	4 883
Aug.	12 419.3	6 096.5	4 908.2	2 915.1	2 565.5	27 928.1	976.5	28 904.6	4 791
Sept.	12 702.8	6 202.6	5 009.5	3 023.8	2 573.6	28 451.7	1 060.6	29 512.3	5 004
Oct.	12 968.1	6 320.2	5 116.5	3 173.2	2 592.9	29 142.5	1 028.4	30 170.9	4 749
Nov.	13 162.8	6 414.2	5 209.2	3 284.9	2 629.6	29 677.4	1 023.3	30 700.7	4 906
Dec.	13 293.1	6 495.5	5 302.5	3 398.6	2 696.4	30 214.3	971.8	31 186.1	6 114

1974¹

Jan.	13 386.6	6 609.8	5 361.4	3 570.9	2 741.2	30 656.7	1 013.2	31 669.9	..
Feb.	13 446.8	6 697.9	5 444.2	3 664.7	2 770.1	31 007.0	1 016.7	32 023.7	..
March	13 595.2	6 771.6	5 514.6	3 740.9	2 827.4	31 379.4	1 070.3	32 449.7	..
April	13 829.9	6 844.2	5 574.4	3 890.5	2 847.7	31 914.6	1 072.1	32 986.7	..
May	14 110.7	6 935.2	5 670.5	4 016.1	2 920.3	32 536.8	1 116.0	33 652.8	..
June	14 292.8	7 014.9	5 749.7	4 164.3	2 980.7	33 083.6	1 118.8	34 202.4	..

¹ New series, see explanations on page 18.



STATE FINANCES

Mill. mk

Revenue	Jan.—July		Expenditure	Jan.—July	
	1973	1974		1973	1974
Income and property tax (net)	3 364	4 644	Wages, salaries, pensions etc.	1 514	1 881
Gross receipts	6 786	8 948	Repair and maintenance	179	282
Refunds & local authorities	(—3 422)	(—4 304)	Other consumption expenditure	673	851
Other taxes on income and property	62	81	Total consumption expenditure	2 366	3 014
Employers' child allowance payments	290	358	State aid to local authorities	1 294	1 728
Sales tax	2 362	2 980	State aid to industries	872	1 449
Revenue from Alcohol Monopoly	562	634	of which: agric. price subsidies	(593)	(1 015)
Customs duties & import charges	330	286	Child allowances	181	220
Counter-cyclical tax	—	—	Share in national pensions and health insurance	136	131
Excise duty on tobacco	265	323	Other transfer expenditure	1 051	1 285
» » on liquid fuel	457	445	Total transfer expenditure	3 534	4 813
Other excise duties	219	247	Machinery and equipment	289	399
Tax on autom. and motor cycles	419	253	House construction	178	218
Stamp duties	200	238	Land and waterway construction	565	611
Special diesel etc. vehicles tax	37	43	Total real investment	1 032	1 228
Other taxes and similar revenue ¹	209	227	Interest on State debt	186	149
Total taxes	8 776	10 759	Index compensations	19	25
Miscellaneous revenue	514	570	Net deficit of State enterprises	130	143
Interest, dividends etc.	209	278	Other expenditure	7	14
Sales and depreciation of property	—	2	Total other expenditure	342	331
Redemptions of loans granted	126	136	Increase in inventories	—8	+5
Total revenue	9 625	11 745	Lending	700	784
Foreign borrowing	10	8	Other financial investment	153	275
Domestic borrowing	184	174	Total expenditure	8 119	10 450
Total borrowing	194	182	Redemption of foreign loans	107	134
Deficit (+) or surplus (—)	(—1 027)	(—994)	Redemption of domestic loans	566	349
			Total redemptions	673	483
	Total	8 792 10 933		Total	8 792 10 933

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

State debt	1971	1972	1973	1974		
	Dec.	Dec.	Dec.	June	July	Aug.
Foreign debt	1 524	1 517	1 395	1 271	1 259	1 263
Loans	2 467	2 268	1 758	1 591	1 583	1 595
Compensatory obligations	2	2	1	1	1	1
Short-term credit	61	56	39	37	38	..
Cash debt (net)	—528	—488	—468	—339	—534	..
Domestic debt	2 002	1 838	1 330	1 290	1 088	..
Total State debt	3 526	3 355	2 725	2 561	2 347	..
Total debt, mill \$	849	804	710	698	635	..

FOREIGN TRADE

Mill. mk

Value mill. mk

Period	Value mill. mk		
	Exports f. o. b.	Imports c. i. f.	Surplus of exports (+) or imports (-)
1970	9 687	11 071	-1 384
1971	9 897	11 734	-1 837
1972	12 082	13 107	-1 025
1973*	14 605	16 601	-1 996

1973*			
Aug.	1 218	1 407	- 189
Sept.	1 366	1 482	- 116
Oct.	1 538	1 689	- 151
Nov.	1 558	1 623	- 65
Dec.	1 331	1 460	- 129

1974*			
Jan.	1 540	1 950	- 410
Feb.	1 471	1 886	- 415
March	1 599	1 865	- 266
April	1 779	2 128	- 349
May	1 848	2 273	- 425
June	1 555	1 821	- 266
July	1 799	2 157	- 358

Jan.-July			
1973*	7 594	8 940	-1 346
1974*	11 591	14 080	-2 489

* New series, see explanations on page 18.

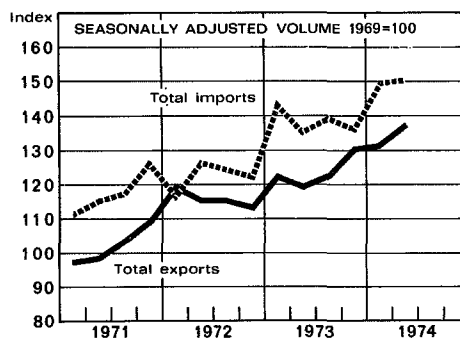
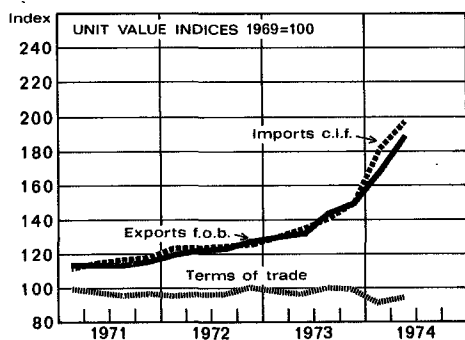
Indices of exports and
imports 1969 = 100¹

Period	Volume		Unit value		Terms of trade
	Exports	Imports	Exports	Imports	
	1970	107	121	108	
1971	103	119	115	116	99
1972	118	124	123	125	98
1973*	127	141	138	139	99

1972					
Jan.-Mar.	114	112	121	125	97
Apr.-June	112	124	123	125	98
July-Sept.	116	120	124	126	98
Oct.-Dec.	123	136	129	127	102

1973					
Jan.-Mar.	120	140	131	131	100
Apr.-June	115	133	133	136	98
July-Sept.	122	136	145	141	103
Oct.-Dec.	140	149	151	150	101

1974					
Jan.-Mar.	131	147	169	182	93
Apr.-June	131	147	190	198	96



FOREIGN TRADE BY MAIN GROUPS

Mill. mk

Period	Exports, f.o.b.					Imports, c.i.f.				
	Agricultural and other primary products	Wood industry products	Paper industry products	Metal, engineering industry products	Other goods	Raw materials and producer goods	Fuels and lubricants	Finished goods		Other goods
								Investment goods	Consumer goods	
1970	286	1 536	3 883	1 828	2 154	6 891	422	1 949	1 750	59
1971	313	1 643	3 797	1 764	2 380	7 037	570	2 333	1 746	48
1972	346	1 809	4 376	2 547	3 004	7 842	609	2 354	2 250	52
1973*	432	2 451	5 264	2 928	3 530	9 916	729	2 921	2 968	67

1973*

Aug.	14	268	523	123	290	871	71	249	215	1
Sept.	27	259	494	247	339	918	80	229	255	0
Oct.	24	282	536	302	394	984	87	345	270	3
Nov.	21	282	524	377	354	1 046	98	243	230	6
Dec.	72	226	454	244	335	905	104	236	215	0

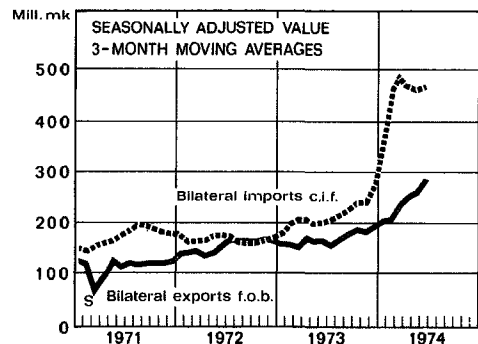
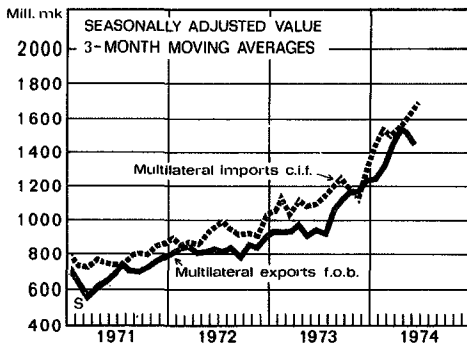
1974*

Jan.	89	249	513	378	311	1 252	172	292	233	1
Feb.	21	249	540	316	345	1 195	199	244	247	1
March	94	229	605	258	413	1 173	170	262	260	0
April	22	291	671	351	444	1 372	146	325	276	9
May	47	314	595	414	478	1 498	138	313	320	4
June	10	262	557	340	386	1 245	119	245	209	3
July	18	302	656	456	367	1 345	146	422	243	1

Jan.-July

1973*	274	1 134	2 733	1 635	1 818	5 192	289	1 619	1 783	57
1974*	301	1 896	4 137	2 513	2 744	9 080	1 090	2 103	1 788	19

New series.



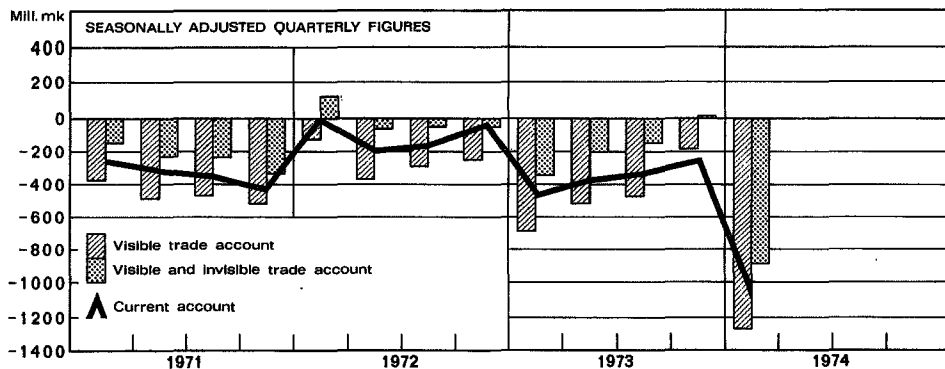
FOREIGN TRADE BY COUNTRIES

Mill. mk

Area and country	Exports, f.o.b.				Imports, c.i.f.			
	January—July				January—July			
	1973*		1974*		1973*		1974*	
	%	Mill. mk	%	Mill. mk	%	Mill. mk	%	Mill. mk
OECD countries in Europe	71.1	5 399	69.9	8 107	74.0	6 616	65.1	9 171
Austria	1.1	84	0.9	106	1.6	147	1.4	191
Belgium-Luxembourg	1.7	132	2.2	250	2.3	205	2.0	277
Denmark	4.3	331	3.8	444	3.6	321	3.3	458
France	4.1	315	4.5	522	3.4	302	3.0	419
Federal Republic of Germany	10.7	810	8.4	969	18.6	1 664	15.0	2 109
Italy	1.9	142	1.9	218	1.9	169	1.4	203
Netherlands	3.7	280	3.5	404	3.5	310	3.9	545
Norway	3.9	294	2.6	306	2.6	231	3.0	429
Portugal	0.4	28	0.4	46	0.8	73	0.7	102
Spain	1.1	81	1.2	143	0.7	63	0.4	59
Sweden	15.4	1 170	16.8	1 946	19.7	1 760	18.4	2 598
Switzerland	2.2	166	1.7	202	3.1	280	3.1	438
United Kingdom	19.1	1 449	20.1	2 328	11.6	1 033	9.3	1 311
Other	1.5	117	1.9	223	0.6	58	0.2	32
OECD countries outside Europe	6.6	505	6.6	765	7.7	694	8.0	1 124
Canada	0.6	47	0.8	91	0.2	22	0.4	50
Japan	0.6	47	1.0	117	2.5	226	1.3	182
United States	4.6	353	4.0	460	4.9	436	6.3	888
Other	0.8	58	0.8	97	0.1	10	0.0	4
CMEA countries	14.3	1 088	14.8	1 710	14.7	1 312	22.8	3 205
Czechoslovakia	0.3	26	0.4	45	0.5	47	0.4	48
Democratic Republic of Germany	0.6	42	0.5	61	0.5	45	0.5	76
Poland	1.0	77	0.9	98	1.1	101	1.8	259
Soviet Union	11.6	881	12.5	1 445	11.5	1 026	19.0	2 672
Other	0.8	62	0.5	61	1.1	93	1.1	150
Latin America	2.0	149	2.4	277	1.4	124	1.8	258
Argentina	0.4	30	0.6	69	0.1	4	0.1	10
Brazil	0.7	50	1.0	119	0.4	38	0.4	51
Colombia	0.1	11	0.1	15	0.5	43	0.5	82
Other	0.8	58	0.7	74	0.4	39	0.8	115
Other	6.0	453	6.3	732	2.2	194	2.3	322
GRAND TOTAL	100.0	7 594	100.0	11 591	100.0	8 940	100.0	14 080
of which								
EFTA countries	23.1	1 758	22.7	2 634	28.1	2 511	26.8	3 771
EEC countries	46.2	3 512	45.4	5 259	45.1	4 031	37.9	5 331
OECD countries	77.7	5 904	76.5	8 872	81.7	7 310	73.1	10 295

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
1971	9 845	11 762	-1 917	+660	+247	+66	-944	-477	- 1	-1 422
1972	12 012	13 087	-1 075	+731	+335	+72	+ 63	-586	+43	- 480
1973*	14 525	16 561	-2 036	+996	+341	+29	-670	-753	-57	-1 480
Jan.-March										
1971 ^r	2 168	2 536	- 368	+208	- 13	+19	-154	-135	- 1	- 290
1972	2 870	2 960	- 90	+217	+ 3	+ 1	+131	-142	-22	- 33
1973*	3 301	3 868	- 567	+257	- 5	+28	-287	-139	-14	- 440
1974*	4 589	5 663	-1 074	+281	+ 10	+28	-755	-233	-25	-1 013
Apr.-June										
1971 ^r	2 291	2 797	- 506	+141	+ 47	+21	-297	-118	- 1	- 416
1972	2 856	3 298	- 442	+162	+ 57	+46	-177	-155	- 8	- 340
1973*	3 182	3 842	- 660	+215	+ 48	+17	-380	-190	-22	- 592
July-Sept.										
1971 ^r	2 501	2 864	- 363	+159	+166	+16	- 22	-119	- 4	- 145
1972	2 978	3 195	- 217	+170	+191	+19	+163	-140	+20	+ 43
1973*	3 638	4 086	- 448	+268	+240	+10	+ 70	-173	- 9	- 112
Oct.-Dec.										
1971 ^r	2 885	3 565	- 680	+152	+ 47	+10	-471	-105	+ 5	- 571
1972	3 308	3 634	- 326	+182	+ 84	+ 6	- 54	-149	+53	- 150
1973*	4 404	4 765	- 361	+256	+ 58	-26	- 73	-251	-12	- 336

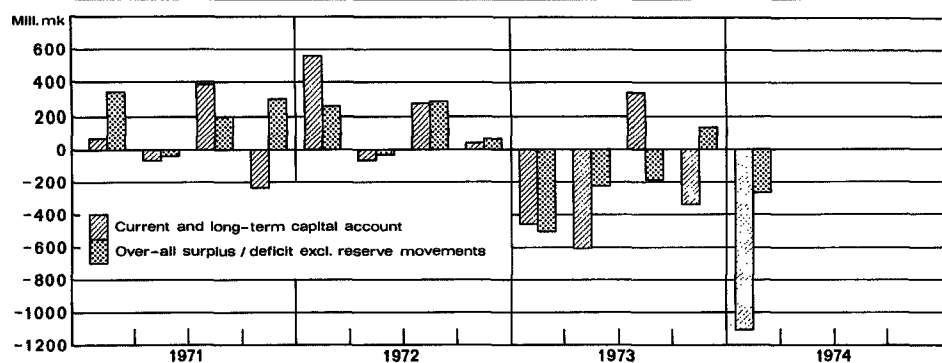


Drawings of long-term loans	Amortizations of long-term loans	Long-term export credits, net	Miscellaneous long-term capital items, net ¹	Long-term capital account	Current and long-term capital account	Short-term import credits and prepayments, net	Short-term export credits and prepayments, net	Miscellaneous 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	- 855	-208	- 85	+1 582	+ 160	+387	+197	+ 62 ²	+806	-555	-251
+3 014	-1 228	-376	-106	+1 304	+ 824	+104	- 90	-247 ²	+591	-271	-320
+1 858	-1 366	+ 34	-114	+ 412	-1 068	-246	+561	- 31	-784	+491	+293
+ 609	- 228	- 5	- 17	+ 359	+ 69	+ 21	+329	- 77	+342	-314	- 28
+ 968	- 273	-115	+ 17	+ 597	+ 564	-152	- 27	-124 ²	+261	-327	+ 66
+ 365	- 396	+ 34	- 24	- 21	- 461	+ 20	+ 7	- 73	-507	+353	+154
+ 481	- 522	- 23	- 26	- 90	-1 103	+270	+285	+279	-269	+138	+131
+ 596	- 201	- 11	- 30	+ 354	- 62	-140	+146	+ 19	- 37	+ 99	- 62
+ 655	- 180	-192	- 5	+ 278	- 62	+ 92	+ 25	- 84	- 29	+ 37	- 8
+ 308	- 265	- 48	- 9	- 14	- 606	+ 94	+323	- 38	-227	+301	- 74
+ 869	- 252	- 89	+ 5	+ 533	+ 388	- 60	+ 21	-150	+199	- 35	-164
+ 628	- 327	- 41	- 25	+ 235	+ 278	+265	-124	-131	+288	-314	+ 26
+ 774	- 370	+ 60	- 16	+ 448	+ 336	-401	-257	+136	-186	+ 66	+120
+ 656	- 174	-103	- 43	+ 336	- 235	+566	-299	+270	+302	-305	+ 3
+ 763	- 448	- 28	- 93	+ 194	+ 44	-101	+ 36	+ 92	+ 71	+333	-404
+ 411	- 335	- 12	- 65	- 1	- 337	+ 41	+488	- 56	+136	-229	+ 93

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 1964 = 100		
	Total	Origin		Purpose			Stage of processing			Total	Wages in building trade	Building materials
		Domes- tic goods	Im- ported goods	Pro- ducer goods	Machinery & transport equipm.	Con- sumer goods	Raw materials and com- modities	Simply pro- cessed goods	More elab- orately processed goods			
1971	312	315	302	309	361	304	346	295	303	149	162	134
1972	338	342	325	330	400	334	370	318	332	161	182	141
1973	398	401	385	403	447	378	435	395	378	188	202	176
1973												
Oct.	427	433	408	448	469	390	476	429	397	204	214	198
Nov.	430	436	408	452	465	393	478	434	399	205	214	199
Dec.	436	440	418	459	481	394	481	442	404	209	214	200
1974												
Jan.	452	453	448	479	487	407	509	452	417	214	217	209
Feb.	462	461	466	492	496	413	514	471	424	222	217	222
March	471	472	468	500	507	423	517	480	437	225	217	227
April	480	481	478	508	517	434	528	490	446	233	235	229
May	487	489	477	518	521	436	539	495	450	235	235	230
June	489	491	481	519	537	438	541	495	454	235	235	230
July	500	503	488	528	544	451	567	505	456	235	235	231
Aug.	505	507	497	532	549	457	567	510	463	235	235	231
Consumer prices 1972 = 100												
Period	Cost of living Oct. 1951 = 100	Con- sumer prices Oct.-Dec. 1957 = 100										
			Total	Food	Bever- ages and tobacco	Clothing and foot- wear	Rent	Heating and lighting	Furniture, household equip. and operation	Traffic	Education and recreation	Other goods and services
1973	284	223	111	112	107	111	116	110	109	109	105	111
1973												
Oct.	297	233	115	117	107	116	127	113	112	111	107	115
Nov.	299	235	116	117	107	116	128	114	116	113	108	115
Dec.	303	237	118	161	107	117	131	129	116	115	109	116
1974												
Jan.	305	239	119	116	107	118	133	132	119	116	110	118
Feb.	314	246	122	117	107	121	135	162	122	124	114	118
March	317	248	123	118	108	123	137	158	123	124	114	121
April	324	255	126	126	108	124	140	159	125	126	115	121
May	328	257	127	128	108	126	141	160	127	127	115	124
June	329	258	128	129	108	126	141	150	128	128	116	125
July	335	263	130	131	108	127	146	151	129	129	119	130
Aug.	340	267	132	135	108	129	146	171	130	130	120	130

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	Manufacturing	Construction							
1970	181	170	170	164	161	165	164	157	169	164
1971	210	195	195	180	176	178	188	171	195	185
1972	253	222	222	196	189	194	212	188	220	206
1973*	317	260	260	223	213	223	247	214	258	239
1973*										
Jan.-March	287	235	238	206	198	206	224	196	234	217
Apr.-June	331	260	250	227	215	226	249	217	259	240
July-Sept.	314	268	268	229	219	230	259	221	270	248
Oct.-Dec.	340	275	284	231	220	230	261	222	273	251
1974*										
Jan.-March	349	277	286	233	225	232	264	224	276	254
Apr.-June	417	303	308	265	247	263	291	251	303	280

PRODUCTION

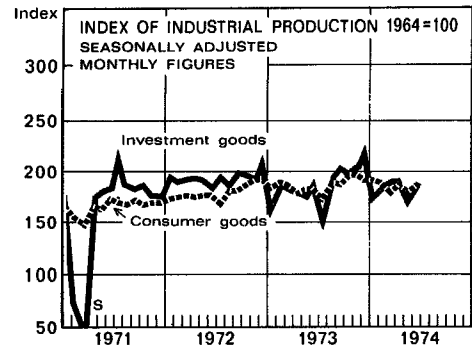
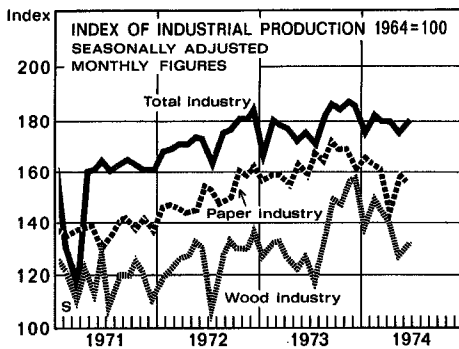
Volume indices of production 1964 = 100

Period	Gross domestic product	Industrial production	By sector								
			Agriculture	Forestry	Construction of buildings	Land and waterway construction	Transport and communications	Commerce, banking and insurance	Ownership of dwellings	Public admin. and defence	Services
1970	132	154	96	111	141	98	132	132	129	128	134
1971	136	157	96	106	138	99	134	140	135	135	140
1972	145	177	94	95	149	103	143	155	142	143	148
1973*	153	188	96	96	161	104	154	169	150	148	156
1973*											
Jan.-March	152	197	53	130	131	105	145	163	147	147	156
Apr.-June	147	180	68	107	131	103	154	162	148	148	156
July-Sept.	153	169	169	53	198	105	159	165	149	149	156
Oct.-Dec.	160	204	64	96	184	101	159	186	153	150	158
1974*											
Jan.-March	157	204	55	126	138	103	153	168	155	152	163
Apr.-June	153	189	63	106	142	109	163	169	156	153	164

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	
1972*	114	120	113	111	110	110	110	137	113	118	113
1973*	117	117	117	115	113	117	118	139	120	120	117
1972*											
Nov.	125	131	123	125	118	111	121	148	131	132	118
Dec.	116	119	117	111	104	104	111	149	120	122	121
1973*											
Jan.	124	125	125	120	98	126	123	156	128	128	111
Feb.	116	121	117	114	96	117	115	139	122	124	118
March	129	132	129	128	108	132	126	152	138	133	117
April	111	112	111	113	103	111	99	145	124	114	115
May	123	126	121	126	126	132	122	140	96	132	113
June	106	114	103	109	109	112	94	121	70	117	115
July	83	53	88	72	109	65	118	104	109	56	112
Aug.	118	112	117	121	129	104	124	134	138	117	118
Sept.	117	121	119	114	113	120	124	145	128	122	122
Oct.	133	140	132	132	138	142	131	153	140	142	120
Nov.	129	138	129	129	125	133	126	148	140	139	122
Dec.	112	114	113	107	108	112	109	134	113	115	121
1974*											
Jan.	128	129	131	125	117	139	130	154	131	132	115
Feb.	118	120	119	114	106	134	119	135	123	123	119
March	128	130	130	121	106	139	133	160	135	134	117
April	117	125	116	119	118	130	93	145	133	128	117
May	125	124	125	125	126	139	121	141	132	131	115
June	107	107	106	109	113	110	95	131	116	112	117



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	Unemploy- ment, % of total labour force	Commercial timber fellings 1 000 solid cu. m	Retailers' sales volume index 1968 = 100	Whole- sellers' volume index 1968 = 100
1969	3 480	2 189	2 127	62	2.8	35 338	108	117
1970	3 492	2 194	2 153	41	1.9	39 267	114	130
1971	3 507	2 199	2 150	49	2.2	36 264	118	137
1972	3 409	2 173	2 118	55	2.5	31 442	128	151
1973*	3 442	2 215	2 164	51	2.3	30 746	138	167
1973*								
Aug.	3 447	2 303	2 261	42	1.8	1 216	143	175
Sept.	3 449	2 226	2 188	38	1.7	1 606	139	172
Oct.	3 451	2 222	2 181	41	1.8	2 339	149	191
Nov.	3 453	2 220	2 180	40	1.8	2 813	142	180
Dec.	3 455	2 216	2 168	48	2.2	2 998	185	187
1974*								
Jan.	3 471	2 187	2 134	53	2.4	3 063	119	156
Feb.	3 474	2 194	2 140	54	2.5	3 425	122	160
March	3 476	2 183	2 138	45	2.1	3 509	131	174
April	3 478	2 199	2 154	45	2.0	3 473	137	169
May	3 480	2 236	2 200	36	1.6	3 082	143	175
June	3 483	2 432	2 398	34	1.4

CONSTRUCTION OF BUILDINGS

Period	Building permits granted					Buildings completed					Buildings- works under con- struction
	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	Total	Residen- tial buildings	Farm buildings	Industrial and business buildings	Public buildings	
Million cubic metres											
1971	42.63	19.54	3.10	15.18	2.60	37.35	15.79	3.16	13.88	2.91	37.64
1972*	47.73	20.56	3.08	16.50	4.28	40.00	18.15	2.84	14.19	2.99	40.57
1973*	54.96	24.68	3.82	20.66	2.81	39.94	18.68	2.88	13.56	2.82	51.43
1972*											
July-Sept.	13.44	6.11	0.55	4.89	1.17	10.17	4.64	0.87	3.22	0.76	41.87
Oct.-Dec.	13.46	5.50	0.43	4.88	1.78	13.60	6.07	1.29	4.89	0.80	40.57
1973*											
Jan.-March	10.62	3.99	0.80	4.85	0.50	8.07	3.71	0.42	3.17	0.51	48.56
Apr.-June	16.97	7.85	1.73	5.82	0.62	6.51	3.27	0.33	2.08	0.37	47.39
July-Sept.	16.23	7.86	0.84	6.06	0.76	10.34	4.65	0.91	3.31	0.78	55.01
Oct.-Dec.	11.13	4.98	0.45	4.09	0.92	13.85	6.66	1.11	4.51	1.13	51.42

EXPLANATIONS RELATING TO THE STATISTICAL SECTION

BANK OF FINLAND

Page 4. Since Dec. 31, 1969, *Gold and foreign exchange* = Gold (valued on basis of the value of the mark) + Special drawing rights + IMF gold tranche + Foreign exchange. *Liabilities on foreign exchange and mark accounts* = Foreign exchange accounts + Mark account of holders abroad. *Other foreign assets* = Foreign bills + Foreign bonds + Currency subscription to Finland's quota in the IMF. *Other foreign liabilities* = Foreign term liabilities + IMF mark accounts. *The Treasury cheque account* = The cheque account of the Treasury with the Bank of Finland; while *Treasury term liabilities* = Export levies + Governmental counter-cyclical fund + Counter-cyclical tax account — Treasury's IMF and IBRD bills (net). *Foreign exchange situation*: Gold holdings are valued on basis of the par value of the mark. Gold tranche position measures that part of Finland's quota which may be drawn essentially automatically in convertible exchange against payment in marks.

Page 5. *Other advances* = Inland bills discounted in foreign currency + Loans + Other claims (excl. Treasury's IMF and IBRD bills). *Liabilities* = Other cheque accounts + Other sight liabilities + Domestic term liabilities (excl. Export levies + Governmental counter-cyclical fund + Counter-cyclical tax account + Deposit certificates + Cash reserve accounts). *Deposit certificates* are interest bearing, freely transferable, term liabilities of the Bank of Finland. Their maturities range from one week to one year.

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.

STATE FINANCES

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

FOREIGN TRADE

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

BALANCE OF PAYMENTS

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

PRICE INDICES

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

WAGES — PRODUCTION

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

Page 16. *Index of industrial production* calculated by the Central Statistical Office. The grouping by branches of industry is in accordance with the Standard Industrial Classification (SIC) which is a version of the 1968 edition of the ISIC. The SIC facilitates international comparisons between Finnish statistics and corresponding data from countries which use the ISIC. The seasonally adjusted series is calculated by the Bank of Finland on the basis of the index of industrial production per working day according to a method resembling the U.S. Bureau of Census Method II. Commodities according to use: investment goods weight 7.0, other producer goods weight 67.0 and consumer goods weight 26.0. The weights for the special manufacturing indices are food manufacturing (SIC 311-2) 9.8, manufacture of wood, and wood and cork products (SIC 311-2) 8.0, manufacture of paper and paper products (SIC 341) 15.2, manufacture of industrial chemicals (SIC 351-2) 5.2, manufacture of non-metallic mineral products except products of petroleum and coal (SIC 381-9) 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. As of the beginning of 1973, the figures for the labour force, the employed labour force and the rate of unemployment are not fully comparable to the previous figures. The sample population used in the Labour Force Sample Survey was changed to accord with the data provided by the demographic forecast made in 1973. In January 1973, the labour force was estimated to be about 30 000 persons smaller, and the seasonally unadjusted rate of unemployment about 0.1 percentage point lower, than the corresponding figures derived with the aid of the former sample population.

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 1972 is as follows: Social Democrats 56, People's Democrats 37, Centre Party 35, Conservatives 33, Finnish People's Unification Party 13, Swedish Party 9, Liberal Party 6, Finnish Farmers' Party 5, Christian League 4 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 and OECD 1969.

LAND

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

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

POPULATION

NUMBER OF INHABITANTS (1972): 4.6 million. Sweden 8.1, Switzerland 6.4, Denmark 5.0 and Norway 3.9 million.

DENSITY OF POPULATION (1972): In South Finland 44.4, in East and Central Finland 14.0, in North Finland 4.0 and in the whole country an average of 15.2 inhabitants to the square kilometre.

DISTRIBUTION BY AREA (1972): 55 % of the population inhabit the rural areas, 45 % towns and urban districts. The largest towns are: Helsinki (Helsingfors), the capital 507 700 inhabitants, Tampere (Tammerfors) 162 800, Turku (Åbo) 158 300.

EMPLOYMENT (1972): Agriculture and forestry 19 %, industry and construction 35 %, commerce 15 %, transport and communications 7 %, services 24 %.

LANGUAGE (1971): Finnish speaking 93.2 %, Swedish speaking 6.6 %, others 0.2 %.

EDUCATION (1973): Practically all persons over 15 years of age are literate. There are 6 universities (the oldest founded in 1640), 11 colleges of university standard, and 2 teacher training colleges, besides teacher training departments in two of the universities.

CHANGE OF POPULATION (1972): births 12.7 ‰, deaths 9.6 ‰, change + 4.3 ‰, net immigration 1.2 ‰. Deaths in France 10.6 ‰ and Great Britain 11.9 ‰.

TRADE AND TRANSPORT

NATIONAL INCOME (1973, in million marks): Gross domestic product at factor cost by industrial origin: agriculture 3 378 (6 %), forestry and fishing 3 728 (6 %), manufacturing 18 561 (32 %),

construction 5 788 (10 %), transport and communication 5 617 (10 %), commerce, banking and insurance 7 620 (13 %), public administration 2 624 (4 %), ownership of dwellings 2 770 (5 %), services 8 490 (14 %), total 58 576. Index of real domestic product 153 (1964 = 100).

FOREST RESOURCES (1972): The growing stock comprised of 1 481 million m³ (solid volume with bark), of which 44 % was pine and 38 % spruce, the remaining 18 % being broad-leaved trees, chiefly birch. Of the growing stock, 619 million m³ was up to the standard required for logs, 55 % of these being pine. The annual growth was 58.2 million m³ and the total removal, calculated on the basis of roundwood consumption, was 54.3 million m³.

AGRICULTURE (1972): Cultivated land 2.7 million hectares. Number of holdings 286 500, of which 189 100 are of more than 5 ha. Measure of self-sufficiency in bread cereals 105 % in the crop year 1972/73.

INDUSTRY (1971): Gross value of industrial production 29 705 mill. marks, number of workers 395 501, salaried employees 105 915, motive power (1971) 6.5 mill. kW. Index of industrial production 101 for 1971 (1970 = 100).

STATE RAILWAYS (Jan. 1, 1974): Length 5 897 km.

MERCHANT FLEET (June 30, 1974): Steamers 27 (21 100 gross reg. tons), motor vessels 370 (755 300 gross reg. tons), tankers 60 (730 100 gross reg. tons). Total 457 (1 506 500 gross reg. tons).

MOTOR VEHICLES (Dec. 31, 1973): Passenger cars 894 100, lorries and vans 119 900, buses 8 400, others 5 700. Total 1 028 100.

FINNISH AIRLINES (April 30, 1974): Finnair and Kar-Air have in use 4 DC-8-62s, 1 DC-6s, 8 Super Caravelles 8 DC-9s and 5 Convair Metropolitans. Companies have scheduled traffic outside of Finland to 27 airports and to 20 domestic airports.

FINANCE AND BANKING

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

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

OTHER CREDIT INSTITUTIONS (Dec. 31, 1973). There are two big and five small commercial banks with in all 846 offices, 298 savings banks, 398 co-operative banks, six mortgage banks, and Postipankki. 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 (July 1, 1973). The official discount rate of the Bank of Finland (the basic rate applied by the Bank of Finland for discounts and rediscounts of commercial banks) is 9 ¼ %. The range of rates for other credits granted by the Bank of Finland is between 7 ½ and 10 ½ %. Other credit institutions: term deposits 5 ¾ %; 6 month deposits 6 ¼ %; 12 month deposits 6 ¾ %; 24 month deposits 7 ¾ %; and sight deposits 1 ½ %; highest lending rate 12 ½ %.

FINNISH ECONOMIC RELATIONS WITH THE SOCIALIST COUNTRIES

by Raili Nuortila,

Head of the Eastern Trade Department, Bank of Finland

Finland has a long tradition of trading with the Socialist countries. The basic trade agreement with the Soviet Union was concluded in 1947 and is still in force. The first long-term trade agreement with this country — the first of its kind between a market economy country and a Socialist country — was signed in 1949 and covered 1951—1955. Trade agreements with China date from 1951 and those with the East European countries mainly from the late 1940s.

When developing her economic relations with the Socialist countries, Finland has been in a favourable position compared with many other developed capitalist countries. After World War II cool relations or the complete absence of contact with the Socialist countries prevented some Western countries from developing trade with the East. These conditions were totally foreign for Finland, since stable and friendly political relations have provided a firm basis for the fruitful development of economic relations during the entire post-war period.

In the mid-1960s most European countries started to accept East-West trade as a potential stimulus to the expansion of trade. When measures designed to exploit this potential were implemented in one country after the other, it became clear that Finland's long tradition of trade, as valuable as it might be, did not in itself guarantee that good results could be achieved year in and year out. It was felt that pure trade alone did not suffice and that the time had come to invent new ways to co-operate. Since that time a number of new modalities for developing Finnish economic relations with the Socialist countries have been worked out. The attempt to widen the sphere of economic co-operation and to pave the way for still more trade between Finland and the

countries in question has been especially successful in the past few years. A whole network of agreements now provide a solid foundation for trade and co-operation with the Socialist countries (see table). In the following survey, the gradual evolution of this network is described.

TRADE

The trade agreement of December 1, 1947 between Finland and the Soviet Union sets forth the basic principles to be followed by the signatories in the exchange of goods and services. On this basis, six successive quinquennial agreements have been made, the first one covering the period 1951—1955. Finland's sixth five-year trade agreement with the Soviet Union covering 1976—1980 was signed in Helsinki on September 12, 1974. (See pages 25 and 26.)

These agreements set out practical ways to develop and carry out trade. The present agreement contains ten articles, three of which lay down the principles governing payments between Finland and the Soviet Union. Finland has no separate payments agreement with the Soviet Union. The bulk of the agreement consists of extensive lists of goods to be exchanged in the course of the agreement period. When possible, the amounts to be traded in each calendar year are also established. However, for such goods as ships the amount to be exported is set for the whole five year period.

The quinquennial agreement covers the normal planning period in the countries which are members of the Council for Mutual Economic Assistance (CMEA). On the basis of this agreement, an annual protocol

ECONOMIC AGREEMENTS BETWEEN FINLAND AND THE SOCIALIST COUNTRIES ¹

Country	Trade		Payments		Co-operation	Other
	Long-term	Annual	Agreement	Arrangement		
USSR	Trade Agreement (No. 13/48) Agreement on Exchange of Goods and Payments 1971—75 (No. 39/70) Agreement for 1976—80 (Signed in Helsinki Sept. 12, 1974)	Protocol on Deliveries on Goods Jan. 1—Dec 31, 1974	Agreement on Exchange of Goods and Payments 1971—75 (No. 39/70)	Clearing (Rouble)	The Treaty of Friendship, Co-operation and Mutual Assistance (No. 17/48) Agreement on Scientific and Technical Co-operation (No. 30/55) Agreement on the Establishment of a Standing Intergovernmental Commission for Economic Co-operation (No. 45/67) Agreement on Economic, Technological and Industrial Co-operation (No. 64/71)	Agreement on Customs Matters (No. 19/61)
Poland	Trade Agreement 1971—75 (No. 66/70)	Trade Protocol Jan. 1—Dec 31, 1974	(No. 2/47) amendments: (No. 20/48, 32/49, 5/51, and 7/59)	Experiment with use of convertible US \$ in effecting payments since 1970	Agreement on Economic, Industrial, Scientific and Technical Co-operation (Signed in Helsinki, Jan. 30, 1974)	
GDR	Trade Agreement July 1, 1973—June 30, 1978 (No. 61/73)	Protocol on Exchange of Goods July 1, 1973—June 30, 1974 (extended until June 30, 1975)	(No. 33/59) amendment: (No. 51/68)	Clearing (Dollar)	Agreement on Economic, Scientific, Technical and Industrial Co-operation (No. 62/73)	
Czechoslovakia	Trade Agreement 1970—74 (No. 62/69) Agreement for 1975—80 (Signed in Helsinki Sept. 19, 1974)	Trade Protocol Jan. 1—Dec 31, 1974	(No. 34/59) amendment: (No. 19/65)	Experiment with use of convertible US \$ in effecting payments since 1970	Agreement on Economic, Industrial and Technical Co-operation (No. 12/1971)	Agreement on the Reciprocal Removal of Obstacles to Trade (Signed in Helsinki, Sept. 19, 1974)
Hungary	Trade Agreement 1969—73 (No. 2/69) (Automatically extended)	Protocol on Exchange of Goods July 1, 1973—June 30, 1974 (extended to Dec 31, 1974)	(No. 30/48) amendment: (No. 50/68)	Clearing (Dollar)	Agreement on Development of Economic, Industrial, Scientific and Technical Co-operation (Signed in Budapest Sept. 2, 1974)	Agreement on the Reciprocal Removal of Obstacles to Trade (Signed in Helsinki, May 2, 1974)
Romania	Trade Agreement 1971—75 (No. 62/75) Additional Protocol (No. 58/73)	Trade Protocol Jan. 1—Dec. 31, 1974	(No. 12/51) amendment: (No. 1/68)	Clearing (Rouble) Deficit exceeding the swing limit of 360 000 Rbls at the end of each year is paid in convertible currencies	Agreement on Economic, Industrial and Technical Co-operation (No. 8/70); on the application: (No. 45/71)	
Bulgaria	Trade Agreement 1973—77 (No. 31/73)	Protocol Jan. 1—Dec. 31, 1974	(No. 28/48) amendments: (No. 9/54 and 13/65) (No. 1/68 and 32/73)	Clearing (Dollar)	Agreement on Development of Economic, Industrial, Scientific and Technical Co-operation (No. 23/70) (Signed in Varna, Aug. 12, 1974)	Agreement on the Reciprocal Removal of Obstacles to Trade (Signed in Helsinki, April 26, 1974)
People's Republic of China		Trade Agreement Jan. 1—Dec. 31, 1974	(No. 20/53) amendments: (No. 46/67 and 12/68)	Clearing (Finnish Mark)		

¹ Treaty Roll numbers are in brackets.

with a more detailed list of goods is concluded. This annual protocol serves as a basis for the conclusion of contracts between enterprises in Finland and the foreign trade organizations of the Soviet Union.

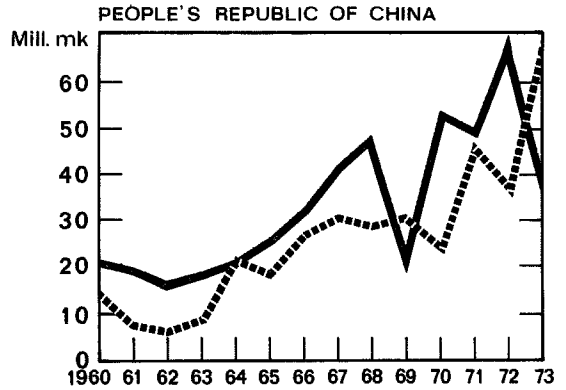
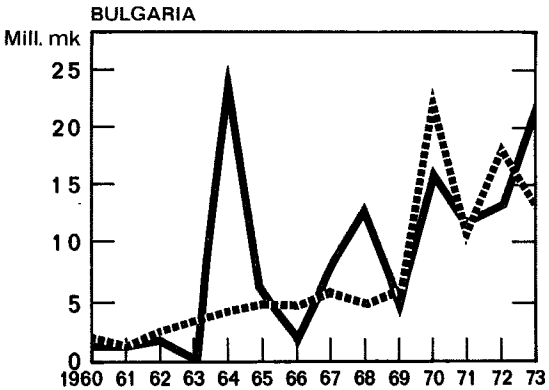
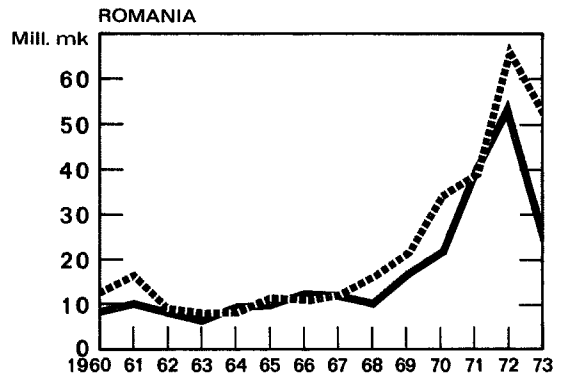
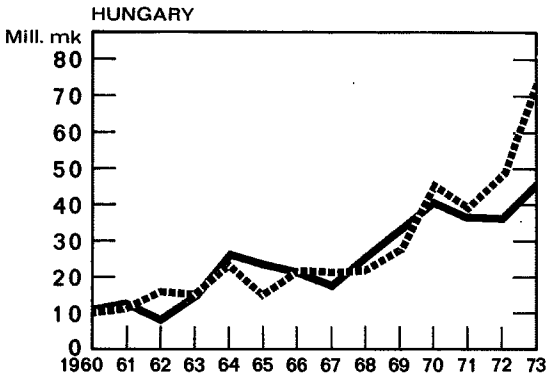
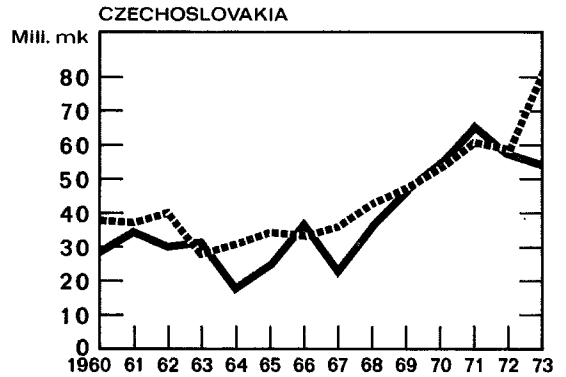
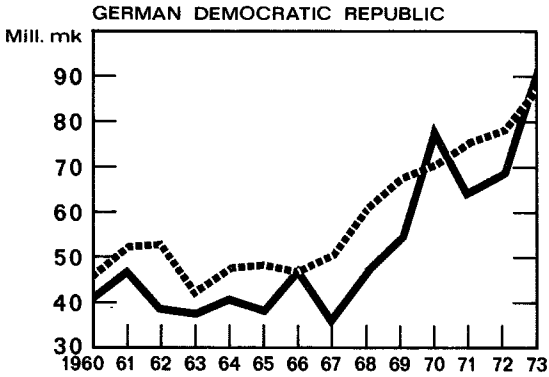
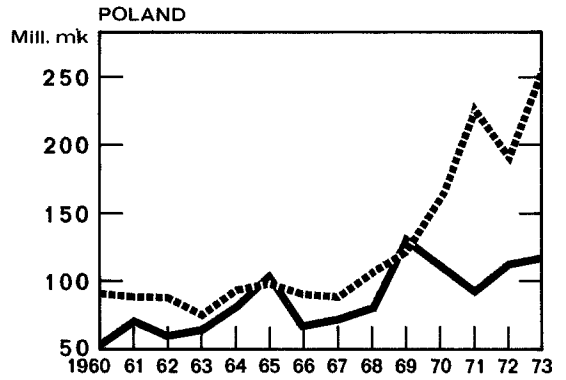
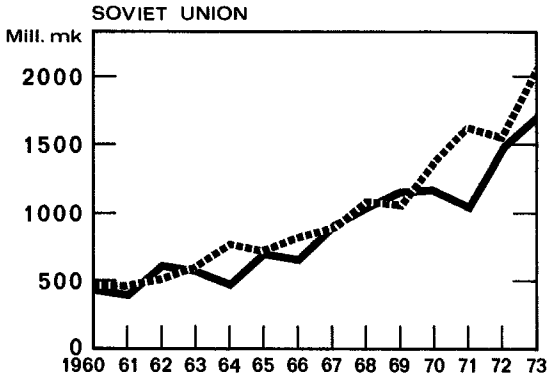
In the preparatory work preceding both the quinquennial and annual agreements, the Finn-

ish central organizations taking care of the interests of their member enterprises co-operate closely with the various governmental bodies in charge of Soviet trade relations.

The trade agreements with the other Socialist countries were made on an annual basis until the mid-1960s. At that time several East Euro-

FINNISH TRADE WITH EIGHT SOCIALIST COUNTRIES

FINNISH EXPORTS
 FINNISH IMPORTS



an additional protocol to the trade agreement, which was subsequently replaced by a separate agreement. In some cases the agreements have already been renewed. Four of them are now in force for a period of ten years. The latest agreement is the one with Hungary on economic, industrial and technical co-operation which was signed only a few weeks ago. This agreement replaces the one which was made four years ago. In addition to the countries listed in the table on page 21, Finland has concluded an agreement on economic, industrial and technical co-operation also with Yugoslavia.

These co-operation agreements provide for the establishment of a joint commission with members from Finland and the country concerned. The joint commissions have special working groups dealing with matters of common interest in fields where co-operation could prove fruitful. There is a secretariat in the Trade Policy Department of the Ministry for Foreign Affairs to deal with the administration of the agreements. Various industrial branches are represented on the joint commissions as well as in working groups. The joint commissions and working groups have regular meetings on the ways the two countries can work together.

REMOVAL OF OBSTACLES TO TRADE

At the time of its association with EFTA, Finland granted tariff reductions, and later duty-free entry, to goods originating in the Soviet Union. A Customs agreement was signed for this purpose in 1960. Quantitative restrictions on imports from the Soviet Union above the general limitations were abolished in 1974.

In the 1960s the EFTA countries gained duty-free access for their industrial products to the Finnish market, and in the beginning of the 1970s Finland negotiated a free-trade agreement with the European Community. This agreement was signed in 1973 and came into force in 1974. It will eventually lead to duty-free access to the Finnish market for products of the EEC countries. The East European So-

cialist countries felt discriminated against with respect to their exports to Finland. This situation was frequently referred to in various contexts, and it caused lengthy discussions since the Finnish negotiators did not share the view of their Socialist counterparts that discrimination existed. It was still argued in the negotiations that the duties as well as the remaining quantitative restrictions, even though minor, could be an obstacle to the development of trade between Finland and the Socialist countries. As Finland wished to develop trade with both the East and the West, an arrangement putting these two groups of countries on an equal footing was sought. It took the form of negotiations on free-trade between Finland and the East European countries. Negotiations with some countries started in the summer of 1973. The two first agreements, those with Bulgaria and Hungary, were signed in April and May 1974 and the third one with Czechoslovakia in September 1974. The negotiations with the other East European countries are still going on.

The bilateral agreements made with Bulgaria, Hungary and Czechoslovakia are called »Agreements on the Reciprocal Removal of Obstacles to Trade«. According to these agreements, imports from the three countries to Finland will be duty-free from July 1, 1977. The duty reductions will take place in three stages. The first reduction to 40 per cent of the basic duty will occur in the beginning of 1975, and the two other reductions of 20 per cent each, in the beginning of 1976 and in July, 1977. The timetable parallels the one agreed on with the EEC. The reduction applies in general to industrial products. There is, however, a short list of goods with a longer timetable for duty reductions. For agricultural produce Customs duties will be abolished, whereas the import fees applied to the agricultural products will remain unchanged. The quantitative restrictions applied in addition to the ones which cover imports from all countries will be abolished as well.

When negotiating these agreements, the requirement of reciprocity has been and will be one of the main problems. Of course the Finnish

pean countries showed an interest in long-term agreements, and these were subsequently concluded. The long-term agreements with the other CMEA countries differ considerably from the ones generally made with the Soviet Union. They mainly set out the principles to be followed in trade between Finland and the country in question. The annual protocols are also more limited than those for the Soviet Union. At the end of the 1960s, when Finland abolished most of her quantitative import restrictions, the detailed specification of products to be traded was changed accordingly.

Finland has not made a long-term agreement with the People's Republic of China. Instead annual trade agreements have been concluded since 1951. The agreement sets out both the principles to be followed while trading and specifies the goods to be exchanged. The table on page 21 covers Finland's agreements with eight Socialist countries. The development of trade with these countries since 1960 is shown on page 22. Trade with Cuba and Yugoslavia is arranged on a multilateral basis with payments in convertible currencies. A trade agreement with the Democratic Republic of Korea was concluded in 1969. It includes indicative lists of goods to be exchanged and stipulates the use of convertible currencies in payments. Finland is examining whether further agreements can be reached with the other Socialist countries.

PAYMENTS

As was mentioned above, the articles covering payments with the Soviet Union are included in the five-year agreement. According to them, payments are settled on the basis of a clearing arrangement. For the seven other Socialist countries mentioned in the table on page 21, there are separate payments agreements, most of which date from the late 1940s or the late 1950s. Only a few changes have been made since then.

According to these agreements, payments between Finland and the Socialist countries are

effected through clearing accounts established by the Bank of Finland on the Finnish side and the central bank or the foreign trade bank in the Socialist country. The rouble is the unit of account for payments to and from the Soviet Union and Romania, while the Finnish mark is used for payments to and from China and the US dollar for other countries.

The payments have been modified in three cases. For some years, the payments to and from Poland and Czechoslovakia have been effected through central accounts but in convertible US dollars. In transactions with Romania, deficits exceeding the swing limit at the end of each calendar year are settled in convertible currencies.

CO-OPERATION

There is an agreement with the Soviet Union on scientific and technical co-operation which dates from 1955. Another agreement establishing a standing intergovernmental commission for economic co-operation between the two countries was made in 1967. Moreover an agreement on economic, technical and industrial co-operation was concluded in 1971. The contacts between the two countries and the co-operation in the framework of all these agreements are at present guided and co-ordinated by a common administrative body on the Finnish side. The agreements and the activities carried out on their base cover a large field, ranging from purely scientific research to industrial projects. Many working groups meet yearly to develop relations in a number of special areas of interest.

At the end of the 1960s it became clear that economic and related co-operation with the East European countries requires an approach somewhat different from the one used with the Western countries. The matter was thoroughly studied in Finland and as a result negotiations were started with various Socialist countries on special agreements for this purpose. These agreements were concluded in 1969—1971. In one case it took the form of

offer to abolish trade obstacles was based on the idea of mutual benefit. As the Socialist countries often have no Customs duties and as Customs duties, when they exist, do not have the same function as in the market economy countries, it has been necessary to find other ways for the Socialist countries to make concessions to balance the Finnish offer of improved Customs treatment.

In many respects the agreements concluded with Hungary, Bulgaria and Czechoslovakia resemble the one Finland has with the European Community. The agreements have their rules of origin. In the agreements with the Socialist countries the rules are on a bilateral basis and differ from the ones in force between Finland and the Community countries, where a principle of cumulative origin is used. The resemblances in these two types of agreements are only natural in light of the Finnish initiative. The goal of Finnish trade policy is to offer the countries in the East as well as in the West the same scope to develop their trade with Finland.

CO-OPERATION BETWEEN FINLAND AND THE CMEA

In May, 1973 Finland became the first market economy country to sign an agreement on co-operation with the Council for Mutual Economic Assistance (see front article of Bulletin, June 1973). Since signing this agreement, the Joint Commission has had its first meeting where five working groups were established. The five fields covered are foreign trade, machine industry, chemical industry, transport matters as well as scientific and technical co-operation. All the working groups have already started their activities.

The co-operation between Finland and the CMEA is distinct from Finnish bilateral relations with the Socialist countries, which will develop further as before. Co-operation with the CMEA is meant to be a supplement to existing relations, a supplement that will take into account the development of economic relations between the CMEA countries.

ITEMS

Trade between Finland and the USSR in 1976—1980. On September 12, 1974, Finland and the Soviet Union signed a new five-year agreement governing the exchange of goods and payments in 1976—1980. This is the sixth such agreement between the two countries. It is estimated that the value of the exchange of goods will amount to 9 000 million roubles or ca. 45 000 million Finnish marks over the whole period. This is double the value of the trade carried out under the current agreement.

The main Finnish commodity exports are »Machinery and equipment» and »Ships, equipment,

ship repairs and spare parts». The value of exports of machinery and equipment is estimated to amount to 5 450 million marks which is double the value in the previous period. The most important items in this group are machinery for the mechanical wood-processing industries (export quota for the whole period 200 million roubles), for the pulp and paper industries (200 million roubles) and for the mining and metallurgic industries (290 million roubles). The group also includes machinery and equipment for power stations and nuclear power plants. (Exports of these commodities will be agreed separately.) The quota for ships will be increased from 350 million roubles

(1 750 million marks) to 1 200 million roubles (6 000 million marks). Exports of forest industry products will increase. Exports of viscose cellulose will come to 90 000 tons and exports of paper pulp to 30 000 tons per annum. During the five-year period, annual exports of various types of paper will increase from 240 000 tons to 260 000 tons. Exports of kraft paper sacks will rise from 220 million pieces to 240 million and aluminated paper from 500 tons to 1 000 tons a year. The value of exports of consumer goods will increase from 320 million marks to 500 million. The export list further includes raw materials and appliances, agricultural products, medicine and medical appliances, and printing of advertising material. Mention has also been made of the payment for construction work done by Finnish firms in the USSR.

Solid fuels, crude oil, oil products and electric energy account for three-fourths of the imports from the USSR during the period in question. The annual import quota for crude oil is 6 500 000 tons, for diesel oil it ranges from 800 000 (minimum) to 2 000 000 (maximum) tons; for mazout it is 1 500 000 tons and for lubricating oils 15 000 tons. Imports of solid fuels will amount to 1 800 000 tons per annum. The import quota for natural gas will increase from 1 100 million cu.m. to 1 400 million cu.m. a year and the quota for electric energy from 600 million kWh to 4 000 million kWh during the five-year period. Altogether imports of energy including oil will increase by 40 per cent during the period compared with the previous period. The import quota for machinery and equipment is estimated to amount to 450 million roubles or 2 250 million marks. The biggest items in this group are passenger cars, power plant equipment, machinery and fuel for nuclear power plants, cutting and pressing machines and machines for mining. The import list further includes chemicals, medicine, timber and materials delivered to Finnish firms carrying out construction projects in the USSR.

Finland's balance of payments January—June 1974. According to preliminary figures of the Bank of Finland, the current account

deficit amounted to 2 000 million marks during the first half of the current year. The current account deficit for the second quarter of the year was slightly smaller than for the first quarter. In net terms, there was no inflow of long-term capital during the first quarter of the year, but during the second quarter drawings of foreign loans picked up slightly despite the volatile state of the international capital market.

However, the major part of the current account deficit was covered by imports of short-term capital. Part of the financial deficit took the form of an increase in Finland's clearing account debt to the Socialist countries. The convertible foreign exchange reserves were at almost the same level as at the beginning of the year.

During the first half of the current year, the trade deficit (imports c.i.f. and exports f.o.b.) amounted to 2 130 million marks. In f.o.b. terms, the trade deficit came to about 1 300 million marks. Two thirds of the trade deficit occurred in bilateral trade, and the deficit in the trade with Western markets was smaller than last year. The volume of imports grew by about 8 per cent and that of exports by more than 11 per cent, compared with the corresponding period in 1973. As a result of rises in the price of fuel, import prices rose by 42 per cent. As prices of forest industry products developed favourably, export prices rose by more than 36 per cent, which means that the terms of trade weakened by only about 5 per cent.

Net income from services grew by 15 per cent and covered almost a third of the trade deficit in January—June. As interest expenditure on foreign loans had grown, the need for foreign exchange increased, and the current account showed a deficit of 2 000 million marks, which was 14 per cent of total current expenditure. In 1973 the deficit was 7 per cent of total current expenditure.

The net inflow of long-term foreign loan capital amounted to 360 million marks in January—June. The inflow of foreign loan capital was

held back by instability on foreign exchange markets and high interest rates. Drawings of long-term export credits granted to foreign customers exceeded repayments of outstanding loans by almost 140 million marks. As other long-term capital items almost offset one other, the total net inflow of long-term capital came to 210 million marks.

The net inflow of short-term capital amounted to 1 430 million marks in January—June. The major part of this inflow was the result of an increase in trade credits which was caused by the sharp rise in the value of imports. However, the inflow of short-term capital was also raised by the fact that short-term export credits granted to foreign customers had been cut substantially during the second quarter of the year.

During the first half of the year, the net inflow of long-term and short-term capital totalled 1 640 million marks. The country's foreign exchange reserves declined by 365 million marks. This decline was caused almost entirely by the growth of the bilateral clearing account debt, for convertible foreign exchange reserves remained almost unchanged. The Bank of Finland's holdings of convertible exchange grew by 284 million marks during January—June. The net foreign exchange assets of other foreign exchange holders had totalled 165 million marks at the beginning of the year, but at the end of June the net foreign exchange liability of these holders totalled 137 million marks.

Finland's net foreign indebtedness came to about 10 000 million marks at the end of June, which is almost 14 per cent of the gross domestic product.

MAJOR BALANCE OF PAYMENTS ITEMS,

	MILL. MK	
	January—June	
	1974	1973
Trade account	—2 130	—1 227
Service account	640	560
Visible and invisible trade account	—1 490	— 667
Other current account items	— 510	— 365
Current account	—2 000	—1 032
Long-term capital	210	— 35
Short-term capital	1 430	333
Capital flows	1 640	298
Change in the foreign exchange reserves	— 365	— 734

Inflow of long-term loan capital in January—June 1974. During the first half of the current year, drawings of long-term foreign loans amounted to 1 217 million marks and redemptions to 840 million marks. Thus drawings of long-term loans exceeded corresponding redemptions by 377 million marks. This increase in the foreign debt mainly took place during the second quarter of the year. During the first quarter, drawings of long-term loans exceeded redemptions of outstanding loans only by 15 million marks. Total long-term foreign debt came to 10 971 million marks at the end of June. The exchange rates used were the average selling rates for the month in which the drawings and redemptions were effected.

Drawings of financial loans increased particularly sharply during the second quarter, when the total inflow amounted to 762 million marks. Corresponding redemptions came to 605 million marks. Thus debt in the form of financial loans grew by 157 million marks and amounted to 8 837 million marks at the end of June.

As a consequence of a tightening in the international bond market, only two Finnish bond issues, totalling 65 million marks, were floated abroad in January—June. A US \$ 15 million municipal loan was floated in February, and in May the Industrialization Fund of Finland Ltd launched a 5 million Swiss franc issue. Amortizations of outstanding bonds amounted to 70 million marks in January—June. Total bond debt came to 2 661 million marks at the end of June.

Drawings of private placement loans amounted to 95 million marks, net. Drawings of loans granted by the World Bank came to 15 million marks, while redemptions of loans granted by the World Bank and foreign governments totalled 51 million marks.

Drawings of import credits amounted to 432 million marks during the period under review, while corresponding redemptions came to 230 million marks. Total import credit debt amounted to 1 922 million marks at the end of June.

Drawings of loans granted to subsidiaries exceeded corresponding repayments by 18 million marks.

Interest expenses on long-term foreign loans amounted to 384 million marks in January—June. When amortization payments are included, total debt service costs amount to 1 224 million marks, which is about 10 per cent of total current account earnings. In 1973 the ratio of total debt service costs to total current account earnings was less than 11 per cent.

Board of Management of the Bank of Finland. On April 5, 1974 at the meeting of the Cabinet, the President of the Republic accepted the resignation of Mr. Heikki Valvanne, D.Pol.Sc., Member of the Board of Management of the Bank of Finland effective September 1. Dr. Valvanne has taken up the post of General Manager of the Mortgage Bank of Finland Oy.

On August 9, 1974 at the meeting of the Cabinet, the President of the Republic appointed Mr. Rolf Kullberg, M.Pol.Sc., to the Board of Management of the Bank of Finland as from October 1. Mr. Kullberg has served as General Manager of Pohjoismaiden Yhdyspankki Oy — Nordiska Föreningsbanken Ab.

Appointment of a Director at the Bank. On September 18, 1974, the Bank Supervisors of the Parliament appointed Mr. Seppo Lindblom, Lic. Pol. Sc., Head of Economic Department of the Ministry of Finance, to the post of Director of the Bank of Finland from October 1, 1974.

BANK OF FINLAND

Board of Management

Mauno Koivisto

Governor

A. Simonen

Deputy Governor

Ahti Karjalainen

*Absent as a Member
of Government*

Päiviö Hetemäki

Pentti Uusivirta

Rolf Kullberg

Pertti Tammivuori

ad int.

Directors

Jouko J. Voutilainen

Jorma Aranko

Pertti Tammivuori

Markku Puntila

Seppo Lindblom

Senior officials

Pertti Kukkonen

Director, ADP-planning

Pauli Kanerva

Eino Helenius
Administration

K. Ignatius

Personnel

Antti Lehtinen

*Domestic Financial
Operations*

Kalle Koski

Capital Transfers

Kari Nars

Foreign Exchange Policy

Raili Nuortila

Eastern Trade

J. Ojala

Foreign Exchange Control

Kari Puumanen

Economics Dept.

Heikki Koskenkylä

Research Dept., ad int.

Stig Törnroth

Cash

K. Eirola

Automatic Data Processing

A. Nenonen

Foreign Correspondence

Stig G Björklund

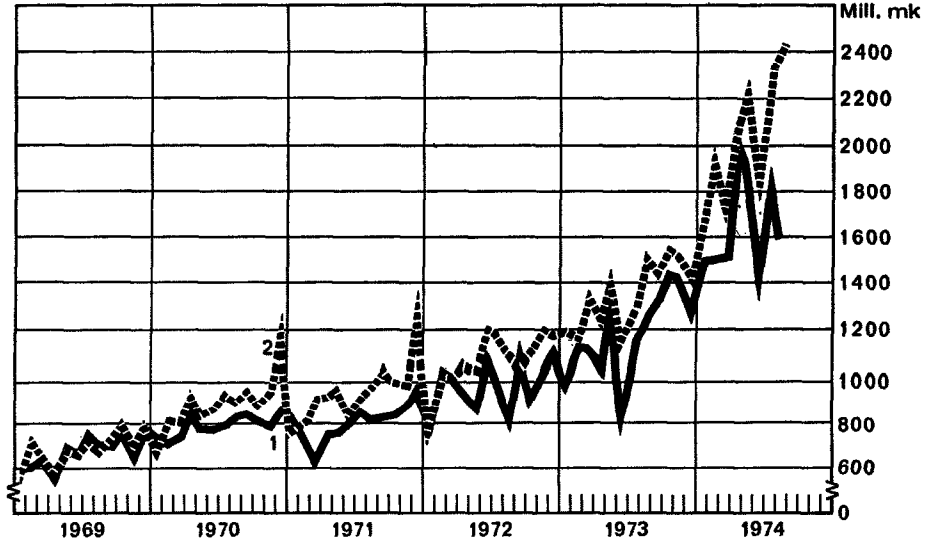
Banking Services

Eino Suomela

Internal Audit

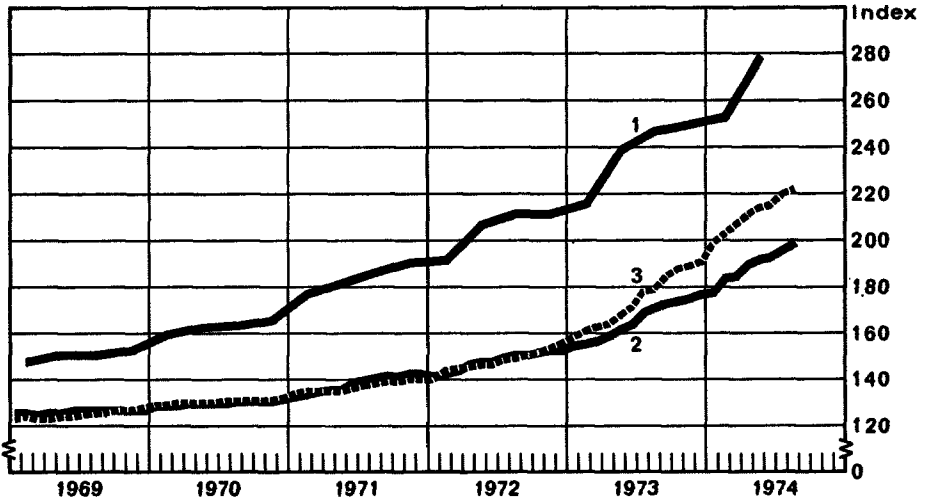
Foreign trade, 1969-1974

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



Prices and wages, 1969-1974

- 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, 1969-1974

- 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

